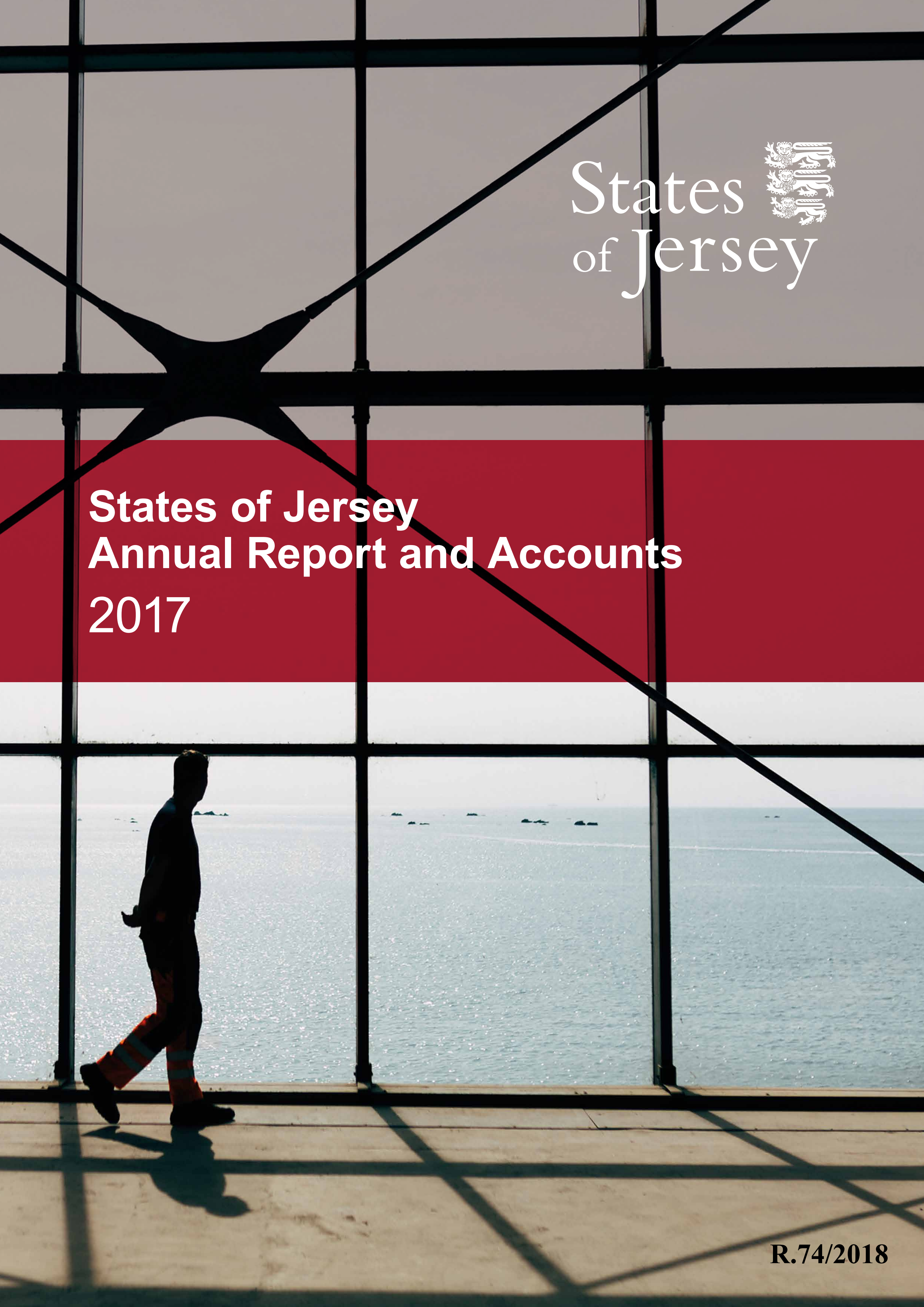

States of Jersey

States of Jersey Annual Report and Accounts 2017

R.74/2018

Our purpose

Our purpose as the government of Jersey is to serve and represent the best interests of the island and its citizens. In order to do this, we must:

- **Provide strong, fair and trusted leadership for the island and its people**
- **Deliver positive, sustainable economic, social and environmental outcomes for Jersey**
- **Ensure effective, efficient and sustainable management and use of public funds**
- **Ensure the provision of modern and highly-valued services for the public.**

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Our 2015-18 priorities

The 2015-18 Strategic Plan focuses on five priorities to be addressed during the Council of Ministers' term of office:

Sustainable public finances

To place Jersey on a sound path to structural fiscal balance and aim to balance States revenue and current expenditure (including depreciation) over the economic cycle, in line with the advice of the Fiscal Policy Panel.

Improve health and wellbeing

For islanders to live healthier lives, with access to high-quality, sustainable health and social care.

Improve education

For Jersey to benefit from high levels of skills, educational achievement, environmental awareness and participation.
Our focus on early years and education is intended to ensure that every islander has the opportunity to develop the skills and confidence to become a successful, independent citizen.

Optimise economic growth

For Jersey to achieve environmentally-sustainable, productivity-led economic growth, providing rewarding job opportunities and rising living standards across society. Our focus on economic growth is intended to help create more good jobs and opportunities for islanders, remove barriers to employment and increase participation.

Improve St Helier

To regenerate the town of St Helier as a vibrant, environmentally-aware and attractive urban centre of distinctive character that people want to use, visit, invest and live in. Our focus on St Helier will help improve the quality of its homes and neighbourhood. This includes the supply and quality of housing and the appeal of the public spaces and amenities we all use.

Chief Minister's foreword

Senator Ian Gorst
Chief Minister

This annual report provides a record of the government's outcomes against its objectives during the last financial year, and it also provides an opportunity to reflect on the achievements across the whole term of the 2014-18 Council of Ministers.

In our 2015-18 Strategic Plan, we set out five strategic objectives:

- sustainable public finances
- improve health and wellbeing
- improve education
- optimise economic growth
- improve St Helier.

I am pleased to report that we made progress on them all, both during our term of office and in the past year. I want to thank all of Jersey's public servants for their work over the past year in serving our island.

We made more progress in some areas than in others, as much of our focus last year was necessarily diverted to dealing with two critical issues: the negotiations by the UK to withdraw from the European Union and the report of the Independent Jersey Care Inquiry.

Brexit involved considerable work by me, the Minister for External Relations and our teams in ensuring that Jersey's voice was heard in the UK, and that our interests were understood and represented during negotiations with the EU. We have maintained a proactive programme of engagement with UK parliamentarians and government departments, as well as with our EU partners through the Channel Islands Brussels Office.

We have been successful in that endeavour to date, although the uncertainty about the economic and social impacts on Jersey of the UK's exit from the EU remain. This is one of the areas of concern for the Fiscal Policy Panel in assessing Jersey's economic outlook.

Our best protection against these impacts is a strong economy, and strong relations with the UK, EU and further afield, to protect our financial services sector, boost trade and ensure that Jersey remains a well-regarded, well-regulated and competitive jurisdiction. We have been building deeper economic relationships with countries outside the EU, both to attract inward investment to Jersey and to provide a market for our goods and services.

Economic indicators are positive. We achieved record employment levels last year and the lowest unemployment in eight years. Much of this has depended on the continuing health of our finance industry, which provides more than 13,000 jobs for islanders – more even than before the financial crisis.

Employment has grown too through our support of growing sectors like digital and fintech, and through government initiatives to help islanders into work. Other economic indicators are positive too: Visit Jersey reported a growth in visitor numbers, and our construction sector has a very strong pipeline of projects.

But our long-term economic prospects require us to improve our low productivity, which will help us to manage issues like population growth. And while the changing nature of the job market could eventually leave some jobs obsolete, this also presents new opportunities, which we aim to exploit through initiatives like our Digital Policy Framework, which has 'digital skills for all' as one of its six core objectives.

Thanks to sound financial management, our island's finances are relatively healthy. However, while income from taxation has proved to be resilient and exceeds forecasts, our strong investment performance in markets should not be allowed to mask the underlying fiscal balance.

While there was a £23 million surplus of core States' receipts over expenditure in 2017, this is in part due to high balances on the Consolidated Fund, the current account, and favourable market conditions, creating returns of £10.6 million. These returns may not be repeated each year, and without them, we would have achieved a smaller surplus in 2017.

£23m
surplus of revenue over spending

Therefore, the government needs considerable and unwavering focus to maintain the sustainability of our finances, given the uncertainties and risks to revenues, as well as the long-term trends arising from an ageing population, which will require further investment in health, including the £466 million new hospital in St Helier.

There are also costs arising from implementing the Care Inquiry recommendations, the new grant scheme for students attending university and investment in education and long-term infrastructure, such as the £45 million new Les Quennevais School, which was proposed and approved by the States Assembly last year.

The second critical issue, the Care Inquiry, was the biggest social crisis that our island has ever experienced. Decades of neglect and abuse of children in our care were exposed, and I pledged to implement in full the recommendations of the report, which was published in July 2017.

During the second half of the year, a number of the recommendations were implemented, including appointing the first Children's Commissioner, although I regret that the pace of implementation and reform of children's services has not been fast enough.

Further and faster reform of children's services is needed, and the appointment of a new Chief Executive, with extensive experience of children's services, who took up his role in January 2018, is an important step in giving impetus to this critically-important area.

It is right that the government looks to the long-term future at the same time as managing current needs. During the past two years we developed Future Jersey – a vision for the island for the next 20 years, based on the most extensive consultation exercise with islanders ever undertaken. Islanders told us what is important to them, and in 2017, following further consultation, we finalised this vision, the key outcomes that islanders want the government and society to achieve, and the many indicators that we will measure and be held to account for.

Future Jersey has now been published, and it will be a roadmap that will guide policymaking for Ministers, the Assembly and the public service over the next two decades.

FUTURE JERSEY
A long-term community vision

We also continued our programme of public sector reform, which accelerated towards the end of 2017 with detailed preparation undertaken for fundamental changes to the way the public sector operates and serves islanders. The incoming Chief Executive, Charlie Parker, initiated work and detailed planning ahead of his arrival for restructuring the public service and to improve accountability. I am pleased to report that those restructuring and modernising plans were announced in early 2018, and the States Assembly approved my proposition in April to change the governance of public administration in Jersey, to establish the Chief Executive Officer as Principal Accounting Officer and to establish a single legal entity for Government.

These changes are the essential foundation for a modern and efficient public sector that works together as one government, to deliver quality, value-for-money public services to islanders.

This report is a record of how the public administration and the Council of Ministers have worked together for islanders, and what has been achieved as a result. It is not a varnished account, as it exposes areas of weakness and underperformance alongside evidence of good service. But it shows how we have laid the foundations for the fundamental reform that this island needs, and which the next Council of Ministers will lead and deliver.

Chief Executive's report

Charlie Parker
Chief Executive

This annual report covers a period during which the States of Jersey was led by my predecessor. In the detailed financial analysis, and the extensive range of activities that this report seeks to cover, it is possible to overlook that it also represents the hard work and commitment that thousands of public servants show every day to serve our island community.

On behalf of the government, I would like to thank our employees for their service and acknowledge and praise what they do to make this island a safe, secure and special place to live.

This report shows a public service that is seeking to meet Ministerial priorities, to develop and grow the economy, to manage public finances responsibly, raising revenues to pay for public services, financial support to families and to provide a cushion against shocks.

It is an organisation that seeks to protect the natural environment, invest in housing, infrastructure and skills, provide healthcare and education, promote sport, culture and heritage, keep islanders and our borders safe and secure, and maintain our position on the world stage.

Through prudent financial management, supported by a growth in tax revenues from expanding employment, we continued to deliver balanced budgets ahead of the 2019 target.

However, the strong public finances in 2017 mask a real structural deficit that will arise if we do not deliver the remainder of the efficiencies, savings and revenue-raising measures. In short, there is an unsustainable gap between revenue and expenditure that must be addressed by 2019 and beyond.

There are many examples of good performance in the report, on which we can build. Social Security, for instance, has shown how building services around customer needs delivers good customer service, as well as how good performance data can be used to inform changes and improve performance. Health and Social Services provides ample evidence of the care with which the medical profession treats islanders, as well as how improvements in preventative care are protecting public health. And the Department for Infrastructure demonstrates innovation and good custodianship of our island's public realm across a wide range of its activities, from parking to energy-from-waste, and sewage treatment to recycling.

But there are also too many examples where performance is not up to scratch, where it is uncoordinated, inconsistent and not providing good value for money. It is an organisation that is not performing at the level that it could do and should do. Most worryingly, there are obvious weaknesses in the level of our care for vulnerable people, especially children. These must be – and are being – urgently addressed.

As the Chief Minister remarks, there are also risks and threats to Jersey's continued prosperity. Jersey's public service must support the island to withstand them, as well as provide the high-quality, value-for-money services that islanders have a right to expect. But our current structure, processes, ways of working and culture are impairing the flexibility, responsiveness and effectiveness we need to do this.

That is why, last November, I set out my vision to the organisation and explained why and how we need to reform and transform the States of Jersey. I said that a modern public sector is one that works together, as one government, across departments and functions, and with our external partners – knitting services together, reducing duplication and bureaucracy, and getting better value for taxpayers' money.

A government that focuses inwards on its institutions and longstanding processes isn't focusing on the needs of its customers. So we will build on the examples of good customer service that we can demonstrate and make this the 'Jersey Standard' – getting things right first time, every time. We will also build on the digital innovation that has taken place over the past year, but innovate faster and invest more to deliver the modern, online services that islanders want from their government.

This report – unlike previous annual reports – is attempting to be more open about the performance of the public service, rather than simply to account for how money is raised and spent. It is seeking to show what outcomes that money has achieved. This is an important step towards the greater transparency and accountability that should underpin public services, and on which I will build during my time as Chief Executive of the States of Jersey.

This report shows an organisation that has worked hard to serve its community, even where it has not always worked well. By improving how it works, by restructuring and modernising, investing in new services and skills, becoming more commercial and more customer focused, and by having a clearer purpose, objectives and accountabilities, we will build an organisation that is more effective, more efficient and delivers outstanding public services – that represent value for money and which contribute to the prosperity and productivity of the island.

Key deliveries 2017

£728m
collected in taxes

93%
of 999 Police calls answered in 10 seconds

£10.4m
grants paid by Jersey Overseas Aid

£23m
surplus of revenue over spending

944
babies delivered

£7.5m
extra tax secured from compliance activity

24,000
adults vaccinated against flu

£4m+
paid to support Jersey culture and heritage

71%
GCSE passes at grade A*-C

38,777
Emergency Department patients treated

1,442
planning applications processed

5,333
operations performed

Customs and Immigration seized drugs worth
£3m

2,500km²
sea waters patrolled

9,022
ambulance responses

180
pollution, fly-tipping and burning incidents investigated

£45m
paid to support 1,335 people with long term care

92,108
surgical outpatient appointments

323
apprentices placed in 24 industries

680
emergencies attended by Fire and Rescue

Lowest unemployment for
8 years

10,000
people provided homes by Andium Homes

9,415
children vaccinated

166
miles of road maintained

33,578
tonnes of waste collected and recycled

136
people kept securely in prison

81%
A level passes at grade A*-C

4,727
adults referred to community care

4,989
police stop checks

43.8m
kWh of electricity generated from waste

136
start-ups supported

400,000
library visits

13,248
children taught in schools

1,704
people detained in Police custody

9.7m m^3
of sewage processed

£69m
paid to support 5,763 low-income families

31,880
pensioners received pensions worth £179m

27,375
weather forecasts issued by Jersey Met

1,800
new job starts through Back to Work

96
children looked after in our care

Our performance in 2017

The States of Jersey Group's activities cover every aspect of life in our island, touching every islander, community, business and stakeholder. This performance report refers not just to the departments that make up the States of Jersey, but also the special funds, such as the Strategic Reserve and Social Security Funds, and the wholly-owned subsidiaries owned by the States of Jersey.

See Section 1.4 on page 77 for more details on what comprises the States of Jersey Group.

The following sections provide a summary of the activities and achievements of the States of Jersey in 2017 against our strategic goals.

Our goals

The Council of Ministers has a collective responsibility to deliver better lives for islanders and a better future for Jersey. Its social, environmental and economic goals – which provide direction for the activities and services of the States of Jersey – are to:

i. **Look after Jersey's finances and assets, ensuring responsible use of public funds**

ii. **Increase the performance of the local economy, encourage economic diversification and improve job opportunities for local people**

iii. **Promote Jersey's positive international identity**

iv. **Promote health and social wellbeing for the whole community, providing prompt services for all and protecting the interests of the frail and the vulnerable**

v. **Provide a first-class education service, supporting the development of skills, creativity and life-long learning**

vi. **Maintain a safe and just society**

vii. **Help people in Jersey achieve and maintain financial independence and safeguard the most vulnerable in our community**

viii. **Champion a proper supply of housing of all types, promote affordability, improve housing standards and build strong communities**

ix. **Promote sporting, leisure and cultural activities that enrich islanders’ lives**

x. **Protect and enhance the island’s natural and built environment**

xi. **Provide attractive and well-maintained public spaces, protect the environment from the impact of waste products and develop public transport, road and cycle networks that meet the needs of the community.**

i. Public finances

Sustainable finances

Delivering sustainable public finances is one of the States' five strategic priorities. The government aims to place Jersey on a sound path to structural fiscal balance and to balance States revenue and current expenditure (including depreciation) over the economic cycle, in line with the advice of the independent Fiscal Policy Panel (FPP).

The current Strategic Plan highlighted the £70 million annual investment needed in services by 2019, predominantly in health and education. It also outlined the £168 million needed to protect investment in the economy and deliver key items of capital expenditure, including £56 million for new schools.

To fund this investment on an affordable and sustainable basis, and to achieve the aim of balancing the budget by 2019, the States Assembly agreed to maintain investment in the economy and to implement a programme of savings, efficiencies, pay restraint and revenue-raising measures.

The plan laid out in the Medium-Term Financial Plan Addition, and agreed in principle by the States Assembly, included £73 million of staff and non-staff savings over the period 2015-19; containing benefit spending to save £10 million; introducing commercial refuse and liquid waste charges to raise £11 million a year by 2019; and raising £15 million a year through a new health charge.

Work to continue implementing that strategy continued during 2017.

Balancing the books

Delivery of the majority of measures outlined in the MTFP Addition, combined with resilient revenues, contributed to a £23 million general revenue income surplus in 2017, ahead of the target of 2019.

This positive financial performance allows some degree of additional flexibility, given the risks to the delivery of outstanding measures, which will still be needed if we are to continue to balance the books by the start of the next Medium Term Plan.

Updates to income forecasts are being finalised for the period of the next Medium Term Plan for 2020-23 and work is progressing on expenditure and infrastructure investment requirements.

Strong balance sheet

2017 saw a further year of strong growth in reserves at the States of Jersey Group level, with total returns of more than 10% on reserves, equating to £282 million.

These returns, and an increase in the value of property and other fixed assets, were the major contributors to total net assets growing by more than £500 million to £6.8 billion.

Resilient performance in tax receipts enabled the additional flexibility over the medium term, recommended by the Fiscal Policy Panel, by increasing the balances in the Consolidated Fund. We expect that these balances will be released either to the Strategic Reserve or to replenish the Stabilisation Fund to protect against cyclical downturns in the economy.

But the strong balance sheet and performance at a States of Jersey Group level, showing a surplus of £272 million, should not detract from the need to maintain the balance between tax and spending. The strong investment returns, on combined reserves including the Strategic Reserve and the Social Security Funds are not available to fund departmental spend, but are ring-fenced for specific purposes.

These returns further strengthen the balance sheet to provide protection against external shocks to the economy, as well as considerable provision against costs associated with an ageing population – especially pensions and the cost of long-term care.

For a more detailed understanding of the financial performance for the year, please see the Financial Review Section.

Budget 2018

After the States Assembly rejected the Health Charge in 2016, the States agreed to other replacement tax measures, worth £12 million a year in Budget 2018.

Liquid Waste charges were proposed as part of the package of measures to replace the stream of income expected from the Health Charge. However, they are still to be agreed by the States Assembly.

For 2018, the flexibility within plans, as recommended by the Fiscal Policy Panel, allowed for growth in spending in Health and Social Services to be trimmed to reflect the profile of the current rate of project delivery, and redirected to the Department for Infrastructure to fill the gap in its cash limit resulting from the delay in introducing charges.

This still allowed an additional £7 million a year to be invested in Health and Social Services in Budget 2018. But it remains vitally important that waste charges – or alternative measures – are agreed by Budget 2019, if the planned investment in Health for that year is to be affordable within existing expenditure limits.

Fiscal Policy Panel

In its Annual Report in October 2017, the Fiscal Policy Panel emphasised the need to balance the books, and advised that the remaining measures (or ones of equal value) for 2018 and 2019 need to be implemented on time.

Modernising the Taxes Office

In 2017 we took the first significant steps towards modernising the Taxes Office, both in how we targeted our resources to collect unpaid taxes, and in bringing our systems up to date.

In 2017, we secured around £7.5 million from compliance activity, including £1.5 million from a voluntary disclosure exercise.

In addition, we began the work to replace the outdated Taxes Office computer system in earnest. This will lead to online filing of returns, improving the customer experience as well as leading to a more efficient and effective tax administration.

£7.5m

extra tax secured from compliance activity

We also developed a Revenue Administration Law, which will assist in modernising tax administration, including the introduction of new civil penalties and sanctions.

We also started a review and transformation of debt collection in 2017.

Improving financial management

In 2017, we also made progress in making the operation of the States Treasury itself more effective and efficient, implementing a new integrated payroll and HR management system for 4,800 pensioners and 7,000 monthly paid staff, as well as a new Income Collection and Reconciliation (ICAR) system, which will provide one system for the collection of income across the States of Jersey. This will improve efficiency, standardise processes across departments and dramatically reduce the number of bank accounts that we administer.

Towards the end of the year, the incoming Chief Executive Officer commissioned due diligence work on the public service, which included a review of the finance function. We also commissioned work to review the financial management maturity of the organisation. Those pieces of work identified a significant programme of transformation for the finance function and the management of finances, which will improve its effectiveness, professionalism, strategic advice and help secure better value for money across the States.

ii. Economy and employment

The economy remains resilient, with some positive indicators in 2017. The Fiscal Policy Panel forecasts 0.9% Gross Value Added (GVA) growth for 2017, following 1% GVA growth in 2016, which would be the fourth successive year of growth. This will only be confirmed with the publication of the ‘Measuring Jersey’s economy: Gross Value Added (GVA) 2017’ in September 2018.

Employment reached an all-time high of 61,610 in June 2017 and unemployment fell by 330 through the course of the year, to an eight-year low of 950. Average earnings growth, at 2.6%, also exceeded inflation for the fifth consecutive year.

Lowest unemployment for

8 years

There was a modest rise in inflation in 2017, ending the year at 3.6%, reflecting the impact of the referendum decision on the Sterling exchange rate, although this is expected to ease during 2018 and 2019.

The Fiscal Policy Panel highlighted four key issues for Jersey’s economic outlook:

- **uncertainty around Brexit and its implications for the Jersey economy which remains the biggest challenge in the immediate future**
- **competitive and regulatory challenges persist for the financial services sector in the medium-to-long term**
- **Jersey’s poor productivity performance over the recent economic cycle (highlighted by another fall in productivity in 2016) which – if repeated in coming years – will act as a drag on the medium-term prospects for the economy**
- **the projected ageing of our population, as in many other economies, which will bring other fiscal and economic challenges.**

Financial services

Financial services are the backbone of our economy, employing 13,330 people, but they cannot be taken for granted, since international finance is mobile and will locate where it has economic and regulatory stability and certainty, and a skilled labour force to draw on.

Maintaining the international reputation, competitiveness and stability of our financial services regulation is therefore critical to the sector, and in 2017, we brought forward a number of policy and legislative changes to underpin this. We launched the Jersey Private Fund, passed the Bank Recovery and Resolution (Jersey) Law and Dormant Bank Accounts (Jersey) Law, and implemented our exchange of beneficial ownership commitment with the United Kingdom.

We also supported Jersey Finance with funding to commission a strategic refresh of Jersey's financial services strategy. The refresh was designed to ensure that the island is well positioned to secure new sources of growth, respond to the opportunities and threats presented by Brexit, and is able to capitalise on advances in digital technology. The programme is being implemented in 2018.

Inward investment and High Value Residents

Locate Jersey focused its inward investment activity on attracting high-value, low-footprint companies that both complement, and add to, existing business sectors in the island, including digital and financial services companies, group HQs and charitable foundations. In 2017, there were:

- 149 new business enquiries – a 12% increase on 2016
- 31 businesses assisted to achieve licence approval – a 24% increase on 2016
- 273 potential job opportunities – a 37% increase on 2016

Last year, Jersey also approved 37 applications for High Value Residency (118% more than in 2016), and 20 recently approved individuals relocated during the year. There were property sales worth £95 million among this group, yielding more than £4.6 million in stamp duty.

Skills

To support future growth, we launched a Skills Strategy, which aims to ensure that all islanders are equipped with the skills required to realise their aspirations, regardless of age. As part of this strategy, Skills Jersey will provide a centre of excellence where industry, education, employees and young people can collaborate and ensure alignment between islanders' skills and employers' skill needs, to support economic growth and prosperity.

The Education Department also launched a degree-level apprenticeship in Construction Management, and developed apprenticeships in Civil Engineering and Digital and Technology Solutions, which will start in 2018.

Digital

We continued to support the expansion of our digital economy, supporting Digital Jersey with £1 million of funding to promote innovation and the start-up and expansion of digital businesses. We also published the Digital Policy Framework, establishing a roadmap for delivering our digital objectives.

We also continued to expand the government's own digital services, to make transactions with government more efficient. We implemented the PayByPhone car parking app, which has had the fastest take-up and deployment anywhere in the world; we launched a beta version of the one.gov.je customer services online portal, which we formally rolled out in early 2018; we appointed a digital ID service provider also concluded in early 2018; and we implemented an Online Passport application form for Jersey Customs and Immigration Service and the online Pension Plus Scheme for Social Security.

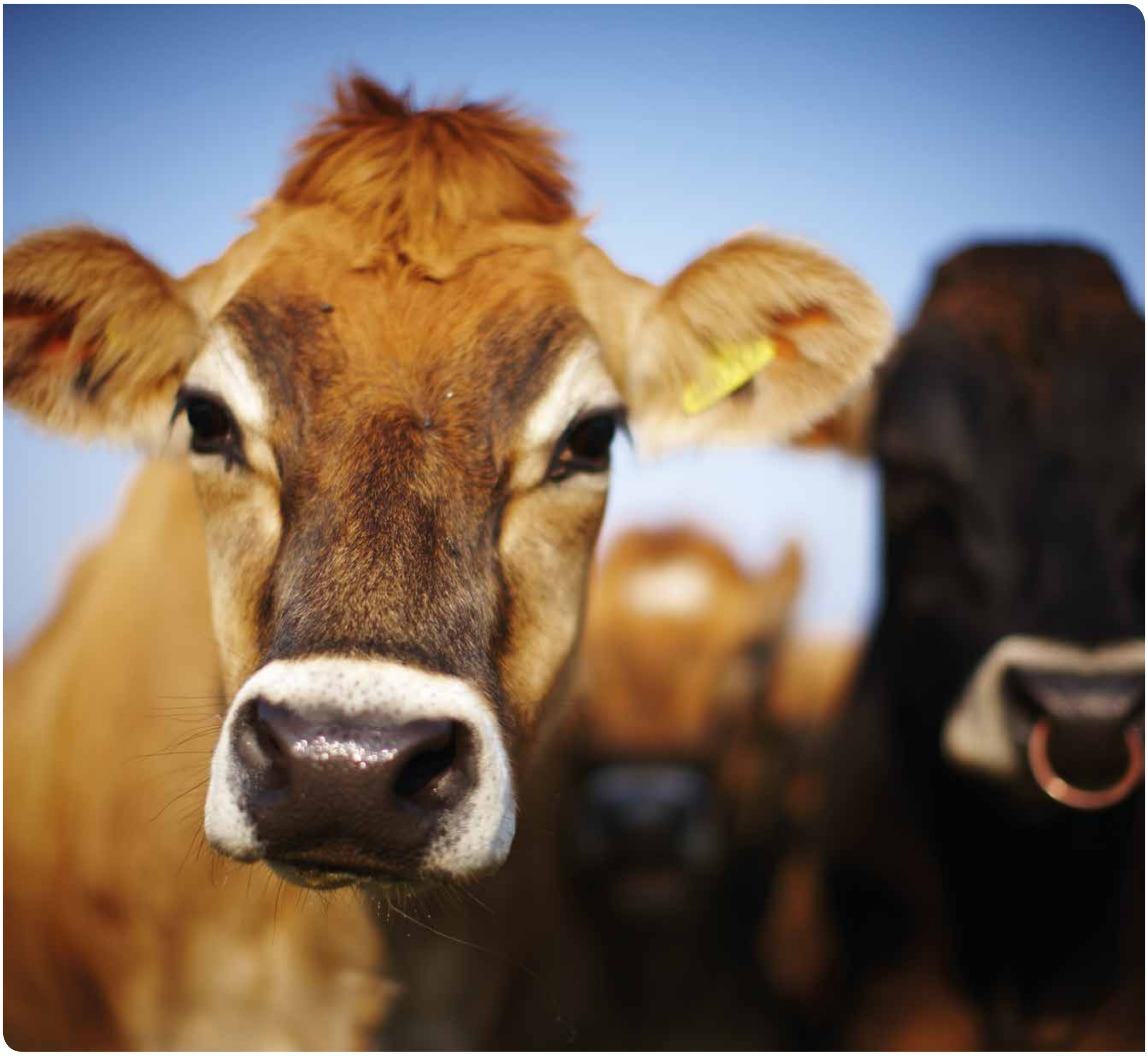
Rural economy

Our Rural Development programme provided direct and indirect grant support to farmers through:

- Rural Support Scheme – £647,500
- Quality Milk Payment Scheme – £400,000
- Rural Initiative Scheme – £93,250
- Grant funding to the Royal Jersey Agricultural and Horticultural Society for the provision of artificial insemination and milk recording services – £180,000.

- Grant funding to JPPL and Farm Jersey – £150,000
- Disease-free status cattle testing – £40,000.

We also introduced a new Rural Economy Strategy in 2017, which altered the way in which land managers access government funds. Instead of funding being linked directly to the area of land managed, applicants must now pass internationally-recognised market-focused audits. In this way, the Rural Support Scheme has begun the process of 'direct purchase of public goods', while the agreed budget to 2019 gives local producers certainty of future government support during the uncertainty of Brexit. And we supported both Jersey Product Promotion Limited (Genuine Jersey) and Farm Jersey, consolidating off-island promotional efforts and increasing the opportunity for producers to access export markets.



Tourism

Tourism is growing, supported by a vigorous international campaign of marketing and events by Visit Jersey. In 2017, there were 727,000 visits to Jersey (5% more than in 2016), spending 2.9 million nights in the island and spending £250 million in the island on accommodation, food and drink, transport, attractions, retail, tours and other items (4% more than in 2016).

(See Visit Jersey's 2017 Annual Report for more details.)

Employment rights

During 2017, the Employment Forum reviewed family-friendly employment rights following the introduction of the basic rights established in 2015. Following public consultation the Forum recommended significant changes to family-friendly employment rights to be implemented over a two-year period.

These included entitlement to up to 52 weeks' parental leave, with six weeks being paid by the employer. These rights apply to both parents, as well as to parents who are adopting a child or who become parents through surrogacy. Other recommendations relate to flexible working requests, time off for attending antenatal appointments and making reasonable provision for breastfeeding mothers.

Legislation to introduce the first stage of the changes was drafted towards the end of 2017 and subsequently approved by the States Assembly early in 2018. Legislation for the second stage is due to be completed in 2018.

Minimum wage

We also increased the minimum wage in April 2017 to £7.18 per hour, and following a recommendation by the Employment Forum, the States Assembly approved a 4.5% increase to £7.50 per hour from April 2018.

Back to Work

The Back to Work scheme continued to support people who are actively seeking work, and to help them back into paid employment. During 2017, Back to Work continued to improve its provision to provide a swift and flexible response to the needs of both jobseekers and employers and supported more than 1,800 job starts during the year. More than half of these were in retail, hospitality, construction and finance.

1,800

new job starts through Back to Work

Jersey Business also supported 136 start-up clients in 2017, of which 60 are now trading, generating 133 new jobs.

136

start-ups supported

iii. Jersey's international identity

With the uncertainties about Brexit and the challenges from the EU to Jersey's reputation as an effective, globally-engaged and well-regulated jurisdiction, it has never been more important to develop Jersey's international identity, and ensure that the island is properly represented on the world stage.

In 2017, therefore, we stepped up our programme of political and official engagement in the UK, EU and further afield, to ensure that Jersey has continued and effective representation, and that we are able to build lasting relationships with priority emerging markets.

Brexit

Through our extensive contingency planning and ongoing dialogue at Ministerial and official level with the UK Government, we are ensuring that Jersey's interests are understood, protected and promoted during the UK's negotiations to leave the EU on matters such as the Customs Union and future trading relationships with the EU. We are also working to prepare for possible impacts on immigration, migration and justice; financial services; agriculture and fisheries; and transport and communications.

EU and multinational issues

In June 2017, Jersey formally signed up to the OECD Multilateral Convention on Base Erosion and Profit Shifting, alongside 60 other jurisdictions and in December, we became one of the first five jurisdictions in the world to ratify the OECD's Multilateral Instrument.

We also successfully engaged with the EU Code of Conduct Group on Business Taxation, ensuring that Jersey was listed as a 'cooperative jurisdiction' in December 2017.

We also successfully engaged with the EU Code of Conduct Group on Business Taxation, ensuring that Jersey was listed as a 'cooperative jurisdiction' in December 2017.

Global markets strategy

Also in 2017, we created a Global Markets Team to develop, consult on and implement a strategy for enhancing Jersey's valuable commercial and political relationships with priority global markets, and especially high-growth economies in sub-Saharan Africa, the Middle East, China and India.

The team established a cross-government Global Markets Coordination Group, comprising representatives from government departments and arms-length bodies, such as Jersey Overseas Aid, Jersey Finance Ltd, and the Jersey Financial Services Commission, to ensure a whole-of-island approach to delivering Jersey's objectives internationally.

It also organised a series of Ministerial visits to priority jurisdictions in Africa, the Middle East, India, and the United States in pursuit of trade and investment opportunities, which provided a solid basis on which to progress discussions with a number of high-growth economies in 2018.

The team is responsible for developing the legislative and treaty framework that underpins trade flows, for example through negotiating Double Taxation Agreements, Bilateral Investment Treaties, Memoranda of Understanding, Asset Sharing and other related agreements.

We spent £1.9 million in 2017 on these activities.

We also spent £0.5 million on Locate Jersey in seeking to attract businesses to Jersey and High Net Worth individuals to relocate to the island and contribute to our economy through taxes and investments (see Economy section).

And we spent £5.1 million in grant funding to Visit Jersey to promote the island as a destination for international visitors.

Overseas aid

Our international identity is also formed from our humanitarian and development aid overseas. In 2017 Jersey Overseas Aid spent £10.4 million on grant aid to international charities and UN agencies, emergencies, Jersey charities supporting international aid and community work projects involving Jersey volunteers.

£10.4m
grants paid by Jersey Overseas Aid

In 2017 the Commission increased aid for those affected by wars and disasters to £2.9 million, including more than £350,000 to support Rohingya refugees in Bangladesh and almost £1 million for the victims of cholera and conflict in Yemen. An innovative arrangement with the United Nations in Syria, where Jersey participates in Board meetings of the Syrian Humanitarian Fund, means that the island's aid can now rapidly and safely be deployed to reach the thousands of civilians affected by the worst humanitarian crisis since World War Two.

Jersey Overseas Aid also launched its largest-ever aid project in 2017 – a two-year grant of £1 million to Jersey's Royal Jersey Agriculture and Horticulture Society, to transform dairy farming in Rwanda.

Jersey can be proud that our small island looks beyond our borders and provides tangible help for people facing disaster and conflict or who are living in some of the world's poorest countries.

iv. Health and social wellbeing

Supporting the health and wellbeing of islanders is a primary duty for government, and in 2017 we spent £211 million on these services provided by Health and Social Services, comprising:

Hospital Services
£130.1 million

Community and Social Services
£68.7 million

Voluntary and Community Sector
£12.2 million

We also funded a further £28.5 million of health benefits to islanders from social security contributions into the Health Insurance Fund (HIF) for 338,000 GP visits and two million community pharmacy items.

Prevention

The prevention of disease is both the most effective way to improve health and wellbeing, and is the most cost-effective health intervention for the government, since it averts much more resource-intensive interventions later on, whether by GPs in the community or in hospital.

In 2017, we funded almost 28,000 vaccinations, and made the flu vaccine more accessible to those most vulnerable to the infection through collaborative working of Health, Social Security, GP surgeries, community pharmacists, children’s nurseries and primary schools.

Prevention for children

In 2017, we gave 23,429 vaccines to 9,415 children, to protect them against preventable diseases. This included:

- a new programme of vaccination for babies against hepatitis B infection, ensuring all babies are now offered protection
- 904 seasonal flu nasal vaccinations in nurseries
- 6,324 vaccinations in schools, including the annual nasal flu vaccine to all primary school children, a vaccination in year 8 to protect girls against cervical cancer and booster vaccinations to all pupils in year 9
- 5,619 vaccination consultations in GP surgeries for children aged between eight weeks and 3.5 years.

9,415
children vaccinated

As a result of the flu vaccine, 56% of 2-4 year olds and 59% of all primary school children are now protected.

Our Preventive Programmes initiative also funded six-week physical and developmental checks for 961 babies, which were performed by GPs.

Prevention for adults

In 2017, we gave the shingles vaccine to 5,196 adults aged 70 or older, including 3,940 aged 71-79, in the shingles catch-up vaccination programme, thereby protecting some of our oldest islanders against a painful and debilitating condition. In total, 62% of elderly islanders have been protected, compared with between 35% and 46% in the UK, depending on locality and age.

Under the new flu vaccination initiative, 24,000 adults were vaccinated, including more than 3,500 who opted to receive it in their local pharmacy. As a result, 59% of those aged 65 and over (50% in previous year) and 35% clinical at-risk adults under 65 (24% in previous year) were vaccinated. Not only did this improve the health of islanders, but the lower infection rates helped to ensure that our hospital was able to cope with demand over the winter months.

24,000
adults vaccinated against flu

We vaccinated 543 pregnant women in 2017, to protect them, and their unborn babies, against whooping cough.

The Preventive Programmes initiative subsidised cervical screening for 5,528 women and provided breast cancer screening for 4,914 women at 180 cervical screening sessions.

Hospital services

Our hospital continued to provide a wide range of out-patient and in-patient care for islanders in 2017.

Surgical Services and Theatres provided surgical care and other specialist services, including operating theatres, day surgery, endoscopy, intensive care and wards for surgical patients. Other specialist services include ear, nose and throat, ophthalmology, dental and urology services.

In 2017, we handled:

- 41,407 medical outpatient appointments (39,488 in 2016). Almost one in ten of all of these appointments were missed by patients despite our sending text reminders
- 92,108 surgical outpatient appointments (91,801 in 2016)
- 38,777 Emergency Department attendances (39,164 in 2016)
- 5,333 main theatre procedures (5,431 in 2016)
- 5,455 surgical inpatient admissions (5,260 in 2016). This includes admissions for procedures, but also emergency admissions under the care of the surgical team, where assessments and non-surgical treatments were provided.
- 4,865 day surgery (5,494 in 2016) and 5,163 endoscopy procedures (5,041 in 2016).

92,108
surgical outpatient appointments

38,777
Emergency Department patients

5,333
operations

In 2017, the radiology department performed 52,650 X-rays (53,880 in 2016), 11,400 CT scans (10,570 in 2016) and 7,940 MRI scans (7,570 in 2016). The pathology department performed 113,926 renal profiles (blood sciences) (108,718 in 2016).

Waiting time performance

At the end of 2017, 563 patients (29.5%) had been on the waiting list for an inpatient or day case procedure for more than 90 days, compared to 402 (25.9%) at the end of 2016. Some of the increases in waiting lists are as a result of increasing surgical complexity (which can result in procedures taking longer, thereby reducing the number of procedures that can be carried out each day). There has also been an increase in new procedures undertaken in Jersey that were previously treated in the UK.

In December 2017, 3,368 people had been waiting longer than 90 days for an outpatient appointment. This represents an increase to 36.8% of people waiting longer than 90 days for an outpatient appointment, compared to 2,705 or 32.3% at the end of 2016. The areas with the longest out-patient waiting times are Community Dental and the Orthodontic Service, Dermatology and Gastroenterology. In 2018, there will be additional consultant appointments in all three specialties, which will create more capacity to meet the additional demand.

Ambulance Service

In 2017, the Ambulance Service responded to 9,022 emergency calls (8,713 in 2016). Of these, 68% arrived on scene within the target time of eight minutes. This was an improvement of 1.7%, compared to 2016, which was a particular achievement as the volume of calls increased by 3.5%.

9,022
ambulance responses

The Patient Transport Service also carried patients on 14,729 journeys (14,828 in 2016).

UK acute referrals

Jersey is well equipped to deal with a wide range of medical care needs locally. But there are instances where patients require specialist treatment that cannot be provided in the island, such as radiotherapy treatment for cancer. Jersey partners with a number of leading UK hospital and care providers where patients are referred for complex care if required.

In 2017, there were 1,577 acute referrals to the UK (1,622 in 2016), at a cost of £10.2 million. The number of referrals to the UK fell, because our investment in recent years in new permanent and visiting consultant staff and specialist equipment allows us to carry out procedures in Jersey that were previously performed in the UK. However, UK costs continue to put pressure on our finances, as the average complexity of treatments commissioned in the UK has increased. In addition, unit prices charged by UK hospitals have risen and continue to exert an upward pressure on the costs of services from the UK.

Women and children

The hospital provides medical care and wards specifically for women, maternity and child patients. In 2017, we had 10,537 woman and child outpatient appointments (9,951 in 2016), 3,096 inpatient treatments (3,241 in 2016) and we delivered 944 babies in our maternity unit (1,011 in 2016).

944
babies delivered

Hospital pharmacy

In 2017, the hospital pharmacy dispensed 122,404 items to outpatients (118,410 in 2016) in addition to 66,954 items for patients being discharged (65,729 in 2016). The pharmacy also supplied 283,554 items to wards, 3,492 chemotherapy treatments and 695 ready-prepared chemotherapy treatments.

Community health and social care

In 2017, community-based teams provided Adult Social Care, Children's, Adult and Older Adult Mental Health Services, Alcohol and Drugs Services, Learning Disability and Autism Services, Occupational Therapy, Older Adults Services, Psychology, Social Inclusion and Speech and Language Therapy.

We received more than 4,700 referrals into our community services for adults. We provided many of them with assessments of their needs and support with getting long-term care, primarily from voluntary and private sector providers and funded by the Long Term Care Benefit. Health and Social Services continues to provide or specifically commission care where individual needs are particularly complex and costs exceed the Long Term Care Benefit. By the end of 2017, Health and Social Services was commissioning 79 domiciliary care packages in Jersey, and three social care placements in the UK.

4,727
adults referred to community care

The Long Term Care scheme was so successful in the early years that a waiting list built up and the Adult Social Care team was overwhelmed by demand. By the beginning of 2017 there were an average of 100 clients on the waiting list and those clients were waiting an average of 54 days from referral to first contact. However, by the end of 2017 these issues had been addressed, and the average wait had been reduced to 6.5 days. The team is now keeping pace with demand and providing a timely service to their long-term care clients.

Mental health

The Child and Adolescent Mental Health Service (CAMHS) provides mental health services to young people, through joint working with a wide range of partners.

The Primary Mental Health Team worked to embed a new service offer from June 2017, to promote mental wellbeing in children and young people. This is co-located within the Psychology and Well-being Service and the team comprises two professionals working alongside educational psychologists and well-being facilitators to raise awareness, upskill professionals and offer support to children and young people regarding mental health.

This is an early intervention service supporting mild to moderate mental health challenges, boasting strong links with our colleagues in CAMHS. During the last quarter of 2017, the service offered professional consultation to schools, including:

- termly, multi-agency planning and review meetings in 14 schools (leading to advice given regarding 18 young people)
- 21 requests for involvement agreed and one-to-one support provided
- 12 school-based meetings, in addition to professional support, for 27 young people.

During 2017, CAMHS accepted 303 referrals for assessment (302 in 2016), and a further 53 were signposted to other agencies (52 in 2016). In the last quarter of 2017, we implemented a new process to improve access to CAMHS and offered a consultation triage appointment to an additional 93 young people. On average, 42 young people were waiting at any one-time and 62% of assessments were completed within the target time.

In Adult Mental Health, we conducted a thorough review of the discharge process from the inpatient facility in advance of the accreditation review. As a result, all patients discharged have a plan within 48 hours and we reorganised work to reduce travel time in the community and dedicate an extra 200 hours of contact time to community support.

During 2017 we had 34,288 contacts within Adult Mental Health Services, and 169 Mental Health Law Applications (161 in 2016). The most common reason for applications for compulsory detention in hospital is to ensure that the person receives medical treatment, either in their own best interest or for the protection of others. There was 70% bed occupancy in the adult mental health treatment unit, which was slightly less than in 2016.

At the end of 2017, 86% of people waiting were within target timescales for initial assessment with a community service. The Alcohol and Drug Service reviewed its target times in May 2017, with all urgent cases now to be seen within three days, and all other cases within 20 working days, instead of a ten working day turnaround on all assessments. This is now more in line with UK best practice.

In 2017, 871 patients were referred to the Alcohol Liaison Nurses (813 in 2016), 339 of whom were screened or offered a brief intervention. In addition, 85 individuals took part in the home detox programme and we distributed 85,450 needles through the needle exchange.

In Older Adult Mental Health, the community team provided 8,600 contacts for older adults. We maintained our provision of 25 beds for long-term mental health care for older adults at Clinique Pinel and 37 long-term beds for older people with age-related illnesses, such as dementia, at Rosewood House. We have continued to manage risks and monitor the quality of care using best practice techniques, such as the Patient Safety Thermometer.

Other community-based services

The Occupational Therapy Service received 7,060 referrals (6,911 in 2016) and discharged 6,068 cases. On average, 3,187 cases were active in each quarter. The service also carried out 9,341 home visits in 2017 (10,235 in 2016), and carried out an average of 284 outpatient sessions and 655 inpatient therapy sessions a month.

Health and Social Services provided 26 continuing care beds for older adults at Sandybrook.

The Speech and Language Therapy Service also provided 2,646 contacts for adults (2,466 in 2016).

Health and social care transformation

Islanders have told us that they want to be cared for at home wherever possible, so we have worked closely with our partners in the voluntary and independent sectors and in primary care to improve existing services and develop new services as part of our transformation programme, ‘A New Way Forward for Health and Social Care’.

Community services

The Rapid Response and Reablement Service is delivered by our partners, Family Nursing and Home Care. In 2017, we expanded the team to include mental health, in order to provide a holistic service that cares for a range of islanders' needs. The service responds quickly to needs and helps people regain life skills in order to avoid hospital admission, or helps an individual to return home quickly and remain healthy, well and independent for as long as possible.

In 2017 the service responded to 1,219 referrals, contacting 89.5% of patients within two hours. They provided 591 pieces of equipment and 237 people were treated and avoided hospital admission. The top five conditions were cellulitis, wound infections, falls, urinary infections and chest infections.

Reablement is also provided in Silver Lea (Silver Springs), for individuals who are not yet able to return home. In 2017, 84 individuals were cared for, and in November we funded a further bed, in order to provide more opportunities to access this care.

Community services continued to be provided for people with long-term conditions. In 2017 the Pulmonary Rehab Service expanded into a 'Breathlessness Rehab' service, providing exercise programmes to help people with lung disease and heart disease to cope with their condition. This service complements the Community Respiratory, Heart Failure and Home Oxygen services, which are also funded through the transformation budget.

In 2017, Jersey Hospice led the rollout of the Life 'Gold Standards Framework' across a wide range of health and social care settings. Jersey is the first jurisdiction to implement this consistently across so many different settings – including GP surgeries and care homes. The Hospice Community Team continued to provide services for any islander in their own home. In 2017, there were a total number of 536 referrals to the Special Palliative Care Team. This is a 20% increase from 2016, with the result that an average of 77% of people achieved their preferred place of death in 2017.

During 2017, we also developed plans for the future of Primary Care, progressing reports about workforce and funding and starting three sustainable primary care pilots. These test out new ways of delivering care for patients with long-term conditions, such as breathing difficulties and diabetes, and partnerships between hospital and community pharmacy, which reduce medicines errors and improve communication with patients.

The pilots involve more care being provided in the GP surgery, delivered in partnership between practice nurses and specialists, as well as proactively identifying patients at the early stages of their condition and providing early help, support and guidance to help people take control of their own health. Health and Social Services and Social Security are also working with colleagues in Social Security to identify how we can further improve support for people with health and care needs on low incomes.

Mental health transformation

Mental ill-health is often hidden, but is as debilitating to those who experience it as more visible health problems. Good mental wellbeing must also be supported; it is an essential part of remaining healthy, well and independent.

In the Mental Health Strategy 2015, the government made a commitment to support people living with and recovering from mental ill health.

In 2017, the Recovery College provided courses for 320 students, which were co-delivered by peer trainers and people with 'lived experience'. Both students and trainers agreed that they benefited from the courses: 94% of students stated that they would recommend the course to family and friends and 100% of trainers who worked with the College would recommend working there.

Jersey Talking Therapies (JTT) continued to provide services for islanders with low-level mental health needs in non-stigmatising settings, such as GP surgeries and local offices. In 2017 they cared for 439 islanders. However, the waiting list is still long for some of the steps in its service. For a Step 2 assessment, the wait is two to four weeks, but it is 13 weeks for a Step 3 assessment. The wait for a Step 2 therapeutic intervention is 23 weeks, and it is 34 weeks at Step 3. Improvement work is underway to reduce these waiting times.

Partnership working between Police, Ambulance and Mental Health services also developed in 2017. We trialled a six-month 'Community Triage' service, where specialist mental health support could be called on by phone or in person, if someone was demonstrating mental health issues. This helped to reduce the number of people brought into hospital or the police station, and helped increase skills and awareness in appropriate care.

The Criminal Justice Pathway working group also started, led by the Department of Community and Constitutional Affairs, to identify priority pathway and service improvements.

We also introduced link workers for older adults with mental health needs. Staff work with four groups of GP practices, where each group has around 25,000 patients. GPs now have a named person from whom to seek guidance and support, which helps them to provide high-quality care for their patients who have dementia.

Link workers have also been introduced into schools, providing specialist guidance to help teachers to identify and provide support to children who may be experiencing mental health issues or have mental health needs.

In 2017 a feasibility study and strategic case was produced, to scope the service needs and identify a site for new, modern mental health facilities. The outline business case is now nearing completion.

Jersey has a high incidence of people consuming alcohol to dangerous levels. The Alcohol Liaison Service works with Arrest Referral Workers, emergency services, GPs and voluntary and community sector organisations, to provide a seamless pathway of care for clients with identified alcohol misuse. The service offers screening, brief intervention and support at the hospital and refers people to the Alcohol Pathway Team for assessment following discharge from hospital.

The service also offers alcohol awareness training in hospital wards, and organisations within the community. Services continued to develop in 2017, including:

- the community-based relapse prevention programme – up to eight sessions of individual motivational counselling, abstinence and support to make lifestyle changes, including housing, employment, family and social relationships, advice, guidance and support on accessing benefits, return-to-work programmes and educational and/or volunteering opportunities
- Alcohol Assessment and Support Clinics in GP surgeries and in other venues, such as the Salvation Army Hub Cafe and Eagle House
- two Lifestyle/Alcohol Support Clinics in the General Hospital Outpatients Department.

In 2017, 113 detoxifications were completed, compared to 102 in 2016.

Also see section on Financial independence and safeguarding vulnerable people on page 52.

V. Education, skills and lifelong learning

Investment in our children's education is an investment in our island's wellbeing, social stability and future economic prosperity, and in 2017 we spent £103.7 million on caring for and teaching 13,248 schoolchildren and supporting 1,964 young people with further and higher education.

This spending comprised:

Early Years Services
£4.5 million

Non-fee-paying provided schools
£68.6 million

Fee-paying provided schools
£6.3 million

Non-provided schools
£4.8 million

Further and higher education
£18.6 million

Youth, careers and libraries
£4.5 million

Early years services

In 1997, we formulated an early years strategy to support children right at the beginning of their educational journey. In January 2017, 18 of the 24 States primary schools offered nursery provision (for children aged three to four years), and this increased to 19 States primary schools in September 2017. Alternative early years provision is through private sector nurseries, with funding for 20 free hours through the Nursey Education Fund (NEF).

Schools

- Jersey has 13,248 children in education, comprising 493 in nursery, 6,814 at primary school and 5,941 at secondary school. They are taught by 1,192 teachers and teaching assistants and took a total of 9,790 GCSE and A level exams in 2017.
- There were 1,003 year 11 children and 71% achieved grades A*-C exam pass rate in GCSEs (66% in England), with 24% achieving the highest grade (20% in England).
- 498 children were entered for A levels and achieved a 99.5% pass rate, with 81% achieving grades A*-C (77% in England).

13,248
children taught in schools

71%
GCSE passes at grade A*-C

81%
A level passes at grade A*-C

We also continued to make new investments in education, to ensure that we provide a high-quality environment for learning and support our children through further and higher education. We:

- opened three new classrooms
- secured planning approval for a £45 million investment in a new Les Quennevais School, which is scheduled to open in September 2020 and will accommodate up to 800 pupils
- proposed a new student finance scheme to support young people through higher education, which was agreed by the States early in 2018.

Jersey Premium

Following a successful pilot in 2016, we rolled out the Jersey Premium to all States schools in 2017, at a cost of £1.9 million. Schools are provided with additional funding and support to help raise the attainment of pupils most likely to underachieve. Funding was distributed across all schools, based on the need of the pupils. The scheme is based on the UK Pupil Premium, but is tailored specifically for Jersey and uses Income Support as the basis for eligibility in place of free school meals, which are not available in the island.

As a result of collaboration between Education and Social Security, more than 3,000 students have now been identified as eligible for support. The extra help they receive from teachers will ensure they are more likely to overcome social challenges and reach their full potential in educational terms.

Family Support Workers

In 2017, we recruited a team of Family Support Workers to help families to resolve a range of background issues that can affect a child's ability to learn well at school. They can advise on a range of problems, including poor sleep routines, organisation, housing issues, wellbeing, and can help parents through difficult periods in a way that teachers often do not have the time or expertise to do. The Family Support Workers have been warmly welcomed and fill a previous gap in services that should mean our students arrive at school ready for lessons.

Further and higher education

Highlands College provides 30 full-time and 70 part-time vocational courses, 11 higher education on-island degree courses and more than 280 adult education leisure classes for around 6,000 students. The online portal which provides the prospectus for adult education courses and the ability to enrol and pay online has become an embedded process in 2017 and its use has steadily increased with 34% (2016: 24%) of enrolments between January and December 2017 made online.

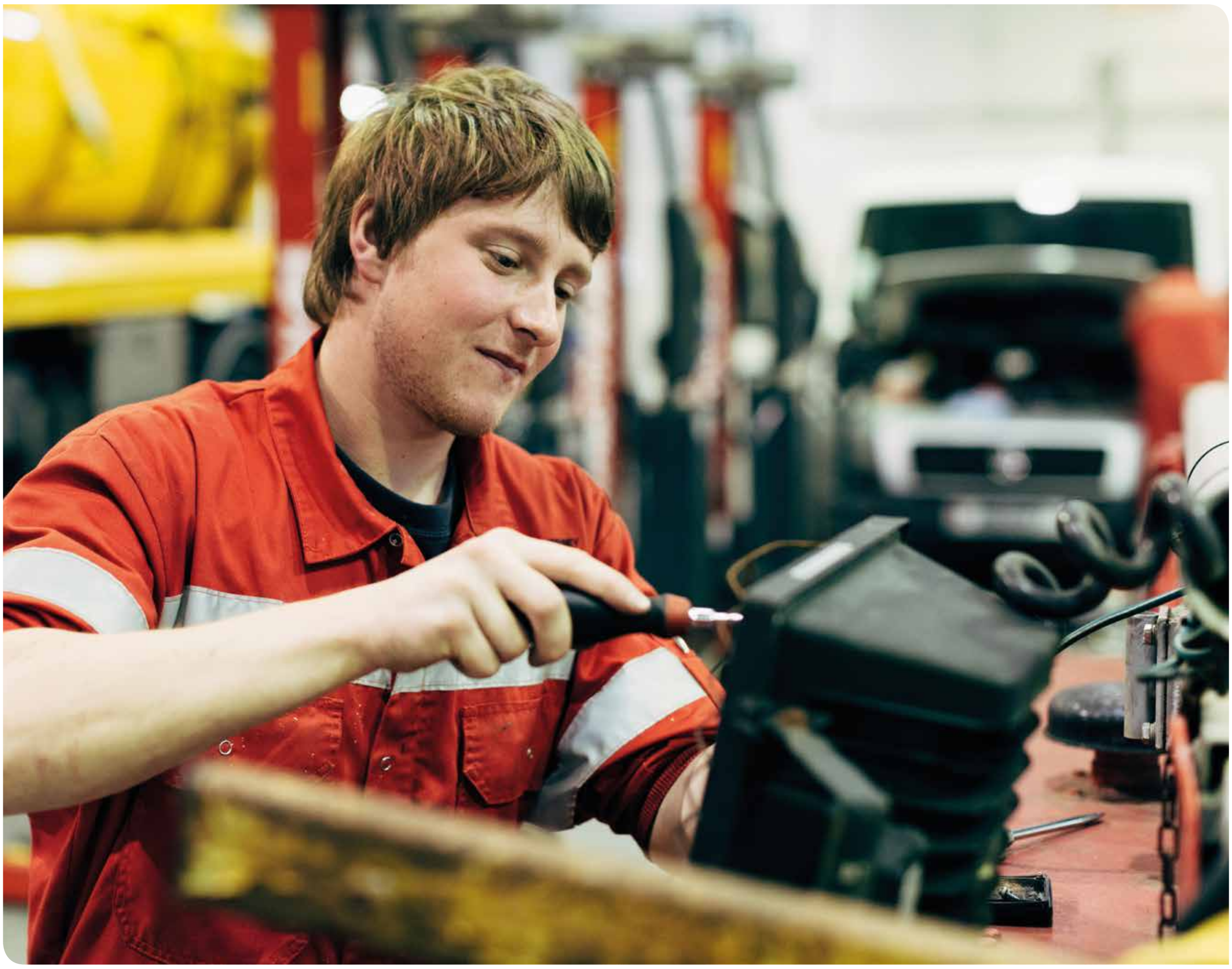
Highlands has launched a new Progression Diploma, specifically designed to prepare local young people for the job market on island if they do not choose higher education.

The Trackers apprenticeship scheme has expanded the opportunities for apprentices and industries and now includes brewing, bricklaying, health care, culinary arts, cyber security, dental nursing, digital, electrical, general building, green keeping, hairdressing, hospitality management, motor vehicle, painting and decorating, plumbing, veterinary nursing, and welding and fabrication.

By December 2017, there were 323 apprentices in the Trackers scheme across 24 industry areas, with 97% retention rates for apprentices.

323
apprentices in 24 industries

New apprenticeships were launched in retail at level 2 and hospitality management at level 3. Both have proved successful resulting in progression in both areas to levels 3 and 4 respectively into 2018. And extensive research and collaboration with industry into higher and degree-level apprenticeships has also resulted in apprenticeships in civil engineering and digital and technology solutions being offered at this level. Both are expected to launch in September 2018.



Highlands College has also continued to develop extra options for degree-level study in Jersey, while the Education Department has worked to strengthen links with universities in other European countries. An agreement has been reached with nearby Caen University in Normandy to welcome Jersey students and provide specific support and priority for places in the campus accommodation. A number of European universities are now regular attendees at the annual Higher Education Fair, which takes place every March.

University funding

Since 2012, there has been increasing financial pressure on families as UK universities raised annual tuition fees to £9,000. The majority of Jersey students attend universities in England and the rising costs were directly linked to a falling number of undergraduates. Since the graduate workforce is important for our economy, the government explored a range of options and developed a proposal, announced in the 2017 autumn Budget speech and passed by the States Assembly in 2018.

The government will now pay up to £9,250 a year in tuition fees and provide maintenance grants of up to £7,500 for students, with the actual amount determined on a sliding scale, depending on their parents' household income and assets.

Youth Service

The Youth Service provides a broad range of personal and social development opportunities and services to Jersey's young people, between the ages of 9 and 25, with a priority focus at the 12 to 18 age group. The Youth Service has 14 community-based youth clubs, which meet the needs of local young people and provide a safe space for them to meet with friends, engage in positive activities and have a voice in community affairs.

In 2017, 3,052 young people attended on a total of 59,721 occasions.

Careers support

In 2017, we launched Skills Jersey – a new service linking learners and businesses, which brought together several teams, including Careers Jersey, Trackers apprenticeships, work experience, education liaison and Student Finance. Funding has been agreed for Skills Jersey for three years to enable the team to raise standards in this crucial area and ensure we can prepare the resilient, highly-skilled workforce needed for improved productivity and future prosperity.

Libraries

In 2017, islanders made around 400,000 visits to our three public libraries – the main Town Library, the Les Quennevais Branch and the Mobile Library – and borrowed around 380,000 items. Library staff handled around 90,000 enquiries from the public during the year, and more than 20,000 items were added to the Library's collections.

400,000
library visits

The Library ran a diverse range of activities throughout 2017 to support reading, including visits from storytellers, performers and authors for audiences of all ages. More than 2,200 children and young people registered for the Summer Reading Challenge, which 75% completed in full. During the Jersey Festival of Words, the Library hosted 16 events, which were attended by around 350 people, with several events selling out.

The launch of the Eagle Lab in partnership with Barclays in December 2016 also enabled the Library to expand its services during 2017. Alongside ongoing support for entry-level ICT skills, the Library also ran workshops on 3D design, coding and virtual reality in the Eagle Lab, with more 2,125 people visiting the new facility in 2017.

vi. Safe and just society

Safety, security and justice are critical components of social stability. The primary organisations in Jersey that promote these and protect islanders are:

- **States of Jersey Police**
- **Jersey Customs and Immigration Service**
- **Criminal justice bodies**
- **States of Jersey Prison Service**
- **Jersey Fire and Rescue Service.**

States of Jersey Police

We spent £24.5 million in 2017 on the States of Jersey Police.
Our 204 police officers:

- recorded 3,068 crimes – up by 165 from 2016, but 164 lower than the five-year average
- detected 37% of recorded crimes – down from 39% in 2016 and a peak of 43% in 2014
- detained 1,704 people in custody
- carried out 4,989 police stop checks
- made 2,444 licensing checks on licensed premises.

In protecting vulnerable people, the police also dealt with:

- 2,168 child protection notifications
- 680 adult protection notifications
- 995 domestic violence incidents
- 777 missing person reports.

The modernisation of our police services continued, with the opening of the new Police Headquarters and SMARTpolice project, which uses advanced technology, such as hand-held devices for police officers, to improve their working practices and efficiency.

1,704
people detained in Police custody

4,989
police stop checks

93%
of 999 Police calls answered in 10 seconds

Jersey Customs and Immigration Service

With a budget of £5.5 million in 2017, our 82 Customs and Immigration officers protect our border against the threat of illegal immigration and the import and export of prohibited or restricted goods, collect Customs and Excise duties, and facilitate the smooth, lawful flow of people and goods through our ports and airport.

Customs and Immigration issued 10,111 passports to islanders in 2017, collected £65 million in duties, seized drugs worth £3 million and 250,000 cigarettes, identified 16 individuals at the immigration controls without the necessary leave to enter the island and carried out 20 deportations.

Customs and Immigration seized drugs worth

£3m

Criminal Justice

Criminal Justice in Jersey is administered by a number of departments and organisations:

- Bailiff's Chambers support the role of the Bailiff as President of the Royal Court and the States Assembly, and in his other customary and statutory duties as Civic Head of the island.
- Law Officers' Department provides the criminal prosecution service for the island and legal advice to the Crown and the States, including ministers, States members and States departments.
- Court Service (Judicial Greffe and Viscount's Department) provide an efficient and effective Court Service; to administer insolvency proceedings, provide a coroner service and enforce Court orders.
- Jersey Probation and After-Care Service works with the judicial system, courts, parish halls, victims of crime, and the community to help reduce criminal activity in Jersey.

Expenditure by these organisations in 2017 was:

Bailiff's Chambers
£1.8 million

Law Officers' Department
£7.6 million

Judicial Greffe
£6.1 million

Viscount's Department
£1.0 million

Jersey Probation and After-Care Service
£2.0 million

Cases taken through the criminal justice system resulted in sentences being handed out ranging from life imprisonment to fines and community service. Last year, convicted criminals worked 19,390 hours of community service.

During 2017, the Jersey Probation and After-Care Service prepared 460 reports for the Jersey Courts, against 513 in 2016 and administered 143 probation orders.

The government has also updated Jersey's criminal justice legislation, aspects of which had not been reformed for more than a century. The Criminal Procedure (Bail) Law was adopted by the States Assembly in November 2017, ensuring that our criminal justice system is supported by a world-leading legislative framework. Work also began on the updated Sexual Offences Law, which was adopted in 2018.

The States Assembly also approved amendments to the States of Jersey Police Force Law, to maintain alignment with modern approaches to British policing.

States of Jersey Prison Service

We spent £10.6 million in 2017 in keeping an average daily population of 136 people in custody in a safe, decent and healthy environment, ensuring that there were no prisoner escapes for the seventh year in a row. We worked to reduce re-offending by providing constructive regimes for prison inmates, which address offending behaviour and improve educational and work skills.

136

people kept securely in prison

In 2017, the government and the States Assembly also agreed to fund the next phase of the Prison Masterplan in the 2018 capital programme, which will ensure that prison facilities are kept modern and fit for purpose.

Jersey Fire and Rescue Service

We spent £5.5 million on preventing and responding to fire and non-fire incidents in 2017. Our firefighters attended 177 fires, 431 false alarms and 503 non-fire emergencies, an 8.1% reduction on 2016.

vii. Financial independence and safeguarding vulnerable people

Several departments have responsibility for supporting people to have financial independence through their working lives and in retirement, and for supporting and safeguarding vulnerable people – whether children or adults.

Safeguarding vulnerable children

Children's Services includes residential facilities and community-based services, mental health services, support services and fostering and adoption, and we spent £22.7 million in this area in 2017. The service is responsible for the management of Greenfields Secure unit, which is now able, following a change in the law, to hold children held on remand in custody and serving custodial sentences, in addition to supporting children who require secure care because of the risk to themselves or others.

At the end of 2017, we had 96 looked-after children in the care of the Minister (2016: 90) of whom 20 were supported in UK placements (2016: 22). At the end of December 2017, there were 102 children on the Child Protection Register.

96

children looked after in our care

Throughout the year there were an average of 160 monthly referrals to MASH (Multi-Agency Safeguarding Hub), with urgent cases being dealt with in four hours. The caseload in Children's Services at the end of 2017 was 757 individual children.

The Child and Adolescent Mental Health Service (CAMHS) accepted 303 referrals for assessment in 2017 (2016: 302), and a further 53 were signposted to other agencies (2016, 52). In the last quarter of 2017, we implemented a new process to improve access to CAMHS and offered a consultation or triage appointment to additional 93 young people. Primary mental health support workers were employed as part of the CAMHS provision to offer earlier intervention to children and young people who require emotional support.

At the end of 2017, we had 96 looked-after children in the care of the Minister of whom 20 were supported in UK placements.

Multi-agency work took place to develop a new approach to working with children in Jersey. Frontline practitioners, managers and a parent worked together to develop a framework that all services working with children will use. It provides a strong focus on the team around the child, identifies who the lead worker will be and all staff, irrespective of service, will use the same assessments, plans and toolkit when supporting children and families.

Following the publication of the report of the Independent Jersey Care Inquiry in July 2017, the Chief Minister committed to implementing all of its recommendations. By the end of the year, the government had completed six of these recommendations, was implementing 29 and had not yet begun to implement eight of them.

Among the actions that we had taken by the end of the year were:

- appointing a Children's Commissioner, who took up her post in January 2018
- scoping children's rights and inspection services for implementation in 2018
- launching a programme to redesign working practices in Children's Services, which continues in 2018
- conducting a public consultation on the future of Haute de la Garenne, which closed in April 2018 and will be reported on in summer 2018
- planning and implementing engagement with the survivor community, to recommend an appropriate memorial, which will report in June 2018
- progressing the archiving of all inquiry evidence and material, which will complete in December 2019
- beginning the process of drafting a revised Children's Plan, with clear outcomes and priorities for action, in December 2017. The Plan will be launched in summer 2018
- agreeing the terms of reference for an independent inspection of children's social work, which will take place in July 2018 and report in autumn 2018.

We also prioritised the ongoing training and development of children's staff and agreement is in place to train all staff in systemic practice, which will lead to a consistent and skilled approach to improving practice and supporting improved outcomes for children and young people.

In November, we launched an advocacy service for children subject to child protection plans or who are looked after, to ensure that their views, wishes and voices are included in meetings and in forums which make plans based on their needs. Feedback from children about this service has been positive.

In 2017, we sought to redesign Children's Services, to put the child at the centre of service delivery, reduce handoffs, improve consistency of practice and develop relationship-based practice. The redesign is also expected to lead to improved quality and timeliness of assessments. We also implemented a new client record system with business and performance reporting in November 2017, and the initial indications are that it is improving timescales, recording and reporting, along with evidence of the child's voice and views.

However, it is clear from the slow pace at which the Care Inquiry recommendations have been acted upon that more fundamental reform of the service is needed.

To support the development of a sustainable workforce in children's social work, we scoped the potential and viability of establishing a social work degree in Jersey. This would allow Jersey residents to train in a professional social work qualification, without having to leave the island for three or four years. We have developed a relationship with a UK university and progressed proposals to take forward in 2018.

Safeguarding vulnerable adults

Adult Services provide social care and services to adults within the community, and we spent £36.8 million on this area. This includes those with mental health problems, special needs, and those affected by alcohol and drugs. The service works with third party organisations, such as Shelter Trust and the Citizen's Advice Bureau.

In 2017, 4,727 adult referrals to the community care services were received through the Single Point of Referral (4,029 in 2016).

Following a service redesign of Learning Disability Services (formerly the Special Needs Service), we are now supporting five clients in residential homes, 16 clients in their own homes and around 165 in the community.

Learning Disability services received 278 new referrals and continued to support its long-term clients in conjunction with its partners, especially Les Amis.

Also in 2017, Jersey Talking Therapies – a joint project between Health and Social Services, GPs and the charity MIND – received 1,823 referrals (2016: 1,656). The scheme enables adults suffering from common mental health issues to talk to professional therapists, either in their doctor's surgery, at a central hub in St Helier, or over the phone.

Providing financial support

In 2017, we spent £370.6 million on providing financial assistance to families and individuals (£365.2 million in 2016) across a range of contributory and non-contributory benefits, as well as making statutory grants into the Social Security Fund and the Long Term Care Fund.

Old-age pension
£179.4 million

Income Support
£69.9 million

States contribution to Social Security Fund
£65.3 million

States contribution to Long-Term Care Fund
£31.8 million

Other benefits
£1.7 million

Grant-aided bodies
£2.4 million

Contributory old-age pension

The contributory old-age pension is by far the largest single benefit, and in 2017 we paid £179.4 million to 31,880 pensioners. The value of the old-age pension is increased automatically every year, and to protect the spending power of pensioners, both the average earnings index and the retail price index (pensioner) are taken into account. In 2017, the average earnings index was 2.6% and we increased the old age pension by the higher figure of 2.8%, in line with RPI (pensioner).

31,880
pensioners received pensions worth £179m

Working age contributory benefits

The Social Security Scheme collects contributions from working-age people and their employers and provides the old-age pension and working-age benefits to people at times when they may be less able to support themselves.

In 2017, the scheme provided benefits worth £22.2 million to 4,686 working-age people with a long-term health condition, and a further £13.8 million to individuals with a shorter period of illness, with a total of 501,616 days' benefit paid.

The scheme provides maternity allowances for a mother who takes maternity leave and a maternity grant in respect of each child covered by the scheme. In 2017, we provided a total of £3.2 million to new parents.

The government provides financial support to people following the death of a spouse or civil partner, and in 2017 we provided 744 survivors with benefits costing £4.2 million.

The government also provides financial support to working-age carers who give up work to provide unpaid care for a family member, through the Home Carers Allowance. In 2017, we paid £2 million to 176 people under this scheme.

Finally, the Social Security Scheme provides a lump sum death grant, and in 2017 the government paid 790 grants at a total cost of £0.6 million.

The value of each of these benefits is based on a standard rate, which is increased each October in line with the index of average earnings for the year. The standard rate at the start of 2017 was £204.19 a week and this was increased by 2.6% on 1 October 2017 to £209.51 a week.

Health Insurance Fund

A proportion of social security contributions is paid into a separate Health Insurance Fund, which is used to support the cost of GP services and medicines dispensed by community pharmacists. In 2017, the fund provided £9.5 million to GP practices and £19.8 million to community pharmacists, who dispensed two million items.

During 2017, new contractual arrangements were agreed with GPs and community pharmacists, to allow a wider range of services to be funded through the Health Insurance Fund. The first service to be provided in this way was the 2017 flu vaccination programme, which was funded jointly through budgets held by the Health and Social Services Department and the Health Insurance Fund.

Long-Term Care benefits

The Long-Term Care Fund provides benefits to adults aged 18 and older who have long-term care needs to receive care in their own home or in a care home. In 2017, the government paid £44.6 million to support long-term care costs for 1,335 people.

The benefit rates payable under the long-term care scheme were increased by 2.67% in April 2017.

£45m

paid to support 1,335 people with long term care

Income Support

Some households need additional help and this is mainly provided through Income Support. Income Support benefits provide financial help for individuals and families with low incomes, including pensioners, parents with young children, unemployed people, carers and people with a disability or a long-term health condition.

In 2017, the government provided £68.9 million to 5,763 low income households through the Income Support scheme, which is a reduction of nearly 200 households from 2016, as people moved into employment or secured higher incomes. Spending on Income Support was £3.1 million less than in 2016.

Income Support components were increased by 2.9% from 1 October 2017. At the same time, there was an increase in the income incentive (disregard) from 23% to 25%, which provides an incentive for claimants to move towards financial independence, by encouraging them to increase their wages, maintenance or pension income.

£69m

paid to support 5,763 low-income families

New flexible personal care component

In July 2017, we launched the new Flexible Personal Care component for Income Support customers who need a formal care package, but have care needs below the threshold for the Long-Term Care benefit. The component helps with the cost of an approved care package and forms part of the overall Income Support claim.

Pension Plus and other pensioner benefits

We launched the new Pension Plus scheme in January 2017, to deliver support for pensioners on lower income, to assist with dentistry, chiropody and optician costs. It replaced the previous 65+ Health Plan and the value of benefits payable under the scheme was increased. The new scheme covers:

- £40 towards a dental check-up each year and up to £700 towards treatment/dentures every two years
- up to £120 per year for chiropody
- £40 towards an eye test every two years and up to £120 towards eye wear every two years.

The new scheme also removes the burden of the customer having to pay their bill in full and then submit the receipt to get a rebate. Under the new scheme, the customer receives the full value of their benefit at the time of payment. Lower income pensioners received £0.5 million from the new scheme in 2017 to cover 5,777 check ups and treatments, alongside existing support for the cost of a TV licence for 1,730 lower income pensioners aged 75 and above, costing £0.3 million.

Other means-tested support

A range of smaller schemes provide targeted support to vulnerable groups. The government pays a Christmas bonus to low-income pensioners and to families receiving Income Support which include a carer or someone with a disability. We paid this bonus to 3,927 individuals in 2017, at a total cost of £0.3 million.

A cold weather supplement is also included within the Income Support scheme for pensioners and other vulnerable groups. Pensioners who do not qualify for Income Support, but who have a relatively low income, can claim a separate cold weather bonus. The value of this bonus is calculated using the actual temperatures experienced during the winter months.

A food costs bonus is also available to families who do not qualify for Income Support, but have a relatively low income. In 2017, we paid this benefit to 1,189 households at a cost of £0.3 million.

viii. Housing

Good-quality and affordable housing is a critical issue for Jersey. The government provides social housing through Andium Homes, which owns and maintains 4,500 properties, providing homes for more than 10,000 people. As part of its relationship with the States of Jersey, Andium made a return of £28 million to the Treasury in 2017, and has returned £96 million to the States since incorporation in 2014.

10,000
people provided homes by Andium Homes

In 2017, Andium undertook work to refurbish and develop a range of properties, including 52 housing units at Windsor Court (previously Caesarea Court), 147 housing units at Le Collette low rise, 74 units at Summerland and 15 units at the Ann Street Boiler House.

Andium aims to build 1,000 new homes by 2020 and is planning to build 2,000 new homes by 2025. In particular, it is looking to increase the number of sales it makes to first-time buyers through its Andium Homebuy scheme, and is planning to sell more than 1,000 homes for purchase by 2025.

In pursuit of this target, Andium bought the former Ann Street Brewery site, in St Helier, which could provide 253 new homes; the Robin Hood site, which could provide 23 homes; and the Gas Works Site, which could provide 110 new homes, up to 200 underground parking spaces and the potential to increase the town park by half.

Andium also bought the Samares Nursery site at St Clement, where work is now underway to build 200 new affordable homes, including 40 for first-time buyers, with the remaining 160 earmarked for social rental. It applied to build 65 new three-bedroom homes (Ville Du Manoir) in St Peter, in support of a parish-led scheme and secured approval for 151 new homes in the final phase of the Le Squez redevelopment.

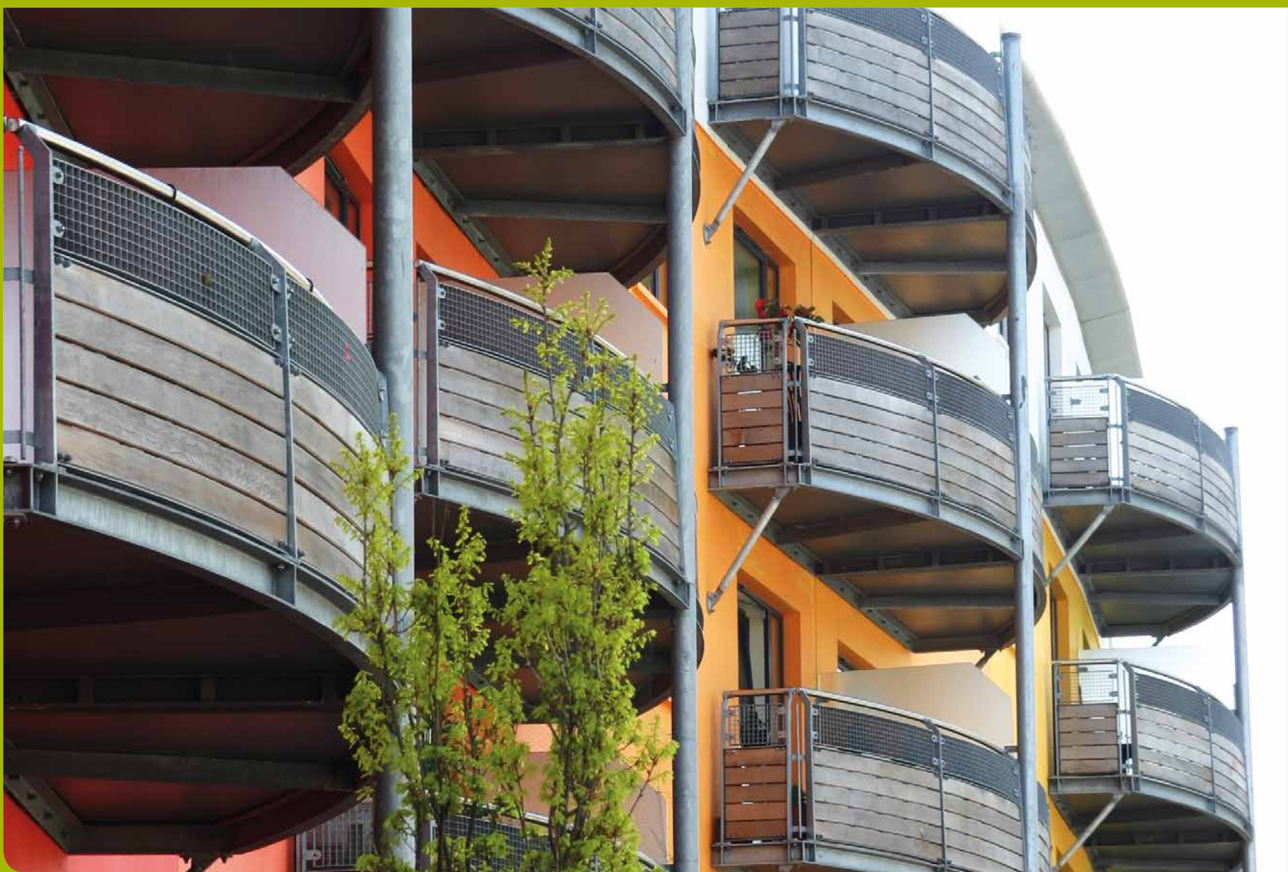
Andium has housing stock available to assist in providing homes for key workers, and is actively working with the Strategic Housing Unit, Jersey Property Holdings and Health and Social Services Department to identify long-term solutions for staff. In 2017 it bought and refurbished the former Limes Residential Home on Green Street, to be used in the short-term for key-worker housing, principally for junior doctors.

The quality and safety of housing is also important. Andium carried out a comprehensive review of fire safety in its properties, following the Grenfell Tower fire in London. As a result, all high-rise flats will now be fitted with sprinklers. It also achieved the Decent Homes Standard in 96% of its properties, ahead of the target of 93% and up on the 91% achieved in 2016. Andium will meet the Decent Homes Standard on all its properties by 2020 – four years earlier than originally planned.

In December, the States Assembly adopted the Public Health and Safety (Rented Dwellings) Law, which is a step towards ensuring that housing standards are met across the rented sector and for many of our most vulnerable households.

In December, a major independent review of access to social housing in Jersey commenced. The independent review, which will report in Q3 2018, will consider the policies and procedures that apply to accessing social housing in Jersey and how greater support can be provided to vulnerable people with specialist housing needs.

The Affordable Housing Gateway waiting list fell to approximately 750 applications in 2017, down from more than 1,200 in 2014. As more homes are built, there will be opportunities to open the waiting list to more people, such as single persons and couples under the age of 50.



ix. Sport, leisure and culture

Sport, leisure and culture are not just important contributors to islanders' quality of life, but are also a draw for overseas visitors.

Sport

In May 2017, the States Assembly approved the establishment of Jersey Sport and the transfer to it of the States Sports Development staff. Jersey Sport has already begun to enhance the voice of sport locally and to provide access to new opportunities previously not available through working inside government.

Appleby's has recently announced its sponsorship of the "Active Adults" programme and a local philanthropic trust has provided funding for another programme addition.

The government also brought the Super League Triathlon to Jersey in 2017 and, given the strong support from both islanders and visitors, agreed that Jersey will continue to host this global event for up to the next five years.

Culture

We carried out work to develop a culture strategy in 2017, with significant consultation and input from local key stakeholders.
This informed the development of the new Culture Strategy which was completed in 2018.

The government continued to provide financial support to culture and heritage organisations. Jersey Heritage received £2.8 million to support the operations of the Jersey Heritage Trust; Jersey Arts Trust received £198,000 to support their activities and £572,000 to repay the Opera House loan; the Jersey Arts Centre received £450,000 to cover operating costs; and Le Don Balleine Trust received a grant of £63,000.

We also secured funding in 2017 for the £3.5 million Jersey Archive extension, which will help the government and other island-based entities comply with record-keeping legislation over the next 25 years.

We developed plans to expand the teaching of Jèrriais and to ensure that local history and culture is present in the school curriculum.

£4m+

paid to support Jersey culture and heritage

x. Built and natural environment

In 2017, the government spent £5.7 million via the Environment Department on the environment (95%) and planning and building (5%, with the rest of the costs being covered by fees and charges).

Service reviews and improvements on behalf of department customers in support of Public Sector Reform continued, and enabled MTFP savings of £206,000 from the department's recurrent cash limit during 2017. This has meant that we have been required to adopt broader responsibilities and some research and contract work is outsourced as required. This forms part of department's wider MTFP2 cash limit change of 32% net reduction.

Environmental management and protection

Managing and protecting the natural environment is critical to our small island, and the government is very proactive in developing and applying rigorous standards of environmental protection. In 2017, we:

- managed 550 hectares of environmentally-sensitive land
- protected and patrolled 2,500 square kilometres of sea waters around Jersey
- managed 70 kilometres of footpaths and 10 kilometres of bridle paths for public use
- took 1,500 samples to monitor island groundwater, stream and coastal waters
- investigated 180 cases of pollution, fly-tipping and burning
- inspected 2,500 consignments of plant imports to prevent on-island plant disease and pest outbreaks.

The Rural Economy Strategy received Ministerial approval in February, introducing a new method of financial aid delivery to rural industries (see Economy section on page 22).

2,500km^2
sea waters patrolled

180
pollution, fly-tipping and burning incidents investigated

Managing and protecting the natural environment is critical to our small island, and the government is very proactive in developing and applying rigorous standards of environmental protection.

Environmental policy

To fulfil the 2017 action from Pathway 2050: An Energy Plan for Jersey, the government provided £650,000 of contingency funding to conduct climate risk assessments of the most vulnerable areas of coastal and pluvial flooding and to develop shoreline management plans for these areas of coastline. This work has so far been progressed from business as usual budgets, including stakeholder engagement and desk research carried by the Environmental Policy team, and development of a Jersey Shoreline Climate Resilience Management Plan, in preparation for the climate risk assessment work which will be tendered for and completed during 2018 and 2019.

In 2017, the Community Building Programme focused on returning to nine organisations that had previously received energy efficiency measures from the scheme and 19 other community buildings to upgrade all of their lighting to LEDs.

191 businesses engaged in the eco active business programme in 2017, and more than 12,000 children in the eco school programme (See the Sustainability section on page 104 for more details).

Environmental Health

To protect our public health, in 2017 the Environmental Health team:

- dealt with 2,787 formal requests for service
- increased the Eat Safe participation to 1,080 businesses
- increased to 99.8% the number of food businesses which meet the “generally compliant” status used as a measure in the UK
- visited more than 1,000 food businesses, some more than once
- carried out more than 150 infectious disease investigations
- carried out 200 housing inspections
- carried out 22 tenancy relations investigations
- consulted on more than 85 licensing requests
- consulted on more than 398 planning applications
- issued 58 food export certificates and carried out three ship sanitation inspections
- dealt with more than 395 nuisance complaints, 220 of which were for noise, and 78 for birds or animals.

Jersey Meteorological Service

The Jersey Met provided a continuous 24-hours, 365-days service during 2017, to keep islanders informed about the weather and to issue warnings to keep us safe. During the year, they issued 27,375 forecasts – 75 a day – and issued 780 weather warnings for the Channel Islands. Islanders made 24,000 visits a day to the Jersey Met web pages, against 11,000 in 2016.

27,375

weather forecasts issued by Jersey Met

Planning and building

In 2017, we processed 369 major planning applications, with 72% (61%, in 2016) determined within 13 weeks. And we processed 1,073 minor planning applications, with 88% (79% in 2016) determined within eight weeks. We also processed 238 pre-application enquiries within the six-week target.

1,442

planning applications processed

During the year, we received 1,228 building by-law applications, and processed 98.7% within five weeks. And we undertook more than 10,000 by-law compliance inspections.

Improving St Helier

A review of the Esplanade Quarter Masterplan began in 2017, the Historic Environment Review continued to formally list the status of the island's heritage assets and we gave support to a St Helier tree survey. We also provided planning policy support for other States initiatives in St Helier (Future Fort Regent, Ports of Jersey Masterplan).

The Department for Infrastructure (DFI) Highways section completed several projects in St Helier, improving the street scene and providing better pedestrian facilities. Minden Place car park was refurbished in late 2017. Work also began on the multi-use path around St Helier's heritage waterfront (See xi. Public spaces, waste and transport on page 68 for more details).

xi. Public spaces, waste and transport

The government builds, owns, maintains and operates much of the essential infrastructure needed to ensure that Jersey can continue to function, such as solid waste facilities, including the Energy from Waste plant; waste recycling facilities; the sewerage network and sewage treatment works; highways, sea defences and public spaces.

We also operate the inert waste landfill area at La Collette Phase II and re-invest some of the income from this activity into enhancing facilities at La Collette, to ensure that waste reception and processing is efficient and sustainable in the long term.

In 2017, the Department for Infrastructure spent £35.1 million (net operational costs, excluding capital works), which was made up of:

Waste and Municipal Services
£18.4 million

Transport and Highways
£6.4 million

Jersey Property Holdings
£10.3 million

In addition, £4.8 million was spent from the Infrastructure Rolling Vote on maintaining the island's infrastructure (roads, sewers and sea defences).

Throughout 2016 and culminating in 2017, the department reviewed a number of the services it provides and the method by which those services were provided. These reviews informed the decision to outsource a number of services to the private sector under contractual arrangements and the loss of over 100 full time equivalent posts, achieving more than £1 million of annual new savings.

Waste and recycling

Our island's homes and businesses generate significant liquid and solid waste, which needs to be processed safely to ensure it does not pollute our environment. In 2017, Jersey generated:

- 33,578 tonnes of waste collected separately for recycling
- 74,692 tonnes of non-recyclable 'residual' waste for recovery in the Energy from Waste plant
- 83,547 tonnes of other waste (scrap metal and aggregates 'inert' waste)
- 9,721,736 cubic metres of sewage (pumped and conveyed to the Sewage Treatment Works at Bellozanne).

Jersey only recycled 31% of its waste in 2017, although in January we opened the new Household Reuse and Recycling Centre at La Collette to widen the range of materials that can be recycled and reused. Alongside it, the Acorn Reuse Centre received over 100 tonnes of material in the first year and reported a reuse rate of 94.2%.

We started to export incinerator bottom ash to the UK for recycling in June, which means that we will no longer be burying around 13,500 tonnes of waste in engineered waste cells every year.

The Energy from Waste Facility generated 43.8 million kWh of electricity during 2017. The entire La Collette site was migrated over to using electricity generated by the EfW in order to achieve savings and use the energy recovered from incinerating waste in the EfW plant.

The biosolids processing combined heat and power unit at the Sewage Treatment Works produced 3.2 million kWh of electricity (7.3% of the amount produced by the Energy from Waste Plant), generating an effective saving of £328,161 a year.

After many years of trying to find a suitable solution for disposal of the island's legacy asbestos waste, by May 2017 the entire stockpile of 320 shipping containers of waste at La Collette had been securely disposed of in a lined pit and the containers disposed of following decontamination.

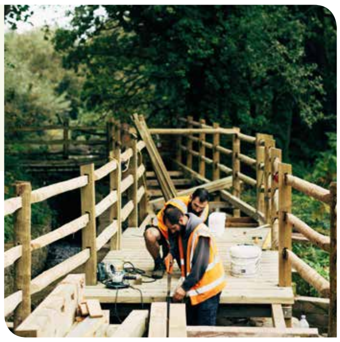
33,578
tonnes of waste collected and recycled

9.7m m^3
of sewage processed

43.8m
kWh of electricity generated from waste

Travel

In 2017, we undertook extensive work to enhance and encourage sustainable travel. We completed works on a shared footpath and cycle route in St Peter's Valley and the first phase of a new off-road multi-use "safer routes to school" path in St Clement.



We received planning permission to create a multi-use path around and over the English and French Harbour heads, to provide a continuous promenade from Havre des Pas to St Aubin, around St Helier's heritage waterfront. The first phase around the English Harbour was substantially completed during 2017.

We also undertook the important Charing Cross and Conway Street public realm improvement schemes, in support of Future St Helier, and we installed a new crossing facility at the bottom of Wellington Road to improve the safety of students travelling to the St Saviour's school cluster.

We launched a disabled persons' concessionary bus pass, funded from the financial return from the Jersey Car Parking operation, and its use grew throughout the year, with around 5,000 journeys a month being taken by the end of the year. We also installed seven new bus shelters.

Roads

We resurfaced 3.52 miles (6 metre width) of the 165.5 mile road network in 2017. Of this total, 1.12 miles were resurfaced using micro-resurfacing product. The main road resurfacing projects were:

- Sections of La Route de la Trinité
- Green Street Roundabout and new zebra crossing
- St Saviour's Road, from the JSPCA to La Rue Le Masurier
- St Saviour's Road, from Wellington Road to Stopford Road
- La Route d'Ebenezer and La Rue de la Petite Falaise (micro-resurfacing)

166
miles of road maintained

Public realm

The island's sea defences withstood the weather, without any breaches, despite severe storms and high waves. An important upgrade to the seawall at Beaumont was undertaken in the form of increasing the wall's height and adding a wave return profile to the front face to reduce over-topping.

Public land and buildings

The Department for Infrastructure, holds land and buildings on behalf of the public. The vast majority of these buildings are held to allow the provision of services (Health, Education, Emergency Services), and an office estate to support these services. As well as this, the department holds parks and open spaces in the public realm, it also holds a number of properties that are used as beach cafes, which enhance the environment while providing some income to the States of Jersey.

During the year a full revaluation was carried out on the States' land and buildings, and the portfolio is valued at over £1 billion.

Non-Ministerial States-funded bodies

£21 million of public funding was made available in 2017 to fund the following 10 non-Ministerial bodies: the Bailiff's Chambers, Law Officers' Department, Judicial Greffe, Viscount's Department, Official Analyst, Office of the Lieutenant Governor, Office of the Dean of Jersey, Comptroller and Auditor General, Probation, and the Office of the Data Protection Commissioner.

States Greffe

£5.3 million of public funding was also made available in 2017 to fund the States Greffe, including the States Assembly, Scrutiny and Assembly Members' remuneration, as follows:

States Assembly general
£1.5 million

Scrutiny
£1.1 million

Members' remuneration
£2.4 million

Independent Jersey Care Inquiry
£0.4 million

In 2017 the States Assembly sat for a total of 41 days, compared to 33 days in 2016.

In 2017 Scrutiny conducted 26 reviews and published 74 reports and other publications, compared to 21 reviews and 42 reports in 2016.

Minister for Treasury and Resources foreword

Senator Alan Maclean
Minister for Treasury and Resources

Jersey's financial position strengthened in 2017 and I am delighted that we are able to report a £23 million financial surplus of general revenue income over departmental spend, two years ahead of the target to balance the books.

Our tax receipts have remained resilient, despite the uncertainties we faced globally and arising from Brexit. These revenues, once again, have been supported by strong investment returns.

In addition, more tightly controlled departmental expenditure increased only slightly over that of 2016, while we again provided additional funds for investment in services.

The strength of our economy, with a third successive year of positive growth and a further one forecast, contributed to the record levels of employment, while the Back to Work scheme helped achieve the lowest unemployment level for eight years. This twin success fuelled our tax receipts and held down benefits expenditure.

Our financial performance was also underpinned by the delivery of much of the plans approved in principle by the States Assembly for efficiencies, savings and revenue raising measures to fund vital investment in public services for islanders, notably in Health and Social Services.

I am grateful to the public servants who contributed to this success.

Nevertheless, it is critical that remaining measures are implemented as previously agreed by the States Assembly and consistent with the advice of the independent Fiscal Policy Panel.

The Panel made clear that if the commercial waste charges are not progressed then measures equivalent in value should be delivered, and I encourage the incoming Assembly to proceed with this advice. It is not only necessary to assist with balancing the books, but will also deliver environmental benefits through incentivising behaviour change.

Equally important is the delivery of efficiency savings and I support the emphasis of the new CEO to do so while improving service to islanders. I also wholeheartedly agree with another recommendation of the Fiscal Policy Panel, that a permanent programme of efficiencies be delivered.

The full extent of the strength of Jersey's finances is only truly appreciated once the value and performance of our investments, reserves such as the Strategic Reserve and Social Security Funds, and companies, such as Jersey Telecom and Andium Homes, are taken into account.

At the Jersey Group level, the surplus recorded in 2017 amounted to a sizable £272 million and the combined balance sheet grew by more than £500 million last year, to a record £6.8 billion. This leaves us well placed to meet the challenges arising from Brexit, from our ageing population and from artificial intelligence.

But it also allows us to leverage opportunities from these challenges too, using our financial strength to invest in long-term infrastructure and in innovations that will improve our productivity. Long term planning and investment is of critical importance.

Once again growth has come from strong investment returns, totalling £282 million from the Common Investment Fund – a return of over 10% - contributing to record levels in the Strategic Reserve and Social Security Funds, with total reserves amounting to over £2.8 billion

The Annual Report and Accounts for 2017 reflect a considerable change in emphasis, away from solely reporting what Departments spend, to providing a more comprehensive focus on what has been achieved for islanders with those funds.

This reflects the influence of the new CEO and a move common in the business world, but also public services elsewhere, towards improved and integrated performance and financial reporting.

I will look forward to and will take a keen interest in this important transformation in public accountability and transparency.

The resilience and robust health of Jersey's finances is to be cautiously welcomed. Nevertheless, we must continue to be vigilant as economic uncertainty, across the globe and closer to home arising from the UK decision to leave the EU makes continued financial discipline critical.

I extend my thanks and appreciation to dedicated colleagues across the States during my time as Minister and in particular the hard working team at the Treasury. On a personal level, I also thank my Assistant Minister, Connetable John Refault, for his tireless support.

Senator Alan Maclean
Minister for Treasury and Resources
Date: 30th May 2018

Financial performance - key figures

Income

Consolidated (Group)
Income remained broadly level with a net £51 million (3%) reduction from 2016 made up of an increase in taxation and contributions receipts offset by lower investment returns in comparision to 2016.

2016
£1,502m

2017
£1,451m

States Assembly
An increase in General Revenues Income, as approved by the States Assembly, of £30 million (4%) from 2016 primarily due to increases in income tax revenue, GST and stamp duty.

2016
£737m

2017
£767m

Expenditure

Consolidated (Group)
Income remained broadly level with only a net £16 million (1%) reduction from 2016 primarily resulting from a revaluation of pension liabilities.

2016
£1,195m

2017
£1,179m

States Assembly
Departmental net expenditure increased marginally by £6 million (1%) which was largely driven by pay awards recognised across the organisation partly offset by lower social benefits payments.

2016
£698m

2017
£704m

Balance Sheet

Consolidated (Group)
An increase in the net asset position of £527 million (8%) mainly due to the increase in value of property, plant and equipment.

2016
£6,244m

2017
£6,771m

Strategic Reserve
The Strategic Reserve achieved investment returns of £70 million in 2017 - representing net performance of 9% - and there were transfers out of the Fund of £50 million. Protected capital value based on 2012 value is £715 million.

2016
£820m

2017
£840m

Social Security Funds
The Social Security Funds have increased in value by £219 million from 2016.

The Social Security (Reserve) Fund achieved income of £193 million, representing a net rate of return in excess of 12%.

2016
£1,751m

2017
£1,970m

Financial review

The 2017 Annual Report and Accounts presents the financial outturn for the Consolidated States of Jersey Group, as well as the outturn for the income and expenditure approved by the States of Jersey Assembly.

Principal Activities of the States of Jersey

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

The States of Jersey Accounting Boundary

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

Consolidated Fund

The Consolidated Fund is governed by the Public Finances (Jersey) Law 2005 and is the fund through which the majority of the States' income and expenditure is managed, including General Revenue Income and departmental income and expenditure.

Trading Operations

Under the Public Finances (Jersey) Law 2005, the States can designate any distinct area of operation as a States Trading Operation. Estimates for Trading Operations are approved in the Medium Term Financial Plan.

Special Funds

In addition to the Consolidated Fund, the Public Finances (Jersey) Law 2005 names four Special Funds – the Strategic Reserve, the Stabilisation Fund, the Currency Fund and the Insurance Fund.

These relate to the operation of the States of Jersey in general. The Public Finances (Jersey) Law 2005 also allows the States to establish special funds (also known as Separately Constituted Funds) for specific purposes. These are usually established by legislation or a States decision, and more detail is given in Note 34.

Social Security Funds

In 2013 the Accounting Boundary was expanded to include the Social Security Fund, Social Security (Reserve) Fund and Health Insurance Fund. The Jersey Dental Scheme and the Long Term Care Fund, when established in 2014, were also included in this category. Details of the purpose of the funds are given in Note 34.

States-owned subsidiary entities

Andium Homes Limited

The incorporation of the Housing Department into a separate legal entity, a company limited by guarantee (other than the Strategic Housing Policy Unit, which was retained by the States) was approved by the States under P.63/2013. The transfer into the new company was effective from the 1 July 2014.

The agreement of the Memorandum of Understanding for Andium Homes, resulted in a more significant involvement of the States of Jersey in decision making than was the case for the Strategic Investments. By virtue of those arrangements, it was deemed that the States operates direct control of Andium Homes.

To reflect this, the results of Andium Homes are shown within the consolidated financial statements.

Ports of Jersey Limited

The incorporation of Jersey Airport and Jersey Harbours Trading Operations into a separate legal entity, Ports of Jersey Limited, took place on 1 October 2015. Similarly to Andium Homes Limited, the States of Jersey is deemed to operate direct control of Ports of Jersey and, as a consequence, the results of Ports of Jersey are shown in the consolidated financial statements.

States of Jersey Development Company

This is a wholly-owned subsidiary company of the States.
It was originally incorporated in 1996 as the Waterfront Enterprise Development Board (WEB) and vested with responsibility for the co-ordination and promotion of development in the St Helier Waterfront Area on behalf of the States of Jersey. In 2010, the States approved proposition P.73/2010, which set out proposals for the restructure of

WEB into the SOJDC, clarifying the role of the company and widening the company's remit to cover all designated 'Regeneration Zones'.

Public sector bodies outside of the Accounting Boundary

Some functions of Government are carried out by public sector bodies that are outside of the Accounting Boundary (and so are not included in these accounts). These include:

PARISHES
The Parishes perform various government functions, including refuse collection, provision of some parks and gardens and the issuing of some licenses. Details of the functions of individual parishes can be found on the parishes' websites. http://www.parish.gov.je/

TRUST AND BEQUEST FUNDS
The States administers a number of trust and bequest funds. These funds commonly set defined purposes for the use of their assets, and so are not controlled by the States directly.

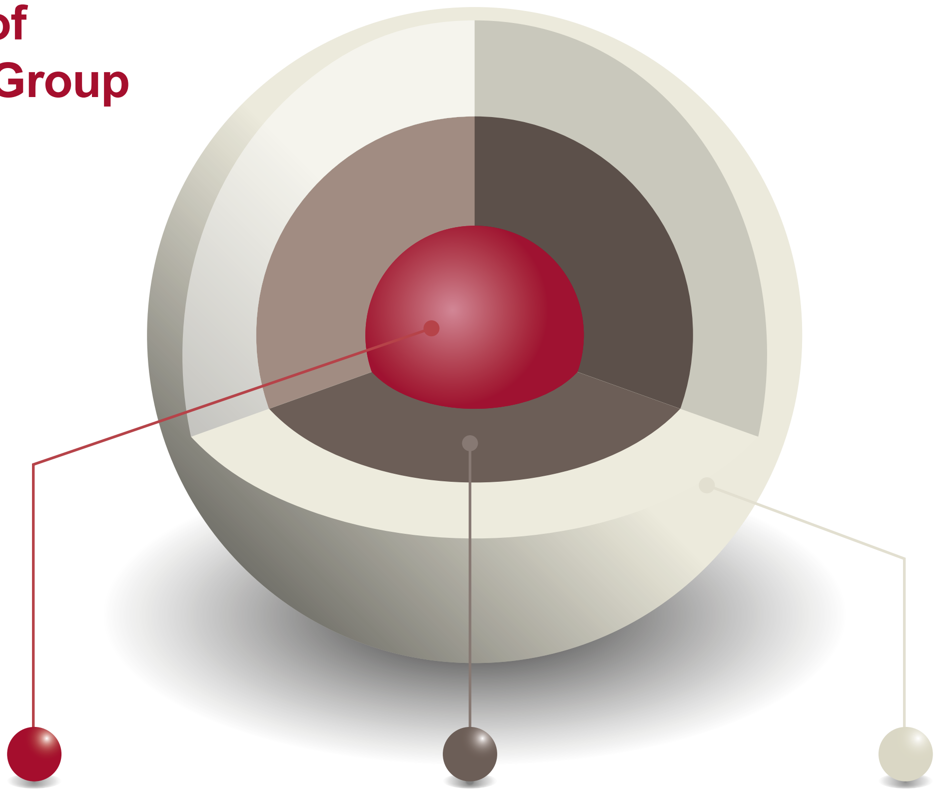
STRATEGIC INVESTMENTS
The States owns controlling investments in these utility companies, but as it does not exert direct control these are accounted for as strategic investments in the accounts.

- **Jersey Electricity plc**
- **Jersey New Waterworks Company Limited**
- **JT Group Limited**
- **Jersey Post International Limited**

More information about the valuation of these companies is given in Note 4.17.

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

States of Jersey Group



STATES ASSEMBLY APPROVED

Consolidated Fund

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

Trading Operations

Fleet Management
Car Parking

*The Jersey Overseas Aid Commission is a separate entity funded by a grant from the States Assembly but is included in this group for reporting purposes as it includes Commissioners who are States Members.

SPECIAL FUNDS

Special Funds named in the PFL[1]

Strategic Reserve
Stabilisation Fund Currency
Fund Insurance Fund

Special Funds for Specific Purposes

Loans Funds
Tourism Development Fund
Lottery Fund
Housing Development Fund
Confiscations Funds
Ecology Fund

Social Security Funds

Social Security Fund
Social Security (Reserve) Fund
Health Insurance Fund
Long Term Care Fund
Jersey Dental Scheme

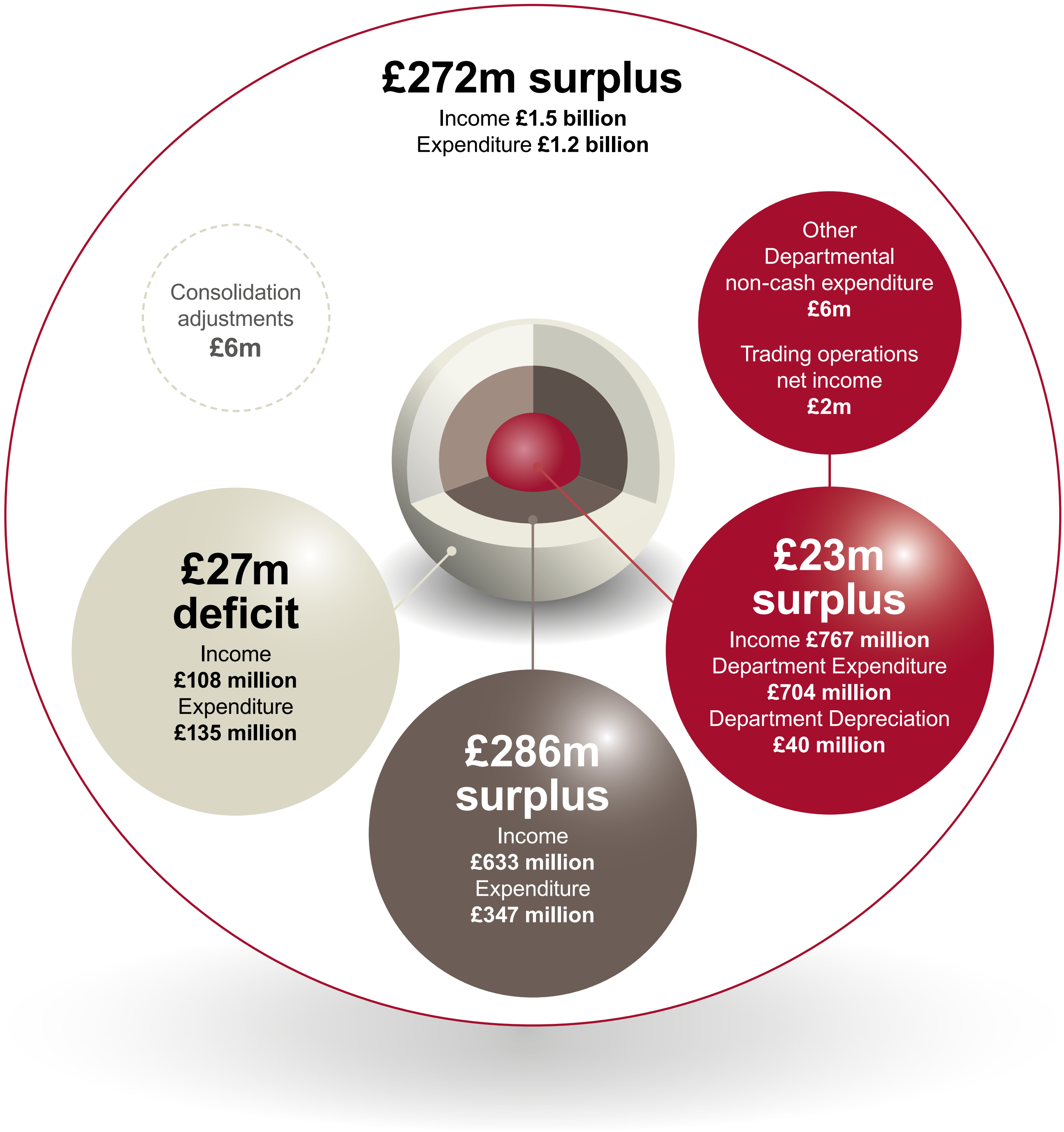
1 Public Finances (Jersey) Law 2005

WHOLLY OWNED COMPANIES

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

Financial Performance

The highlights for the States of Jersey Group and for the States Assembly Approved financial results are as follows:



Income vs Expenditure

SoJ Group

Income: Total revenue remained at 2016 levels at £1.5 billion

Expenditure: Total expenditure also remained stable at £1.2 billion

Income exceeded expenditure by £272 million in 2017, compared with a surplus of £307 million in 2016. This represents a net effect of increased taxation and contributions receipts, offset by 2017 investment income totalling £317 million, compared to £425 million in 2016 and an overall drop in expenditure principally resulting from a revaluation of pension liabilities.

SoJ Group
£272m surplus

States Assembly Approved

Income: General Revenue Income £767 million (2016: £737 million)

Expenditure: Department Net Revenue Expenditure, including depreciation, £744 million (2016: £739 million)

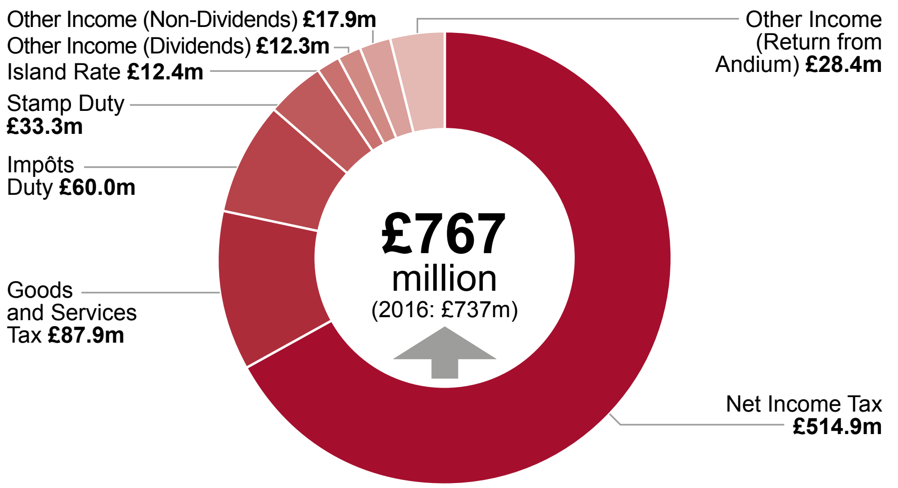
Income exceeded expenditure by £63 million before depreciation, and £23 million after depreciation. This compares to a 2016 surplus before depreciation of £38 million and a £2 million deficit after depreciation. This movement is the net effect of an increase in General Revenue Income of £30 million and only a £5 million increase in departmental expenditure.

States Assembly Approved
£23m surplus

General Revenue Income

Net general revenue income - outcome compared to prior year and Budget Summary Table A

2016 Actual £'000		2017 Actual £'000	Difference from Prior year £'000	Budget 2018 Forecast £'000	Difference from Budget Forecast £'000
487,965	Net Income Tax	514,930	26,965	483,000	31,930
84,798	Goods and Services Tax	87,946	3,148	87,428	518
58,410	Impôts Duty	59,999	1,589	58,420	1,579
30,305	Stamp Duty	33,283	2,978	29,055	4,228
12,141	Island Rate	12,427	286	12,427	-
12,568	Other Income (Dividends)	12,323	(245)	12,332	(9)
22,760	Other Income (Non-Dividends)	17,927	(4,833)	15,726	2,201
27,856	Other Income (Return from Andium)	28,417	561	28,380	37
736,803	**Net General Revenue Income**	**767,252**	**30,449**	**726,768**	**40,484**



Rounding applied.

All references to ‘2017 forecast’ are based on the most recent published forecast for 2017 which was included in the Budget 2018.

Net general revenue income

4.1% higher than last year
5.6% better than the 2017 forecast

The largest element of income received by the States is ‘General Revenue Income’, comprising income to the Consolidated Fund which is subject to the Annual Budget Statement, and including taxes, duties and investment income, in the form of returns on the balances held in the Consolidated and Currency Funds and returns from wholly and part owned subsidiary companies.

In the Budget Statement, General Revenue Income estimates are voted net of directly-related expenditure, such as Irrecoverable Debts or Investment Management fees, to represent the amount that is available to spend on providing services.

Net General Revenue Income for 2017 was £767.3 million, compared to £736.8 million for 2016, largely as a result of a £27 million increase in Income Tax, a £3.1 million increase in GST and a £3 million increase in Stamp Duty. This was partially offset by a fall in investment income compared to 2016, where returns were bolstered following the devaluation in Sterling after the EU Referendum and subsequently protected by a special hedging arrangement. Income from Impôts was also £1.6 million higher than in 2016.

The remainder of income received by the States core entities includes charges raised by departments included in their cash limits, and income relating to Trading Operations and Special Funds.

Net income tax

5.5% higher than last year
6.6% better than the 2017 forecast

Personal Income Tax

The standard rate of personal income tax is 20%, although personal taxpayers are entitled to a limited number of allowances or reliefs that can reduce their effective personal tax rate. To protect lower and middle income earners, a separate calculation is also performed using exemption thresholds and a greater number and value of allowances and reliefs, together with a higher tax rate (26%). The lowest of the two tax calculations is then used to determine the tax charge. This is explained in a video available on the States' website:

www.gov.je/TaxesMoney/IncomeTax/Individuals

Net Income Tax for 2017 was £514.9 million, which is £27 million (5.5%) more than in 2016. Within this, Company Tax decreased by £4.2 million and Personal Tax increased by £31.2 million.

The increase from the previous year is partly because there were more taxpayers. In addition, year-on-year comparisons between those liable to pay tax showed an average increase of £360 tax payable per taxpayer, in part as a result of higher income and the cumulative effect of changes in tax policy. A favourable movement of provision for doubtful debts accounted for £1.5 million (0.4%) of the year-on-year variance.

Company income tax

Companies pay tax under the 0/10 regime. Three tax rates are possible:

- **0% –** all non-financial service entities (except those at 20% below)
- **10% –** financial services companies (a company registered, or holding a permit, by virtue of various laws administered by the Jersey Financial Services Commission)

- **20% –** utility companies, rental and property development activities.

There is high volatility in company income tax due to a small number of companies being responsible for a large percentage of the total amount of corporate income tax payable. For example, in 2017 the 'Top 20' companies were responsible for 62% of total company income tax receipts.

Within this population of 'Top 20' companies, a small number of companies experienced changes which resulted in a lower tax liability falling due in 2017.

Net income tax was £31.9 million (6.6%) more than the 2018 Budget Forecast produced in September 2017, at which point there were a high number of personal assessments still to complete. The main factors for the difference compared to that last forecast are increased earnings and pension income in respect of personal taxpayers and higher tax liabilities in total than companies had estimated in 2017 arising from their 2016 profits.

Goods and Services Tax (GST)

3.7% higher than last year
0.6% better than the 2017 forecast

Goods and Services Tax is a consumption tax of 5% on imports and supplies made in Jersey. For businesses within the financial services industry, which generally have the majority of their activity outside Jersey, a flat rate annual fee may be applied as an International Services Entity (ISE).

Income from GST increased from 2016 by £3.1 million (3.7%) and was £0.5 million higher than forecast in Budget 2018. The increase in GST was due to the increased volume, particularly on import GST on goods imported into the Island, along with price inflation.

Impôts Duty

2.7% higher than last year
2.7% better than the 2017 forecast

Impôts duties are duties charged on certain goods as they are imported into the Island. The duties apply to a range of commodities, including alcohol, tobacco and fuel. Duties revenues increased by £1.6 million (2.7%) in 2017, compared to 2016.

The quantities of alcohol and fuel imported in 2017 were comparable to 2016, with the increase in duty rates approved in Budget 2017 resulting in an increase in revenue collected. Tobacco continued a downward trend in quantity imported, reflecting the success of reducing the incidence of smoking, with the increase in revenue collected also attributable to the increase in duty rate, compared to 2016.

The £1.6 million overachievement against the Budget 2018 forecast is primarily due to duties from fuel, which were £1.1 million higher than forecast. This movement is the result of a new fuel importer not previously included in the forecast process.

Stamp Duty

9.8% higher than last year
14.6% better than the 2017 forecast

Stamp duty is charged on property and share transfer transactions according to the value of the transactions. Jersey operates a discount scheme for first-time property buyers. Duty is also collected on wills, probate and obligations.

Stamp Duty collected in 2017 was £3.0 million (9.8%) higher than in 2016 and £4.2 million or 14.6% higher than the Budget 2018 forecast. The increase in 2017 is primarily due to the volume and value of property transactions over £2 million, particularly in the last quarter. This is the most volatile and unpredictable sector of the property market. 2017 has seen a continuing high level of activity from High Net Worth individuals. In contrast, property transactions under £2 million have performed broadly in line with budget and forecast.

In addition, probate duty in 2017, at £3 million, is the highest since the cap on probate duty was reintroduced in Budget 2013.

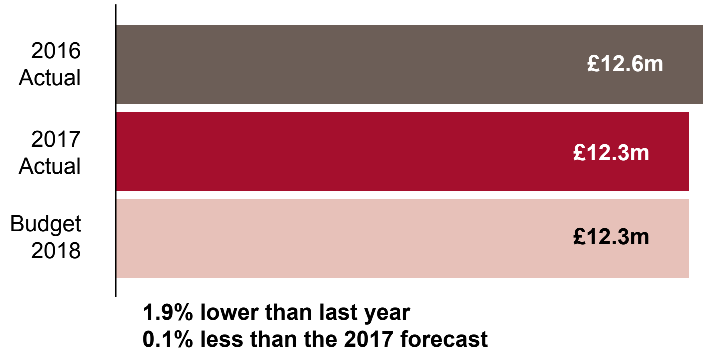
Island Wide Rate

2.4% higher than last year
Equal to budget

The 12 Parishes in Jersey levy rates to pay for parish services. In addition, the Parishes collect an Island-Wide Rate, which is levied by the States. The Island-Wide Rate was introduced in 2006 to provide a contribution to parish welfare costs, which were incorporated into the Island's Income Support System.

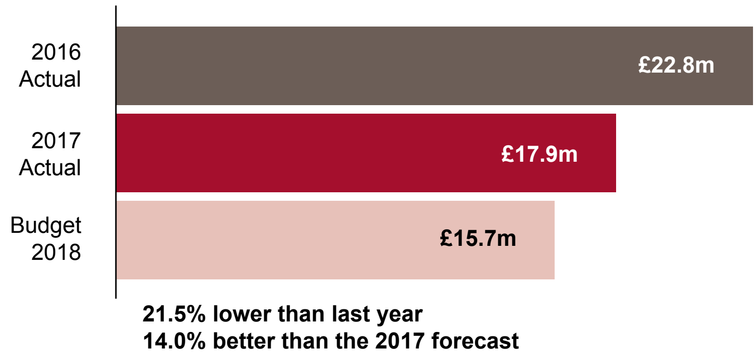
Island-Wide Rate income was slightly higher than in 2016 and as forecast in Budget 2018.

Other Income (Dividends)



Income from dividends received from the States' investments in the utility companies fell by £0.3 million against 2016, with a fall of £1 million from JT Group following special dividends paid in 2016 offset by increases across the other companies.

Other Income (Non-Dividends)



Other income from non-dividends within General Revenues is primarily derived from investment returns on balances in the Consolidated and Currency Funds. Investment returns were strong in 2017, reflecting market performance during the period as well as high balances on the Consolidated Fund, however, the returns were £4.8 million lower than in 2016 when exceptional returns were achieved, in part because of the devaluation of Sterling following the EU Referendum. The exceptional returns in 2016 were protected by a special hedging arrangement which remained in place throughout 2017.

Other Income (Return from Andium)

2.0% higher than last year
0.1% better than the 2017 forecast

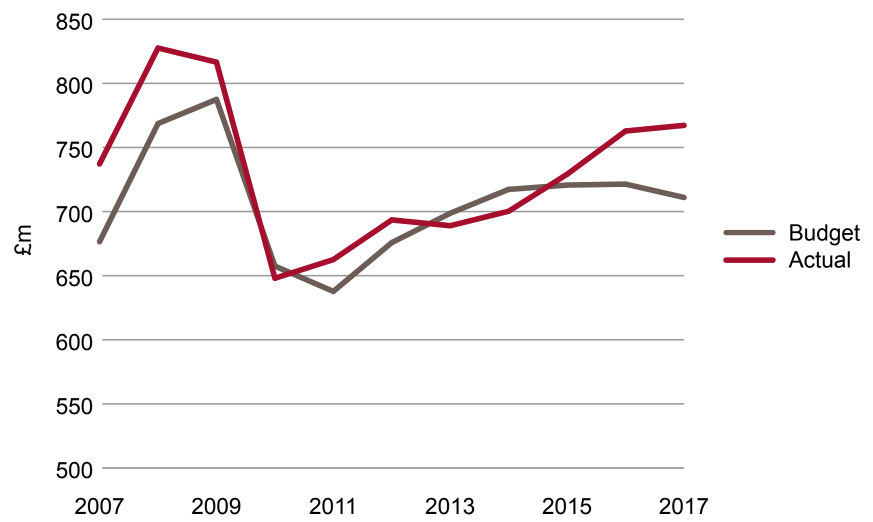
The return from Andium Homes also includes returns from the other housing trusts (£0.2 million in 2017). The Andium return will continue to increase in line with inflation with the other housing trusts increasing above inflation over the coming years.

Changes in General Revenue Income

The following chart shows how Net General Revenue Income has changed since 2007, indexed at 2017 prices. 2014 and 2015 have been restated to reflect the change in accounting policy for current-year-basis taxpayers, to improve comparability.

The graph shows a large drop in General Revenue Income between 2009 and 2010, which was anticipated in the Budget as a result of the introduction of 0/10, and subsequently offset by the introduction of GST. Actual income in 2017 was £30.4 million higher than in 2016.

The main changes from 2016 were an increase in Income Tax of £27 million, primarily as a result of an increase in the yield from existing income tax payers, and increases of £3.1 million in GST and £3.0 million in Stamp Duty. This was offset by a decrease in non-dividends income.


850
800
750
700
650
600
550
500
£m
2007
2009
2011
2013
2015
2017
Budget
Actual

Departments' Revenue Expenditure

Net revenue expenditure – outcome compared to prior year and medium term financial plan summary table

Restated 2016 Actual		2017 Actual	Difference from Prior year	MFTP 2017	Final Approved Budget	Difference from Budget Forecast
£'000		£'000	£'000	£'000	£'000	£'000
	Ministerial Departments					
33,876	Chief Minister	34,233	357	26,482	35,213	(980)
10,288	- Grant to the Overseas Aid Commission	10,355	67	10,339	10,396	(41)
1,804	External Relations	1,923	119	1,746	2,340	(417)
49,783	Community and Constitutional Affairs	50,994	1,211	48,783	51,486	(492)
19,830	Economic Development, Tourism, Sport and Culture	18,820	(1,010)	19,183	19,358	(538)
101,551	Education	107,342	5,791	105,944	108,959	(1,617)
6,178	Department of the Environment	5,650	(528)	5,856	7,020	(1,370)
199,569	Health and Social Services	211,030	11,461	207,908	215,687	(4,657)
185,735	Social Security	178,788	(6,947)	186,226	189,759	(10,971)
40,989	Department for Infrastructure	35,100	(5,889)	39,981	36,864	(1,764)
21,493	Treasury and Resources	23,168	1,675	21,447	24,503	(1,335)
27,358	**Non Ministerial States Funded Bodies and the States Assembly**	**26,408**	**(950)**	**26,742**	**28,486**	**(2,078)**
698,454	**Net Revenue Expenditure - Near Cash**	**703,811**	**5,357**	**700,637**	**730,071**	**(26,260)**

The key element of the States Expenditure is the Near Cash Net Revenue Expenditure of Ministerial and Non Ministerial Departments, through the Consolidated Fund. As departments raise charges for some of the services that they provide, and may also receive other income, the Medium Term Financial Plan approves Net Revenue Expenditure limits for departments, which take this income into account, and so represents the amount funded from taxes.

In 2017, Near Cash Net Revenue Expenditure for departments was £703.8 million (2016: £698.5 million). This included departmental income of £96.5 million (2016: £94.5 million), giving gross expenditure of £800.3 million (2016: £792.9 million).

The £5.3 million (0.8%) increase in departmental net expenditure was largely driven by pay awards recognised across the organisation and the impact of the Workforce Modernisation pay deals for those groups who accepted the offer. This was partly offset by lower social benefit payments and higher levels of income. The position includes:

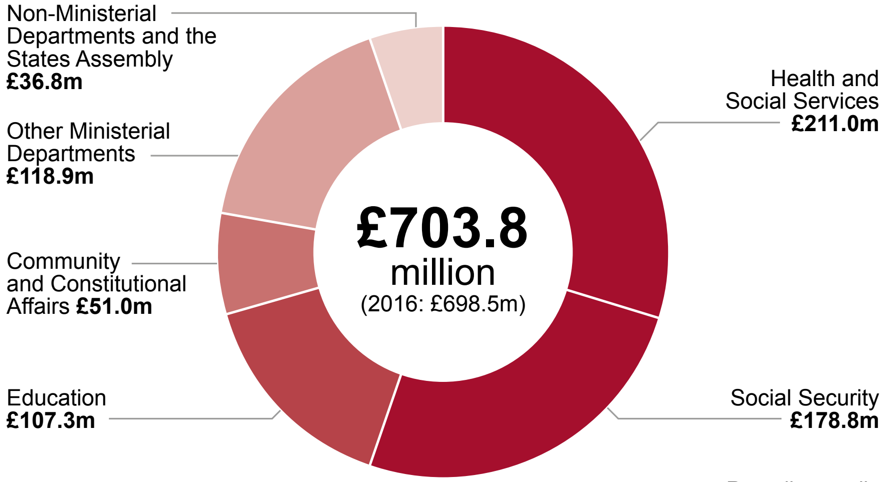
- **Health and Social Services -** £11.5 million increase in net expenditure from 2016 reflecting the investment in Health and Social Services approved in the MTFP, allowing the implementation of P.82/2012 'A New Way Forward for Health and Social Care' to continue. The increase also includes investment in specialist care treatment placements, the increasing cost of specialist and interim staff and the 2017 pay awards offset by further efficiency savings delivered as part of the 2016 – 2019 MTFP. The Department successfully achieved its 2017 savings programme, saving over £5 million without impacting on the quality of service.

- **Education -** £5.8 million increase in net expenditure from 2016 with the biggest single movement being £2.6 million on pay awards as well as increases as a result of the investment in the Jersey Premium to provide additional funding and support to help raise the attainment of pupils most likely to underachieve, pupil numbers and the investment in standards.

- **Social Security -** £6.9 million decrease in net expenditure from 2016 mainly due to a reduction in income support payments and spend on the Back to Work programme, reflecting the changes to benefits proposed by the Minister in the MTFP and the low levels of unemployment combined with the highest total employment recorded to date.

- **Infrastructure -** £5.9 million decrease due to one-off non-recurring costs in 2016, the restructuring of cleaning and parks and gardens services and other efficiency savings, and non-capitalisable costs of the Future Hospital project which were reflected in the 2016 accounts.

Ministerial and non-ministerial departments – net revenue expenditure (near cash)



Rounding applied.

Departments' Near Cash Net Revenue Expenditure

MTFP 2017 Approval
£700.6m

Actual 2017
£703.8m

Budget carried forward from 2016
£22.5m

Underspend
£26.3m

Actual 2016
£698.5m

Other Allocations and Transfers
£6.9m

3.6%
Less than Final Approval Budget

0.8%
More than last year

Near-cash expenditure represents amounts that transacted in cash during the year, or will be shortly after (e.g. departmental income charged that will be collected after the year-end). It excludes amounts relating to the use of fixed assets, such as depreciation and impairments, which are covered later in this section. Accounting Officers are accountable for near-cash expenditure.

During the year, budgets can be varied for limited reasons. Table A on page 194 reconciles departmental approvals in the Medium Term Financial Plan to the Final Approved Budget. More detail on these changes is given in Section 2.3.

	£'000
Medium Term Financial Plan Approval (Near Cash)	**700,637**
2016 Departmental Approvals Carried Forward to 2017	22,547
Allocation of Contingency	14,097
Transfers between Capital and Revenue	(7,210)
Final Approved Budget	**730,071**

Departments' non cash expenditure

Depreciation remained static at £40.1 million in 2017, but impairments were higher in 2016 as a result of a review of the Hospital estate, to reflect the impact of the Future Hospital plans.

Special Funds and Social Security Funds

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

Special Funds

During 2017, Special Funds saw Net Revenue Income of £66.6 million, comprising income of £104.6 million and expenditure of £38.0 million. The majority of this figure was income in the Strategic Reserve. The Net Asset Value of the fund increased from £819.6 million to £840.1 million over 2017, an increase of £20.5 million (2.5%).

The movement reflects net earnings of £70.8 million, representing a net performance of 8.7%, but drawings of £50.3 million. Drawings on the fund were approved in the Medium Term Financial Plan 2016-19 principally for the funding of capital expenditure, in particular £39 million towards the new Les Quennevais school.

Special Funds £286m Surplus

Social Security Funds

During 2017, the funds saw Net Revenue Income of £219.1 million, comprising income of £528.4 million and expenditure of £309.3 million. This income includes contributions received and returns on investments held in the Social Security (Reserve) Fund of £192.5 million, representing a net rate of return of more than 12.2%. This fund sets aside financing for the future provision of pension benefits for those currently in employment, so as to smooth the impact on future workers.

The Social Security Fund, Health Insurance Fund and Long Term Care Fund also grew in 2017 as contributions and investment income exceeded the benefit payments made.

Subsidiary Companies

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

Subsidiaries
£27m Deficit

In 2017, the subsidiaries had combined net expenditure of £27.4 million, comprising £107.8 million of income and £135.2 million of expenditure. This is compared to net expenditure of £14.7 million in 2016.

The majority of the increase in net expenditure is due to impairments recognised in Ports of Jersey and Andium Homes during 2017. In Ports of Jersey, this was the result of a review of operational assets, which concluded that it would be appropriate to impair the value of the Arrivals 1937 Building, due to the initial demolition works having been undertaken, and a significant element of the building no longer being available for occupation.

In the case of Andium Homes, the impairments relate to assets where future rental income will not cover the costs of acquisition or redevelopment. The largest example was the purchase of the Jersey Gas Works site, which was impaired to recognise the reduced rental potential following the States decision to use part of the land to extend the Town Park.

Capital Expenditure

A total of £108.8 million - equivalent to 3% of the total value of property, plant and equipment - was spent on capital projects across the States of Jersey Group, comprising:

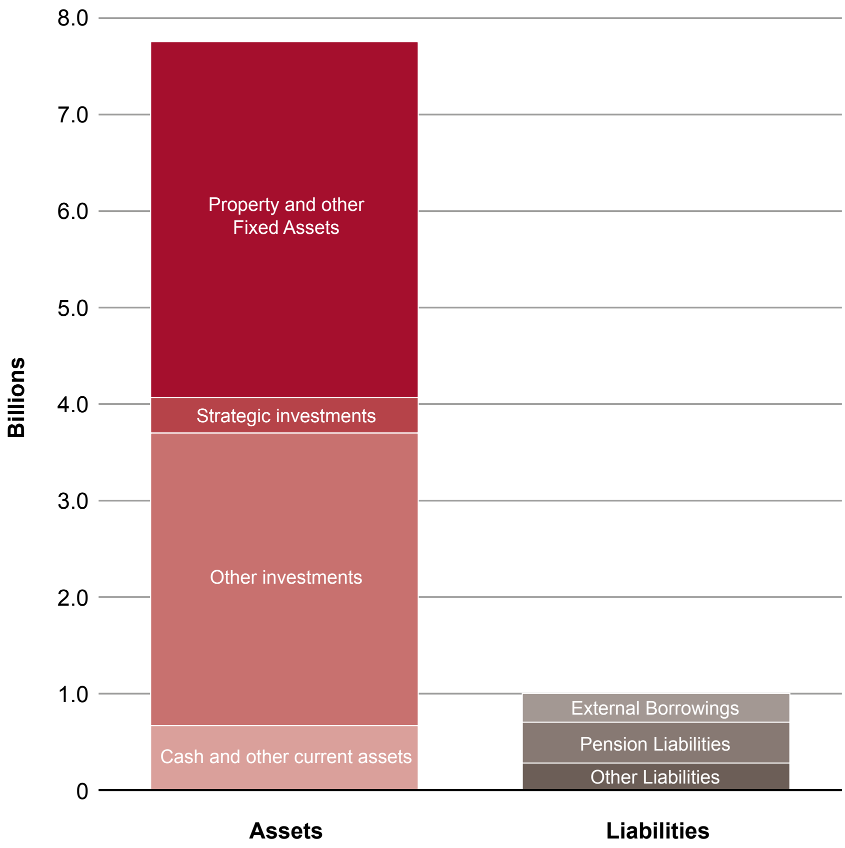
£108.8m

£47.6m by Departments including:	**£14.8 million** on the Future Hospital project. **£6.9 million** on the ongoing development of the sewage treatment works at Bellozanne. **£4.8 million** on infrastructure projects across the road, drainage and sea defences network. **£2.6 million** on a replacement MRI scanner at the Hospital.
£2.7m by Trading Operations including:	**£2.0 million** on vehicle and plant replacement across the organisation. **£0.7 million** on the automated charging system in Jersey Car Parking.
£16.9m by Andium Homes including:	work on Le Squez phase 4, Samares and La Collette low rise and acquisitions of new sites such as Summerland, Robin Hood Corner, Samares Nurseries, the former Ann Street Brewery and Boiler House sites and the former Limes residential home. All of these sites will be developed to provide affordable homes.
£5.5m by Ports of Jersey including:	**£0.9** million on the Integrated Terminal Development. **£0.9** million on IT systems infrastructure. **£0.6** million on work to replace the Les Platons Radar.
£36.1m by States of Jersey Development Company on:	**£20.7 million** on the Esplanade Quarter International Finance Centre to provide modern and efficient office space both for existing businesses to expand and for new businesses to locate to the Island. **£13.5 million** on the College Gardens residential development at the old Jersey College for Girls site. **£1.9 million** on the Horizon residential development at the waterfront site.

The States of Jersey Group Balance Sheet

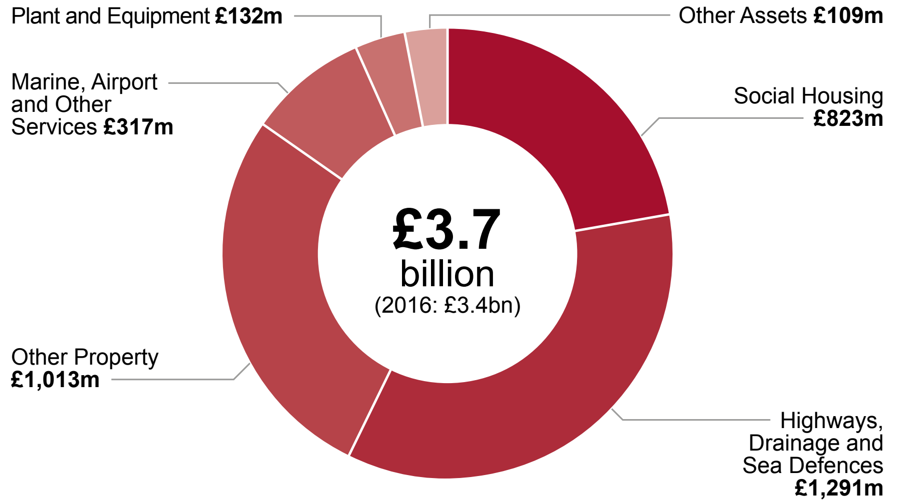
The States net asset position of £6.8 billion is illustrated by the chart below. The States has total assets of £7.8 billion compared to total liabilities of £1.0 billion. This is an increase in the net asset position of £526.2 million from £6.2 billion in 2016.

States Assets and Liabilities



The majority of the States assets comprise property, plant and equipment of £3.7 billion, which includes the Island's infrastructure assets, States land and buildings and the social housing stock administered by Andium Homes Limited.

Breakdown of property and other fixed assets



The second biggest group of assets totalling £3.0 billion comprises the cumulative States investment holdings and includes the funds of the Strategic Reserve and Social Security Funds.

The largest distinct liabilities held by the States relate to the pension debt liabilities totalling £423 million and the external bond taken out in 2014 of £243 million.

Key Movements in Assets and Liabilities

The majority of the movement in the value of the assets is on property and other fixed assets, which increased by £253 million (7.4%) in 2017. This follows a full external professional valuation of land and building assets, as well as interim external professional valuations of infrastructure and social housing assets. The increase in value reflects the increases in building costs experienced in 2017, which is a key input driver for the asset replacement values.

The value of States investments increased by £196 million (6.9%) to £3 billion, following another good year of returns in line with the investment strategies in place.

Pensions liabilities relating to past service liabilities have increased by £16.4 million, as set out in Note 4.29. The PECRS pre-87 debt increased by £12.3 million and the provision for JTSF pre 2006 debt increased by £4.1 million. The value of both liabilities is calculated by the scheme actuaries and details of the assumptions are given in Note 4.29. The biggest single change in the assumptions driving the increase in the valuation is the reduction in the discount rate reflecting the actuary's assessment of long-term investment returns specific to these arrangements.

The £29.5 million increase in external borrowings relates to the bank borrowing that the States of Jersey Development Company has in place to progress the developments at the Jersey International Finance Centre and College Gardens.

Performance of States Investments

The States operates a Common Investment Fund as an administrative arrangement to maximise efficiency and returns across all funds under the administration of the States. This includes some funds not under the direct control of the States and therefore not consolidated in these accounts – most notably the Jersey Teachers Superannuation Fund.

During 2017, the Common Investment Fund generated a net return of £344 million, a rate of return of approximately 10.3%. The return consolidated into the States accounts in relation to States of Jersey Group entities equalled £282 million.

The pooled investments contain a diverse range of growth and capital preservation-focused assets. Variation in the level of earnings is expected as the growth assets, while generating higher gains, are also subject to greater short-term volatility. Due to this volatility, the earnings are best reviewed over a long-term investment horizon. The long-term net return, measured over three years, shows annualised performance of 9.4%; over five years, the annualised return rises to 10.4%. Over one, three and five years, the performance exceeds its market benchmarks.

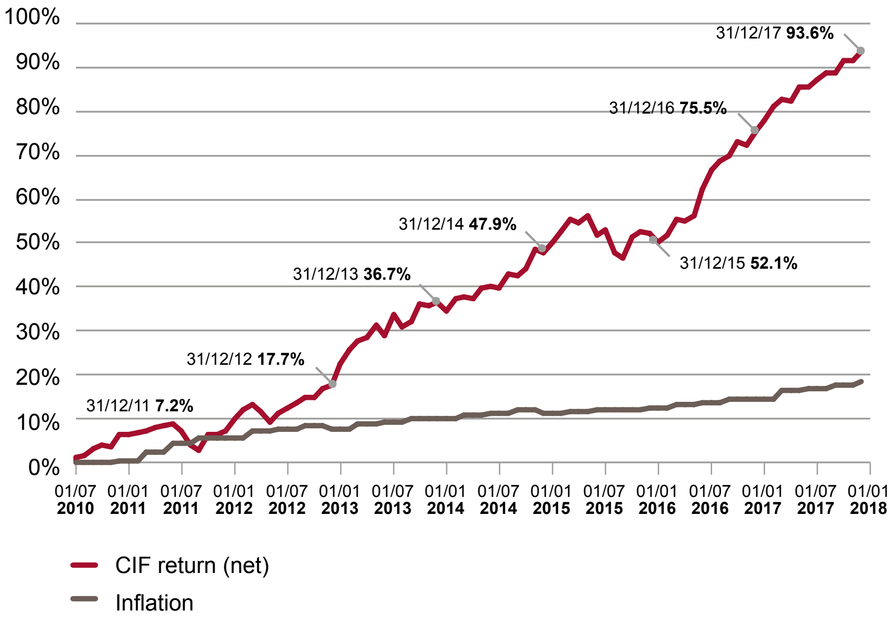
The allocation to the underlying asset classes of the Common Investment Fund is determined by the investment strategy of individual funds. Overall, the States portfolio has a 55% allocation to equity, reflecting the long investment horizon of some of the larger funds. During the year, the majority of the performance of the States' investments was generated by this equity allocation. Of the £282 million gain generated during the year, £261 million was generated by equities. This continues a prolonged period of good performance for the class, which has seen continued strong growth and has added considerable value to the States portfolio over the last three years.

In reaction to the rises in asset values, action has been taken to capture these gains, particularly from the equity portfolio, through increased strategic rebalancing into alternative asset classes. This includes hedge funds and the new 'opportunities' class managers who were appointed during 2017.

The Opportunities Pool invests in non-traditional asset classes, which seek to generate long-term growth, but are expected to be less correlated with other growth class assets, such as equities. The portfolio will seek to access the illiquidity premium associated with investing in asset classes which require money to be locked up for a period of time.

The performance of the alternative class managers, and particularly the hedge fund managers, has so far been muted relative to the strong performance of equity. The Opportunities Managers remain in the drawdown stage, with only £20.1 million drawn by the year end, and insufficient time has elapsed properly to assess their performance. The hedge fund managers, making up £323 million of the portfolio value, generated a disappointing 3.1% return. Given high market valuations, however, these managers are expected to provide downside protection and steadier returns. Furthermore, it is anticipated that conditions for hedge funds managers will improve in the future.

Pooled investment performance compared to RPI (indexed)



Sustainability

Introduction

The States of Jersey recognises our environmental responsibilities and the impacts of our many and varied operations upon the environment.

This Sustainability Report is the fifth to be included in the Annual Report and Accounts In line with the States of Jersey Financial Reporting Manual (JFReM). The report includes information on key areas of environmental performance, such as emissions and finite resource consumption. The States will continue to develop and enhance this information in future years.

A key environmental initiative is the 'Eco Active States' (EAS) programme, which has been developed to support the States of Jersey in managing our environmental performance and resource management with consequent efficiency savings.

We are committed to reducing the environmental impacts caused by the day-to-day operations of our services and activities. We will work to reduce the negative environmental impact of departments by:

- complying with the requirements of environmental legislation and approved codes of practice
- improving environmental performance
- reducing pollution, emissions and waste arising from our activities
- reducing the use of all raw materials, energy and supplies
- raising awareness, encouraging participation and training employees in environmental matters
- encouraging similar environmental standards from all suppliers and contractors

- assisting customers and clients to use products and services in an environmentally-sensitive way
- liaising with the local community.
- participating in discussions about environmental issues

We have continued to run a programme of staff engagement, to raise awareness of corporate commitments and priority actions. The programme is coordinated by the Department of the Environment and information is cascaded to designated eco officers in each department. Budget reductions in 2016 reduced the amount of time available to provide direct officer support for the programme, but the volunteer network of eco officers has continued to operate. All departments have pollution prevention plans in place and have completed an environmental legislation compliance check. Each department has developed its own eco active action plan, according to the service and operational impacts of its activities. These action plans are monitored and managed by the relevant department.

The principles of EAS are promoted on the staff intranet and through an online collaboration space. The principles are:

We:

- Save energy by shutting down all computers, monitors and non-essential equipment at the end of the working day
- Reduce waste by reducing, reusing and recycling batteries, metals (including packaging and cans), electrical items, glass, plastic bottles (that are clean with no tops), and paper
- Only buy recycled paper, Fairtrade tea, coffee and sugar, and other environmental products where possible
- Think about whether we need what we're buying in the first place
- Think about how we travel for work: is the journey necessary?
- Can you lift share or video conference instead?
- Don't leave the taps running and waste water
- Dispose of chemicals the proper way. Don't put them down a surface water drain, which could cause pollution.

Greenhouse gas emissions

Jersey has lower carbon emissions per capita than other jurisdictions, because the island has little manufacturing or on-island power generation. Jersey's emissions originate principally from the space heating and cooling of residential, commercial and institutional premises, as well as from road transport.

Jersey is a signatory to the Kyoto protocol through the UK, and in 2017 the government confirmed to the UK that it would extend the Doha amendment to Jersey.

This required completion of a transposition table, to demonstrate how Jersey meets the relevant requirements of the amendment. Pathway 2050: An Energy Plan for Jersey (P38/2014) sets out a series of 27 actions to reduce on-island greenhouse gas emissions, in line with the 80% reduction target by 2050 against a 1990 baseline, as set out in the Kyoto protocol. Action statement 7 sets out targets for the public sector to reduce energy use and associated greenhouse gas emissions from heating of buildings, operational activities and use of equipment and transport.

Greenhouse gas emissions are calculated from consumption data collected from bill information from energy providers. This covers the use of energy for the heating and lighting of States of Jersey properties, running IT systems and use of fleet vehicles. To calculate emissions, carbon emissions factors from the building by-laws regulations are applied.

Reducing emissions from heating and energy use in buildings

The programme to reduce energy demand has continued to focus on procurement, reducing waste and increasing efficiency.

Procurement and specification of both energy source and equipment to ensure that the most suitable option is secured for the relevant property. Jersey Property Holdings manages a portfolio of more than 130 properties. These vary greatly in terms of construction, age, location, size and function. There is no single energy solution that is appropriate for all properties. Refurbishment and replacement of systems is carried out on a case-by-case basis to assess and evaluate the most appropriate solution in terms of efficiency, emissions and lifetime costs. All property refurbishment and new builds meet the energy performance requirements of the building by-laws.

The EAS programme runs awareness campaigns to remind all staff to switch off devices when not in use and to turn down heating controls. Information is distributed through a network of eco officers and staff newsletters and the intranet.

The ongoing maintenance programme run by Jersey Property Holdings ensures that when services such as lights, boilers and heating that maintain the building environmental conditions are upgraded, the replacement systems are specified to meet low energy standards and have extended warranties of up to five years. This reduces both energy use and expenditure. Since 2016, all lighting replacements are made with low energy LED's.

Reducing emissions from transport

The States of Jersey vehicle fleet is made up of low-emission lease-hire pool cars, including a small number of electric vehicles and owned vehicles. The owned vehicle fleet, internally leased to departments by Jersey Fleet Management (JFM), are subject to a fleet replacement policy that ensures ongoing compliance with European emission standards as they develop, as well as being in line with the vehicle's planned economic life.

During 2017, overall States fleet fuel usage has continued to drop (a 16% reduction, which follows a 10% reduction in 2016) with the greater reduction being in the use of diesel products compared with unleaded petrol. This reduction is partly due to the full-year effect of the Department for Infrastructure's fleet size reduction, arising from service reorganisation and an element of outsourcing in the Cleaning Services and Gardens sections in the last quarter of 2016. It is also partly due to procuring more fuel efficient vehicles through JFM's ongoing fleet replacement policy.

Since 2015, all off-island travel has been booked through a travel provider, managed through the corporate procurement service. Emissions from air travel have been estimated using UK government emissions factors for business travel by air.

Air travel	2015	2016	2017
Total air miles	4.6m	3.3m	3.5m
Total expenditure	£3.9m	£3.4m	£3.5m
GHG emissions (t CO2e)	1.9	1.4	1.5

Only flights booked through this service are included, which includes all States departments, Andium Homes and Ports of Jersey.

Greenhouse Gas (GHG) Emissions	Air travel	2015	2016	2017
Energy Consumption	Electricity (millions of kWh)	66.6	61.7	50.3
	Heating Oil (millions of litres)	3.8	4.0	3.4
	Fleet Vehicle Fuel (thousands of litres)	776	720	598
	Gas (millions of kWh)	7.3	6.5	4.9
Equivalent Emissions*	Electricity (tCO2e)	6,100	5,700	5,100
	Heating Oil (tCO2e)	9,400	9,900	10,000
	Fleet Vehicle Fuel (tCO2e)	2,100	2,000	1,600
	Gas (tCO2e)	1,500	1,400	1,200
	TOTAL emissions (ktCO2e)	**19.1**	**19.0**	**18.6**
Financial Indicators	**Total energy expenditure (Electricity, Gas, Heating Oil and Vehicle Fuel)**	**£11.1m**	**£10.2m**	**£10.5m**

The number above includes all departments within the States of Jersey Accounting Boundary.

*The Building Bye-Laws (Jersey) 2007/Technical Guidance Document 11.1B (Appendix E)

Finite Resource Consumption - Water

Water Use

The total amount of water used by the States of Jersey includes all public toilets, showers and schools, plus the airport, hospital and all other States of Jersey activities. This means that it is difficult to compare overall performance against recognised good practice benchmarks, as much of the water use is outside the States direct control. For example, water use will increase if there are more visitors using public facilities.

By 2017, 100% of States properties had water meters in place, enabling more accurate reporting of water consumption. Water metering also makes it much easier to identify leaks and take corrective action more quickly to avoid waste. Reducing water consumption is a priority of the EAS programme. In reducing water consumption, there is potential for significant cost savings, as well as reducing the energy used to collect, process, clean and transport potable water to the workplace.

Finite Resource Consumption - Water		2015	2016	2017
Non-Financial Indicators	Metered Water Consumption (thousands of m3)	456	596	763
	Metered Water Costs as % of total Water Supply Costs	57%	78%	100%
Financial Indicators	**Water Supply Costs (£m)**	**2.3**	**2.0**	**1.9**

Water protection

The Department of the Environment respond to around 100 water pollution incidents a year. Oil incidents make up about a third of the incidents, although other types of pollution include sewage, chemical, construction, agricultural and contaminated land. The States of Jersey is responsible for a proportion of these incidents each year. The Department of the Environment runs ongoing pollution prevention campaigns and public engagement activities to raise awareness and to reduce incidents.

As part of the EAS programme, all departments have a pollution prevention plan in place to raise awareness and ensure potential environmental risks from building or sites are identified. All buildings with oil storage on site are provided with an oil spill kit, which enables a trained person to respond effectively to an oil spill.

Water pollution incidents	2015	2016	2017
Total incidents	85	95	101
SoJ incidents	6	6	8
Percentage (%) incidents - SoJ	7	6	8

Paper

In 2015 the Corporate Management Board endorsed a policy of using recycled white A4 paper where possible. In 2017, while the total amount of recycled paper purchased increased, the percentage of total paper purchased on contract fell from 60% to 59%. This is due to more departments being brought into the corporate contract and improved reporting.

The States of Jersey has a managed office print service, which provide printing configuration controls, such as pull printing where users have to manually recall their printing from machines, rather than have it printed automatically, as well as default double-sided mono printing. This provides more control and visibility over printing jobs and the number of pages actually printed.

Finite Resource Consumption - Paper		2015	2016	2017
Non-Financial Indicators	Reams of paper purchased on contract '000s	67	62	64
	% Recycled paper purchased	44%	60%	59%

Waste

Jersey's Solid Waste Strategy (2005) provides a set of waste reduction and recycling targets for the island and follows the internationally-recognised waste hierarchy, which prioritises waste prevention and minimisation ahead of reuse, which is prioritised above recycling.

A review of the Solid Waste Strategy has taken place, but the development of a new strategy has been delayed due to wider changes being considered to improve the future management of the island's waste, such as the introduction of commercial waste charges.

In the absence of an updated strategy, the Department for Infrastructure has continued to follow the waste hierarchy, by prioritising alternative waste management options for those materials that are unacceptable for energy recovery and focusing on reducing the environmental impact of Jersey's waste through waste reduction, reuse and recycling strategies.

The Department continues to work closely with the eco active programme across the States of Jersey to raise staff awareness and support departments to reduce, reuse and recycle. A core message, which remains a priority, is the importance of separating materials that should not be thrown away with general waste, such as glass, batteries, metals and electrical items.

Climate change adaptation and mitigation

Pathway 2050: Energy Plan for Jersey outlines how Jersey can mitigate some of the impacts of climate change, and meet the 80% emissions reduction requirement by working towards a low-carbon future.

The States of Jersey published Turning Point in 2009, explaining both the science and possible impacts of climate change for Jersey.

In 2017, a baseline report on sea level rise was completed by the National Oceanography Centre. The report will be used to develop a shoreline climate resilience management plan in 2018. This will identify areas at risk from coastal and pluvial flooding and set out a series of options and action plans.

Jersey's greenhouse gas emissions are published online and are updated annually. The infographic uses the data submitted to compile the UK greenhouse gas inventory which is a requirement of the Kyoto Protocol.

Biodiversity and the natural environment

The Biodiversity strategy was produced in 2008, and identifies habitats and species to be protected. Jersey is a signatory to a number of multilateral environmental agreements on biodiversity, which are implemented through local legislation, policies and education and awareness-raising programmes. The Department of the Environment's natural environment team is responsible for implementing these agreements.

The biodiversity strategy has established the Jersey Biodiversity Partnership and a network of species and habitat Champions. Full details of the Biodiversity Strategy and international commitments are available on www.gov.je.

In addition to reducing water use, the EAS programme has a priority action to ensure that pollutants do not enter the water course. This includes a requirement for a pollution prevention plan to be produced for all buildings, in order to reduce the risk of pollution occurring and any breaches in the Water Resources (Jersey) Law.

Sustainable procurement

The States of Jersey is committed to the principles of sustainable procurement. The EAS commitment requires all departments to ensure that sustainability is considered as part of the procurement process.

Some examples are included below:

- Supplier questionnaire and pre-qualification questionnaires used by Corporate Procurement include a section seeking detail of suppliers' environmental or sustainability policies and consideration of these forms part of evaluation process where appropriate
- Jersey Property Holdings' tender and maintenance contracts require suppliers to have environmental management systems in place
- Department for Infrastructure's cleaning contracts require suppliers to have environmental management systems in place.

Data Sources

The sustainability report, which has not been audited, uses the following data sources:

Electricity Usage – based on information provided by the Jersey Electricity Company

Heating Oil Usage – based on information provided by Corporate Procurement and relates to the total deliveries received, rather than use

Vehicle Fuel Usage – based on information provided by Jersey Fleet Management (JFM) on fuel purchases for lease cars made through JFM

Business Miles – Air – based on information provided by the States corporate travel management provider

Gas Usage – based on information provided by Jersey Gas

Water Usage – based on information provided by the Jersey New Water Works Company

Paper Usage – based on information provided by the States corporate supplier for stationery

Fairtrade supplies – based on information provided by the states corporate supplier for consumables

Relevant amounts have been converted into emissions information using standard conversion factors provided by the Department of the Environment in line with building by-laws. These are based on a three-year rolling average and are updated each year. This means that the factors change slightly from year to year, depending on the amount of on-island electricity generation that has taken place as a proportion of total electricity demand. The CO2 equivalent figures for all fuels include the global warming impact of CH4 and N2O as well as CO2.

Emission factors for business air miles – are based on UK government emission reporting factors.*

Richard Bell
Treasurer of the States
Date: 30th May 2018

2
Accountability report

2.1
Corporate Governance Report

The Corporate Governance Report explains the composition and organisation of the States of Jersey and our governance structures and how they support the achievement of the States' objectives. It includes the Management's Report, the Statement of Accounting Officer's Responsibilities and the Governance Statement which includes descriptions of significant governance issues and key risks facing the organisation.

The Management's Report

Ministers and Accounting Officers

Details of individuals who served as Ministers and Accounting Officers are set out in the Governance Statement with disclosures in respect of remuneration included in the Remuneration and Staff Report.

Directorships and Significant Interests

Under the Standing Orders of the States of Jersey, details of directorships and other significant interests held by Ministers (and all States Members) are set out in the Register of Interests held by the Greffier of the States and are available on the respective Members' pages on the States Assembly website.

The Register of Interests is used to identify parties related to the States of Jersey through senior management for the purpose of preparing disclosure of related party transactions in the States of Jersey Annual Report and Accounts.

In accordance with Financial Direction 10.2 'Register of Interests and Related Parties', the States maintains a register of interests which records details of directorships and other significant interests held by Accounting Officers. For this section, Management are defined as Accounting Officers, with the exception of the Comptroller and Auditor General and Accounting Officers of minor departments as approved by the Minister for Treasury and Resources.

Details of Related Party Transactions, including those arising as a result of the interests of Ministers and Accounting Officers, are listed at Note 38 – Related Party Transactions.

Statement of responsibilities

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 Principles, and accounting standards prescribed by the Treasurer of the States with the approval of the Minister for Treasury and Resources. Under the Social Security (Jersey) Law 1974, Health Insurance (Jersey) Law 1967 and Long-Term Care (Jersey) Law 2012, accounts of the relevant funds are to be prepared in such form, manner and at such times as the Minister for Social Security may determine. The Minister considers the consolidation of the funds into the States of Jersey Accounts sufficient for statutory reporting requirements, and so for 2017 will prepare an Annual Performance Report for the funds that reports upon their performance with reference to the relevant statements in these accounts, rather than a separate set of accounts.

Under the Public Finances (Jersey) Law 2005, Accounting Officers are responsible for ensuring that the body for which they are responsible keeps proper accounts of all its financial transactions and proper records of those accounts, and that the records of the body are promptly provided 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 Governance Statement.

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**

The Treasurer confirms that, so far as he is aware, there is no relevant audit information of which the States' auditors are unaware; and he has taken all steps that he ought to have taken as Treasurer to make himself aware of any relevant audit information and to establish that the States' auditors are aware of that information.

Richard Bell
Treasurer of the States
Date: 30th May 2018

Governance Statement

Scope of Responsibility

Details of individuals who served as Ministers and Accounting Officers are set out in the Governance Statement with disclosures in respect of remuneration included in the Remuneration and Staff Report.

Under the Public Finances (Jersey) Law 2005 (hereafter referred to as ‘the Law’), an Accounting Officer has been designated for all States-funded bodies. The Accounting Officer usually holds the post of Chief Officer of a department. The Law permits the appointment of an additional Accounting Officer for a States-funded body, a fund, a special fund, any States income and money derived from taxation or any money forming part of States assets.

Each Accounting Officer is personally accountable for the proper financial management of the resources under their control in accordance with the Law, any sub-ordinate legislation and financial directions. Accounting Officers must ensure that public money is safeguarded and properly accounted for, and used only for those purposes approved by the States and economically, efficiently and effectively.

The same financial responsibility extends to the financial resources of the special funds for which an Accounting Officer is also responsible.

In discharging their financial responsibilities, Accounting Officers must ensure that robust governance arrangements are in place, which include a sound system of internal control and arrangements for the management of risk.

Each Accounting Officer has formally declared in a Governance Statement the basis upon which they believe their duties have been properly discharged during 2017 for their area(s) of responsibility or any exceptions in the year.

The States of Jersey Governance Statement summarises the high-level arrangements, and considers controls, risks and mitigation measures from a States-wide perspective.

The Purpose of the Governance Framework

The Governance Framework comprises the systems, policies and procedures through which the States of Jersey as a whole organisation is directed and controlled. Furthermore, the Governance Framework includes routes through which the organisation engages with and is accountable to the Island's citizens. This framework enables the organisation to monitor the delivery of its strategic objectives and reflect on whether services have been provided in a cost-effective way.

The system of internal control is a significant part of that Framework and is designed to manage risk to a reasonable level. The system is intended to support the achievement of departmental and strategic objectives; it cannot eliminate all risk of failure and therefore only provides a reasonable and not absolute assurance of effectiveness.

The Governance Structure

Ministerial Government

The States Assembly

Executive	Privileges and Procedures Committee	Scrutiny
Council of Ministers	Comité des Connétables	Scrutiny Chairmen's Committee
Individual Ministers	Planning Applications Panel	Public Accounts Committee
10 States Departments	Overseas Aid Commission	Five Scrutiny Panels

Key elements of the States of Jersey Governance Framework

POLITICAL/LEGISLATIVE

Council of Ministers (COM)

- Provide leadership, develop and set strategic priorities
- Support Jersey's community to thrive and succeed

Decision making

- Consider the Propositions of the CoM and other Members
- All States sittings are held in public
- Decisions are recorded in Hansard and on the website

Scrutiny and review

- Scrutiny panels review Council of Ministers policy and can challenge decisions
- Audit Committee reviews governance, value for money and delivery of agreed plans

ADMINISTRATIVE

Corporate Management Board (CMB)

- The Chief Executive and Chief Officers collectively form the CMB
- Provides advice to the Council of Ministers on all strategic matters.
- Provide a forum for discussion of all significant corporate, cross cutting or departmental policies.

Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by CMB every quarter and presented to the Audit Committee

Organisational Change

The new Chief Executive, Charlie Parker, joined the States of Jersey on 8 January 2018. Before he started, in November 2017, he met 120 senior leaders of the organisation to set out his vision and priorities. At that meeting he talked about his plans to develop a single public service: one government, with all parts working together, to serve the needs of all Islanders.

The Chief Executive explained that he intended to review the current operations, policies and programmes for delivering public services; to understand what was working well, what needed to improve; and to recommend and implement the necessary changes. That work started with a transition team who were commissioned in October 2017.

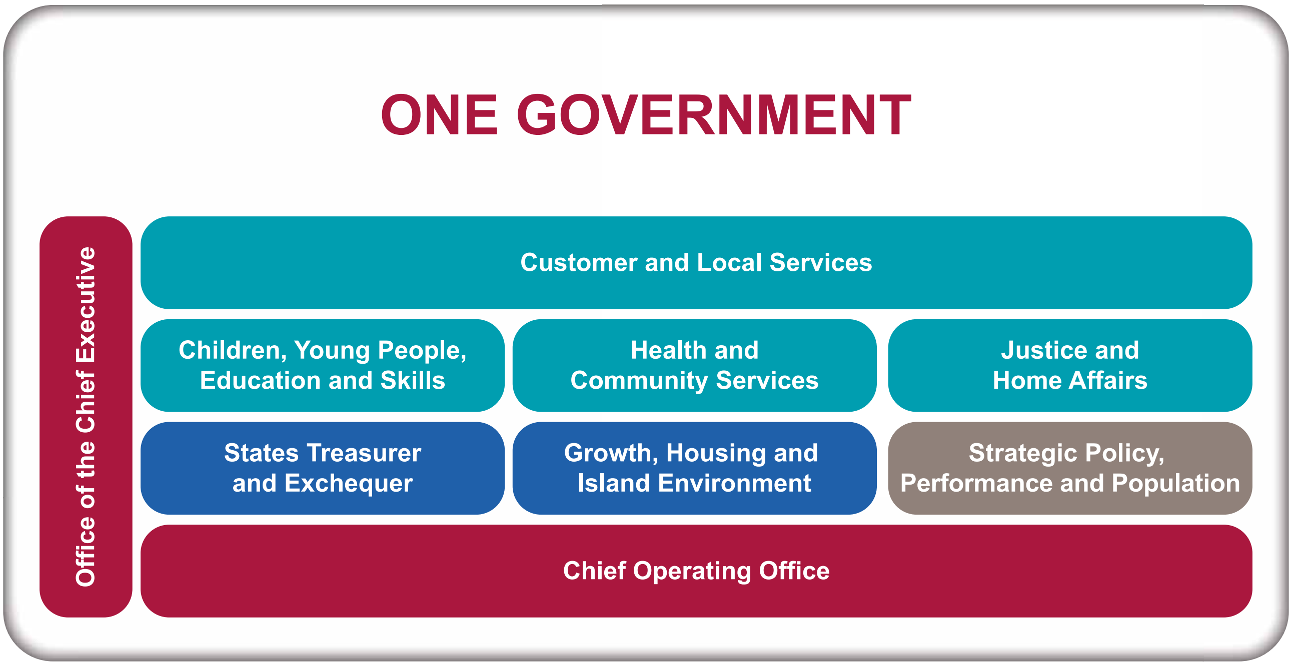
In March 2018, the Chief Executive then announced proposals for a comprehensive restructuring and modernising of the States' public services, reiterating his ambition to create one government service, which is focused on the needs of customers, with clear accountability for both decision- making and performance, with modern services and a right-first-time culture at its core.

Subject to consultation, the proposals also aim to reduce duplication, promote collaboration, increase productivity, and ensure better value for money for the taxpayer. As a result of the reorganisation, a number of functions will move between a reduced number of departments. Some new departments will be created and some departments will cease to exist in their current form.

The changes are to be delivered in a phased approach, with the movement of services and activities between departments and functions, and the creation of new and fewer departments out of the existing structure.

The proposals were previously approved by the States Employment Board, shared with the Council of Ministers and endorsed by the Chief Minister. When P.1/2018 was approved by the States on 20 March 2018, the foundations needed to create this new approach for the government were agreed.

The proposed new structure



Office of the Chief Executive – initially responsible for keeping oversight of two critical areas of activity: Brexit and trade, plus the impact of changes on financial services. It is also responsible for the effective coordination of the government's relations with Ministers, islanders, island stakeholders and international governments, financial regulators, partners and stakeholders.

Department for the States Treasurer and Exchequer – will ensure that the financial responsibilities of public servants are properly discharged and that public service administration finances are better managed. It will give greater emphasis to the strategic finances of the island, with a focus on the organisation's longer-term goals and improved value for money.

Department for Customer and Local Services – will put customers at the heart of the new government structure. It will be the front door to all of our frontline customer services, except health and education. At present, islanders have to deal with multiple teams in multiple departments in lots of different ways – face to face, by post, by phone and online – and in most cases they have to provide the same information to us each time.

This new department will establish a single, streamlined service for all those direct interactions that islanders have with government, from applying for income support to filing taxes. We'll also seek to integrate this front door approach with closer working arrangements with the parishes.

Department for Children, Young People, Education and Skills – will put the care, welfare, education and whole life chances of children and young people absolutely at its heart. The pace of reform, and the scale of cultural and service change we need to ensure that our children and young people are protected and enabled to flourish, is currently too slow.

This new department will be responsible for putting children first, completing the urgent Care Inquiry reforms and adopting worldwide best practice in the care of children and young people. It will also modernise and improve the standards of academic education and vocational skills in Jersey.

And it will strengthen the links between Jersey's businesses and our schools and colleges, so that our young people have better opportunities to build careers in the island, reducing our reliance on skilled migrants, and improved whole life chances.

Department for Health and Community Services – will be responsible for health matters from the cradle to the grave, and will coordinate the wide range of frontline health services, whether in the community or in hospital.

The department will retain most of the functions of the current Health and Social Services Department, but will place a greater emphasis on community care for vulnerable groups and stronger preventative services.

Department for Justice and Home Affairs – will integrate the elements of public protection that in bigger countries are too cumbersome to bring together. It will provide more effective and co-ordinated management of the services that keep islanders safe, including the bringing together of key blue light and emergency services, including Police, Fire and Rescue, Ambulance Service, Customs and Immigration, Field Squadron, Emergency Planning and Coastguard.

Department for Growth, Housing and Island Environment – will bring together all the elements we need to provide the right environment for economic growth and business competitiveness – from the smallest start-up to the largest multinational.

It will ensure that we continue to develop a sustainable island, with urban planning that enhances, rather than undermines, our natural and cultural heritage. It will enforce the many regulations – from consumer protection to biodiversity – that protect our quality of life in our unique island environment.

It will ensure that the environment and economy are not competing forces, but are complementary partners in developing our island's future, and it will also include a stronger focus on special infrastructure projects and partnership with our arm's length organisations

Department for Strategic Policy, Performance and Population – will bring together the long-term strategy and the policy and performance framework that underpins the effective functioning of government in delivering for our island. It will also help improve the oversight of Future Jersey.

Chief Operating Office – will bring together the many internal and back office services that support and enable the effective functioning of our public service, and will be a 'hub and spoke' operation. It will have centrally-provided and co-ordinated 'hub' services, partnered with the 'spoke' departments that include HR and IT activities.

It will also host a new Commercial Division, which will create a more rigorous approach to contract management, procurement and commercial negotiations for services on behalf of the States of Jersey.

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 Assembly are:

- **To represent the people of Jersey**
- **To debate and decide issues of public importance**
- **To pass laws (which require the sanction of Her Majesty in Council) and regulations on all domestic matters**
- **To approve estimates of public expenditure (revenue and capital) and income**
- **To appoint a Council of Ministers (CoM) charged with responsibility for the different aspects of public business**
- **To appoint a Public Accounts Committee (PAC) and Scrutiny Panels to hold the Executive to account**
- **To determine policy on propositions presented by Ministers, Scrutiny Panels and other bodies or individual members, and executive matters such as compulsory purchases**
- **To consider petitions for the redress of grievances.**

The constitution of the States, and all general provisions governing procedure, are set out in the States of Jersey Law 2005, and in the Standing Orders of the States of Jersey made under that law. The present composition of the States, as determined by the States of Jersey Law 2005, is shown below.

Only elected States Members have voting rights.

Composition of the States

Elected Members	• 8 Senators • 12 Connetables • 29 Deputies
Non-Elected Members	• The Bailiff • The Lieutenant-Governor • The Dean of Jersey • The Attorney General • The Solicitor General
Officers	• The Greffier of the States, who is the clerk of the States • The Deputy Greffier of the States, who is the clerk-assistant of the States • The Viscount, who is the executive officer of the States

Ministerial Government

Jersey's government comprises the Chief Minister and ten Ministers, who, with the support of the Assistant Chief Ministers, collectively form the Council of Ministers.

The States Assembly elects the government by way of appointing the Chief Minister, and voting on the Chief Minister's nominations for Ministers.

In addition, Ministers, with the consent of the Chief Minister, may appoint their own Assistant Ministers, ensuring that the combined total of members appointed as Ministers and Assistant Ministers does not exceed 21, and therefore remains in the minority in the States Assembly.

The Assembly comprises 49 States Members with voting rights, including Senators who hold an Island-wide mandate, Deputies from individual parishes, and a Constable for each parish.

The Assembly also appoints Scrutiny Panels to scrutinise the work of the CoM, the PAC, and the Privileges and Procedures Committee to govern the functioning of the Assembly.

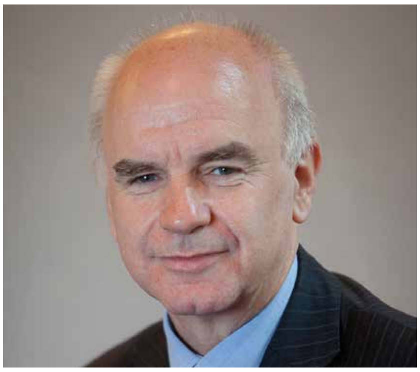
The Assembly's presiding officer is the Bailiff, and in his absence, the Deputy Bailiff, the Greffier of the States, the Deputy Greffier of the States or an elected Member chosen by the Bailiff may preside.

The Council of Ministers











From top left: Ian Gorst, Lyndon Farnham, Rod Bryans, Steve Luce, Sir Philip Bailhache, Kristina Moore, Andrew Green, Anne Pryke, Susie Pinel, Eddie Noel, Alan Maclean

Each Minister is legally and politically accountable for the discharge of their functions, which are outlined at the outset of each CoM.

The CoM is, in particular, responsible for producing Jersey's Strategic Plan, Medium Term Financial Plan, and a Common External Policy. The CoM meets approximately fortnightly and is bound by the Code of Conduct and Practice for Ministers and Assistant Ministers.

The exercising of ministerial functions is recorded either by way of a minute of the Council of Ministers, or by individual Ministerial Decisions (in accordance with the Guidelines for Recording Ministerial Decisions, which is appended to the Code of Conduct); or these powers are delegated to officers (in which case, that delegation is presented to the Assembly for information). This ensures a proper record of decisions taken.

The CoM is supported by the Chief Executive, who is the head of the public service, and the Chief Minister's Office, and each Minister is supported by a Ministerial Department, each of which has a Chief Officer.

In 2017, there were 10 Ministerial Departments. This means that in some cases, a number of Ministers are supported by a single Department, to enhance effectiveness and efficiency, including the coordination of ministerial functions.

In addition, there are a number of non-Ministerial Departments discharging functions in support of the Assembly and the Royal Court.

The 11 Ministers and 1 Assistant Minister who formed the Council of Ministers during 2017 are shown in Table 1.

Table 1

Responsibility	Minister	Appointment Date	Meeting Attendance
Chief Minister	Senator Ian Gorst	14/11/2011	21/28
Assistant Chief Minister	Senator Paul Routier	25/11/2011	20/28
Economic Development, Tourism, Sport and Culture	Senator Lyndon Farnham	06/11/2014	21/28
Education	Deputy Rod Bryans	07/11/2014	21/28
Environment	Deputy Steve Luce	07/11/2014	24/28
External Relations	Senator Sir Philip Bailhache	06/11/2015	19/28
Home Affairs	Deputy Kristina Moore	06/11/2014	25/28
Health and Social Services	Senator Andrew Green	06/11/2014	25/28
Housing	Deputy Anne Pryke	07/11/2014	25/28
Social Security	Deputy Susie Pinel	07/11/2014	23/28
Department for Infrastructure	Deputy Eddie Noel	06/11/2014	26/28
Treasury and Resources	Senator Alan Maclean	06/11/2014	23/28

The Corporate Management Board

The Chief Officers of each Ministerial and non-Ministerial Department are also appointed as Accounting Officers, accountable for the efficiency and effectiveness of expenditure although, in some cases, a Department may have more than one Accounting Officer. In addition, each States Fund also has an Accounting Officer.

The Chief Executive and Chief Officers collectively form the CMB, which provides corporate leadership to deliver services efficiently and effectively as directed by the CoM, and in line with the polices and strategies of the CoM.

In 2013, the principal Law was amended to extend the Accounting Officer role by empowering the Minister for Treasury and Resources to appoint an Accounting Officer who will be personally accountable for the proper financial management for all non-departmental States Income and Special Funds.

The role of CMB is to provide corporate leadership in order to deliver policies and services efficiently and effectively as decided by the States, the CoM and Ministers. The CMB meets fortnightly.

To replace the CMB, a Corporate Strategy Board (CSB) was formed in early 2018 with the arrival of the new Chief Executive. An Executive Management Team was also formed.

The CSB is a senior leadership team of the States of Jersey's public service. It exists to deliver modern, efficient, customer-focused public services that work together as one government, supporting the policy objectives of the Council of Ministers.

CSB provides quality assurance to the Council of Ministers, in respect of the operational elements and ensuring the viability of all proposals. It reviews all items under consideration by the Council of Ministers and assumes responsibilities for supporting the forward planning of the work of the Council.

CSB is chaired by the Chief Executive and its membership includes:

- the Chief Operating Officer (COO)
- the Treasurer of the States
- Chief Officers of the following Departments: Social Security, Health and Social Services, Education, Community and Constitutional Affairs, Infrastructure, Environment, Jersey Police and Financial Services, Digital and Enterprise
- Heads of Service for External Relations and Economic Development, Tourism, Sport and Culture
- Director of Communications
- Greffier of the States of Jersey
- Senior Representative of the Law Officers' Department.

The Executive Management Team (EMT) is a senior leadership team of the States of Jersey's public service.

It exists to deliver modern, efficient, customer-focused public services that work together as one government, supporting the policy objectives of the Council of Ministers.

EMT is focused on the operation of an efficient and effective public service, in particular, managing operational risk, resource planning, programme delivery, budgets and performance.

EMT is chaired by the Chief Executive and its membership includes:

- the Chief Operating Officer
- the Treasurer of the States
- Chief Officers of the following Departments: Social Security, Health and Social Services, Education, Community and Constitutional Affairs, Infrastructure and Environment
- the Head of Service of Economic Development, Tourism, Sport and Culture
- the Director of Communications.

Accounting Officers

The following individuals held the post of Accounting Officer for all or part of 2017:

States Body/Fund	Position	Accounting Officer	Appointment Date	CMB Meeting Attendance
Ministerial Departments				
Chief Minister's Department (includes Legislation Advisory Board, Human Resources and Information Services)	Chief Executive	John Richardson	18/05/2011 to 02/11/2017	15/16
	Head of the Public Service	Richard Bell	03/11/2017	14/17
		Charlie Parker	08/01/2018	
Chief Minister's Department (Financial Services, Digital & Enterprise)	Chief Officer	John Richardson	01/10/2016 to 02/04/2017	15/17
	Chief Officer Financial Services	Richard Corrigan	03/04/2017	14/17
Economic Development, Tourism, Sport & Culture	Chief Officer	John Richardson	01/01/2017 to 05/02/2017	15/16
	Interim Accounting Officer	Ian Burns	06/02/2017 to 06/07/2017	17/17
	Head of Service	Daniel Houseago	07/07/2017	3/7
Department for Education	Chief Officer	Justin Donovan	01/09/2014	14/17
Department of the Environment	Chief Officer	Andrew Scate	26/08/2008	12/17
External Relations	Head of Service External Relations	Kate Halls-Nutt	13/05/2016	10/17
Health and Social Services	Chief Officer	Julie Garbutt	01/06/2010	13/17
Department for Community and Constitutional Affairs (excluding States of Jersey Police)	Chief Officer	Tom Walker	01/05/2015	14/17
States of Jersey Police	Chief Officer	Michael Bowron	01/01/2012 to 05/07/2017	8/11
		Julian Blazeby	06/07/2017	3/7
Social Security	Chief Officer	Ian Burns	01/04/2015	17/17
Department for Infrastructure (including Property Holdings)	Chief Officer	John Rogers	17/04/2009	15/17
Treasury and Resources Department	Treasurer of the States	Richard Bell	15/01/2015	14/17

States Body/Fund	Position	Accounting Officer	Appointment Date
Non-Ministerial Departments			
Bailiff's Chambers	Chief Officer	David Filipponi Steven Cartwright	02/10/2006 to 23/04/2017 24/04/2017
Law Officers' Department	Practice Manager and Director of Administration	Alec le Sueur	01/12/2014
Judicial Greffe	Judicial Greffier	Paul Mathews	01/05/2015
Viscount's Department	Viscount	Elaine Millar	01/05/2015
Official Analyst	Official Analyst	Nick Hubbard	01/01/2006
Office of the Lieutenant Governor	Secretary and Aide de Camp	Justin Oldridge	17/10/2014
Data Protection Commission	Data Protection Commissioner	Emma Martins	01/01/2006
Probation and After-care Services	Chief Probation Officer	Brian Heath	01/01/2006
States Assembly (including States Greffe, Scrutiny panels and Public Accounts Committee)	Greffier of the States	Dr Mark Egan	19/12/2015
Trading Operations			
Jersey Car Parking	Chief Officer - TTS	John Rogers	17/04/2009
Jersey Fleet Management	Chief Officer - TTS	John Rogers	17/04/2009

States Body/Fund	Position	Accounting Officer	Appointment Date
Special Funds			
Strategic Reserve	Treasurer of the States	Richard Bell	15/01/2015
Stabilisation Fund	Treasurer of the States	Richard Bell	15/01/2015
Jersey Currency Fund	Treasurer of the States	Richard Bell	15/01/2015
Insurance Fund	Treasurer of the States	Richard Bell	15/01/2015
Agricultural Loans Fund	Treasurer of the States	Richard Bell	15/01/2015
Dwelling House Loan Fund	Treasurer of the States	Richard Bell	15/01/2015
Assisted House Purchase Scheme	Treasurer of the States	Richard Bell	15/01/2015
Housing Development Fund	Treasurer of the States	Richard Bell	15/01/2015
99 Year Leaseholders Fund	Treasurer of the States	Richard Bell	15/01/2015
Criminal Offences Confiscation Fund	Treasurer of the States	Richard Bell	15/01/2015
Civil Asset Recovery Fund	Treasurer of the States	Richard Bell	15/01/2015
Social Security (Reserve) Fund	Treasurer of the States	Richard Bell	15/01/2015

States Body/Fund	Position	Accounting Officer	Appointment Date
Special Funds			
Social Security Fund	Chief Officer - SSD	Ian Burns	11/08/2014
Health Insurance Fund	Chief Officer - SSD	Ian Burns	11/08/2014
Long Term Care Fund	Chief Officer - SSD	Ian Burns	11/08/2014
Tourism Development Fund	Chief Officer - EDTSC	John Richardson	01/01/2017 to 05/02/2017
	Interim Accounting Officer - EDTSC	Ian Burns	06/02/2017 to 06/07/2017
	Head of Service - EDTSC	Daniel Houseago	07/07/2017
Channel Islands Lottery (Jersey) Fund	Chief Officer - EDTSC	John Richardson	01/01/2017 to 05/02/2017
	Interim Accounting Officer - EDTSC	Ian Burns	06/02/2017 to 06/07/2017
	Head of Service - EDTSC	Daniel Houseago	07/07/2017
Jersey Innovation Fund	Chief Executive – Financial Services	John Richardson	17/11/2016 to 02/04/2017
		Richard Corrigan	03/04/2017

Notes
1. In accordance with the Public Finances (Jersey) Law 2005, the Jersey Overseas Aid Commission dis not have an Accounting Officer. Subject to Privy Council approval, the Machinery of Government Law approved by the States in March 2018 enables the Chief Executive to designate Accountable Officers for arms length bodies.
2. Karen McConnell was re-appointed as Comptroller and Auditor General with effect from 1st May 2015 and until 31st December 2019 (P.99/2014). The C&AG is accountable for the budget and spending decisions of the Jersey Audit Office.

Standards of Conduct

Legal Framework

The following laws deal with the procedures for government, public finances, and the employment of States employees. They collectively and substantially govern the operation of the States of Jersey.

The States of Jersey Law 2005, and underlying Standing Orders, set out the constitution, composition, powers and procedures of the States Assembly and its Committees and Panels, and of the CoM. The purpose of the Law, noting this, is to recognise Jersey's autonomous capacity in domestic affairs, the increasing need for Jersey to participate in international affairs, and the need to enhance and promote democratic, accountable and responsible government which implements fair, effective and efficient policies in accordance with international principles. The Law also includes the requirement to issue codes of conduct for States Members, Ministers, and Panels and Committees.

The Public Finances (Jersey) Law 2005 provides for the administration of public finances, including financial planning and budgeting, establishing the medium term financial plans and budgets, taxation plans, trading operations, the creation of funds, administration, including the duties of the Treasurer and Chief Internal Auditor, and of employees, and the establishment of a Fiscal Policy Panel.

The Employment of States of Jersey Employees (Jersey) Law, 2005, sets out matters relating to the employment of States employees, including the establishment of the States of Jersey Employment Board as the employer, its powers, including as to employment policies, terms and conditions, recruitment procedures, and generally, to ensure the efficiency and effectiveness of the public service and the health, safety and well-being of States' employees. It also establishes the Appointments Commission to oversee the appointment of persons to significant public positions and to determine appointment procedures, and the position of Chief Executive of the States of Jersey.

Financial Directions

Financial directions help ensure the proper stewardship and administration of the Law and of the public finances of Jersey. Accounting Officers are required to comply with the financial directions and other key controls, including departmental risk management measures, and resource management policies issued by Corporate

Human Resources and, where appropriate, the Information Services Department.

Following recommendations from the PAC, C&AG and Internal Audit, a review of the existing financial directions is being carried out and a collaborative approach has been taken to rewriting the financial directions together with an overarching framework. The Chief Internal Auditor has been consulted on the preparation of all financial directions and regular meetings continue to ensure that relevant points or matters arising from Internal Audit reviews are addressed. In addition, the Audit Committee are consulted in respect of issuing any new financial directions. A number of new financial directions are currently in draft form and will be issued during 2018.

Codes of Conduct

The Code of Conduct for States of Jersey employees also exists to provide guidance as to how employees should behave in their day-to-day work. Specifically, there is a code of conduct for Accounting Officers to provide policy in respect of their leadership roles.

Gifts and Hospitality Register

All departments are required to maintain a Gifts and Hospitality Register in which entries are made of gifts and hospitality received by departmental officers that have been approved in line with the Department's Scheme of Delegation. The Registers are subject to review by Internal Audit.

Internal Audit Service

The conduct of work by Internal Audit is governed by the Public Sector Internal Audit Standards (PSIAS) issued by HM Treasury in the UK. The PSIAS provide guidance and a benchmark against which the quality of Internal Audit in the UK public sector is assessed. The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) and International Professional Practices Framework (IPPF). The Internal Audit function has procedures and processes in place to ensure compliance with PSIAS and an independent review of compliance will be undertaken in 2019.

Scrutiny and Risk Management

The Audit Committee

The Audit Committee is an independent, standalone body that provides oversight, advice, support and constructive challenge in order to help Accounting Officers to discharge their responsibilities for monitoring and reviewing governance, risk and control processes within their individual area(s) of responsibility. The Audit Committee also provides independent oversight of the Internal Audit function.

For 2017, membership of the Audit Committee comprised an independent Chairman, and at least 3 other independent members. A minimum of two independent members need to be present for a meeting to be deemed quorate.

The membership of the Committee throughout 2017 comprised:

Name	Position	Appointment Date	Meeting Attendance
Alex Ohlsson	**Chairman** Independent Member	17/03/2009	7/7
Daragh McDermott	Independent Member	28/11/2011	5/7
Steven Austin-Vautier	Independent Member	14/12/2015	4/7
Ian Wright	Independent Member	14/12/2015	7/7

In accordance with the Audit Committee terms of reference, members are initially appointed for a period of four years and may be re- appointed for a further four years. The Chairman extended his second term of membership and retired on 5 January 2018.

The Chief Executive, the Treasurer of the States and the Chief Internal Auditor are required to attend each meeting. External audit and the Comptroller and Auditor General are given an open invitation to attend each meeting.

The cycle of the work programme of the Audit Committee is timed so that the last Committee meeting of the year corresponds with the signing of the States of Jersey Annual Report and Accounts and the issue of an opinion by the external auditors in May. The Committee prepares an annual report to 30 June each year.

The Audit Committee met seven times in 2017 and Committee activity addressed the key roles above. Specific agenda items included:

- the States of Jersey Financial Report and Accounts 2016 and the external audit plan
- the outcome of internal audits and review of their charter
- internal financial controls
- corporate risk management framework
- regularity report to be included in 2017 financial statements
- grant -making and significant capital projects
- e-government and public sector reform
- IT strategy and developments
- risk management.

Internal Audit

The Internal Audit function provides an independent, objective assurance and advisory service to assist management in improving the organisation's business performance and to give assurance to the CMB that the States of Jersey's financial and operational controls designed to manage the organisation's risks and achieve the organisation's objectives are operating in an efficient, effective and ethical manner.

The Internal Audit function is led by the Chief Internal Auditor as required in the Public Finances (Jersey) Law 2005.

Internal Audit reviews both key financial and non-financial policies and operations. To determine the scope and extent of Internal Audit's work, the Chief Internal Auditor uses a risk-based methodology to draw up an Internal Audit Plan.

The 2018 Internal Audit Plan was presented to the Audit Committee in October 2017 for scrutiny prior to approval by the Treasurer and CEO. Internal Audit presents a quarterly report to the Audit Committee, the Treasurer and the Chief Executive setting out progress made in completing the Internal Audit Plan, and key control issues arising from Internal Audit work.

Review of Effectiveness

Internal Audit provides assurance based on a risk-based audit plan. It is the responsibility of Accounting Officers to maintain adequate systems and controls and comply with the relevant legislation, financial directions and policies. Management is responsible for implementing Internal Audit recommendations within agreed timescales and in a number of departments this is achieved by senior management teams monitoring and considering outstanding recommendations routinely at their meetings. Accounting Officers have been asked to confirm any outstanding Internal Audit recommendations in their 2017 Governance Statement.

Scrutiny

The Scrutiny function is an integral part of the States system and ensures democratic accountability and rigorous questioning of proposals at an early stage. Scrutiny works to ensure that the decisions taken are the best of the possible options.

Scrutiny is made up of the following elements:

- **The Chairmen's Committee** – co-ordinates Scrutiny and ensures that it is effective and well run. It maintains regular contact with the CoM and acts as the link between Scrutiny and the Executive. The Committee is formed by the Chairmen of the Scrutiny Panels and the PAC Chairman.

- **The Public Accounts Committee** – reviews all public expenditure.
  The role of PAC is to consider reports prepared by the C&AG, to assess whether public funds have been applied for the purposes intended by the States and to assess whether extravagance and waste are being eradicated and sound financial practices applied throughout the administration of the States. PAC liaise with the C&AG in order to do so. Membership includes non-States Members.

- **Five Scrutiny Panels** – are able to scrutinise new laws, existing and proposed new policies, international agreements that might be extended to Jersey and the MTFP and Budget. Each Scrutiny Panel is free to choose which issues it works on and may also accept suggestions from the public.

- **Four Specific Scrutiny Review Panels** – set up with their own terms of reference to focus on particular issues.

The remits of the five Scrutiny panels and four Scrutiny review panels are shown in Table 2.

The PAC and the five Scrutiny panels have extensive powers to require witnesses to give evidence or to supply relevant documents. These powers ensure that Scrutiny can operate effectively.

Review of Effectiveness

Scrutiny reports acknowledge good practice and, where necessary, recommend change and improvement to services or government policies. Information on Scrutiny panels and committees including transcripts and reviews can be found via the States Assembly webpage or directly on the Scrutiny webpage.

Table 2 - Remit of the Scrutiny Panels

Panel	Remit
Corporate Services	Corporate services, Corporate policies, external relations and Jersey Property Holdings
Environment, Housing and Infrastructure	Environment, housing, transport and infrastructure
Economic Affairs	Financial services, economic affairs and economic development
Education and Home Affairs	Education including the Youth Service, and Home Affairs which includes Fire and Police services, Customs and Immigration and Registrar
Health, Social Security	Health and Social Services, Social Security
Care of Children in Jersey Review Panel	Policies, legislation and actions of the CoM following the recommendations of the Independent Jersey Care Inquiry
Brexit Review Panel	Jersey's policy towards Brexit
Domestic Property Transactions Review Panel	Process of domestic property transactions in Jersey
Future Hospital Review Panel	Future Hospital project

The Comptroller and Auditor General (C&AG) - Jersey Audit Office

The Office of the C&AG is responsible for public audit in Jersey.

The Comptroller and Auditor General (Jersey) Law 2014 requires the C&AG to provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Law.

The responsibilities of the C&AG, fulfilled through the Jersey Audit Office (JAO), relate to the Accounts of the States of Jersey (on which an opinion is given) and wider aspects on the use of public funds. The C&AG has a duty to consider and report on:

- general corporate governance arrangements
- economy, efficiency and effectiveness in the way resources are used i.e. value for money
- effectiveness of internal controls.

Under the leadership of the C&AG, the JAO team provide specialist knowledge and experience where required. The team's programme is formalised in an Audit Plan, which provides both an annual audit timetable as well as an indicative audit plan for the next three years.

The JAO follows a 'Code of Audit Practice'. The Code is an important means by which stakeholders can secure a common understanding of what the C&AG and audit firms appointed by the C&AG will do, what they will not do, how they will operate and how they will interact.

External Auditor

The financial statements for the States of Jersey are audited by PricewaterhouseCoopers LLP, who are appointed by the C&AG under the Law. The report of the auditor on the accounts is included with the accounts.

The external auditors provide an opinion which states whether 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 2017, and whether the accounts have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted for the States of Jersey by the Jersey Financial Reporting Manual. The external auditors will also provide an opinion on the regularity of the transactions of the core States of

Jersey entities in the 2017 financial statements for the first time.

They also make recommendations for improvement based on their annual audit of the States of Jersey Annual Report and Accounts. The agreed actions are then reported in a communication to the Minister for Treasury and Resources. Progress against implementation is monitored and routinely reported to the Audit Committee. Any outstanding recommendations are picked up by the external auditors as part of the audit for the following year.

Accounting Officers

All Accounting Officers have confirmed in their Governance Statements that, to the best of their knowledge, governance arrangements operated adequately in their area(s) of responsibility during 2017 and/or steps are being taken to address known areas of weakness. In addition, the review of effectiveness is informed by the work of Internal Audit, Scrutiny, the C&AG, the PAC and External Audit.

Management of risk

During 2017 the CMB Risk Sub-Group supported the CMB in their responsibilities for monitoring and reviewing risk management, processes and good governance within the States funded bodies and advised on the adequacy and effectiveness of risk management arrangements. The Sub- Group members included the Chief of Police, the Chief Fire Officer, the Treasurer (or delegate), the Deputy Chief of Police, the States of Jersey Enterprise Risk Manager (or alternate); in addition the Chief Internal Auditor attends all meetings. Other parties are invited to attend as and when required.

Corporate Governance and Risk Framework

The States of Jersey is in the process of developing and implementing a comprehensive, unified Corporate Governance and Risk Framework which will support risk management activities.

The overall approach to corporate governance is based on the separation of functions. The structure will be appropriate to the States but typically will provide for three levels of governance with respect to risk – known as the Three Lines of Defence:

- **first line -** senior management (i.e. the Chief Executive, CSB (previously CMB) and EMT) is responsible for governance within the organisation
- **second line -** specialist risk management and governance functions such as business continuity, human resources, finance, health and safety, information security, insurance and information and records management are responsible for risk management and governance activities
- **third line -** assurance on adequate compliance is provided by internal audit, external audit, the C&AG, Scrutiny and the PAC.

The risk management framework has two separate considerations:

- be supportive of the risk management process
- to ensure that the outputs from the process are communicated into the organisation and achieve the anticipated benefits for the States of Jersey.

Further to a review of the C&AG, a new Risk Management Strategy is being developed which will aim to embed a culture of active risk management from the setting of strategic objectives through to departmental processes.

Business Continuity Management continues to be rolled out across the organisation and is supported cross-departmentally by the Departmental Risk Management Group.

Assurance Framework

The CMB needs to be confident that its governance arrangements are operating effectively. The CMB has to know that it will identify, manage and minimise the risks inherent in the provision of public services and that it will be able to achieve its strategic objectives.

The Chief Internal Auditor meets with departments to assess risk on a regular basis which feeds into the risk-based audit plan which is approved by the States of Jersey Audit Committee.

The assurance framework is endorsed by the Audit Committee. This assurance framework provides the organisation with a comprehensive method for effectively managing the principal risks to meeting its objectives.

Emergency planning

The Emergencies Council, chaired by the Chief Minister, is the responsible body under the Emergency Powers and Planning (Jersey) Law 1990 for emergency planning in Jersey. The Emergencies Council is supported at a strategic level by the Emergency Planning Board, chaired by the Chief Executive, who leads a programme of improvements to emergency planning, training and exercising of plans.

A Community Risk Register has been developed to provide an overview of the potential risks in Jersey which could result in a major incident. This is used to prioritise plans and training to prevent, reduce, control, mitigate and take other actions in the event of an emergency.

The Emergency Planning Board and Emergencies Council are supported by the Chief Fire Officer, who is the designated Emergency Planning Officer, and an Assistant Emergency Planning Officer who are responsible for developing and implementing emergency plans, policies and training to ensure the Island is well placed to respond to major emergencies or crises.

Health and Safety

Under the States of Jersey Employees (Jersey) Law 2005, the States Employment Board has delegated the executive function and authority for corporate health and safety to the Chief Executive of the States of Jersey and to the CMB. In turn, each member of the CMB, Chief Officer and Head of Administration for non-executive departments is accountable for the implementation of corporate health and safety policy within their own departments.

Arrangements for health and safety are embedded through the Corporate Health and Safety Policy. The Policy establishes the roles and responsibilities of employees at all levels, sets corporate standards for the management of health and safety and establishes the corporate arrangements for consultation over health and safety issues. It also includes information on managing the risks to health and safety as well as details on providing safe workplaces and safe systems of work. Each department is required to appoint a member of the senior management team to implement the requirements of the Corporate Policy. The Chief Executive Officer receives quarterly reports on the health and safety performance within departments, including updates on current and developing risks. These are used to develop the health and safety risk management strategy and set polices and standards for implementation within departments.

Anti-Fraud and Corruption Policy

The States of Jersey’s commitment to the prevention, detection and investigation of fraud and corruption is set out within the policy. Fraud, theft and corruption within the States of Jersey are deemed as unacceptable, and all States of Jersey staff are expected to act honestly and with integrity at all times and to safeguard the public resources for which they are responsible. This is also in line with the States of Jersey Code of Conduct for Civil Servants.

The Policy summarises the responsibilities of management and employees of the States of Jersey and outlines the procedures to be followed where suspicion of financial irregularity is suspected. Employees also have access to the Whistleblowing Policy which is provided on My States Intranet to support them in the event there are matters to be raised.

Serious concerns (Whistleblowing)

There is a policy in place which has been agreed in consultation with the trade unions and Audit Committee.

Anti-Money Laundering

Although the States of Jersey is not regulated by the Jersey Financial Services Commission, it still needs to comply with anti-money laundering (AML) Laws and strives to comply with best practice. There has been no known material money laundering within the States of Jersey; however, in addition to the serious concerns and whistleblowing policy, as recommended by Internal Audit and the C&AG, the Treasury and Resources Department developed an AML policy, the States of Jersey Anti-Money Laundering Policy, which was implemented in September 2015 and Anti-Money Laundering Reporting Officers (MLROs) were appointed as well as relevant training undertaken. The States of Jersey has a zero tolerance to breaches of money laundering Legislation.

Capacity of Officers

'Connected leadership' is the underpinning philosophy of our development programmes, to create a more connected, agile and customer-focused organisation.

The Managers to Leaders programme, aimed at leaders involved in change and service redesign, was launched in March 2016. Since then, seven cohorts of approximately 14 participants have completed the programme. Extensive stakeholder engagement and a detailed design process ensured we incorporated the latest thinking and most appropriate content for our leaders, while the innovative delivery ensures the development of digital skills and leadership capabilities. A number of leaders have gone on to do the CMI qualification subsequent to the course.

Another new programme, aimed at practising middle managers and developed in collaboration with Highlands College, was launched in November 2016. An entry level management programme is currently being developed.

To support public sector reform, Lean training continued to be rolled out across all States departments. The Lean methodology helps to build a culture of continuous improvement and empower staff to lead change and improve the performance of our services for the customer.

Engaging with stakeholders

Government engages widely with many groups, always with the objective of reaching as many people as possible with information about policy and initiatives. As well as using traditional media outlets to distribute information, government is increasingly reaching individuals and new audiences through its own social media feeds and www.gov.je, and continues to target specific interest groups when appropriate. Public consultations form a key part of that engagement, as do public awareness campaigns. Internal communications with States employees recognise the diversity of the workforce and include an active intranet site, MyStates, a quarterly newsletter, Changing States, and workshops on specific projects.

Significant governance issues

The Chief Executive Officer and the Treasurer of the States have determined the most significant governance issues to include in this Governance Statement, based on their awareness of the major issues facing the organisation.

No significant single governance issue has arisen in 2017. However, from departmental governance statements, the work the C&AG and Internal Audit have done to support their reports and the due diligence undertaken by the new Chief Executive, the following themes and issues have emerged.

Organisational change

As outlined earlier in this report, the organisation is going through a period of significant transformation. The scale, nature and pace of those changes must be considered, in this context, to increase the risk of maintaining standards of governance and control. Particularly, the degree of people change and the way in which finances are managed will present challenges in the short term in order to realise the opportunities to improve the performance of the organisation.

The Transition Team who started their work towards the end of 2017 and into 2018 were tasked with important due diligence reviews of the key service areas of the organisation. They looked at the finances and they evaluated the way the organisation operates.

Proposals for improvements arising out of the reviews included:

- A consistently applied, shared and agreed policy framework
- An agreed approach to assessing policy impact that takes account of money
- A forward plan for collectively agreed policy delivered by an aligned policy team
- More focussed government business management
- An overhauled corporate planning process, integrating performance and financial management
- Creating a corporate leadership cadre that grips and challenges performance, holds accountability and drives implementation
- Improved understanding of the cost of running the organisation and changes to the way finances are managed to support alignment to priorities, including embedding robust business case discipline.
- Agreeing a common vision and structure for a single finance team to support One Government, and ensure it has the capacity and capability to deliver the finance infrastructure needed.

As a result of those reviews there are a set of action plans that will change the way the States works and those changes are designed with a set of guiding principles:

- customer-focused
- one government
- simple structures
- cross-cutting and agile
- digital
- transparent and accountable
- commercial
- rigorous financial control

Risk management

Issue
The C&AG conducted a review in 2017 in which she recognised that, whilst improvements had been made in the approach to risk management, further work is required to embed risk management across the organisation, including a common and consistent approach across departments.

Potential Risks
Ineffective risk management can impede the States achieving the organisational goals set and potentially leave the organisation underprepared to deal with risks as they emerge

Actions
It is accepted that a stronger and more co-ordinated approach is needed to embed a risk management culture into the daily operations of the organisation from the setting of strategic objectives, to business planning through to departmental processes and Business Continuity Management.

Accordingly, a risk management strategy is being developed detailing the actions that the organisation will take and the roles and responsibilities of officers who are key to its implementation. This is described earlier in this section.

The strategy will be reviewed throughout 2018 and there will be a requirement for it to be reviewed on an annual basis.

Grants

Issue

Use of grants to third parties is an important means by which public sector bodies deliver their policy objectives. To ensure that those objectives are secured economically, efficiently and effectively, it is important to have the right controls in place, from design of grant schemes through to evaluation of their impact.

The C&AG found that whilst there are examples of good practice, there is significant scope for improvement particularly in the definition of what constitutes a grant, insufficient corporate oversight, weaknesses in operational management and lack of a consistent corporate culture.

Potential Risks

Unable to demonstrate value for money achieved from grants or whether they contribute towards achievement of States objectives.

Actions

Whilst there are longer-term operational and cultural improvements to be made in how the States manages grants which will be facilitated by the implementation of the Target Operating Model, in the more immediate term there is a need to use existing vehicles and processes to begin that change. Specifically this will mean the issue of a new financial direction on grants.

The new draft financial direction mandatory section includes:

- all new grant and subsidy schemes submitted to Treasurer for approval
- existing grant schemes reviewed against requirements at least annually
- requirements to ensure value for money (VFM) outcomes are maximised and measures included in agreements.

Whilst the new financial direction was not issued in 2017, the principles were already being applied following the consultation during its development.

As the new provisions bed in, it is anticipated that the real benefits of the new arrangements will begin to be realised.

Arms Length Organisations (ALOs)

Issue

The C&AG found that there was no clear framework that drives either the establishment of ALOs or their periodic review and a lack of overarching principles driving the governance arrangements for ALOs.

The C&AG also found that current arrangements in place for oversight of these organisations are not consistently fit for purpose across the organisation and that more needs to be done to demonstrate that these diverse organisations have effective governance and provide good value for money. The C&AG further commented that regular fundamental reviews of these organisations should challenge whether they need to change or indeed are still needed at all. Despite the apparent distance from the organisation, these entities must demonstrate that they are contributing to delivering the objectives of the States and the Island community as a whole.

Potential Risks

The funding of ALOs does not relieve government or the individual Accounting Officer from a responsibility for ensuring that good governance is being demonstrated, effective internal control is in place and value for money is being secured. Without proper arrangements for these bodies it is easy for them to become out of sight and out of mind and for their performance against the organisation's objectives to be inadequately scrutinised.

Action

Whilst there are longer-term operational and cultural improvements to be made in how the States involves its key ALOs in service planning and delivery, in the short term there is a need to use existing vehicles and processes to begin that change. Specifically this will mean the issue of a dedicated financial direction on ALOs. By using this approach it means that new provisions immediately become mandatory with statutory backing. As those new provisions bed in, it is anticipated that the real benefits of the C&AG's work and the new arrangements will begin to be realised.

The change in organisational approach to planning and performance will create new expectations in respect of ALOs being accountable for delivering against the performance objective set by the States. Oversight is further strengthened by the provisions included in the new Target Operating Model and those approved by the Assembly as part of the Machinery of Government Proposition (P.1/2018).

Care of Children

Issue

On 3 July 2017 the Independent Jersey Care Inquiry proposed eight headline recommendations to improve the protection and wellbeing of Children in Jersey. Taken as a whole these recommendations represent a fundamental change in the systems around services for children. In November the States Assembly approved the Council of Ministers response to the Care Inquiry Recommendations which set out a timeline for action.

Potential Risks

1. There are still concerns over vulnerable children.
2. States of Jersey is not able to transform the appropriate systems and structures at the pace required in order to protect vulnerable children.
3. Findings from the Care Inquiry require a broadening of the existing redress scheme leading to more claims.
4. Ongoing reputational risk both to the States of Jersey and the Island as a whole.

Actions

The change in the organisation structure and culture will play a strong role in addressing this issue. Significant changes to existing departmental structures working with children have been put forward as part of government transformation plans including the Chief Executive Officer having direct oversight of Children's Services.

A planned review of Safeguarding Partnership Boards is being undertaken and will recommend improvements to structure and process.

Estimated initial costs to implement the Care Inquiry response (£2.8m 2017- 2019) has been allocated within existing contingency.

The detail in terms of what the expenditure from contingency was in the run up and immediately after the Care Inquiry is contained within the CoM Care Inquiry response document (Page 5).

IT Systems

Issue
The States of Jersey has not kept up-to-date with its investment in Information Technology systems. This has led to a number of legacy systems being operated across the organisation, some of which are nearing or at the end of their operating or supported life and are no longer supporting best working practice.

Further, the procurement of IT systems has not had effective corporate oversight, resulting in bespoke solutions, wasted resources and inefficient working practice.

Potential Risks
Ineffective systems can lead to duplication and hinder performance. A lack of corporate oversight can increase the cost and reduce the efficacy of IT system solutions.

Specific risks on cyber and data security linked to IT systems are included in the Risks section on page 157.

Actions
Recognising the need to invest in systems to support efficient, effective delivery of services, the foundations have been laid through the e-government programme. IT systems investment is also one of the key priorities in the organisational change and a commitment has already been made to replace the finance system.

Refocussing the management structure and embedding collaborative working in the senior leadership team provides a much stronger corporate oversight of procurement and delivery. This enables a more joined-up ‘do it once’ approach to deliver the best solution first time.

Management Information

Issue
Management information plays an important role in linking the strategic objectives of the organisation to delivery and performance.

Timely and appropriate performance reporting is essential to inform effective decision-making. Whilst progress has been made to improve elements of reporting with distinct areas of good practice, it is recognised that there remains a general lack of robust and consistent reporting across the organisation. In particular, data-gathering and management around non-financial information is limited in some areas and reporting on outcomes becomes problematic.

Potential Risks

Decision-making is not as well informed as it should be and management are less able to make timely decisions. There is also a risk that performance cannot be adequately monitored and corresponding action taken on a timely basis. Ultimately, the risk is to the delivery of strategic objectives.

Actions

Investment has already been made in certain areas to develop performance reporting and the lessons learnt will be rolled out to all departments.

The need to develop effective management information is also a key recommendation of the review of the finance function and of the wider organisation. Investment will need to be made as part of the organisation restructure.

Decision Making

Issue

The effectiveness of decision-making within the States of Jersey is key to ensuring value for money for major projects that should also include political oversight.

For decision-making to be effective, those being asked to make decisions and those being asked to provide that review need to be a focused and appropriately structured group that understands its terms of reference and what it will report and to whom. The right information needs to be made available, the awareness of risks needs to be demonstrated and an understanding of the impacts of those risks clearly demonstrated.

The review carried out by the C&AG on selecting the site for the Future Hospital found that such arrangements were not in place from the start.

Potential Risks

Without that clarity and structure, there could be confusion as to whether decisions have been made and, if they have, why that was the right decision. A clear and structured reporting mechanism provides a trail that can be referred to and provide clarity to all those responsible.

Actions

Improvements have already been made on major projects currently underway and a financial direction has been drafted with recommendations made. It is recognised that risks cannot necessarily be avoided but they must be managed and it must be clear how they are being managed.

The process of investment appraisal is an area under development with the finance transformation team. Recommendations will be made around business cases; when they should be made and to what level. The decision to invest in such business cases will be a formal process with appropriate governance arrangements and evaluation criteria. This will provide the first stepping stone for a framework of continued monitoring and assessment against agreed targets in such projects.

Update on governance issues raised in previous reports

Harcourt

In 2012, Harcourt Developments Limited and associated entities ('Harcourt') filed an action against the States of Jersey Development Company. Harcourt claimed that the States of Jersey Development Company should not have terminated what it alleges to be an agreement relating to prospective development projects and was claiming damages for breach of contract and / or unjust enrichment.

During 2016, the States of Jersey Development Company was successful in having the majority of Harcourt's claim, including the entirety of the contractual claim, struck out and the Court ordered Harcourt to properly plead those parts of the unjust enrichment that were not struck out within a certain time period. Harcourt failed to meet the Court's deadline and the remaining parts of the claim have also been struck out.

During 2017, Harcourt lost its appeal to overturn the Court's decision and the case is now concluded in the States of Jersey Development Company's favour. The States of Jersey Development Company has recovered costs amounting to £369,528, which are reflected in other income, of which £133,600 was outstanding as at 31 December 2017 and has subsequently been received.

Risks

All organisations face risks to delivering their objectives. Understanding those risks and how they effect the strategic direction is important for the States of Jersey. In addition to the organisational changes referred to, the following topics are the top four risks from the Corporate Risk Register.

Data security

If the States does not have a fully developed strategy and process in place ahead of the implementation of the new Data Protection Law, which is the equivalent of the General Data Protection Regulations (GDPR), on May 24th 2018 then there is a risk of sanctions from EU member states and furthermore, other jurisdictions may cease sharing data with the States if it is found or considered to be non-compliant with the new Regulations.

The organisation has been way off the pace but efforts have been accelerated and the programme is now catching up.

A States wide GDPR programme has been commissioned and progress made. An interim Programme Director has been appointed to establish and mobilise the GDPR Programme. Requirements for a central team have been identified and is in the process of being resourced. Senior persons / data champions have been nominated across all Departments and GDPR classroom-based training is underway and online training is imminent.

A high-level plan with milestones has been drafted and lower-level work stream plans are in the process of being developed. Data discovery has commenced and risk analysis will follow.

Personal data flows across all Departments, non-Ministerial Departments and in scope public authorities are being documented, ‘data sharing agreements’ are being identified and ‘privacy notices’ are being identified and third party contracts/ agreements are being identified.

Cyber security

Loss or damage of Government information assets through global or local cyber attack or threat continues to be a real threat but this the case in most countries and other jurisdictions. Again, the organisation has been off the pace in addressing the threats but is now catching up through a concerted work programme.

Various mitigation controls are in place or are being put in place including public awareness campaign to ensure citizens are aware of their own security and need to protect against cyber threats. Government has created a roadmap to raise awareness internally and improve governance in departments.

The Cyber Security Strategy is under review and a States-wide Cyber Security Programme is to be initiated. Our technical infrastructure is under continuous risk assessment and security is built into any new developments. Detailed incident response plans have been created, tested and are continuously refined.

Critical Island infrastructure and industry cyber security taskforce is in place to assess threats and implement actions.

BREXIT

If the States fails to achieve the objectives set out in States Report R.87/2017 the Island faces a range of potentially adverse consequences impacting its people and economy in the medium and long term.

Key coordinating structures are established and continue to function well, ensuring effective coordination and information sharing especially on cross- cutting policy issues affecting more than one department: Brexit Ministerial Group (BMG), and Brexit Working Group (BWG).

External Relations are managing an extensive Brexit programme centred around priority work streams involving departments working with Whitehall and the other Crown Dependencies: Customs Union, Agriculture and Fisheries, Financial Services, Immigration, Transport and Communications to maximise leverage with the UK Government.

A legislative programme is underway including a new Law to effect necessary change to the principal legislation governing Jersey's relationship with the EU arising from the UK's exit from the EU. Powers will enable Government and States Assembly to swiftly implement change to other domestic legislation where necessary or expedient and convert directly applicable EU law, subject to any modifications that may be required, into domestic law.

There is regular and constructive engagement with key UK Government departments at officer and Ministerial level and extensive engagement with States Members and Scrutiny as well as the implementation of an innovative domestic outreach campaign, 'Let's Talk Brexit'.

Financial Sector Growth

If we fail to sustain or grow financial sector activities, then we may not be able to support the funding required for strategic priorities.

Whilst the industry is faring differently by sector, levels of deposit-taking activity continue to decline, whilst the expected UK economic downturn following the Brexit vote is thought likely to further dampen expectations, most specifically through falls in Jersey fund values reflecting steep falls in the London property market.

The strategic direction and actions are agreed as part of the McKinsey recommendations and are subject to an ongoing review with Jersey Finance and Jersey Financial Services Commission and legislative and regulatory updates have been agreed with industry and subject to significant government effort.

Closing statement

Organisational Change

Notwithstanding the associated risks over the short term, the transformation of the organisation offers significant opportunity to address a number of the governance and risk issues raised in this report and will enable the organisation to perform in a more efficient and effective way to deliver for Islanders.

To the best of our knowledge, the governance arrangements in place during 2017 have been effective, with the exception of the governance issues identified above and in individual departmental 2017 Governance Statements.

Signed:

Charlie Parker
Chief Executive
Date: 24th May 2018

Richard Bell
Treasurer of the States
Date: 24th May 2018

2.2
Remuneration and Staff Report

Remuneration Report

Remuneration Policy

Remuneration policy for all States of Jersey employees is determined by the States Employment Board (SEB). The level of overall pay revisions are agreed by the States Assembly as part of the Medium Term Financial Plan, and any pay awards must be made within this envelope. On behalf of the SEB, the Employment Relations Section negotiates with the main pay group's Trade Unions and Associations. There are currently over 20 such groups.

Reward and Performance

As part of the public sector reform the Workforce Modernisation Project (WFM) worked in partnership with public sector unions to develop a unified equality driven, affordable and sustainable new reward framework encompassing a new grade/pay structure, and new harmonised terms and conditions of service.

After many months of negotiation the final WFM offer was accepted by four pay groups and rejected by the remaining groups in early 2018.
With the support of the States Employment Board the Chief Executive made a statement on 6 March 2018 confirming that:

- The WFM offer for those groups who voted to accept it would be honoured.
- The remaining WFM pay groups would be offered the same 2% consolidated pay offer made to non-WFM groups for the 2017 pay deal.
- Nurses would be offered 2.5% in line with the States Employment Board commitment to achieve pay comparability with Allied Health professionals.

On a separate basis, the Doctors pay award for 2017, as part of a three year deal, has been negotiated.

The States Employment Board wants to move on from the 2017 pay review and start negotiations on the 2018/2019 pay review and separately progress the proposed Uniformed Services Review and Teachers Review in the near future.

The Board remain fully committed to establishing an equality driven reward structure which is affordable and sustainable.

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 2017 States Members were each entitled to remuneration of £46,600, which includes a sum of £4,000 for expenses (2016: £46,600 with £4,000 expenses).

Although States members are treated as being self-employed for Social Security purposes the States also cover an equivalent amount to an employer's social security liability (up to 6.5% of the Social Security standard earnings limit) on behalf of the Members. This may not apply to all States Members, for example, Members who are claiming a social security pension or those who chose to exercise the married woman's election may not have a social security liability.

Civil service Pension benefits

The States of Jersey administer two public service pension schemes, the Public Employees Pension Fund (PEPF) and the Jersey Teachers Superannuation Fund (JTSF). Employees of the States of Jersey and 30 admitted bodies are members of the schemes.

The PEPF is the pension scheme for all public servants with the exception of teachers and has 15,000 scheme members, of which 7,000 are employees accumulating benefits. Over 1,000 employees are members of the Career Average Section that was introduced on 1 January 2016 for new employees. The Career Average Section provides benefits based on employee career average earnings and for non-uniform members has a normal retirement age linked to the Jersey State Retirement Age which is increasing to age 67. Non-uniform employees contribute 7.75% of their earnings to the scheme. Uniform employees have an earlier retirement age of 60 and contribute 10.1% of earnings

Around 6,000 employees are members of the PEPF Final Salary Section. Over 4,700 of these employees will move into the Career Average Section on 1 January 2019 and will begin to accumulate future benefits based on career average earnings. Non-uniform employee contribution rates will increase from the current 5% to 7.75% of earnings over a number of years. The Final Salary Section has a normal retirement age of 65.

The JTSF has 2,600 scheme members, of which 1,000 are employees accumulating benefits. JTSF is a final salary pension scheme with benefits based on length of service and final salary. The scheme has a normal retirement age of 65 for new entrants. Teachers contribute up to 6% of their salaries into the scheme.

The public service pension schemes in Jersey are not balance of cost schemes and the employer contribution is capped. Pension increases are subject to the financial position of the schemes remaining satisfactory and are not guaranteed.

Senior Officer Remuneration

Salaries and allowances

The table below gives details of the salaries and allowances of Directors, defined as Accounting Officers with the exception of the Comptroller and Auditor General and minor departments. No taxable benefits-in-kind or bonuses were received by the Officers below during 2017.

	2017 Salary £'000	2016 Salary £'000
Chief Executive		
Mr J Richardson (until 6 November 2017)	210-215	205-210
Chief Officer – Community and Constitutional Affairs		
Mr T Walker	140-145	135-140
Chief Officer – States of Jersey Police		
Mr M Bowron (until 5 July 2017)	70-75	140-145
Full year equivalent salary	140-145	
Mr J Blazeby (from 6 July 2017)	45-50	-
Full year equivalent salary	105-110	
Head of Service – Economic Development, Tourism, Sport and Culture		
Mr D Houseago (from 7 July 2017)	55-60	-
Full year equivalent salary	110-115	
Mr M King (until 23 December 2016 - payment in lieu of notice)	85-90	
Chief Officer – Education		
Mr J Donovan	140-145	135-140
Chief Officer – Department of the Environment		
Mr A Scate	135-140	140-145
Head of Service - External Relations		
Mrs K Halls-Nutt (from 1 January 2017)	115-120	-

	2017 Salary £'000	2016 Salary £'000
Chief Officer - Financial Services		
Mr R Corrigan (from 3 April 2017)	145-150	-
Full year equivalent salary	195-200	
Greffier of the States		
Dr M Egan	120-125	110-115
Chief Officer – Health and Social Services		
Mrs J Garbutt	185-190	180-185
Chief Officer – Department for Infrastructure		
Mr J Rogers	150-155	145-150
Judicial Greffier		
Mr P Matthews	120-125	120-125
Practice Manager and Director of Administration – Law Officers' Department		
Mr A Le Sueur	85-90	85-90
Chief Officer – Social Security		
Mr I Burns	135-140	125-130
Treasurer of the States		
Mr R Bell	165-170	150-155

Pension benefits

	Total Accrued Pension at Retirement as at 31/12/2017		CETV at 31/12/2017 (or date of Cessation)	CETV at 31/12/2016 (or date of Appointment)	Real Increase or (Decrease) in CETV
	£'000		£'000	£'000	£'000
Mr J Richardson (until 6 November 2017)	Pension	115-120	3,203	3,099	93
	Increase of	5-7.5			
Mr T Walker	Pension	20-25	356	294	55
	Increase of	2.5-5			
Mr M Bowron (until 5 July 2017)	Pension	15-20	446	401	41
	Increase of	0-2.5			
Mr D Houseago (from 7 July 2017)	Pension	0-5	10	-	7
	Increase of	0-2.5			
Mr J Donovan	Pension	5-10	135	94	34
	Increase of	0-2.5			
Mr A Scate	Pension	45-50	758	706	46
	Increase of	2.5-2.5			
Mrs K Halls-Nutt	Pension	0-5	26	0	7
	Increase of	2.5-5			
Mr R Corrigan	Pension	0-5	21	0	10
	Increase of	0-2.5			
Dr M Egan	Pension	0-5	49	23	20
	Increase of	0-2.5			
Mrs J Garbutt	Pension	105-110	2,142	2,020	113
	Increase of	2.5-5			
Mr J Rogers	Pension	25-30	638	571	59
	Increase of	0-2.5			
Mr P Matthews	Pension	75-80	2,026	1,997	4
	Increase of	2.5-5			
Mr A Le Sueur[1]	Pension	20-25	530	308	217
	Increase of	7.5-10			
Mr I Burns	Pension	10-15	213	167	39
	Increase of	2.5-5			
Mr R Bell	Pension	35-40	807	742	57
	Increase of	0-2.5			

Notes

1. The increase in CETV for Mr A Le Sueur reflects a transfer from a private pension in 2017.

Lump Sum

Members of PECRS can choose to exchange up to 30% 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.

Cash Equivalent Transfer Value

The Cash Equivalent Transfer Value (CETV) represents the value of rights accrued in the scheme, and is calculated based on a transfer to a private pension scheme. Transfer values payable from PECRS are subject to a market adjustment factor which is derived from the yield on government bonds. The general increases in transfer values shown above are due to an additional year of service increasing accrued benefits within the scheme. Comparative figures have been restated to use the same market factors as those applied in the 2016 calculation in order to allow proper comparison between the two figures.

Increase in CETV

This increase/(decrease) in CETV is shown after deducting contributions by the individual, including any transfers into the scheme. It therefore reflects the increase in CETV that is not paid for by the employee, representative of the benefit that they have received in the year relating to pensions. This may differ from the contribution made by the States (normally 13.6% of salary), but the States has no further liability under the scheme rules.

Membership

New employees employed after 1 January 2016 join the Public Employees Pension Scheme (PEPS), the Career Average Revalued Earnings (CARE) pension scheme. All the Accounting Officers shown are in PECRS, the final-salary pension scheme.

Compensation on early retirement or loss of office

Mike King resigned from his role as Chief Officer - Economic Development, Tourism, Sport and Culture on 23 December 2016. He was contractually entitled to payment in lieu of notice amounting to £88,805 which was paid in 2017 and is therefore included in the preceding Directors' Remuneration table.

Fair Pay Disclosure

The following table contains details of pay multiples which represents the ratio between the highest paid director and the median remuneration. The median remuneration is a form of average, representing the individual that half of the employees earned more than, and half earned less than. The calculation below is based on the full time equivalent annual salary for individuals holding contracts (permanent or fixed term) at the end of the relevant year.

	2017	2016
Highest Paid Director	£210,000 - £215,000	£205,000 - £210,000
Median Remuneration	£44,775	£44,268
Remuneration Ratio	4.7	4.7

Staff Report

Number of Management and senior civil service staff, defined as civil service grade 15 and above, as a proportion of total year end headcount.

Figures presented are for December headcount for departments and trading operations.

	2017	2017	2016	2016
	Headcount	FTE	Headcount	FTE
Management	15	15	16	16
Senior staff	118	117	118	117
Total staff	6,754	6,032	6,706	5,976

Staff numbers

The average number of full-time equivalent persons employed are set out in the following table.

	2017	2017	2016	2016
	Headcount	FTE	Headcount	FTE
Fixed Term Staff	346	276	356	272
Permanent Staff	6,386	5,724	6,451	5,772
Total	6,732	6,000	6,807	6,044

Segmental analysis of staff

The tables below give details of the numbers of staff whose total remuneration exceeds £100,000, split by department and then by pay group. Remuneration includes salaries and wages, benefits and pension contributions paid by the States.

There were 108 individuals (2016: 113) who received basic salary payments in excess of £100,000 (this may include more than one role).

There were 8 individuals (2016: 22) who received redundancy payments which have meant that they received over £100,000 total remuneration.

Segmental analysis of remuneration in excess of £100,000 by department

Remuneration	Chief Minister's Department	Economic Development, Tourism, Sport and Culture	Education	Department of the Environment	Health and Social Services Department	Community & Constitutional Affairs	Social Security Department	Department for Infrastructure	Treasury and Resources Department	Non-Ministerial Bodies	External Relations	2017 Total	2016 Total
100,000 - 119,999	5	3	8	4	25	17	5	11	6	14		**98**	82
120,000 - 139,999	11	1	6	1	31	4			1	5	2	**62**	63
140,000 - 159,999	3	1		1	28				1	8		**42**	47
160,000 - 179,999	1		1		23	1	1	1		1		**29**	28
180,000 - 199,999	1				4				2			**7**	8
200,000 - 219,999					7							**7**	4
220,000 - 239,999													4
240,000 - 259,999	1				1					1		**3**	
260,000 - 279,999													1
280,000 - 299,999										1		**1**	1
300,000 - 319,999										1		**1**	
320,000 - 339,999													
340,000 - 359,999										1		**1**	1
Total	**22**	**5**	**15**	**6**	**119**	**22**	**6**	**12**	**10**	**32**	**2**	**251**	**239**
Less Individuals who received voluntary redundancy payments that make total remuneration greater than £100,000												**6**	**22**
											Total	**245**	**217**

Segmental analysis of remuneration in excess of £100,000 by pay group

Remuneration	Accounting Officers	Civil Service A Grades	Civil Servants	Heads and Deputy Heads, Highlands Managers	Doctors and Consultants	Non Ministerial	Law Officers	Uniformed Services	2017 Total	2016 Total
100,000 - 119,999	3	18	38	6	16	3	5	9	**98**	82
120,000 - 139,999	4	14	6	4	30	1	3		**62**	63
140,000 - 159,999	3	7	1		25	3	3		**42**	47
160,000 - 179,999	5				23	1			**29**	28
180,000 - 199,999	1	1	1		4				**7**	8
200,000 - 219,999	1				6				**7**	4
220,000 - 239,999									**-**	4
240,000 - 259,999	1				1		1		**3**	-
260,000 - 279,999									**-**	1
280,000 - 299,999							1		**1**	1
300,000 - 319,999						1			**1**	-
320,000 - 339,999									**-**	-
340,000 - 359,999						1			**1**	1
Total	**18**	**40**	**46**	**10**	**105**	**10**	**13**	**9**	**251**	**239**
Less Individuals who received voluntary redundancy payments that make total remuneration greater than £100,000									**6**	**22**
								Total	**245**	**217**

Analysis of average salary by pay band

Remuneration	2017	2016
100,000 - 119,999	108,167	111,391
120,000 - 139,999	130,068	129,946
140,000 - 159,999	148,685	148,668
160,000 - 179,999	168,420	169,732
180,000 - 199,999	189,729	189,712
200,000 - 219,999	205,468	211,516
220,000 - 239,999		231,998
240,000 - 259,999	244,158	240,666
260,000 - 279,999		269,934
280,000 - 299,999	296,340	292,661
300,000 - 319,999	317,764	
340,000 - 359,999	351,405	346,464
Total	**136,486**	**141,973**

Gender Diversity of the States of Jersey

	2017 Male	2017 Female	2016 Male	2016 Female
Directors	86.7%	13.3%	87.5%	12.5%
Senior Manager	66.9%	33.1%	59.8%	40.2%
Remaining Workforce	36.3%	63.7%	36.7%	63.3%
All Workforce	**37.0%**	**63.0%**	**37.2%**	**62.8%**

Staff Sickness

We measure the average number of days lost to sickness absence, known as average working days lost (AWDL), based on the number of full-time equivalent employees. In 2017 we had an AWDL of 9.0 days, a slight increase from the 2016 figure of 8.8 days, which is broadly comparable with the trend in the UK public sector of 9.3 days in 2016 as reported in the latest sickness absence report (2017) by XpertHR, a UK benchmarking and specialist HR tools provider.

Also, the SoJ Management Attendance Policy was updated in 2016 and reviewed in partnership with our Trade Unions in 2017 to ensure that it was being applied as intended to assist the sensitive management of attendance problems. We also continued to promote employees' health and wellbeing through initiatives which led to the approval of a new employee wellbeing strategy aimed at supporting our workforce in the delivery of their roles and ultimately assisting with the reduction of sickness absence levels moving forward.

Furthermore, throughout 2017, discussions with Trade Unions continued about a harmonised set of sickness and injury at work terms and conditions as part of the negotiations around the workforce modernisation pay, terms and conditions package. The new proposed terms will be implemented for the pay groups in scope of workforce modernisation which have agreed the final offer.

Equal Opportunities, Diversity and Inclusion

At all times there are employees with individual employment needs undertaking a wide variety of paid, therapeutic and unpaid roles across all Departments and occupational groups. The States of Jersey adopts a flexible and equitable approach to the employment and retention of people who have or develop an individual employment need.

The States of Jersey will provide a guaranteed interview for a candidate who has a recognised disability.

Furthermore, we recognise the value of diversity and aim to create a working environment where all decisions made are fair, transparent and based on merit. We're committed to eliminating discrimination, harassment and victimisation.

As part of this commitment, the States of Jersey Equality and Diversity Policy was reviewed in 2017. The policy aims:

- to protect employees from all types of discrimination, ensure all employees are encouraged to develop to their full potential

- respond to changing demographics and working patterns to meet service requirements

- retain and recruit a workforce that is representative of the community to secure the widest pool of talent possible

- ensure no discrimination against individuals who represent trade unions or staff associations

Also during the year, work was carried out with local organisations such as Liberate, Autism Jersey and Jersey Alzheimer's Association to raise awareness of issues related to gender equality and disability, making sure that all employees, service users, clients, visitors, contractors or volunteers are not disadvantaged in any way and are treated with dignity and respect.

Employee Engagement

The States of Jersey consults with its employees on matters that affect their working lives and seeks to maintain an appropriate environment for the delivery of high quality public services. In doing so, the States of Jersey recognises a number of trade unions and staff associations for negotiation and consultation across the workforce for the purposes of collective bargaining and consultation. Formal meetings take place throughout the year, or as required. States Departments also maintain local arrangements for meeting their accredited representatives to discuss matters of local interest.

During the year 'Managers to Leaders', the Leadership programme launched in 2016 continued, with over 50 new participants. Furthermore, new developments in the project included the launch of leadership training programmes for middle and emerging managers as well, with a total of approximately 70 participants having been enrolled on the 'Inspiring Managers' and 'Emerging Managers' programmes.

Also during 2017, the employee wellbeing strategy developed during the previous year to ensure our workforce are properly supported in the delivery of their roles, was approved and is currently in place.

Moreover, we continue to support student placements from organisations such as Highlands College and the Institute of Directors for work experience.

An employee engagement survey for all staff commenced in March 2018. The survey is called One Voice.

This is the first staff engagement survey for the whole of the States of Jersey since 2008 and recognises that engaged employees are happier, healthier and more effective at work.

The organisation is facing a period of major change and carrying out a survey of this type will:

- give our employees a voice
- provide insight to our current climate and culture
- identify priority areas for action and improvement, so we can direct our energy and focus to achieve the best outcomes
- inform a workforce plan and allow us to prioritise activity to improve organisation performance
- provide a benchmark to measure the impact of future improvements

Expenditure on Consultancy and Temporary Staff

Consultants are hired to work on projects in a number of specific situations:

- where the States does not have the skills set required
- where the particular requirement falls outside the core business of civil servants
- where an external, independent perspective is required.

When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the States needs.

Engagement of consultants is governed by financial directions.

Expenditure on consultancy and temporary staff was £1.1 million and £17.1 million respectively in 2017 compared to £4.0 million and £12.1 million in 2016.

Exit Packages

There were a total of 51 individuals who received £1,296,786 in severance and ex-gratia payments in 2017 compared to 176 individuals receiving £6,397,474 in 2016. There were a higher number of Voluntary Redundancies processed in 2016 as part of the service redesign across the organisation.

2.3
Political Accountability and Audit Report

Statement of Outturn against Approvals

This section provides a breakdown of how much the government has received in income and spent against the approvals made by the States Assembly. It is presented consistently with approvals made under the Public Finances (Jersey) Law 2005 in the Medium Term Financial Plan and Annual Budget Statement.

The budgeting system, and the consequential presentation of the Statement of Outturn against Approvals (SoOaA) and related notes has different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant States approval, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

Statement of revenue outturn against approvals

2016 Actual (Restated)		2017 Budget/ MFTP	2017 Final Approved Budget	2017 Actual	Difference from Approval
£'000		£'000	£'000	£'000	£'000
736,803	States Net General Revenue Income	710,686	710,686	767,253	(56,567)
(698,454)	Departmental Net Revenue Expenditure - Near Cash	(700,637)	(730,071)	(703,811)	(26,260)
38,349	**Operating Surplus/(Deficit)**	**10,049**	**(19,385)**	**63,442**	**(82,827)**
(40,154)	Departmental Depreciation/Amortisation	(39,792)	(39,792)	(40,063)	271
(1,805)	**(Deficit)/Surplus of General Revenue Expenditure over Income**	**(29,743)**	**(59,177)**	**23,379**	**(82,556)**
(22,660)	Departmental Net Revenue Expenditure - Other Non Cash	-	-	(6,234)	6,234
377	Trading Operations Net Revenue Income	415	(835)	1,669	(2,504)
104,042	Net Revenue Income of Special Funds			66,616	
286,844	Net Revenue Income of Social Security Funds			219,092	
465	Net Revenue Income of SOJDC			370	
(14,646)	Net Revenue Expenditure of Andium Homes			(23,729)	
(514)	Net Revenue Expenditure of Ports of Jersey			(4,030)	
(43,980)	Other (Expenditure)/Income[1]			(14,580)	
(456)	Consolidation Adjustments[2]			9,338	
307,667	**Net Revenue Income/(Expenditure) as Reported in the SoCNE**	**(29,328)**	**(60,012)**	**271,891**	

Notes

1. This includes other Consolidated fund items, including movements in Pension Liabilities, charges relating to Finance Leases and movements in hedging arrangements.
2. Accounting Standards require that all transactions and balances between entities within the States of Jersey group are eliminated in the consolidated accounts.
3. In addition to the Final Approved Budget in departments at the end of the year, £59.0 million was held in Central Contingencies.

Statement of capital outturn against approvals

2016 Expenditure		2017 Expenditure	Total Expenditure	Total Allocated Budget	Remaining Unspent Budget
£'000		**£'000**	**£'000**	**£'000**	**£'000**
40,856	Capital Expenditure from the Consolidated Fund	47,576	444,262	574,972	130,710
2,045	Capital Expenditure from Trading Funds	2,745	17,381	33,126	15,745
42,901	**Total Capital Expenditure Subject to States Approval**	**50,321**	**461,643**	**608,098**	**146,455**
-	Capital Expenditure from Special Funds	22			
549	Capital Expenditure from Social Security Funds	278			
(4,353)	Capital Expenditure by SOJDC	156			
13,781	Capital Expenditure by Andium Homes	47,787			
5,974	Capital Expenditure by Ports of Jersey	6,172			
848	Asset Donations and Other Adjustments	5			
59,700	**Total Asset Additions**	**104,741**			
	Asset Additions as per Notes 4.13 and 4.14				
58,448	Property, Plant and Equipment	102,359			
1,252	Intangible Assets	2,382			
59,700	**Total Asset Additions**	**104,741**			

Statement of unallocated consolidated fund balance

2016 Actual (Restated)		2017 Actual
£'000		£'000
96,332	Available Non-Current Financial Assets	195,961
142,203	Net Current Assets	109,133
-	Less: NCA Held for Sale	-
(5,259)	Less: Non-Current Provisions	(4,690)
1,894	Add Back: Provision for Financial Guarantee	1,432
2,080	Add Back: Provision for Decommissioning	2,080
1,275	Add Back: Current Finance Lease Liabilities	1,403
7,208	Add Back: Current Pension Liabilities	7,722
2,049	Add Back: Accruals for Untaken Leave	2,163
25,494	Add Back: Currency Fund Infrastructure Investment	25,494
(3,634)	Adjust for Transfers out of Consolidated Fund	(3,634)
269,642	**Consolidated Fund Balance**	**337,064**
(105,354)	Unspent Capital	(130,710)
(1,479)	Voted amounts to be allocated	(1,480)
(33,947)	Departmental Carry forwards	(26,260)
(38,030)	Carry forward of Contingency	(58,979)
90,832	**Unallocated Consolidated Fund Balance**	**119,635**

Revenue Expenditure

a) Net General Revenue Income against Estimate

2016 Actual		2017 Budget	2017 Income	2017 Expenditure	2017 Actual	Difference from Budget
£'000		£'000			£'000	£'000
	Income Tax					
398,153	Personal Income Tax	399,000	428,393	(7)	428,386	29,386
90,688	Companies	84,000	86,446	(2)	86,444	2,444
(876)	Provision for Bad Debts	(2,000)	-	100	100	2,100
487,965	**Net Income Tax**	**481,000**	**514,839**	**91**	**514,930**	**33,930**
84,798	**Goods and Services Tax (GST)**	**84,120**	**88,738**	**(792)**	**87,946**	**3,826**
	Impôts Duties					
5,326	Spirits	4,774	5,651	-	5,651	877
8,225	Wines	7,979	8,209	-	8,209	230
1,034	Cider	1,127	760	-	760	(367)
5,766	Beer	5,343	5,889	-	5,889	546
14,609	Tobacco	14,309	15,019	-	15,019	710
21,855	Fuel	22,966	22,761	-	22,761	(205)
175	Goods (Customs)	145	184	-	184	39
1,420	Vehicle Emissions Duty	1,406	1,526	-	1,526	120
58,410	**Impôts Duties**	**58,049**	**59,999**	**-**	**59,999**	**1,950**
	Stamp Duty					
24,942	Stamp Duty	23,960	27,991	-	27,991	4,031
1,934	Probate	2,300	3,000	-	3,000	700
3,429	Land Transactions Tax	1,523	2,292	-	2,292	769
30,305	**Stamp Duty**	**27,783**	**33,283**	**-**	**33,283**	**5,500**
	Fines and Other Income					
15,354	Net Investment Income	3,802	10,798	(149)	10,649	6,847
12,568	Dividends and Returns	8,703	12,323	-	12,323	3,620
3,927	Jersey Financial Services Commission Fees	3,827	3,852	-	3,852	25
1,672	Returns from States Trading Operations	1,072	1,072	-	1,072	-
27,856	Return from Andium Homes	28,337	28,417	-	28,417	80
26	EUSD Retention Tax	-	-	-	-	-
1,249	Income Tax Penalties	1,000	1,919	(196)	1,723	723
532	Miscellaneous Income	450	632	-	632	182
63,184	**Fines and Other Income**	**47,191**	**59,013**	**(345)**	**58,668**	**11,477**
12,141	**Island Rate**	**12,543**	**12,427**	**-**	**12,427**	**(116)**
736,803	**Net General Revenue Income**	**710,686**	**768,299**	**(1,046)**	**767,253**	**56,567**

b) Ministerial and Non-Ministerial Departments Net Revenue Expenditure (Near Cash) against Approval

Restated 2016 Actual		MTFP 2017	Final Approved Budget	2017 Income	2017 Expenditure	2017 Actual	Difference from Final Approved Budget
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	Ministerial Departments						
33,876	Chief Minister	26,482	35,213	(2,233)	36,466	34,233	(980)
10,288	- Grant to the Overseas Aid Commission	10,339	10,396	-	10,355	10,355	(41)
1,804	External Relations	1,746	2,340	(196)	2,119	1,923	(417)
49,783	Community and Constitutional Affairs	48,783	51,486	(3,063)	54,057	50,994	(492)
19,830	Economic Development, Tourism, Sport and Culture	19,183	19,358	(5,008)	23,828	18,820	(538)
101,551	Education	105,944	108,959	(16,976)	124,318	107,342	(1,617)
6,178	Department of the Environment	5,856	7,020	(5,756)	11,406	5,650	(1,370)
199,569	Health and Social Services	207,908	215,687	(22,656)	233,686	211,030	(4,657)
185,735	Social Security	186,226	189,759	(9,741)	188,529	178,788	(10,971)
40,989	Department for Infrastructure	39,981	36,864	(23,259)	58,359	35,100	(1,764)
21,493	Treasury and Resources	21,447	24,503	(4,188)	27,356	23,168	(1,335)
	Non Ministerial States Funded Bodies and the States Assembly						
1,636	Bailiff's Chambers	1,688	1,894	(59)	1,857	1,798	(96)
7,269	Law Officers' Department	7,556	8,296	(385)	8,044	7,659	(637)
5,486	Judicial Greffe	6,558	6,686	(1,248)	7,383	6,135	(551)
1,037	Viscount's Department	1,341	1,424	(922)	1,916	994	(430)
538	Official Analyst	600	606	(58)	554	496	(110)
1,307	Office of the Lieutenant Governor	735	848	(150)	955	805	(43)
26	Office of the Dean of Jersey	27	27	-	11	11	(16)
312	Data Protection Commission	374	399	(238)	637	399	-
1,914	Probation Department	2,014	2,077	(203)	2,235	2,032	(45)
571	Comptroller and Auditor General	804	805	(60)	819	759	(46)
7,262	States Assembly and its services	5,045	5,424	(62)	5,382	5,320	(104)
698,454	**Net Revenue Expenditure - Near Cash**	**700,637**	**730,071**	**(96,461)**	**800,272**	**703,811**	**(26,260)**

c) Ministerial and Non-Ministerial Departments Net Revenue Expenditure (Non Cash) against Approval

2016 Actual		MTFP 2017	Final Approved Budget	2017			Difference from Final Approved Budget
				Income	Expenditure	Actual	
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	Ministerial Departments						
936	Chief Minister	1,551	1,551	-	1,118	1,118	(433)
-	- Jersey Overseas Aid Commission	-	-	-	-	-	-
-	External Relations	-	-	-	-	-	-
567	Community and Constitutional Affairs	800	800	-	514	514	(286)
195	Economic Development, Tourism, Sport and Culture	272	272	-	165	165	(107)
299	Education	310	310	(21)	277	256	(54)
115	Department of the Environment	201	201	-	257	257	56
2,648	Health and Social Services	3,291	3,291	(12)	2,700	2,688	(603)
188	Social Security	187	187	-	187	187	-
57,650	Department for Infrastructure	32,855	32,855	-	40,881	40,881	8,026
69	Treasury and Resources	69	69	-	72	72	3
	Non Ministerial States Funded Bodies and the States Assembly						
-	Bailiff's Chambers	-	-	-	-	-	-
22	Law Officers' Department	23	23	-	22	22	(1)
-	Judicial Greffe	-	-	-	-	-	-
21	Viscount's Department	60	60	-	21	21	(39)
84	Official Analyst	98	98	-	54	54	(44)
-	Office of the Lieutenant Governor	-	-	-	-	-	-
-	Office of the Dean of Jersey	-	-	-	-	-	-
18	Data Protection Commission	10	10	-	10	10	-
2	Probation Department	65	65	-	52	52	(13)
-	Comptroller and Auditor General	-	-	-	-	-	-
						-	
-	States Assembly and its services	-	-	-	-	-	-
62,814	**Net Revenue Expenditure - Non Cash**	**39,792**	**39,792**	**(33)**	**46,330**	**46,297**	**6,505**

Note
The most significant variation year on year and against final approved budget in the Department for Infrastructure is primarily the result of the impairments recognised in 2016 in respect of the existing hospital estate. This followed the decision to build the new hospital facility on the existing site which triggered a reduction in the useful economic lives of the existing assets.

d) Trading Operations Net Revenue Expenditure against Approval

Restated 2016 Actual		MTFP 2017	Final Approved Budget	2017 Income	2017 Expenditure	2017 Actual	Difference from Final Approved Budget
£'000		£'000	£'000	£'000	£'000	£'000	£'000
9	Jersey Car Parking	286	(964)	7,500	(6,146)	1,354	2,318
368	Jersey Fleet Management	129	129	4,080	(3,765)	315	186
377	**Net Revenue Income/(Expenditure) – Trading Operations**	**415**	**(835)**	**11,580**	**(9,911)**	**1,669**	**2,504**

Note
The improvement in the performance of Jersey Car Parking from 2016 to 2017 is largely attributable to impairment reversals in 2017 following the full external valuation of land and building assets. This was also the largest component of the variation against budget in addition to income from parking charges exceeding budget.

Capital Expenditure

A) Capital Expenditure from the Consolidated Fund

	2017 Expenditure[1]	Total Project Expenditure	Total Allocated Budget	Remaining Unspent Budget
	£'000	£'000	£'000	£'000
Chief Minister's Department				
Taxes Office System Renewal	1,599	1,886	8,892	7,006
Enterprise Systems Development	1,179	2,028	3,105	1,077
E Government	(104)	1,659	2,716	1,057
Computer Development Vote	232	967	2,173	1,206
T&R JDE System	-	400	772	372
Desktop Upgrades	-	-	477	477
Income/Payment Management System	-	-	379	379
Corporate Web Platform Refresh	429	531	600	69
Web Search Engine Upgrade	29	57	105	48
Content Management System	19	19	105	86
Hardware Refresh	-	-	176	176
Other Capital Projects	14	852	918	66
Chief Minister's Department Total	**3,397**	**8,399**	**20,418**	**12,019**
Education				
Victoria College	25	100	302	202
ESC Minor Capital/AUCC	220	1,094	1,486	392
School ICT	121	121	556	435
Other Capital Projects	(27)	23,186	23,212	26
Education Total	**339**	**24,501**	**25,556**	**1,055**
Department of the Environment				
Central Environmental Management	-	934	1,038	104
Automatic Weather Station	-	213	265	52
Equipment, Maintenance, Minor	19	463	756	293
Met Radar Refurbishment	9	678	722	44
Countryside Infrastructure	1	1	65	64
Other Capital Projects	-	419	419	-
Department of the Environment Total	**29**	**2,708**	**3,265**	**557**

A) Capital Expenditure from the Consolidated Fund (Continued)

	2017 Expenditure[1]	Total Project Expenditure	Total Allocated Budget	Remaining Unspent Budget
	£'000	£'000	£'000	£'000
Health and Social Services				
Equipment, Maintenance & Minor Capital	1,893	16,711	19,687	2,976
Replacement MRI Scanner	2,678	2,701	3,027	326
Replacement RIS/PACS IT Assets	169	371	498	127
Digital Care Strategy	480	480	1,615	1,135
Other Capital Projects	-	870	870	-
Health and Social Services Total	**5,220**	**21,133**	**25,697**	**4,564**
Community and Constitutional Affairs				
Biometric Passports	-	1,075	1,183	108
Prison Security Measures	46	846	867	21
Prison Cell Call System	89	99	99	-
Tetra Radio Replacement	-	1,915	2,199	284
Minor Capital	1,007	4,631	7,246	2,615
Other Capital Projects	74	1,889	2,456	567
Community and Constitutional Affairs Total	**1,216**	**10,455**	**14,050**	**3,595**
Department for Infrastructure				
EFW Plant La Collette	33	118,633	118,774	141
Eastern Cycle Network	258	566	992	426
Liquid Waste Strategy	6,934	12,249	49,652	37,403
Waste: Ash Pit La Collette	78	3,813	4,524	711
Replacement Assets	2,339	5,479	6,693	1,214
Asbestos Waste Disposal	507	1,084	1,098	14
Fiscal Stimulus Parish Project	147	1,142	1,169	27
New Public Recycling Centre	184	6,638	6,638	-
Scrap Yard Infrastructure	17	144	1,725	1,581
EFW Replacement Assets	538	2,343	2,343	-
Road Safety Improvements	2,302	3,388	4,258	870
Infrastructure	4,829	54,550	56,570	2,020
Commercial Recycling	45	45	1,400	1,355
La Collette Fire Equipment	-	-	200	200

A) Capital Expenditure from the Consolidated Fund (Continued)

	2017 Expenditure[1]	Total Project Expenditure	Total Allocated Budget	Remaining Unspent Budget
	£'000	£'000	£'000	£'000
DVS Systems	146	146	250	104
Other Capital Projects	26	45,764	45,769	5
On behalf of Education				
St Martin's School	11	7,080	7,080	-
Additional Primary School Accommodation	368	9,778	10,322	544
Les Quennevais Replacement School	1,293	2,375	41,475	39,100
Victoria College Capital Project	4	1,175	1,759	584
Archive Storage Extension	198	542	3,860	3,318
Grainville Phase 5 (including Music)	118	170	3,264	3,094
St Mary School	6	6	190	184
Other Capital Projects	6	14,849	14,849	-
On behalf of Health and Social Services				
Oncology Extension & Refurbishment	4	2,813	3,332	519
Intensive Care Unit Upgrade	-	2,204	2,204	-
Main Theatre Upgrade	642	6,197	6,483	286
Clinique Pinel Upgrade	-	2,773	2,773	-
Future Hospital	14,837	20,965	29,494	8,529
Mental Health Facilities Overdale - Feasibility	119	119	350	231
Relocation Ambulance and Fire - Feasibility	179	184	600	416
Adult Care Homes	8	189	189	-
Children's Homes	-	995	2,075	1,080
Autism Support	(2)	796	976	180
Refurbishment of Sandybrook	28	30	1,699	1,669
Other Capital Projects	-	654	654	-
On behalf of Community and Constitutional Affairs				
Prison Improvement Phase 4	16	9,960	10,007	47
Police Relocation (Phase 1)	1,003	24,966	24,966	-
Prison Phase 6	-	-	195	195

A) Capital Expenditure from the Consolidated Fund (Continued)

	2017 Expenditure[1]	Total Project Expenditure	Total Allocated Budget	Remaining Unspent Budget
	£'000	£'000	£'000	£'000
Relocation of Sea Cadets	-	-	107	107
Public Markets Maintenance	46	2,901	3,614	713
Demolition Fort Regent Pool	(23)	-	-	-
Office Modernisation Project	3	222	350	128
Other Capital Projects	-	5,938	5,938	-
Department for Infrastructure Total	**37,247**	**373,865**	**480,860**	**106,995**
Treasury and Resources				
Tax Transformation Prog & IT Systems	(148)	764	835	71
Taxes Office Minor Capital	40	91	91	-
ITAX Development-Taxes Office	20	1,332	1,332	-
Other Capital Projects	-	-	1,480	1,480
Treasury and Resources Total	**(88)**	**2,187**	**3,738**	**1,551**
Non Ministerial States Funded				
Non Mins - Minor Capital	216	1,014	1,388	374
Non Ministerial States Funded Total	**216**	**1,014**	**1,388**	**374**
Total	**47,576**	**444,262**	**574,972**	**130,710**

Notes
1. Negative expenditure in the year is caused when expenditure is reclassified from capital to revenue spend under accounting standards. The expenditure is recorded within the Net Revenue Expenditure for the responsible Department in the year.

B) Capital expenditure from Trading Funds

	2017 Expenditure[1]	Total Project Expenditure	Total Allocated Budget	Remaining Unspent Budget
	£'000	**£'000**	**£'000**	**£'000**
Jersey Car Parking				
Anne Court Car Park	(55)	822	9,000	8,178
Automated Charging System	673	4,303	7,622	3,319
Car Park Maint & Refurbishment	45	221	1,000	779
Jersey Car Parking Total	**663**	**5,346**	**17,622**	**12,276**
Jersey Fleet Management				
Vehicle & Plant Replacement	2,082	12,035	15,504	3,469
Jersey Fleet Management Total	**2,082**	**12,035**	**15,504**	**3,469**
Total	**2,745**	**17,381**	**33,126**	**15,745**

Notes

1. Negative expenditure in the year is caused when expenditure is reclassified from capital to revenue spend under accounting standards. The expenditure is recorded within the Net Revenue Expenditure for the responsible Department in the year.

Reconciliations

A) Reconciliation of final approved budget to the Medium Term Financial Plan

Department	MTFP 2017 Total NRE Near Cash	Carry Forward from 2016	Allocation of Contingency	Transfers between capital and revenue	Departmental Transfers	2017 Final Approved Budget Near Cash	MTFP 2017 Total NRE Non Cash	In Year Adjustments	2017 Final Approved Budget Non Cash	2017 Final Approved Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ministerial Departments										
Chief Minister	26,482	2,023	4,127	1,822	759	35,213	1,551	-	1,551	36,764
- Jersey Overseas Aid Commission	10,339	57	-	-	-	10,396	-	-	-	10,396
External Relations	1,746	-	594	-	-	2,340	-	-	-	2,340
Community and Constitutional Affairs	48,783	717	3,004	(2,061)	1,043	51,486	800	-	800	52,286
Economic Development, Tourism, Sport and Culture	19,183	468	201	(360)	(134)	19,358	272	-	272	19,630
Education	105,944	1,958	2,427	(1,585)	215	108,959	310	-	310	109,269
Department of the Environment	5,856	1,066	122	64	(88)	7,020	201	-	201	7,221
Health and Social Services	207,908	7,926	2,900	(1,605)	(1,442)	215,687	3,291	-	3,291	218,978
Social Security	186,226	3,260	216	-	57	189,759	187	-	187	189,946
Department for Infrastructure	39,981	4,149	(3,643)	(3,623)	-	36,864	32,855	-	32,855	69,719
Treasury and Resources	21,447	519	2,875	138	(476)	24,503	69	-	69	24,572
Non Ministerial States Funded Bodies										
Bailiff's Chamber	1,688	10	101	-	95	1,894	-	-	-	1,894
Law Officers' Department	7,556	199	440	-	101	8,296	23	-	23	8,319
Judicial Greffe	6,558	60	269	-	(201)	6,686	-	-	-	6,686
Viscount's Department	1,341	48	35	-	-	1,424	60	-	60	1,484
Official Analyst	600	-	6	-	-	606	98	-	98	704
Office of the Lieutenant Governor	735	57	10	-	46	848	-	-	-	848
Office of the Dean of Jersey	27	-	-	-	-	27	-	-	-	27
Data Protection Commission	374	-	-	-	25	399	10	-	10	409
Probation Department	2,014	30	33	-	-	2,077	65	-	65	2,142
Comptroller and Auditor General	804	-	1	-	-	805	-	-	-	805
States Assembly and its services	**5,045**	**-**	**379**	**-**	**-**	**5,424**	**-**	**-**	**-**	**5,424**
Allocations for Contingencies	**23,650**	**49,426**	**(14,097)**	**-**	**-**	**58,979**	**809**	**-**	**809**	**59,788**
Net Revenue Expenditure	**724,287**	**71,973**	**-**	**(7,210)**	**-**	**789,050**	**40,601**	**-**	**40,601**	**829,651**

B) Reconciliation of Capital Approvals

	Previous Approvals	2017 Allocation	Transfers between capital and revenue	Other Transfers	Total Capital Budget	Previously incurred Expenditure	Total Available Capital Budget	2017 Capital Expenditure	Returns to the Consolidated Fund	Unspent Capital Approvals as at 31 Dec 17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Minister's Department										
Taxes Office System Renewal	579	8,400	(87)	-	8,892	287	8,605	1,599	-	7,006
Enterprise Systems Development	2,521	-	584	-	3,105	849	2,256	1,179	-	1,077
E Government	4,503	-	(1,787)	-	2,716	1,763	953	(104)	-	1,057
Computer Development Vote	2,242	-	(69)	-	2,173	735	1,438	232	-	1,206
T&R JDE System	772	-	-	-	772	400	372	-	-	372
Desktop Upgrades	477	-	-	-	477	-	477	-	-	477
Income/Payment Management System	379	-	-	-	379	-	379	-	-	379
Corporate Web Platform Refresh	300	300	-	-	600	102	498	429	-	69
Web Search Engine Upgrade	105	-	-	-	105	28	77	29	-	48
Content Management System	105	-	-	-	105	-	105	19	-	86
Hardware Refresh	-	200	(24)	-	176	-	176	-	-	176
Other Capital Projects	947	-	(29)	-	918	838	80	14	-	66
Chief Minister's Department Total	**12,930**	**8,900**	**(1,412)**	**-**	**20,418**	**5,002**	**15,416**	**3,397**	**-**	**12,019**
Education										
Victoria College	237	-	65	-	302	75	227	25	-	202
ESC Minor Capital/AUCC	1,181	200	105	-	1,486	874	612	220	-	392
School ICT	556	-	-	-	556	-	556	121	-	435
Other Capital Projects	23,239	-	-	-	23,239	23,213	26	(27)	27	26
Education Total	**25,213**	**200**	**170**	**-**	**25,583**	**24,162**	**1,421**	**339**	**27**	**1,055**
Department of the Environment										
Central Environmental Mgmt.	1,038	-	-	-	1,038	934	104	-	-	104
Automatic Weather Station	265	-	-	-	265	213	52	-	-	52
Equipment, Maintenance, Minor	651	12	93	-	756	444	312	19	-	293
Met Radar Refurbishment	722	-	-	-	722	669	53	9	-	44
Countryside Infrastructure	65	-	-	-	65	-	65	1	-	64
Other Capital Projects	426	-	(7)	-	419	419	-	-		-
Department of the Environment Total	**3,167**	**12**	**86**	**-**	**3,265**	**2,679**	**586**	**29**	**-**	**557**

B) Reconciliation of Capital Approvals (Continued)

	Previous Approvals	2017 Allocation	Transfers between capital and revenue	Other Transfers	Total Capital Budget	Previously incurred Expenditure	Total Available Capital Budget	2017 Capital Expenditure	Returns to the Consolidated Fund	Unspent Capital Approvals as at 31 Dec 17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Health and Social Services										
Equipment, Maintenance & Minor Capital	16,587	3,100	-	-	19,687	14,818	4,869	1,893	-	2,976
Replacement MRI Scanner	3,027	-	-	-	3,027	23	3,004	2,678	-	326
Replacement RIS/PACS IT Assets	498	-	-	-	498	202	296	169	-	127
Digital Care Strategy	-	-	1,615	-	1,615	-	1,615	480		1,135
Other Capital Projects	880	-	(10)	-	870	870	-	-	-	-
Health and Social Services Total	**20,992**	**3,100**	**1,605**	**-**	**25,697**	**15,913**	**9,784**	**5,220**	**-**	**4,564**
Community and Constitutional Affairs										
Biometric Passports	1,183	-	-	-	1,183	1,075	108	-	-	108
Prison Security Measures	867	-	-	-	867	800	67	46	-	21
Prison Cell Call System	99	-	-	-	99	10	89	89	-	-
Tetra Radio Replacement	2,199	-	-	-	2,199	1,915	284	-	-	284
Minor Capital	5,608	381	1,257	-	7,246	3,624	3,622	1,007	-	2,615
Other Capital Projects	1,847	-	609	-	2,456	1,815	641	74		567
Community and Constitutional Affairs Total	**11,803**	**381**	**1,866**	**-**	**14,050**	**9,239**	**4,811**	**1,216**	**-**	**3,595**
Department for Infrastructure										
EFW Plant La Collette	118,774	-	-	-	118,774	118,600	174	33	-	141
Eastern Cycle Network	582	-	410	-	992	308	684	258	-	426
Liquid Waste Strategy	41,652	-	8,000	-	49,652	5,315	44,337	6,934	-	37,403
Waste: Ash Pit La Collette	4,224	-	300	-	4,524	3,735	789	78	-	711
Replacement Assets	4,696	1,637	360	-	6,693	3,140	3,553	2,339	-	1,214
Asbestos Waste Disposal	1,398	-	(300)	-	1,098	577	521	507	-	14
Fiscal Stimulus Parish Project	1,169	-	-	-	1,169	995	174	147	-	27
New Public Recycling Centre	6,638	-	-	-	6,638	6,454	184	184	-	-
Scrap Yard Infrastructure	1,025	-	700	-	1,725	127	1,598	17	-	1,581
EFW Replacement Assets	2,343	-	-	-	2,343	1,805	538	538	-	-
Road Safety Improvements	1,823	-	2,435	-	4,258	1,086	3,172	2,302	-	870
Infrastructure	52,835	6,765	(3,030)	-	56,570	49,721	6,849	4,829	-	2,020
Commercial Recycling	-	1,400	-	-	1,400	-	1,400	45	-	1,355
La Collette Fire Equipment	-	-	200	-	200	-	200	-	-	200
DVS Systems	-	-	250	-	250	-	250	146	-	104
Other Capital Projects	45,792	-	(23)	-	45,769	45,738	31	26	-	5

B) Reconciliation of Capital Approvals (Continued)

	Previous Approvals	2017 Allocation	Transfers between capital and revenue	Other Transfers	Total Capital Budget	Previously incurred Expenditure	Total Available Capital Budget	2017 Capital Expenditure	Returns to the Consolidated Fund	Unspent Capital Approvals as at 31 Dec 17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
On behalf of Education					-	-	-			-
St Martin's School	7,732	-	(652)	-	7,080	7,069	11	11	-	-
Additional Primary School Accommodation	10,322	-	-	-	10,322	9,410	912	368	-	544
Les Quennevais Replacement School	1,320	39,000	1,500	(345)	41,475	1,082	40,393	1,293	-	39,100
Victoria College Capital Project	1,759	-	-	-	1,759	1,171	588	4	-	584
Archive Storage Extension	3,500	-	360	-	3,860	344	3,516	198	-	3,318
Grainville Phase 5	175	3,264	-	(175)	3,264	52	3,212	118	-	3,094
St Mary	-	-	-	190	190	-	190	6	-	184
Other Capital Projects	14,877	-	(28)	-	14,849	14,843	6	6	-	-
On behalf of Health and Social Services						-				
Oncology Extension & Refurbishment	3,332	-	-	-	3,332	2,809	523	4	-	519
Intensive Care Unit Upgrade	2,300	-	(96)	-	2,204	2,204	-	-	-	-
Main Theatre Upgrade	6,483	-	-	-	6,483	5,555	928	642	-	286
Clinique Pinel Upgrade	2,868	-	(95)	-	2,773	2,773	-	-	-	-
Future Hospital	29,656	-	(162)	-	29,494	6,128	23,366	14,837	-	8,529
Mental Health Facilities Overdale - Feasibility	350	-	-	-	350	-	350	119	-	231
Relocation Ambulance and Fire - Feasibility	100	500	-	-	600	5	595	179	-	416
Adult Care Homes	4,000	-	(3,811)	-	189	181	8	8	-	-
Children's Homes	2,075	-	-	-	2,075	995	1,080	-	-	1,080
Autism Support	976	-	-	-	976	798	178	(2)	-	180
Refurbishment of Sandybrook	1,699	-	-	-	1,699	2	1,697	28	-	1,669
Other Capital Projects	1,829	-	(175)	-	1,654	654	1,000	-	1,000	-
On behalf of Community and Constitutional Affairs						-				
Prison Improvement Phase 4	10,007	-	-	-	10,007	9,944	63	16	-	47
Police Relocation (Phase 1)	24,966	-	-	-	24,966	23,963	1,003	1,003	-	-
Prison Phase 6	-	-	195	-	195	-	195	-		195
Other Projects						-				
Relocation of Sea Cadets	107	-	-	-	107	-	107	-	-	107
Public Markets Maintenance	3,543	-	71	-	3,614	2,855	759	46	-	713
Demolition Fort Regent Pool	750	-	(750)	-	-	23	(23)	(23)	-	-
Office Modernisation Project	350	-	-	-	350	219	131	3	-	128
Other Capital Projects	6,004	-	(66)	-	5,938	5,938	-	-	-	-
Department for Infrastructure	**424,031**	**52,566**	**5,593**	**(330)**	**481,860**	**336,618**	**145,242**	**37,247**	**1,000**	**106,995**

B) Reconciliation of Capital Approvals (Continued)

	Previous Approvals	2017 Allocation	Transfers between capital and revenue	Other Transfers	Total Capital Budget	Previously incurred Expenditure	Total Available Capital Budget	2017 Capital Expenditure	Returns to the Consolidated Fund	Unspent Capital Approvals as at 31 Dec 17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Treasury and Resources										
Tax Transformation Prog & IT Systems	1,245	-	(410)	-	835	912	(77)	(148)	-	71
Taxes Office Minor Capital	51	-	40	-	91	51	40	40	-	-
ITAX Development-Taxes Office	1,332	-	-	-	1,332	1,312	20	20	-	-
Other Capital Projects	1,461		(328)	347	1,480	-	1,480	-		1,480
Treasury and Resources Total	**4,089**	**-**	**(698)**	**347**	**3,738**	**2,275**	**1,463**	**(88)**	**-**	**1,551**
Non Ministerial States Funded										
Non Mins - Minor Capital	1,338	50	-	-	1,388	798	590	216	-	374
Non Ministerial States Funded Total	**1,338**	**50**	**-**	**-**	**1,388**	**798**	**590**	**216**	**-**	**374**
Total	**503,563**	**65,209**	**7,210**	**17**	**575,999**	**396,686**	**179,313**	**47,576**	**1,027**	**130,710**

C) Reconciliation of movement in Unallocated Consolidated Fund Balance

	2017	2016
	£'000	£'000
Opening Balance	**90,832**	**63,309**
Net General Revenue Income	767,253	736,803
Net Revenue Expenditure - Near Cash	(703,811)	(698,454)
Add Back: Carry Forwards from 2016/2015	71,977	29,148
Add Back: Additional Allocations	1	(114)
Remove: Transfers between Capital and Revenue	(7,210)	966
Approvals Carried Forward:		
Departmental Carry forwards	(26,260)	(33,947)
Carry forward of Contingency	(58,979)	(38,030)
Capital Approval in the Year	(65,209)	(25,491)
Transfer to Jersey Fleet Management for Asset Replacement	-	(1,200)
Other Capital Funding Sources		
Funding from Strategic Reserve	39,000	26,691
JPH Receipts Applied	506	848
Transfers from:		
Strategic Reserve	16,273	30,000
Transfers to:		
Strategic Reserve	(5,000)	
Returns to the Consolidated Fund		
COCF Funding	40	119
Unspent Capital	27	1
Other Movements	195	183
Fund Movement	**28,803**	**27,523**
Closing Balance	**119,635**	**90,832**

Statement of accounting policies

The Statement of Outturn against Approvals (SoOaA) and supporting notes have been prepared in accordance with the Jersey Financial Reporting Manual (JFReM) 2017 issued by the Treasurer of the States.

SoOaA 1.1 Accounting convention

The Statement of Outturn against Approvals and related notes are presented consistently with approvals made under the Public Finances (Jersey) Law 2005 in the Medium Term Financial Plan and Annual Budget Statement.

The Government's objectives for fiscal policy are guided by the Jersey Fiscal Policy Panel.

The Panel's work is guided by five key principles. These are:

1. Economic stability is at the heart of sustainable prosperity;
2. Fiscal policy needs to be focussed on the medium-term;
3. Policy should aim to be predictable, with flexibility to adapt to economic conditions to assist in creating a more stable economic environment;
4. Supply in the economy is as important as demand; and
5. Low inflation is fundamental to the competitiveness of the economy.

In making its recommendations, the Panel is guided by its understanding of the preferences of Islanders. The Panel feels that Islanders want the States to be prudent and create the conditions for economic growth while respecting the Island's cultural heritage, maintaining the competitiveness of the economy and keeping inflation low.

SoOaA 1.2 Comparison with IFRS-based accounts

Most transactions are treated in the same way in Approvals and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the States' outturn as recorded in the SoOaA compared to the IFRS-based Statement of Comprehensive Net Expenditure is provided in the SoOaA.

SoOaA 1.2a Accounting Boundary and Budgeting Boundary

Approvals by the States include:

a) amounts of income from taxation estimated to be raised approved by the States in the Budget Statement;

b) appropriations to revenue heads or capital heads of expenditure approved by the States in the Medium Term Financial Plan or Budget Statement, after any amendments approved in accordance with the Public Finances (Jersey) Law 2005. Under the Public Finances (Jersey) Law 2005, the approval by the States of a revenue or capital head of expenditure authorises the body to withdraw amounts not exceeding that approval from the Consolidated Fund; and

c) estimates of States Trading Operations approved by the States in the Medium Term Financial Plan or Budget Statement.

Income and Expenditure from Special Funds, the Social Security Funds and Subsidiary Companies are not included.

Other Accounting items in the Consolidated Fund such as movements in Pension Liabilities and Finance Leases are also outside of the budgeting boundary.

SoOaA 1.2b Near Cash and Non-Cash Amounts

In the Medium Term Financial Plan, revenue expenditure is approved on a Near Cash basis, excluding Non-Cash amounts such as:

- depreciation of Property, Plant and Equipment (PPE)
- amortisation of Intangible assets
- impairments of PPE or Intangible assets
- donations of assets
- gains on disposals of assets.

Estimates of these non-cash amounts are included for information, but Accounting Officers are not held accountable for outturn against these amounts.

Departments may apply to use proceeds on disposals of fixed assets for capital or revenue purposes, which would then form part of a capital or revenue approval.

SoOaA 1.2c Capital Approvals

Under Accounting Standards the cost of Property, Plant and Equipment is recognised over their useful lives through the charge of depreciation to the SoCNE.

Under the Budgeting system, approval must be obtained for the expenditure on a capital project before this expenditure can be incurred. The full cost of the project is therefore considered allocated within the Consolidated Fund on approval.

Expenditure on Capital may be incurred over a number of years.

Capital Expenditure by Special Funds, the Social Security Funds and Subsidiary Companies are not subject to approval.

SoOaA 1.3 Basis of Consolidated Fund Balance

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

- Financial Assets (Advances and Investments held at Fair Value through Profit or Loss);
- Net Current Assets or Liabilities (adjusted for elements of Pension, Finance Lease, and other obligations, which will be included in future expenditure approvals);
- Provisions for liabilities and charges.

The Consolidated Fund excludes:

- Assets which cannot be easily converted into cash (Property, Plant and Equipment, Intangible Assets and Strategic Investments);
- Other Long Term Liabilities – which will be settled from future expenditure approvals.

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

- Capital projects are approved on an allocation basis and so any unspent amounts are removed from the available balance.

- Similarly, amounts approved for specific purposes but that have not yet been allocated to departments, and property receipts that will be used to purchase assets under Article 18(5) of the Law are also removed.
- In 2011 an additional provision for the decommissioning of the new EFW plant at the end of its life was created in line with accounting standards. Approval for this expenditure will not be sought until closer to the end of the EfW plant's useful life, and so the amount of this provision is added back to the available consolidated fund balance.
- Finally, an adjustment must be made for amounts that will be included in a future revenue head of expenditure through the carry forward process.

With the move to four year planning under the MTFP, elements of this balance may be allocated by the States to fund expenditure in future years. 2018–2019 expenditure limits have already been approved by the States in the MTFP Addition for 2017–2019.

Other Accountability Disclosures

Personal Data Related Incidents

The following table sets out details of personal data related incidents during 2017. An incident is defined as a loss, unauthorised disclosure or insecure disposal of personal data. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at risk of harm or distress. The definition includes sources of information that, because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the States.

No protected personal data related incidents were reported to the Office of the Information Commissioner in 2017.

The incidents below include instances where there was an opportunity for the loss, unauthorised disclosure or insecure disposal identified with unconfirmed data access. There were 36 incidents reported in 2016.

Summary of Personal Data Related Incidents in 2017

Category	Nature of incident	2017	2016
1	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0	1
2	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	1	2
3	Insecure disposal of inadequately protected paper documents	0	0
4	Unauthorised disclosure	63	33
5	Other	12	0

Gifts

A gift is defined as something voluntarily donated, with no preconditions and without the expectation of any return. Transfers of assets between States entities, grants, social benefits, retirement gifts and long service awards are specifically not classified as gifts. As per the JFReM, only gifts over £10,000 in value are to be disclosed. No gifts were made in 2017 (2016: nil).

Losses and special payments

	2017	2016
	£'000	£'000
Losses	2,587	2,701
Fruitless payments	39	-
Special payments	2,038	4,065

Losses and special payments are items that the States would not have contemplated when it agreed budgets or passed legislation. By their nature they are items that ideally should not arise.

The term loss includes the loss of money or property belonging to a States entity. Examples include overpayments of grants, social benefits and to staff as well as theft, fraud, physical loss and abandoned debts, damage or loss of inventory and impairments.

A fruitless payment is a payment for which liability ought not to have been incurred, or where the demand for the goods and service in question could have been cancelled in time to avoid liability. Because fruitless payments will be legally due to the recipient they are not regarded as special payments. However, as due benefit will not have been received in return, they should be regarded as losses. Fruitless payments include abandoned capital schemes and constructive losses. Significant individual items are disclosed separately.

In 2017, £25,880 was recognised as a constructive loss in respect of work that was being carried out on the Patriotic Street Car Park lifts that was subsequently halted following the amended plans for the Future Hospital. No such examples were recorded in 2016.

Special payments include compensation payments made under legal obligations, extra payments to contractors, ex gratia payments, severance payments and regulatory payments.

The majority of the special payments recorded in 2017 and 2016 relate to severance payments with the higher number recorded in 2016 reflecting the earlier phases of the Voluntary Release Scheme introduced to enable service redesign.

A further breakdown of losses and special payments is provided in Note 4.36.

Richard Bell
Treasurer of the States
Date: 30th May 2018

Independent auditor's report to the Minister for Treasury and Resources of the States of Jersey

Report on the audit of the financial statements

Opinion

In our opinion, the States of Jersey Group's consolidated financial statements (the "financial statements"):

- give a true and fair view, in accordance with the Public Finances (Jersey) Law 2005, of the state of the group's affairs as at 31 December 2017 and of its surplus and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted for the States of Jersey by the Jersey Financial Reporting Manual;
- properly represent the activities of the States of Jersey Group; and
- have been prepared in accordance with the requirements of the Public Finances (Jersey) Law 2005.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 December 2017; the consolidated statement of comprehensive net expenditure, the consolidated statement of cash flows and the consolidated statement of changes in taxpayers' equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall group materiality was £11.95 million which represents 1% of group total expenditure.

Audit scope

- The group is based solely in Jersey and the financial statements are a consolidation of the States of Jersey and a number of subsidiaries. The States of Jersey core entities being the same as the Group with the exclusion of subsidiaries and the Jersey Overseas Aid Commission.
- Group audit scoping was performed based on total expenditure and resulted in work being performed on three subsidiaries, in addition to the States of Jersey, to obtain sufficient coverage of all material financial statement line items.
- Our work on the States of Jersey is scoped to ensure that we perform testing across a range of Ministeries.
- We conducted the majority of our audit work in Jersey, with some work undertaken by component auditors in Jersey.

Key audit matters

- Fraud in revenue recognition
- Social security benefit payments
- Valuation of strategic investments
- Accounting for the PECRS pre-1987 debt
- Valuation of property, plant and equipment
- Related party transactions

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Treasurer made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Treasurer that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Fraud in revenue recognition - Core entities	
See note 22 within the significant accounting policies note 4.1 for details of the accounting policy for revenue recognition and note 4.4 for the amounts of taxation revenue that have been recognised during the year. The States of Jersey has an incentive to manage the year end financial position to achieve, but not excessively exceed, budget. As a result, there is a risk that revenue may be either overstated or understated to ensure that the budget is achieved. Based on our risk assessment, we concluded that the risk related to Taxation Revenue, in particular, Personal Income Tax due to the complexity of the revenue stream, the size and number of transactions involved and the opportunity for manipulation due to the degree of estimation involved. The remainder of the States of Jersey's revenue streams are non-complex, more predictable, consist of a large volume of low value transactions and in some instances, unlikely to give rise to a material misstatement due to their size.	We focused our work on elements of the Personal Tax Income that is most susceptible to manipulation, being: • Non-standard journal transactions, including those that impact revenue and do not impact cash, debtors, or accrued or deferred income. • Income items recognised around the year end date, which may be recognised in the wrong period. • The year end taxation revenue receivables balance which is subject to estimation. **Journals** We selected a sample of manual and automated journal transactions, focusing on the non-standard transactions as outlined above. We traced these journal entries to supporting documentation (for example, tax assessment) and recalculated the tax due based on applicable tax rules, and found that, without exception, the supporting documentation demonstrated that the journal was appropriate and had been recognised in the correct period. **Taxation income** For Personal Tax Income, we agreed a sample of transactions to supporting documentation (for example, tax assessment) to check that it had been accurately recognised and recognised in the right period. We tested a sample of transactions recognised in the period immediately prior to year end and agreed the income had been recognised in the correct period based on the tax assessment. The work focused on transactions recognised pre-year end as this was the period we concluded was of highest risk of potential misstatement. **Taxation revenue receivables balance** For a sample of the taxation revenue receivables balance we inquired as to the recoverability of each balance with the individual inspector / debt collections team responsible for the balance and agreed the amount outstanding to supporting evidence (such as tax return) and subsequent receipts, where possible, to check the income had been recognised in the correct period and was recoverable.

Key audit matter	How our audit addressed the key audit matter
Social benefit payment - Core entities	
See note 4.5 for the amounts of social benefits that have been recognised during the year. Social benefit payments are complex in nature as a result of the rules and requirements for individuals to be eligible for the benefit or income support. There are also a wide variety of different types of benefits that individuals can claim. There are complex rules and considerable judgement in determining if individuals are eligible for benefits and in determining the amount of the benefit to which they are entitled and hence, there is a risk that the payments are incorrect.	We tested the benefits paid using Computer Assisted Audit Techniques ("CAATs") which used source data from the benefits payment system, Nessie, to check the eligibility of the claimant and the calculation of the payment and matched this to the actual payments made to individuals. We checked the data within the Nessie system which is used to determine the eligibility of the claimant to a benefit to original documents for a sample of claimants. We checked the rates for each benefit within the Nessie system to applicable law. We tested a sample of benefit payments not included with the CAATs testing (pharmaceutical dispensing fees benefit and long term care support and benefit). For each item selected for testing we checked the eligibility of the claimant to the benefit and recalculated the benefit payment in accordance with applicable law.
Valuation of strategic investments - Core entities	
See notes 12.9 to 12.11 within the significant accounting policies note 4.1 for details of the accounting policy for strategic investments, note 4.12 for details of the critical accounting judgements and key sources of estimation uncertainty associated with the strategic investments and note 4.17 for further details regarding the amounts recognised in respect of strategic investments. The States of Jersey has a significant strategic investment in JT Group Limited ("JT") which is measured at fair value. A comparable company methodology is used for the valuation and given the magnitude of the valuation of the investment and the inherent limitations in the valuation technique, in particular, the appropriateness of the comparable companies used for the valuation, there is a risk that the value could be materially misstated.	We obtained the detailed calculation of the valuation of JT from the States of Jersey and checked the input data back to supporting documentation (for example, the latest JT financial statements, and third party sources for comparable company multiples). We checked the mathematical accuracy of the calculation. We considered whether the comparable companies used in the valuation are appropriate. We used our own valuation experts to assess the methodology adopted by the States of Jersey and the assumptions used within the calculation, which we found to be consistent with our expectations.

Key audit matter	How our audit addressed the key audit matter
Accounting for the Public Employees' Contributory Retirement Scheme ("PECRS") pre-1987 debt - Core entities	
See note 17 within the significant accounting policies note 4.1 for details of the accounting policy for pensions, note 4.12 for details of the critical accounting judgements and key sources of estimation uncertainty associated with the PECRS pre-1987 debt and note 4.29 for further details regarding the amounts recognised in respect of the PECRS pre-1987 debt. The PECRS pre-1987 debt is an ongoing pension obligation in respect of an agreement made whereby the States of Jersey would continue to fund the pre-1987 debt for the Scheme members, over a period of 82 years. It is measured as a financial liability under IAS 39 and is calculated using a discounted cash flow model. The principal risk of material misstatement of the liability is due to estimation uncertainty in relation to the assumptions used in the discounted cash flow model; with the two key assumptions being the inflation assumption and the discount rate assumption.	We obtained the detailed calculation of the PECRS pre-1987 liability that has been recognised. We considered whether the use of a discounted cash flow model remains appropriate for a liability of this nature and have considered alternative valuation models. The continued use of discounted cash flow model was discussed with the Treasurer. We have concluded that the use of a discounted cash flow model remains appropriate. We checked the mathematical accuracy of the calculation. We used our own valuation experts to assess the assumptions used within the calculation, which we found to be consistent with our expectations.
Accounting for Jersey Teachers' Superannuation Fund ("JTSF") - Core entities	
See note 17 within the significant accounting policies note 4.1 for details of the accounting policy for pensions, note 4.12 for details of the critical accounting judgements and key sources of estimation uncertainty associated with the JTSF and note 4.29 for further details regarding the amounts recognised in respect of the JTSF. The JTSF was restructured in April 2007 and the restructured scheme mirrors PECRS. A provision for past service liability has been recognised in the financial statements, although unlike PECRS, this has not yet been agreed with the Scheme's management board.	We obtained the detailed calculation of the provision for past service liability that has been recognised. We considered whether it remains appropriate to account for the pre-2007 obligation as a provision, rather than to apply IAS 19. This consideration included whether there have been any changes to IFRS that would be relevant, enquiries of the Treasurer and finance team as to whether there have been any changes to the scheme or whether an agreement has been reached with the Scheme's management board, review of minutes for the States of Jersey and the Scheme for any relevant decisions. We have concluded that the accounting approach remains appropriate. We checked the mathematical accuracy of the calculation.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment - Group	
See notes 5 to 10 within the significant accounting policies note 4.1 for details of the accounting policy for property, plant and equipment, note 4.12 for details of the critical accounting judgements and key sources of estimation uncertainty associated with the valuation of assets and note 4.13 for further details regarding the amounts recognised in respect of property, plant and equipment Property, plant and equipment accounts for £3.7bn of assets held on the States of Jersey balance sheet. Property, plant and equipment is initially recognised at cost and subsequently measured at fair value. A full valuation is performed by a RICS qualified valuer every 5 years, with interim valuations after 3 years. As at 31 December 2017, a full valuation has been performed of land and building assets and an interim valuation has been performed of infrastructure assets. A desktop exercise has been undertaken by Andium Homes to value the social housing estate. A net revaluation gain of £229.6m has been recognised.	We obtained the third party valuation reports directly from the valuers, including the details of the requests / instructions for the work to be performed. We checked and found the valuer had a UK qualification, were part of an appropriate professional body and were not connected with the States of Jersey Group. We read the valuation reports and using our own valuation expertise, we challenged the methodology and assumptions applied in the valuation. To check the accuracy of the underlying data (on which the valuation is based), we agreed the data used by the valuers to records held by the States of Jersey Group to ensure the valuation was based on accurate and current information (for example, land and building areas and rental income). We checked that the valuations were correctly reflected and appropriately disclosed in the financial statements.
Related party transactions - Group	
Due to the nature of the States of Jersey and the number of individuals in key decision making positions on behalf of the States of Jersey and its related entities, there is a potential for undue influence in respect of transactions. We therefore, consider there to be a risk of undisclosed related party transactions.	We obtained a listing of related parties and related party transactions from the States of Jersey Group. To ensure that we had a complete list of related parties, we performed checks (for example, internet searches) for a sample of key individuals to identify any related party relationships that had not been included in the list. To ensure that we had a complete list of related party transactions, we performed checks (for example, searching transactions within the financial system) for a sample of related parties to identify any transactions with those parties that had not been included in the list. For a sample of significant suppliers for the States of Jersey Core Entities, we performed checks to identify whether there were any common individuals between the supplier and the States of Jersey. As part of our sample testing of expenditure transactions, we checked that each transaction for the States of Jersey Core Entities had been approved in accordance with the States of Jersey scheme of delegation.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

The group's operations are made up of the States of Jersey and three main subsidiaries: Andium Homes Limited, Ports of Jersey Limited and States of Jersey Development Company.

The States of Jersey consists of Ministerial Departments, Non-Ministerial Bodies, the States Assembly and its services, States of Jersey Investments Limited (a subsidiary holding company), States Trading Operations (including car parking and fleet management), special funds and social security funds.

In establishing the overall approach to the group audit, we determined the type of work needed to be performed at the States of Jersey, by us, the group engagement team, or component auditors operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

Accordingly, an audit was performed of a complete set of financial statements for the States of Jersey and two of the subsidiaries and specified procedures were performed at the other subsidiary, based on size and risk characteristics.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£11,954,000 (2016: £11,945,000).
How we determined it	1% of total expenditure.
Rationale for benchmark applied	We believe that total expenditure is the most appropriate benchmark because this is the key metric of interest when assessing the required level of taxation to be applied. It is also a generally accepted measure used for public sector entities.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £3.9m to £5.7m.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 (2016: £500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Treasurer for the financial statements
As explained more fully in the Statement of Responsibilities set out on page 149, the Treasurer is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report
This report, including the opinion, has been prepared for and only for the Minister for Treasury and Resources in accordance with section 47(1) of 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.

Other required reporting

Adequacy of accounting records and information and explanations received and adherence to law

We have nothing to report in respect of the following matters where the Comptroller and Auditor General requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the States of Jersey; or
- we have not received all the information and explanations we require for our audit.

Report on regularity

Our opinion

In our opinion, in all material respects:

- the Statement of Outturn Against Approvals properly presents the outturn against the budget approved by the States Assembly for the year ended 31 December 2017 and shows that those totals have not (or have) been exceeded; and
- the expenditure and income recorded in the States of Jersey Core Entities Statement of Comprehensive Net Expenditure for the year ended 31 December 2017 have been applied to the purposes intended by the States Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

What an audit of regularity involves

We are required to obtain evidence sufficient to give reasonable assurance that the Statement of Outturn Against Approvals properly presents the outturn against amounts approved by the States Assembly and that those totals have not been exceeded. The voted amounts approved by the States Assembly are the estimate of income from taxation during 2017, the net revenue expenditure in the Medium Term Financial Plan and a capital head of expenditure for each of the capital projects for States funded bodies to be started or continued in 2017.

We are also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the States Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Anna Blackman

Anna Blackman
For an on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
Date: 30th May 2018

Report of the Comptroller and Auditor General to the States Assembly

In accordance with Article 12(1) of the Comptroller and Auditor General (Jersey) Law 2014, I have ensured that an audit of the financial statement of the States of Jersey for the year ended 31 December 2017 has been completed. I have no matters to which I wish to draw the States' attention in accordance with Article 12(3) of the Comptroller and Auditor General (Jersey) Law 2014.

Karen McConnell
Comptroller and Auditor General
Jersey Audit Office
de Carteret House
7 Castle Street
St Helier
JE2 3BT
Date: 31st May 2018

3
Primary statements

3.1

Consolidated statement of comprehensive net expenditure (SoCNE) for the year ended 31 December 2017

	Notes[i]	States of Jersey Core Entities 2017	States of Jersey Group 2017	States of Jersey Core Entities 2016	States of Jersey Group 2016
		£'000	£'000	£'000	£'000
Revenue					
Levied by the States of Jersey					
Taxation Revenue	4	(603,577)	(603,089)	(573,440)	(573,359)
Social Security Contributions	4	(214,504)	(213,528)	(205,585)	(204,992)
Island Rates, Duties, Fees, Fines and Penalties	4	(118,723)	(118,214)	(112,146)	(112,087)
Total Revenue Levied by the States of Jersey		**(936,804)**	**(934,831)**	**(891,171)**	**(890,438)**
Earned through Operations					
Sales of Goods and Services	4	(80,138)	(173,771)	(78,372)	(165,967)
Investment Income	4	(321,199)	(316,710)	(428,856)	(424,801)
Other Revenue	4	(46,360)	(25,235)	(48,014)	(21,116)
Total Revenue Earned through Operations		**(447,697)**	**(515,716)**	**(555,242)**	**(611,884)**
Total Revenue		**(1,384,501)**	**(1,450,547)**	**(1,446,413)**	**(1,502,322)**
Expenditure					
Social Benefit Payments	5, 9	377,105	377,105	371,506	371,506
Staff Costs	5, 10	358,673	379,335	344,875	365,305
Other Operating Expenses	5	223,820	254,183	229,997	251,685
Grants and Subsidies Payments	5, 11	44,684	44,607	43,394	43,496
Depreciation and Amortisation	5	42,907	67,117	42,916	65,380
Impairments	5	4,992	20,225	21,595	28,549
Losses on Disposal of Non-Current Assets	5	827	826	3,485	3,040
Finance Costs	5, 12	22,863	23,362	23,194	23,182
Net Foreign-Exchange (Gains)/Losses	5	715	700	443	555
Movement in Pension Liability	5, 29, 30	11,196	11,196	41,958	41,957
Total Expenditure		**1,087,782**	**1,178,656**	**1,123,363**	**1,194,655**
Net Revenue (Income)		**(296,719)**	**(271,891)**	**(323,050)**	**(307,667)**

	Notes	States of Jersey Core Entities 2017	States of Jersey Group 2017	States of Jersey Core Entities 2016	States of Jersey Group 2016
		£'000	£'000	£'000	£'000
Other Comprehensive Income					
Items that will not be reclassified to Net Revenue Expenditure					
Revaluation of Property, Plant and Equipment		(150,378)	(242,688)	10,031	(62,154)
Actuarial (Gain)/Loss in Respect of Defined Benefit Pension Schemes		(1,252)	(1,252)	113	113
Items that may be reclassified subsequently to Net Revenue Expenditure					
Gain on Revaluation of Strategic Investments During the Year		(8,800)	(8,800)	(3,000)	(3,000)
Reclassification Adjustments for Gains Included in Net Revenue Expenditure		-	-	-	-
Gain on Revaluation of Other AFS[iii] Investments During the Year		(8)	(489)	(5)	(313)
Reclassification Adjustments for Gains Included in Net Revenue Expenditure		-	88	-	78
Total Other Comprehensive Income		**(160,438)**	**(253,141)**	**7,139**	**(65,276)**
Total Comprehensive Income		**(457,157)**	**(525,032)**	**(315,911)**	**(372,943)**

Notes

i. The Notes in section 4 of this report form part of the financial statements

ii. The States of Jersey as an entity is subject to a Regularity Audit Opinion in addition to a Financial Audit Opinion. The States of Jersey Core Entities columns above are those which are subject to regularity. The States of Jersey Group is subject to the full financial audit opinion. The full details of all entities included in the States of Jersey are explained in the Group Boundary Note 4.39. The subsidiary companies of SoJDC, Andium Homes Limited and Ports of Jersey Limited are excluded for the purposes of Regularity.

iii. (AFS) - Available for Sale

3.2
Consolidated statement of financial position (SoFP) as at 31 December 2017

	Notes[i]	31 Dec 2017	31 Dec 2016
		£'000	£'000
Non-Current Assets			
Property, Plant and Equipment	13	3,676,967	3,424,029
Intangible Assets	14	6,754	7,054
Loans and Advances	16	5,080	6,958
Strategic Investments	17	374,700	365,900
Other Available for Sale investments	17	20,027	19,286
Infrastructure Investments	18	10,000	11,430
Investments held at Fair Value through Profit or Loss	19	2,629,786	2,548,104
Trade and Other Receivables	21	4,469	3,300
Total Non-Current Assets		**6,727,783**	**6,386,061**
Current Assets			
Other Non-Current Assets classified as held for sale	15	1,540	5,450
Inventories	20	112,570	75,938
Loans and Advances	16	1,476	1,424
Derivative Financial Instruments expiring within one year	28	3,434	
Investments held at Fair Value through Profit or Loss	19	372,199	256,734
Trade and Other Receivables	21	210,483	185,309
Cash and Cash Equivalents	22	338,464	281,332
Total Current Assets		**1,040,166**	**806,187**
Total Assets		**7,767,949**	**7,192,248**
Current Liabilities			
Trade and Other Payables	23	(144,767)	(121,780)
External Borrowings	24	-	(2,500)
Currency in Circulation	25	(112,594)	(111,616)
Finance Lease Obligations	26	(1,403)	(1,275)
Provisions for liabilities and charges	27	(1,261)	(622)
Derivative Financial Instruments expiring within one year	28		(4,204)
Total Current Liabilities		**(260,025)**	**(241,997)**
Total Assets Less Current Liabilities		**7,507,924**	**6,950,251**

	Notes	31 Dec 2017	31 Dec 2016
		£'000	£'000
Non-Current Liabilities			
Trade and Other Payables	23	(2,742)	(5,110)
External Borrowings	24	(298,486)	(266,526)
Finance Lease Obligations	26	(835)	(2,238)
Provisions for liabilities and charges	27	(12,078)	(23,185)
PECRS Pre-1987 Past Service Liability	29	(301,904)	(290,127)
Provision for JTSF Past Service Liability	29	(115,935)	(111,874)
Defined Benefit Pension Schemes Net Liability	30	(5,182)	(6,645)
Total Non-Current Liabilities		**(737,162)**	**(705,705)**
Assets Less Liabilities		**6,770,762**	**6,244,546**
Taxpayers' Equity			
Accumulated Revenue and Other Reserves		5,198,468	4,912,922
Revaluation Reserve		1,264,396	1,032,927
Investment Reserve		307,898	298,697
Total Taxpayers' Equity		**6,770,762**	**6,244,546**

Senator Alan Maclean
Minister for Treasury and Resources
Date: 30th May 2018

Richard Bell
Treasurer of the States
Date: 30th May 2018

Notes
i. The Notes in section 4 of this report form part of the financial statements.

3.3

Consolidated statement of changes in taxpayers' equity (SoCiE) for the year ended 31 December 2017

	Notes[ii]	Accumulated Reserve and Other Reserves	Revaluation Reserve	Investment Reserve	Total
		£'000	£'000	£'000	£'000
Balance 1 January 2016		**4,602,738**	**973,246**	**295,462**	**5,871,446**
Net Revenue Income		**307,667**	**-**	**-**	**307,667**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	13	-	62,154	-	62,154
Gain on Revaluation of Strategic Investments during the year	17	-	-	3,000	3,000
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	17	-	-	-	-
Gain on Revaluation of Other AFS Investments during the year	17	-	-	313	313
Reclassification adjustments for gains included in Net Revenue Expenditure	17	-	-	(78)	(78)
Actuarial Loss in respect of Defined Benefit Pension Schemes	30	(113)	-	-	(113)
Other Movements					
Release of Revaluation Reserve on Disposal		2,473	(2,473)	-	-
Other Movements		157	-	-	157
Balance 31 December 2016		**4,912,922**	**1,032,927**	**298,697**	**6,244,546**
Net Revenue Income		**271,891**	**-**	**-**	**271,891**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	13	-	242,688	-	242,688
Gain/(Loss) on Revaluation of Strategic Investments during the year	17	-	-	8,800	8,800
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	17	-	-	-	-
Gain/(Loss) on Revaluation of Other AFS Investments during the year	17	-	-	489	489
Reclassification adjustments for gains included in Net Revenue Expenditure	17	-	-	(88)	(88)
Actuarial Gain/(Loss) in respect of Defined Benefit Pension Schemes	30	1,252	-	-	1,252
Other Movements					
Release of Revaluation Reserve on Disposal		11,219	(11,219)	-	-
Other Movements		1,184	-	-	1,184
Balance 31 December 2017		**5,198,468**	**1,264,396**	**307,898**	**6,770,762**

Notes

ii. The Notes in section 4 of this report form part of the financial statements

3.4
Consolidated statement of cash flows for the year ended 31 December 2017

	Notes	2017	2016
		£'000	£'000
Cash Flows from Operating Activities			
Net Revenue Income	SoCNE	271,891	307,667
Adjustments for non-operating activities			
Investment Income	7	(55,310)	(53,449)
Gains on Financial Assets	8	(261,400)	(371,352)
Interest Expense	12	22,954	22,817
Adjustments for non-cash transactions			
Depreciation of Property, plant and equipment	6	64,435	63,062
Amortisation of Intangible Assets	6	2,682	2,318
Impairments of Non-Current Assets	6	18,650	25,995
Loss on disposal of Non-Current Assets	6	826	3,040
Donations of Assets	6	(21)	(98)
Movement in Pension Liabilities	29	16,141	47,383
Interest on Past Service Liabilities	12	(12,815)	(13,084)
Movement in Other Liabilities			
Increase in Provisions	27	(10,468)	10,530
Increase in Currency in Circulation	25	978	2,028
Operating Cash Flows before movements in Working Capital		**58,543**	**46,857**
Adjustments for movements in Working Capital			
Decrease/(Increase) in Inventories	20	(36,632)	(24,017)
Decrease/(Increase) in Trade and Other Receivables		(26,400)	(4,053)
(Decrease)/Increase in Trade and Other Payables		19,241	2,047
Net Cash Inflow/(Outflow) from Operating Activities		**14,752**	**20,834**

	Notes[ii]	2017	2016
		£'000	£'000
Cash Flows from Investing Activities			
Purchase of Property, plant and equipment		(101,812)	(59,333)
Purchase of Intangible assets		(2,382)	(1,688)
Proceeds on disposal of Property, plant and equipment		7,908	2,729
Proceeds on Assets Held for Sale		11,122	4,060
Interest received		8,061	7,275
Dividends received	7	47,306	46,185
Loans and Advances made		-	-
Loans and Advances repaid	16	1,642	1,955
Proceeds on Available for Sale Financial Assets		808	907
Proceeds on settlement of Derivatives		-	-
Proceeds on redemption of Strategic Investment		-	-
Issue of Infrastructure Investment	18	1,430	(680)
Purchases of Financial Assets held at Fair Value through Profit or Loss		(756,151)	(1,012,383)
Proceeds on disposal of Financial Assets held at Fair Value through Profit or Loss		806,260	1,037,373
Net Cash (Outflow)/Inflow from Investing Activities		**24,192**	**26,400**
Cash Flows from Financing Activities			
Proceeds from Borrowings		29,611	25,828
Bond Interest Paid		(9,376)	(9,376)
Capital Element of Finance Lease Rental Payments	26	(1,275)	(1,185)
Interest Element of Finance Lease Payments	12	(209)	(64)
Other Interest Paid	12	(561)	(208)
Net Cash Inflow/(Outflow) from Financing Activities		**18,190**	**14,995**
Net (Decrease)/Increase in Cash and Cash Equivalents		**57,134**	**62,229**
Cash and cash equivalents at the beginning of the year	22	281,332	219,113
Gains/(losses) on Cash and Cash Equivalents	8	(2)	(10)
Cash and cash equivalents at the end of the year	**22**	**338,464**	**281,332**

Notes
ii. The Notes in section 4 of this report form part of the financial statements

4
Notes to the Accounts

4.1
Significant accounting policies

1 Introduction

1.1 These accounts have been prepared in accordance with the States of Jersey Financial Reporting Manual (JFReM) issued by the Treasurer of the States in order to meet the requirements of the Public Finances (Jersey) Law 2005. The accounting policies contained in the JFReM apply EU adopted International Financial Reporting Standards (IFRS) in place as at 1 January 2015 as adapted or interpreted for the Public Sector in Jersey. These accounts are prepared on a going concern basis. The JFReM includes details of all material interpretations and adaptions of IFRS applied by the States of Jersey. It can be found in full on the States Assembly website here: https://statesassembly.gov.je/assemblyreports/2018/r.37-2018.pdf

1.2 The JFReM applicable to the 2017 financial year (including comparators) is based on the UK Financial Reporting Manual for the UK financial year ending 31 March 2016 which is prepared by HM Treasury following consultation with the Financial Reporting Advisory Board (FRAB).

1.3 Where the JFReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the States of Jersey for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.4 The Accounting Policies applied in the preparation of these Accounts differ in places from those used for the 2016 accounts but there have not been any changes material enough to warrant a restatement of prior period comparatives.

2 IFRS in issue but not yet effective

2.1 A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 following the approach of the relevant UK FReM. These standards have not been applied in preparing these consolidated financial statements. The impact of the standards below will be assessed fully prior to implementation.

Accounting standard	Key dates	Summary and impact
IFRS 9 'Financial Instruments'	• IASB effective date 1 Jan 2018 • EU effective date 1 Jan 2018 • FReM 2018-19 • Expected in JFReM 2020	The objective of the new Standard is to provide users with more useful information about an entity's expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date. IFRS 9 applies a single classification and measurement approach to all types of financial assets: at amortised cost or at fair value through either Consolidated Statement of Comprehensive Income or residually through Consolidated Statement of Comprehensive Net Expenditure.
		Impact: The Treasury is working on the implementation of IFRS 9 to establish the full impact. As well as reviewing the classifications of financial instruments, the most significant area of focus will likely be the Expected Credit Loss model due to the volume of and diverse nature of revenue transactions.

Accounting standard	Key dates	Summary and impact
IFRS 15 'Revenue from Contracts with Customers'	• IASB effective date 1 Jan 2018 • EU effective date 1 Jan 2018 • FReM 2018-19 • Expected in JFReM 2020	The disclosure objective of the new standard is to establish the application principles required for entities to report useful information to the users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. For each revenue stream, a five-step model framework will need to be applied to determine the amount and timing of income to be recognised: 1. Identify contract with customer 2. Identify performance obligations in contract 3. Determine transaction price 4. Allocate transaction price to performance obligations 5. Recognise revenue when the entity satisfies a performance obligation **SoJ Examples:** • The largest sources of income are statutory government non-exchange income streams such as income tax and social security contributions. The UK FReM has adapted and interpreted IFRS 15 to treat non-exchange income as a contract to apply the standard. • Other income for the sale of goods and services will be reviewed against the recognition model: - School fees - Tipping fees - Private patient income
IFRS 16 'Leases'	• IASB effective date 1 Jan 2018 • EU effective date 1 Jan 2019 • Expected in FReM 2019-20 • Expected in JFReM 2021	Largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This is a significant change in lessee accounting. **SoJ Examples:** • SoJ holds leases for various arrangements that under IAS 17 'Leases' are currently classified as Operating Leases, with SoJ as the lessee and lessor. Under IFRS 16, SoJ will be required to consider whether these are material (i.e. the lease is longer than 12 months and is not of low value) and, if so, account for the liability/asset corresponding to the lease payments.

2.2 IAS 16 ('Property, Plant and Equipment') and IAS 38 ('Intangible Assets') amendment to both standards, 'Clarification of acceptable methods of depreciation and amortisation', effective 1 January 2016, was endorsed by the EU in December 2015. This amendment prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets. The amendment is expected to be adopted in the 2018 JFReM. It is not expected to have a material impact on the Annual Report and Accounts.

2.3 IAS 27 'Equity Method in Separate Financial Statements' (amendment), effective 1 January 2016, was endorsed by the EU in December 2015. This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is expected to be adopted in the 2018 JFReM. It is not expected to have a material impact on the Annual Report and Accounts.

2.4 The detailed impact of these new and amended standards will be considered as part of the implementation of the version of the JFReM that adopts them.

2.5 There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Accounts.

3 Accounting convention

3.1 These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of Property, Plant and Equipment, Intangible Assets and Available-for-Sale Financial Assets and Financial Assets and Financial Liabilities (including derivative instruments) at fair value through profit or loss. A summary of the more important accounting policies is set out below.

4 Basis of consolidation

4.1 These accounts comprise the consolidation of all entities within the States of Jersey consolidation boundary (the 'accounting boundary') as set out in the JFReM. The accounting boundary is defined with reference to applicable accounting standards except that the inclusion or exclusion of an entity is based on direct control which would normally be evidenced by the States, Council of Ministers or a Minister exercising in year control over operating practices, income, expenditure, assets or liabilities of the entity.

4.2 The principles of IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28 and IAS 31 for the determination of whether entities are subsidiary undertakings, associated undertakings or joint ventures are restricted to the first principle of direct control. Where this principle is not met and an entity within the accounting boundary has an investment in an entity outside the accounting boundary, this holding is treated as an investment in the group accounts.

4.3 For clarity, the relationships with JT Group Limited, Jersey Post International Limited, Jersey Electricity plc and Jersey New Waterworks Company Limited and their related entities do not meet the first principle of direct control and therefore these are accounted for as strategic investments in these accounts.

4.4 States of Jersey Development Company, Andium Homes Limited and Ports of Jersey Limited are consolidated on the basis that the States of Jersey can demonstrate direct control over these entities.

4.5 Entities that fall within the accounting boundary, but which are immaterial to the accounts as a whole, have not been consolidated where to do so would result in excessive time or cost to the States. Entities that fall within the accounting boundary but which have not been consolidated are listed as Minor Entities in Note 4.39.

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

4.7 The Statement of comprehensive net expenditure has been split in to Core and Group Entities. The Core comprises all entities except for the subsidiary companies (paragraph 4.4). The States of Jersey as an entity is subject to a Regularity Audit Opinion in addition to a Financial Audit Opinion with the Regularity opinion only applicable to the income and expenditure of the Core Entities.

5 Non-current assets: property, plant and equipment

5.1 Property, Plant and Equipment are initially recognised at cost. The States of Jersey capitalisation threshold is £10,000 for an initial purchase. There is no threshold for the capitalisation of subsequent expenditure on an asset. On completion, Assets Under Course of Construction are transferred into the appropriate asset category.

5.2 Property, Plant and Equipment are subsequently measured at fair value, as interpreted by the JFReM. More details of the basis for valuation are given in Accounting Policy 7.

5.3 Finance costs incurred during the construction of tangible fixed assets are not capitalised unless the borrowing has been obtained for a specific project and prior approval from the Treasurer has been obtained.

Networked assets

5.4 Networked assets represent the road network, the foul and surface water network and the Island's sea defence network.

- The road network consists of carriageways, including earthworks; tunnelling and road pavements; roadside communications and land within the perimeter of highways. Non-network assets include bridges and other structures.
- The foul and surface water network consists of foul sewers, surface water sewers, combined sewers and rising mains. Non-network assets include pumping stations and associated land and plant/machinery, and the Bellozanne and Bonne Nuit Sewage Treatment Works.
- The Sea Defences network consists of walls, slipways and outfalls. Non-network assets include harbours and quays.

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

Heritage assets

5.6 Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Non-operational assets are those held primarily for this purpose. Operational heritage assets are those that are also used for other activities or to provide other services.

5.7 Operational Heritage Assets are accounted for within the principal asset category to which they relate.

5.8 Non-operational assets (including for example works of art and antiques), have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or level of costs of valuation greatly exceed the additional benefits derived by users of the accounts. In these cases, no value is reported for these assets in the Statement of Financial Position.

5.9 Information about the Non-operational Heritage Assets held by the States is included in Note 4.13.

Donated assets

5.10 Donated assets are capitalised at their fair valuation on receipt and are revalued/depreciated on the same basis as purchased assets. The amount capitalised is credited to Income.

Disposal

5.11 On disposal of an item of Property, Plant and Equipment, the surplus or deficit of proceeds over carrying value is included in Net Revenue Expenditure/Income.

6 Non-current assets: Intangible assets

6.1 Purchased computer application software licences are capitalised as intangible assets.

6.2 Internally produced intangible assets, such as application software or databases, are capitalised if it meets the criteria specified in IAS 38. Expenditure on research is not capitalised. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

7 Valuation of non-current assets other than financial instruments

7.1 Property, Plant and Equipment and Intangible Assets are expressed at their current value through the application of the Modified Historical Cost Accounting Convention (MHCA). In accordance with the JFReM, historical cost carrying amounts are not disclosed. The valuation of all Property, Plant and Equipment should be at fair value, which is the lower of replacement cost and recoverable amount, which is the higher of net realisable value and value in use. Where value in use cannot be measured in terms of income it is assumed to be at least equal to the cost of replacing the service potential provided by the asset. In certain circumstances depreciated historical cost is used as a proxy for current value such as where the assets have short useful lives (i.e. less than 10 years) or low values (i.e. less than £250,000).

7.2 Property assets are valued in accordance with IAS 16. An external valuation is performed by a RICS qualified valuer every 5 years. Interim valuations are performed after 3 years. The most appropriate basis of valuation has been determined by the valuers, and includes Existing Use Value (EUV), Existing Use Value – Social Housing (EUV-SH) and Depreciated Replacement Cost (DRC). Between formal valuations, asset values are updated based on appropriate indices.

7.3 Assets under course of construction are valued at cost and are not revalued until completion and transferred into the appropriate asset category.

7.4 Networked assets, which are intended to be maintained at a specific level of service potential by continuing replacement and refurbishment, are valued at depreciated replacement cost. Annual valuations of networked assets are performed by professional valuers.

7.5 Operational heritage assets are valued in the same way as other assets of that general type. Non-operational heritage assets are valued as follows:

- Where purchased within the accounting period, at cost;
- Where there is a market in assets of that type, at the lower of depreciated replacement cost and net realisable value; or
- Where there is no market, at depreciated replacement cost unless the asset could not or would not be physically reconstructed or replaced in which case at nil.

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

7.7 Other non-current assets are carried at historical cost less accumulated depreciation or amortisation. This is a suitable proxy for fair value and is allowable per the JFReM for those assets with short useful lives or low values. This includes assets held as fixtures and fittings, IT equipment and intangible non-current assets.

7.8 Revaluation gains are recorded in the revaluation reserve and presented in Other Comprehensive Income. Downward revaluations are recorded in the revaluation reserve to the extent that they reverse previous upward revaluations. Downward revaluations below the historic cost of the asset are recorded in Net Revenue Expenditure/Income.

8 Depreciation and amortisation

8.1 Depreciation for Property, Plant and Equipment, other than networked assets is provided on a straight line basis over the anticipated useful lives of the assets. The principal asset categories and their range of useful economic lives are outlined below:

Asset Category	Life
Land	Not depreciated
Buildings	Up to 75 years
Social housing	Up to 80 years
Other structures	Up to 100 years
Plant, machinery & fittings	3 to 50 years
Transport equipment	2 to 20 years
IT equipment & software	3 to 10 years
Networked assets	*See Para 8.3*

8.2 Residual Values and Useful Economic Lives of Property, Plant and Equipment assets are reviewed and, if appropriate, amended at the end of each reporting period.

8.3 The annual depreciation charge for networked assets is the value of the service potential replaced through the maintenance programme, adjusted for any change in condition as identified by a condition survey. The value of the maintenance work undertaken is used as an indication of the value of the replaced part.

8.4 Where an asset consists of several components which are significant in relation to the overall cost of the asset and with different useful economic lives, these will be componentised.

9 Impairments of non-current assets

9.1 Impairments are permanent diminutions in the service potential of non-current assets. All assets are assessed annually for indications of impairment, and where indications exist an impairment test is carried out by comparing their carrying value with their recoverable amount, this being the higher of the value in use and the fair value less costs to sell.

9.2 Impairment losses due to a loss in economic value or reduction in service potential are recognised in Net Revenue Expenditure. Other impairments (for example due to movements in market conditions) are recognised in Net Revenue Expenditure to the extent that it cannot be offset against the Revaluation Reserve. Any reversal of impairment charges are recognised in Net Revenue Expenditure to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in Net Revenue Expenditure. The remaining amount is recognised in the revaluation reserve.

10 Non-current assets: assets held for sale

10.1 Assets held for sale are items of Property, Plant and Equipment, which are available for immediate sale in their present condition and are being actively marketed for sale with the sale expected to happen within one year, are valued at the lower of carrying amount and fair value less costs to sell and are not depreciated.

11 Investment properties

11.1 The States of Jersey does not, in general, hold assets only for the purpose of earning rentals or for capital appreciation or both. Where the States does have assets which could be considered as being held primarily for investment purposes, these shall be accounted for as Property, Plant and Equipment.

12 Investments and other financial instruments

12.1 The States of Jersey recognises, measures and discloses financial instruments following the guidance in the JFReM.

Definitions

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

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

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

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

Categories of financial instruments

12.6 The States of Jersey's financial instruments have been classified into the following categories:
- Loans and Receivables
- Strategic Investments
- Other Available-For-Sale Investments
- Infrastructure Investments
- Investments held at Fair Value through Profit or Loss
- Derivative Financial Instruments
- Other Financial Liabilities

Loans and receivables

12.7 Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- Those that the entity intends to sell immediately or in the short term, which are classified as Held-For-Trading, and those that the entity upon initial recognition designates as at Fair Value through Profit or Loss;
- Those that the entity upon initial recognition designates as Available-For-Sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

12.8 For the States of Jersey, these include:
- Loans issued by Housing Funds
- Loans issued through the Agricultural Loans Fund
- Miscellaneous Loans made through the Consolidated Fund
- Debtors arising within the normal course of operations

Strategic investments

12.9 Strategic Investments are companies outside the accounting boundary in which the States of Jersey has a controlling interest.

12.10 Strategic Investments are accounted for as 'Available-For-Sale' financial assets, although it should be noted that this does not indicate an intention to dispose of the States' interest.

12.11 Specifically, the States of Jersey recognises its investments in the following companies as Strategic Investments:
- JT Group Limited
- Jersey Post International Limited
- Jersey Electricity plc
- Jersey New Waterworks Company Limited

Other available-for-sale investments

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

12.13 For the States of Jersey, other Available-For-Sale Investments include:
- Housing Property Bonds issued under either the Social Housing Property Plan 2007–2016 (SHPP) or the Homebuyer scheme
- Infrastructure Investments

Investments held at fair value through profit or loss

12.14 This category has two sub-categories:
- Financial assets Held-For-Trading; and
- Those designated at Fair Value through Profit or Loss at inception.

12.15 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.

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

12.17 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 Profit or Loss. Individual Participants' investments in units in the Common Investment Fund are also designated as at Fair Value through Profit or Loss for the same reasons.

Derivative financial instruments

12.18 A derivative is a financial instrument or other contract within the scope of IAS 32 with all three of the following characteristics:
- its value changes in response to the change in an underlying variable (e.g. interest rates, equity share prices, exchange rates etc.);
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

12.19 Derivative instruments held as part of a managed portfolio held at Fair Value through Profit or Loss are included in the relevant investment line, unless they are material.

12.20 Other derivative instruments held by the States of Jersey include:
- Letters of Comfort issued by the Housing Development Fund to various housing associations, which are in effect interest rate caps
- Forward contracts in foreign currency to mitigate the risk of fluctuations in foreign exchange rates.

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

Other financial liabilities

12.22 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

12.23 Financial assets carried at Fair Value through Profit or Loss are initially recognised at Fair Value, and transaction costs are expensed in Net Revenue Expenditure.

12.24 Financial assets and liabilities not carried at Fair Value through Profit or Loss are initially recognised at Fair Value plus transaction costs.

Subsequent measurement of financial instruments

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

12.26 Strategic Investments are subsequently measured at Fair Value, with movements taken to equity through Other Comprehensive Income.

12.27 Other Available-For-Sale Investments are subsequently measured at Fair Value, with movements taken to equity through Other Comprehensive Income.

12.28 Infrastructure Investments can take a range of legal forms, and are accounted for using the measurement rules set out in IAS 39. Details of measurement bases for individual assets are given in Note 4.18.

12.29 Investments held at Fair Value through Profit or Loss are subsequently measured at Fair Value, with movements taken to Net Revenue Expenditure.

12.30 Derivative Financial Instruments are subsequently measured at Fair Value, with movements taken to Net Revenue Expenditure.

12.31 Other Financial Liabilities are measured at the higher of:
- the initial measurement, less amortisation calculated to recognise in Net Revenue Expenditure the fee income earned as the service is provided; and
- the best estimate of the probable expenditure required to settle any financial obligation arising at the reporting date, in line with the definitions of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

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

Fair value estimation

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

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

12.35 The fair value of investments designated at Fair Value through Profit or Loss, Strategic Investments, Other Available-For-Sale Investments and derivatives is estimated using observable market data. Where no observable market exists, the fair value has been determined using valuation techniques.

Impairment of financial assets

12.36 At each reporting date an assessment of whether there is objective evidence that a financial asset is impaired is carried out.

Assets carried at amortised cost

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

12.38 The criteria that the States uses to determine that there is objective evidence of an impairment loss include:
- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- breach of loan covenants or conditions; and
- deterioration in the value of collateral.

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

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

12.41 If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account in the Statement of Financial Position and the amount of the reversal is recognised in Net Revenue Expenditure.

Assets classified as available-for-sale

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

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

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

De-recognition of financial instruments

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

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

13 Accounting for investments held in the Common Investment Fund

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

13.2 Individual participants in the CIF account for their holding in the CIF as an investment in CIF units.

14 Inventory

14.1 Inventory is held at the lower of cost and net realisable value (NRV).

14.2 Inventory includes land and other property that is to be sold to developers or developed with a view to sale within SoJDC.

14.3 Inventory held for distribution at no/nominal charge and inventory held for consumption in the production process of goods to be distributed at no/nominal charge are valued at the lower of cost and current replacement cost.

14.4 Where a reduction in the carrying value of inventory held is identified, the value of the inventory is written down and the cost charged to Net Revenue Expenditure/Income.

14.5 Currency not issued is accounted for as inventory at the lower of cost and net realisable value.

15 Cash and cash equivalents

15.1 Cash comprises cash in hand, current balances with banks and similar institutions and amounts on deposits that are immediately available without penalty.

15.2 Overdrafts are shown separately in the accounts except where there exists a legal right of offset, and the States intends to settle on a net basis.

15.3 Cash Equivalents are short-term, highly liquid investments that are held by the States Cash Manager.

16 Currency in circulation

16.1 Currency in circulation is accounted for at face value.

17 Pensions

17.1 The States of Jersey operates two principal pension schemes for certain employees: Public Employees' Pension Fund (PEPF) and Jersey Teachers' Superannuation Fund (JTSF).

17.2 The Public Employees Pension Fund comprises a final-salary section known as the Public Employees Contributory Retirement Scheme (PECRS) and a career average revalued earnings (CARE) section known as the Public Employees' Pension Scheme (PEPS).

17.3 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).

PEPF and JTSF

17.4 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. The PEPS is a career average revalued earnings scheme, but is not a conventional defined benefit scheme as the employer is not responsible for meeting any past service deficiency in the scheme. The pension funds are therefore accounted for as defined contribution schemes.

17.5 Employer contributions to the schemes are charged to Net Revenue Expenditure in the year they are incurred.

Pensions Increases Liability (PIL)

17.6 It has been agreed that PECRS will pay all future increases to pensions and deferred pensions effective on or after 1 January 2015 in line with the annual increase in the Jersey Cost of Living Index, with no reduction.

Other schemes

17.7 The JPOPF is a funded scheme which relates to Jersey Post International Limited (a wholly owned strategic investment), and is closed to new members. The last active member left service during 2009.

17.8 The DPS has only one member and is not open to new members.

17.9 The JPOPF and the DPS are accounted for as conventional defined benefit schemes in accordance with IAS 19, and scheme assets are held in separate funds.

17.10 The CSS relates to a non-contributory scheme that existed before the formation of PEPF in 1967, and as such is closed to new members. This is a non-funded scheme, and is accounted for as conventional defined benefit schemes in accordance with IAS 19. There are no active members remaining in service.

17.11 For the JPOPF and DPS pension scheme assets are measured using market values.

17.12 For the JPOPF, DPS and CSS scheme liabilities are measured using the projected unit credit method, discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

17.13 Where appropriate, as detailed in the preceding paragraphs, actuarial gains and losses arising in the year from the difference between the actual and expected returns on pension scheme assets, experience gains and losses on pension scheme liabilities and the effects of changes in demographics and financial assumptions are included in the Statement of Comprehensive Net Expenditure only in so far as they belong to the States.

18 Leases

18.1 Leases are agreements whereby the lessor conveys the right to use an asset for an agreed period in return for payments. At their inception, leases are classified as operating or finance leases.

18.2 Leases in which substantially all of the risks and rewards of ownership are transferred to the lessor are classified as finance leases, other leases are classified as operating leases. Where a lease covers the right to use both land and buildings, the risks and rewards of the land and the buildings are considered separately. Land is generally assumed to be held under an operating lease unless the title transfers to the States at the end of the lease.

The States as lessee

18.3 Assets held under finance leases are capitalised in the appropriate category of non-current assets and depreciated over the shorter of the lease term or their estimated useful economic lives.

18.4 Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to Net Revenue Expenditure/Income over the period of the lease at a constant periodic rate in relation to the balance outstanding.

18.5 Operating leases are charged to Net Revenue Expenditure/Income on a straight-line basis over the term of the lease. Where the arrangement includes incentives, such as rent-free periods, the value is recognised on a straight-line basis over the lease term.

The States as lessor

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

19 Provisions

19.1 A provision is recognised when the following three criteria are met, in line with the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

19.2 The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

20 Contingent liabilities and contingent assets

20.1 Contingent liabilities and contingent assets are not recognised as liabilities or assets in the statement of financial position, but are disclosed in the notes to the accounts.

20.2 A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future events or it is a present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably estimated.

20.3 A contingent asset is a possible asset whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the States.

21 Taxpayers' equity

21.1 Taxpayers' Equity represents the taxpayers' interest in the States of Jersey, which equates to both the total value of Net Assets held by the States, and an accumulation of net income and other gains and losses over the years. Reserves are split based on how the interest has arisen (as explained below).

Accumulated revenue and other reserves

21.2 The Accumulated Revenue and Other Reserves represent the cumulative balances of surpluses and deficits recorded by the States of Jersey.

Revaluation reserve

21.3 The revaluation reserve reflects the unrealised balance of cumulative revaluation adjustments to Property, Plant and Equipment and Intangible Non-Current Assets other than donated assets. Details of the basis of valuation are set out in Accounting Policy 7. When an asset is disposed any balance in the revaluation reserve is transferred to the Accumulated Revenue and Other Reserves.

Investment reserve

21.4 The investment reserve reflects the unrealised balance of cumulative revaluation adjustments to the States' Strategic Investments, Housing Bonds, and other Financial Assets for which gains and losses are not recognised in Net Revenue Expenditure during the year.

22 Revenue recognition

22.1 Revenue is divided into two main categories – revenue levied by the States of Jersey and revenue earned through operations.

Revenue earned through operations

22.2 Revenue earned through operations is accounted for in line with IAS 18, which requires specifically that:
- income from the sale of goods should be recognised on transfer of the risks and rewards of ownership in those goods;
- income from the performance of services should be recognised on the degree of performance;
- interest income should be recognised using the effective interest method;
- dividends receivable should be recognised when the States becomes entitled to them; and
- income from permitting others to use the States' assets should be recognised on an accruals basis in accordance with the terms of the contract.

Revenue levied by the States of Jersey

22.3 Revenue levied by the States of Jersey is measured at the value of the consideration received or receivable net of:
- Repayments; and
- Adjustments following appeals (in the case of Income Tax).

22.4 Revenue is recognised when: a taxable or other relevant event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable or other event will flow to the States of Jersey. The 'tax gap', which is defined as the difference between the hypothetical amount of revenues due based on data on economic activity and revenues receivable, is not measured or recognised.

22.5 Taxable or other relevant events for the material income streams are as follows:
- Income Tax: when a final assessment is raised for Prior Year Basis taxpayers and when a final provisional assessment is raised for Current Year Basis taxpayers or an appropriate estimate is

available for either.;
- Goods and Services Tax (GST): when a taxable activity is undertaken during the taxation period by the taxpayer. Fees payable by International Service Entities are recognised on an accruals basis and are included in total GST receipts in Net Revenue Expenditure;
- Social Security Contributions: on an accruals basis, in the same period as the earnings to which they relate;
- Long Term Care Contributions: in the year the assessed income is earned. Estimates are made based on provisional assessments of income;
- Impôts Duties: when the goods are landed in Jersey;
- Stamp Duty: when the stamps are sold.
- Fees and Fines: when the fee or fine is imposed;
- Seizure of assets: when the court order is made; and
- Island rates: when the assessment is raised. Island Rates are charged on a calendar year basis and assessments are raised in the second half of the calendar year. Income is recognised in the period for which the rates are charged.

23 Staff

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

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

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

24 Employee benefits

24.1 The States accrues for the cost of accumulated compensated absences, for example, untaken leave entitlement. This is accounted for when an employee renders services that increase their entitlement to future compensated absences. It is calculated based on salary and allowances.

25 Grants

25.1 Grants received and made are recognised in Net Revenue Expenditure/Income so as to match the underlying event or activity that gives rise to a liability.

26 Accounting for Goods and Services Tax (GST)

26.1 GST charged/paid is fully recoverable, and so income and expenditure is shown net of GST.

27 Foreign exchange

27.1 Both the functional and presentation currency is Sterling.

27.2 Transactions that are denominated in a foreign currency are translated into Sterling at the rate ruling at the date of each transaction.

27.3 Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate applicable at the reporting date or on the date of settlement. Exchange differences are reported in Net Revenue Expenditure.

28 Third party assets

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

29 Losses and special payments

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

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

30 Related party transactions

30.1 For the purpose of disclosure of Related Party Transactions, Key Management Personnel are considered to be the Council of Ministers, Assistant Ministers and Accounting Officers subject to remuneration disclosures. These include short term employee benefits, post-employment benefits (pensions) and termination benefit.

4.2
Critical accounting judgements and key sources of estimation uncertainty

In the application of the States' accounting policies, which are described in this note, it is necessary to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of assets (uncertainty)

In determining the value of property assets under IAS 16 'Property, Plant and Equipment', there is a degree of uncertainty and judgement involved. The Statement of Comprehensive Net Expenditure, and Statement of Financial Position items relating to the States' accounting for valuation of properties under IAS 16 are based on external professional valuations. The level of uncertainty is primarily determined by the prevailing market conditions.

In determining the value of Social Housing assets, the appointed external professional valuers have adopted an existing use value using a discount rate for income of 5.75% (7% for high-rise stock) per annum.

Investments, other than those held for strategic purposes, are accounted for at fair value. If a market value cannot be readily ascertained, the investment is valued in line with the applicable standards, using methods determined by the Treasurer of the States, to be appropriate in the circumstances. Market value is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with quoted prices will have a lesser degree of judgement used in measuring fair value. Fair values determined through the use of models or other valuation methodologies will have a higher degree of judgement due to the assumptions used in the valuation. IFRS 13 'Fair Value Measurement' has been applied.

Valuation of pensions and past service debt (judgement)

Public Employees Pension Fund (PEPF)

The PEPF comprises a final-salary section known as the Public Employees Contributory Retirement Scheme (PECRS) and a career average revalued earnings (CARE) section known as the Public Employees' Pension Scheme (PEPS). The schemes are recognised as defined contribution schemes in accordance with the definition provided in IAS 19 (paragraph 28) which states defined contribution plans are post- employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The PECRS and PEPS schemes meets the definition of a defined contribution scheme as the States contribution rates are defined and any future deficits are paid for by the employees, whether by reduced benefits or increased payments. To arrive at this conclusion, consideration has been given to:

Fixed contributions

The employer contributions rate into PECRS is fixed at 13.6% for all existing scheme members in accordance with the ten point agreement (detailed in Note 4.1) and 16.0% with a legal cap of 16.5% for PEPS so the States of Jersey cannot legally be required to make additional contributions.

Legal or constructive obligations

The Public Employees Contributory Retirement Scheme Regulations provide no legal obligation on the States to increase the employer contribution rate to fund a past service deficit and the Public Employees Pension Law 2015 introduced a cost cap in Law for the maximum the States of Jersey will pay towards future service costs of the public service pension. The funding and risk sharing arrangements require any past service funding deficits to be recovered from changes to benefits.

This position was tested in 2010 when future annual increases were restricted to 0.3% below the RPI to address an actuarial deficit in the scheme. This demonstrated that the States could determine to reduce benefits and not have an obligation to increase employer contributions to offset any such reduction. The 0.3% reduction was levied in 2011 and 2012, and again, the States were not obligated to fund it, other than for the cost of a small number of 1967 members who were protected in legislation from suffering a reduction in benefits and so recorded in the accounts under IAS 19 as the “Pension Increase Liability”.

Scheme member communication materials for both PEPF and JTSF clearly inform scheme members that a pension increase in line with Jersey RPI is not guaranteed and is dependent on the performance of the Funds.

IAS 37 (paragraph 10) defines a constructive obligation as an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities. The past practice of the States in respect of how scheme deficits have been dealt with in addition to the clear position outlined in communication with scheme members is proof that there is no constructive obligation for the scheme.

PECRS Pre 87 Debt (judgement)

The ten point agreement referenced above and detailed in Note 4.1 formed the basis of establishing the Pre-1987 debt in Regulations. The debt repayments are made in accordance with this agreement and subject only to inflationary increases, for a stated period of time and limited to payments to the fund as an additional element of an already fixed contribution rate. Contrary to the specific “Pension Increase Liability” relating to 1967 members which was recognised under IAS 19, the States is not responsible for any ongoing deficit in the scheme for pre 1987 debts. On that basis the payments do not trigger a requirement for the scheme as a whole to be reflected as a defined benefit scheme.

The PECRS Pre-1987 debt has been designated as a financial instrument measured at fair value through profit and loss and the JFReM interpretation of IAS 39 ‘Financial Instruments: Recognition and Measurement’ has been applied to enable the future cash flows to be discounted to fair value. Only finance expenses in relation to unwinding of the debt are recognised with no actuarial losses or gains recognised.

IAS 32 ‘Financial Instruments: Presentation’, which is applied as written in the JFReM, defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A contract exists in the form of the 10 point agreement. Accordingly, it is considered appropriate to measure the Pre-1987 debt liability as a financial instrument in accordance with IAS 39.

The JFReM interpretation of IAS 39 states:

> “Where future cash flows are discounted to measure fair value, entities should use the higher of the rate intrinsic to the financial instrument and the real discount rate set by the Treasurer of the States as applied to the flows expressed in current prices.”

Looking further across the Standards, IAS 36 provides specific instruction in respect of selecting and applying discount rates. It states:

The discount rate (rates) shall be a pre-tax rate (rates) that reflect(s) current market assessments of:
(a) the time value of money; and
(b) the risks specific to the asset for which the future cash flow estimates have not been adjusted.

IFRS 13 provides greater detail on fair value measurement with the key principle being to maximise external, observable inputs and minimise unobservable inputs to recognise conditions specific to the asset or liability.

Applying the accounting standards framework through both the JFReM and the underlying details within the IFRS, the discount rate provided by the actuary is taken to be the 'intrinsic' rate specific to the liability.

The accounting standards expect discount rates to reflect current market assessments of risk relevant to the entity and instrument. In this instance, the conditions of the instrument are well defined within the 10 point agreement presented to the States Assembly given legal effect through Regulations in P.190/2005 which was to establish the liability.

The agreement confirms that the States are responsible for paying the liability as valued by the actuary with a corresponding asset held by the Scheme. The actuary has applied assumptions reflecting their views on best estimate investment returns, inflation and average increase in pay as detailed in Note 4.29.

The discount rate applied by the actuary of 4.8% for the period up to 31 December 2021 then gradually declining over the following 20 years to 3.8% reflects their best estimate investment returns on the actual assets held and the assumed long term investment strategy. Whilst the States can access long-term debt instruments at a rate lower than the discount rate applied, the actuary's valuation is determined to represent the risk relevant to this instrument.

Based on the above and the very specific arrangements agreed in the ten point agreement, the PECRS Pre-1987 debt is accounted for as a financial instrument held at fair value through the profit and loss with the actuarial valuation of the liability used as the most appropriate valuation of that debt.

Jersey Teachers Superannuation Fund (JTSF) (judgement)

The Jersey Teacher Superannuation Fund shares many attributes with the PECRS scheme and has been recognised as a defined contribution scheme accordingly. The employer contribution into JTSF is fixed at 16.4% and defined in the Teachers' Superannuation (New Members) (Jersey) Order 2007 which was introduced at the point in time the Pension Increase Debt was established. There is no facility in Regulations for employers to pay a different amount other than to fund ill-health or early retirement of scheme members.

There is no established pattern of past practice, published policies or a sufficiently specific current statement that the States has indicated to the JTSF that it will accept responsibilities beyond the repayment of the pre-2007 debt. The States has done nothing to create a valid expectation on behalf of JTSF that it will pay further contributions if JTSF does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

JTSF Past Service Debt Provision (judgement)

The JTSF was restructured in April 2007 and now mirrors PEPF. The payments towards the pre 2007 debt have been taken to create a valid constructive obligation in accordance with IAS 37 and a provision has been recognised for past service liability, similar to the PECRS Pre 1987 past service liability, although this has not yet been agreed with the Fund's Management Board pending further discussion.

Similarly to the PECRS Pre-1987 debt, the provision will be extinguished by payments linked solely to a percentage of the employees' salary – other assumptions required by IAS 19 such as mortality rates are not applicable.

Sensitivity analysis carried out to validate the provision identified a range of potential discount rates (from an indicative bond yield of 3.75% to the 6.5% advised by the JTSF scheme actuary in its last scheme valuation) and projected time horizons of payments (from 2043 to 2070) for the discharge of the £112 million provision. The valuation provided by the Scheme actuary, which reflects the best estimate of the expenditure required to settle the present obligation as at 31 December 2017, is considered the most appropriate basis for measuring the provision.

Current year basis Income tax recognition (judgement)

The recognition policy for income tax attributable to Current Year Basis (CYB) taxpayers was changed in 2015 to recognise the tax income in the year of assessment based on a provisional assessment of taxpayer liability. The methodology to provide a reliable estimate is based upon a combination of IT IS payments actually made in the year, relating to the Year of Assessment (YOA) and deducted from actual income, and prior year actual assessments. This methodology has been proven to be a reliable estimate of earned income liabilities for CYB taxpayers and therefore determined an appropriate basis for recognising the income in the year the payments are received.

Strategic investments (uncertainty)

The States hold a number of strategic investments (see Accounting Policy 12 for details).

For Jersey Electricity plc the value has been determined by using the market value of the shares. Variations in the share price (for example as a result of market and investor sentiment as a result of significant events/press releases) will directly affect the valuation of the States' investment in the company. A comparable company methodology has been used for the valuation of the equity share elements of the other Strategic investments. The most recent earnings before interest, taxes, depreciation and amortisation (EBITDA) have obtained from the companies. Comparable companies have been reviewed from the market and their multiple obtained. Additionally industry multiples have been obtained and included to calculate an estimation of the value of the company.

	JT Group Limited		Jersey New Waterworks Company Limited		Jersey Post International Limited	
	2017	2016	2017	2016	2017	2016
Multiple	7.4	7.7	9.5	10.1	6.8	6.0

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique. Therefore, the values presented herein may not be indicative of the amount which the States could realise on sale of its holdings. An analysis of the impact of a change in the key assumptions used is also included below.

	JT Group Limited	Jersey New Waterworks Company Limited	Jersey Post International Limited
Multiple An increase/ decrease of 1 in the multiple would lead to an approximate decrease/increase in the value of:	£34.2 million	£5.3 million	£3.8 million
EBITDA An increase/decrease in forecast EBITDA of 5% would lead to an approximate decrease/increase in the value of:	£12.6 million	£2.5 million	£1.3 million

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. The rate applied in 2017 is 6.1%

4.3
Segmental analysis

During the year the Corporate Management Board received financial reports at least quarterly that include information on General Revenue Income Streams, Ministerial Departments, Non-Ministerial Departments (in aggregate) and Trading Operations, and these are therefore considered to be the operating segments of the States of Jersey. This split is based on lines of accountability within the organisation. Amounts charged and paid to other entities within the Accounting Boundary are not eliminated in these reports.

The Accounts and accompanying Unaudited Annex include a large amount of detailed information on these segments (and other entities in the Accounting Boundary, such as Separately Constituted (Special) funds).

In particular, the Performance Report includes tables showing Net Revenue Income/Expenditure for each income stream and department compared to prior years results.

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

4.3a
Segmental analysis - Statement of comprehensive net expenditure for the year ended 31 December 2017

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited	Ports of Jersey Limited	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Revenue	768,298	93,110	3,384	1,689	**866,481**	11,580	104,630	528,415	9,528	50,086	46,366	**1,617,086**
Less: Intra/Inter-Segment Revenue	(40,081)	(26,192)	(610)	(1,559)	**(68,442)**	(3,632)	222,535	(314,586)	(1,063)	(202)	(1,149)	**(166,539)**
Revenue	**728,217**	**66,918**	**2,774**	**130**	**798,039**	**7,948**	**327,165**	**213,829**	**8,465**	**49,884**	**45,217**	**1,450,547**
Gross Expenditure	7,814	806,299	40,307	16,269	**870,689**	9,911	38,015	309,321	9,158	73,816	50,395	**1,361,305**
Less: Intra/Inter-Segment Expenditure	(6,868)	(130,985)	(3,041)	-	**(140,894)**	(4,575)	11,244	(8,159)	(773)	(37,549)	(1,943)	**(182,649)**
Expenditure	**946**	**675,314**	**37,266**	**16,269**	**729,795**	**5,336**	**49,259**	**301,162**	**8,385**	**36,267**	**48,452**	**1,178,656**
Net Revenue Expenditure/(Income)												
Before Consolidation Adjustments	(760,484)	713,189	36,923	14,580	**4,208**	(1,669)	(66,615)	(219,094)	(370)	23,730	4,029	**(255,781)**
Less: Intra/Inter-Segment Income and Expenditure	33,213	(104,793)	(2,431)	1,559	**(72,452)**	(943)	(211,291)	306,427	290	(37,347)	(794)	**(16,110)**
Net Revenue Expenditure/ (Income)	**(727,271)**	**608,396**	**34,492**	**16,139**	**(68,244)**	**(2,612)**	**(277,906)**	**87,333**	**(80)**	**(13,617)**	**3,235**	**(271,891)**
Other Comprehensive Income	(8,800)	(146,061)	-	(1,252)	**(156,113)**	(3,537)	-	(788)	(6,376)	(28,872)	(57,455)	**(253,141)**
Total Comprehensive Expenditure/ (Income)	**(736,071)**	**462,335**	**34,492**	**14,887**	**(224,357)**	**(6,149)**	**(277,906)**	**86,545**	**(6,456)**	**(42,489)**	**(54,220)**	**(525,032)**

4.3b

Segmental analysis - Statement of financial position as at 31 December 2017

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited	Ports of Jersey Limited	Total before Consolidation Adjustments	Consolidation Adjustments	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Current Assets	586,829	3,026,112	743	-	**3,613,684**	55,757	1,153,285	1,895,592	18,660	885,537	402,040	**8,024,555**	(1,296,772)	**6,727,783**
Current Assets	207,714	35,083	785	5,244	**248,826**	623	61,614	90,459	107,357	22,811	31,655	**563,345**	476,821	**1,040,166**
Interfund Balances	9,139,424	(9,427,970)	(494,880)	763,937	**(19,489)**	19,912	16,588	(11,648)	-	(9)	(5,354)	**-**	-	**-**
Current Liabilities	(45,854)	(58,078)	(1,913)	(15,166)	**(121,011)**	(1,036)	(118,604)	(4,009)	(9,059)	(13,817)	(4,842)	**(272,378)**	12,353	**(260,025)**
Current Liabilities	-	(3,750)	-	(424,796)	**(428,546)**	-	(260,001)	-	(59,441)	(104,923)	(700)	**(853,611)**	116,449	**(737,162)**
Net Assets	**9,888,113**	**(6,428,603)**	**(495,265)**	**329,219**	**3,293,464**	**75,256**	**852,882**	**1,970,394**	**57,517**	**789,599**	**422,799**	**7,461,911**	**(691,149)**	**6,770,762**
Reserves	-	-	-	-	**-**	-	-	-	-	-	-	**-**	-	**-**
Intrafund Balances	9,888,113	(6,428,603)	(495,265)	329,219	**3,293,464**	75,256	852,882	1,970,394	57,517	789,599	422,799	**7,461,911**	(691,149)	**6,770,762**
Net Reserves	**9,888,113**	**(6,428,603)**	**(495,265)**	**329,219**	**3,293,464**	**75,256**	**852,882**	**1,970,394**	**57,517**	**789,599**	**422,799**	**7,461,911**	**(691,149)**	**6,770,762**

4.3c

Segmental analysis – Statement of comprehensive net expenditure for the year ended 31 December 2016

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited	Ports of Jersey Limited	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Revenue	738,040	91,237	3,346	1,713	**834,336**	11,515	144,028	588,265	3,010	48,794	43,365	**1,673,313**
Less: Intra/Inter-Segment Revenue	(44,623)	(27,468)	(824)	(1,675)	**(74,590)**	(4,364)	293,262	(382,831)	(1,029)	(195)	(1,244)	**(170,991)**
Revenue	**693,417**	**63,769**	**2,522**	**38**	**759,746**	**7,151**	**437,290**	**205,434**	**1,981**	**48,599**	**42,121**	**1,502,322**
Gross Expenditure	8,455	812,456	40,990	47,984	**909,885**	11,121	39,988	301,416	2,545	63,440	43,879	**1,372,274**
Less: Intra/Inter-Segment Expenditure	(7,342)	(135,238)	(3,008)	-	**(145,588)**	(4,623)	17,091	(8,181)	(186)	(31,472)	(4,660)	**(177,619)**
Expenditure	**1,113**	**677,218**	**37,982**	**47,984**	**764,297**	**6,498**	**57,079**	**293,235**	**2,359**	**31,968**	**39,219**	**1,194,655**
Net Revenue Expenditure/(Income)												
Before Consolidation Adjustments	(729,585)	721,219	37,644	46,271	**75,549**	(394)	(104,040)	(286,849)	(465)	14,646	514	**(301,039)**
Less: Intra/Inter-Segment Income and Expenditure	37,281	(107,770)	(2,184)	1,675	**(70,998)**	(259)	(276,171)	374,650	843	(31,277)	(3,416)	**(6,628)**
Net Revenue Expenditure/ (Income)	**(692,304)**	**613,449**	**35,460**	**47,946**	**4,551**	**(653)**	**(380,211)**	**87,801**	**378**	**(16,631)**	**(2,902)**	**(307,667)**
Other Comprehensive Income	(3,000)	10,026	-	113	**7,139**	-	-	-	(1,569)	(70,937)	91	**(65,276)**
Total Comprehensive Expenditure/ (Income)	**(695,304)**	**623,475**	**35,460**	**48,059**	**11,690**	**(653)**	**(380,211)**	**87,801**	**(1,191)**	**(87,568)**	**(2,811)**	**(372,943)**

4.3d
Segmental analysis – Statement of financial position as at 31 December 2016

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited	Ports of Jersey Limited	Total before Consolidation Adjustments	Consolidation Adjustments	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Current Assets	478,255	2,879,522	687	-	**3,358,464**	50,665	1,151,761	1,675,101	11,034	836,618	349,753	**7,433,396**	(1,047,335)	**6,386,061**
Current Assets	222,098	35,222	1,276	3,338	**261,934**	780	52,341	90,633	74,401	22,259	31,964	**534,312**	271,875	**806,187**
Interfund Balances	-	-	-	(13,331)	**(13,331)**	236,183	14,178	(12,101)	-	(87)	(224,842)	**-**	-	**-**
Current Liabilities	(39,953)	(47,815)	(2,795)	(15,729)	**(106,292)**	(706)	(115,872)	(3,106)	(4,727)	(11,868)	(5,551)	**(248,122)**	6,125	**(241,997)**
Current Liabilities	-	(3,826)	-	(412,316)	**(416,142)**	-	(261,125)	-	(29,938)	(67,486)	-	**(774,691)**	68,986	**(705,705)**
Net Assets	**660,400**	**2,863,103**	**(832)**	**(438,038)**	**3,084,633**	**286,922**	**841,283**	**1,750,527**	**50,770**	**779,436**	**151,324**	**6,944,895**	**(700,349)**	**6,244,546**
Reserves	9,061,788	(5,859,218)	(458,192)	340,255	**3,084,633**	286,922	841,283	1,750,527	50,770	779,436	151,324	**6,944,895**	(700,349)	**6,244,546**
Intrafund Balances	(8,401,388)	8,722,321	457,360	(778,293)	**-**	-	-	-	-	-	-	**-**	-	**-**
Net Reserves	**660,400**	**2,863,103**	**(832)**	**(438,038)**	**3,084,633**	**286,922**	**841,283**	**1,750,527**	**50,770**	**779,436**	**151,324**	**6,944,895**	**(700,349)**	**6,244,546**

4.4 - 4.13
Notes supporting the **Statement of Comprehensive Net Expenditure**

4.4
Revenue

	Notes	2017	2016
		£'000	£'000
Levied by the States of Jersey			
Taxation Revenue			
Personal Income Tax		428,393	398,076
Companies		85,958	90,699
GST		88,738	84,584
Taxation Revenue		**603,089**	**573,359**
Social Security Contributions		**213,528**	**204,992**
Island rates, duties, fees, fines and penalties			
Impôts Duty - Spirits		5,651	5,326
Impôts Duty - Wines		8,209	8,225
Impôts Duty - Beer and Cider		6,648	6,801
Impôts Duty - Tobacco		15,019	14,609
Impôts Duty - Fuel		22,761	21,855
Impôts Duty - Goods (Customs)		184	176
Impôts Duty - Vehicle Emissions Duty		1,526	1,420
Stamp Duty and Land Transfer Tax		33,283	30,305
Island Rates		12,427	12,141
Other Fees and Fines		12,506	11,229
Island rates, duties, fees, fines and penalties		**118,214**	**112,087**
Earned through Operations			
Sales of goods and services		**173,771**	**165,967**
Investment Income			
Investment Income	7	55,310	53,449
Gains on financial assets	8	261,400	371,352
Investment Income		**316,710**	**424,801**
Other Revenue			
Financial Returns		4,055	4,056
Other Income	i	21,180	17,060
Other Revenue		**25,235**	**21,116**
Total Revenue		**1,450,547**	**1,502,322**

Notes

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

4.5
Expenditure

	Notes	2017	2016
		£'000	£'000
Social Benefit Payments			
Social Benefits	9	377,105	371,506
Total Social Benefit Payments		**377,105**	**371,506**
Staff costs			
States Members Remuneration	10	2,364	2,362
States Staff Salaries and Wages	10	302,309	292,814
States Staff Pension Costs	10	39,335	38,561
Non-States Staff Costs	10	17,088	12,116
Other Staff Costs	10	21,980	22,095
Charges of Staff to Capital Projects	10	(3,741)	(2,643)
Total Staff Costs		**379,335**	**365,305**
Other Operating Expenses		**254,183**	**251,685**
Grants and Subsidies Payments	**11**	**44,607**	**43,496**
Depreciation and Amortisation			
Property, Plant and Equipment	13	64,435	63,062
Intangible Assets	14	2,682	2,318
Total Depreciation and Amortisation		**67,117**	**65,380**
Impairments			
Property, Plant and Equipment	13	18,650	25,995
Trade Receivables	21	1,575	2,554
Total Impairments		**20,225**	**28,549**
Losses on Disposal of Non-Current Assets			
Losses on disposal of Property, Plant and Equipment		827	3,041
Gains on disposal of assets classified as held for sale		(1)	(1)
Total Losses on Disposal of Non-Current Assets		**826**	**3,040**
Finance Costs	**12**	**23,362**	**23,182**
Net Foreign-Exchange (Gains)/Losses		**700**	**555**
Movement in Pension Liability	**29, 30**	**11,196**	**41,957**
Total Expenditure		**1,178,656**	**1,194,655**

4.6
Non-cash items and other significant items included in net revenue expenditure

Net Revenue Expenditure/(Income) for the year is stated after charging/(crediting) the following Non-Cash and significant items:

	Notes	2017	2016
		£'000	£'000
Non-Cash Items			
Depreciation of Property, Plant and Equipment		64,435	63,062
Impairments of Property, Plant and Equipment and Non-Current Assets Held for Sale		18,650	25,995
Amortisation of Intangible Assets		2,682	2,318
Donations of Assets		(21)	(98)
Impairment loss recognised on Trade and Other Receivables		1,575	2,554
Impairment loss recognised on Available for Sale Financial Assets		-	-
Decrease in Provisions		(10,468)	10,530
Other Significant Items			
Loss on Disposal of Property, Plant and Equipment		827	3,041
Gain on Disposal of Non Current Assets held for Sale		(1)	(1)
Gain on Investments	7	(261,400)	(371,352)
Auditors' Remuneration			
Audit Fees		367	357
Lease Rental Income: States as Lessor			
Rentals under Operating Leases		(53,704)	(49,775)
Lease Rental Expense: States as Lessee			
Land and Buildings		814	619
Plant and Machinery		-	-
Other		229	180
Total Lease Rental Expense		**1,043**	**799**

4.7
Investment income

	2017	2016
	£'000	£'000
Interest Income		
Investments held at Fair Value through Profit or Loss	6,556	5,679
Infrastructure Investments	278	271
Loans and Receivables	321	449
Cash and Cash Equivalents	717	655
Other	132	210
Total Interest Income	**8,004**	**7,264**
Dividends		
Strategic Investments	12,323	12,568
Investments held at Fair Value through Profit or Loss	34,983	33,617
Total Dividends	**47,306**	**46,185**
Total Investment Income	**55,310**	**53,449**

4.8
Gains and losses on financial assets

	Notes	2017	2016
		£'000	**£'000**
Change in Fair Value of Financial Assets held at Fair Value through Profit or Loss	i	255,624	375,142
Gain on Available for Sale Investments		53	201
Gain/(loss) on Cash Equivalents		(2)	(10)
Change in Fair Value of Derivative Financial Instruments		5,725	(3,981)
Total Gains		**261,400**	**371,352**

Notes
i. Changes in Fair Value of Financial Assets held at Fair Value through Profit or Loss include £170.4 million of realised gains (2016: £119.5 million of realised gains).

4.9
Social benefit payments

	2017	2016
	£'000	£'000
Social Benefits		
Social Security: Income Support		
Weekly Benefit	67,166	70,468
Special Payments	564	741
Residential Care	-	(10)
Winter Fuel	486	562
Transitional Relief	156	221
Social Security Department Other Benefits	3,636	3,388
Social Security Fund Benefits		
Pensions and survivors' benefits	183,620	177,408
Short term incapacity allowance	13,832	13,401
Long term incapacity allowance	16,050	15,756
Invalidity benefit	6,155	6,631
Maternity allowance	2,620	2,751
Maternity grant	569	572
Death grant	602	606
Health Insurance Fund Benefits		
Medical benefit	7,878	8,136
Pharmaceutical benefit	19,828	20,191
Gluten free food vouchers	471	393
Pharmacy services	97	-
General practitioner services	252	-
Long Term Care Fund Benefits		
Long Term Care Benefit	30,755	26,523
Long Term Care Support	13,847	15,751
Education, Sport and Culture: Student Grants	7,150	6,943
Health and Social Services: Allowances	1,371	1,074
Total Social Benefits	**377,105**	**371,506**

Notes
The States Contribution to the Social Security Fund (also known as the States Grant), was £65.3 million in 2017 (2016: £65.3 million). The amount of the Grant is governed by a formula and was set for the period of the MTFP, bringing certainty to the level of contribution made to the Social Security Fund. The formula is based on past amounts needed to supplement contributions for those earning between the lower earnings threshold and the standard earnings limit, reduced by contributions received above the standards earnings limit. The actual amount of Supplementation in 2017 was £80.9 million (2016: £79.3 million).

A contribution of £31.8 million was made to the Long Term Care Fund in 2017. This includes £28.4 million from the Social Security Department and Health and Social Services Department in line with P.140/2013 from 1 July 2014, and a further amount of £3.3 million funded from underspends within the Social Security Department (2016: £34.3 million).

As the Social Security Funds are included within the Accounting Boundary, these transactions are eliminated in preparing the consolidated statements.

4.10
Staff Costs

2017

Year End FTE	Department	Notes	Salaries & Wages	Pension[1]	Social Security	Total
			£'000	£'000	£'000	£'000
197.2	Chief Minister's Department		11,972	1,506	630	14,108
13.5	External Relations		830	105	39	974
103.4	Economic Development, Tourism, Sport and Culture		5,057	591	294	5,942
1,606.8	Education		76,365	10,764	4,527	91,656
107.2	Department of the Environment		6,261	828	353	7,442
2,335.5	Health and Social Services		115,747	14,340	6,835	136,922
653.9	Community and Constitutional Affairs		36,010	4,580	2,091	42,681
222.2	Social Security		9,855	1,315	607	11,777
340.0	Department for Infrastructure		16,404	2,004	959	19,367
190.2	Treasury and Resources		8,802	1,125	493	10,420
26.8	States Assembly (excluding States Members)		1,287	177	75	1,539
192.3	Non Ministerial States Funded Bodies		12,220	1,809	620	14,649
5,989.0	**Department Total**		**300,810**	**39,144**	**17,523**	**357,477**
20.0	Jersey Car Parking		671	92	43	806
23.0	Jersey Fleet Management		828	99	53	980
43.0	**Trading Operations Total**		**1,499**	**191**	**96**	**1,786**
6,032.0	**Total**		**302,309**	**39,335**	**17,619**	**359,263**
	SOJDC	ii	924	86	30	1,040
	Andium Homes Limited	iii	2,916	370	151	3,437
	Ports of Jersey Limited	iv	14,230	1,717	796	16,743
	Non-States staff costs	v				17,088
	Other staff costs	vi				1,642
	States Members remuneration					2,364
	Staff costs charged to capital					(3,741)
	Total Staff Costs					**397,836**
	Elimination of Social Security Contributions	vii				(18,596)
	Other Eliminations					95
	Total Consolidated Staff Costs					**379,335**

2016

Year End FTE	Department	Notes	Salaries & Wages	Pension[i]	Social Security	Total
			£'000	£'000	£'000	£'000
199.9	Chief Minister's Department (including External Relations)		11,906	1,528	636	14,070
106.4	Economic Development, Tourism, Sport and Culture		5,384	658	320	6,362
1,552.9	Education		72,136	10,654	4,384	87,174
111.7	Department of the Environment		6,127	820	352	7,299
2,322.0	Health and Social Services		113,040	13,778	6,616	133,434
645.5	Community and Constitutional Affairs		33,849	4,378	2,023	40,250
229.6	Social Security		9,240	1,237	573	11,050
369.0	Department for Infrastructure		17,819	2,229	1,075	21,123
182.7	Treasury and Resources		8,823	1,154	513	10,490
26.9	States Assembly (excluding States Members)		1,211	161	72	1,444
188.1	Non Ministerial States Funded Bodies		11,786	1,772	615	14,173
5,934.7	**Department Total**		**291,321**	**38,369**	**17,179**	**346,869**
16.0	Jersey Car Parking		616	84	39	739
26.0	Jersey Fleet Management		877	108	56	1,041
42.0	**Trading Operations Total**		**1,493**	**192**	**95**	**1,780**
5,976.7	**Total**		**292,814**	**38,561**	**17,274**	**348,649**
	SOJDC	ii	890	99	34	1,023
	Andium Homes Limited	iii	2,890	346	150	3,386
	Ports of Jersey Limited	iv	13,269	1,597	753	15,619
	Non-States staff costs	v				12,116
	Other staff costs	vi				2,464
	States Members remuneration					2,362
	Staff costs charged to capital					(2,643)
	Total Staff Costs					**382,976**
	Elimination of Social Security Contributions	vii				(18,211)
	Other Eliminations					540
	Total Consolidated Staff Costs					**365,305**

Notes
i. Figures exclude costs associated with the PECRS pre-87 liability.
ii. Further details can be found in the separately published SOJDC accounts.
iii. Further details can be found in the separately published Andium accounts.
iv. Further details can be found in the separately published Ports of Jersey accounts.
v. Non-States staff costs includes the costs of individuals who do not hold an employment contract with the States, but who are acting as States Employees.
vi. Other staff costs include redundancy, voluntary redundancy, severance payments and adjustments for the cost of accumulated compensated absences.
vii. Social Security Contributions paid by States Entities to the Social Security Fund and Health Insurance Fund are internal to the States Accounts, and so eliminated on consolidation. This note has been drafted to show the full cost of Staff as well as the consolidated position.

Analysis of Staff Costs by Type

Type of Payment	2017	2016
	£'000	£'000
Basic Pay	282,863	274,002
Shift Allowances	7,806	7,792
Overtime	6,667	6,091
Standby Payments	1,343	1,290
Other Time Payments	256	338
Skill Related Payments	492	494
Business Expenses	50	81
Relocation Expenses	127	463
Ad Hoc Payments/Supplements	4,072	7,551
Benefits	638	614
Sickness Offsets from Social Security	(1,350)	(1,374)
Amounts shown in Other Staff Costs	(1,194)	(4,060)
Other Accounting Adjustments	539	(468)
Total Salaries and Wages	**302,309**	**292,814**
Pension	39,335	38,561
Social Security	17,619	17,274
Total	**359,263**	**348,649**

Analysis of Staff Costs by Pay Group

Pay Group	2017	2016
	£'000	£'000
Civil Servants (including A Grades)	126,540	120,908
Manual Workers	24,448	27,678
EfW Operations	1,377	1,255
Doctors and Consultants	17,881	17,720
Nurses and Midwives	44,377	45,215
Other Health Pay Groups	6,079	5,050
Uniformed Services	22,709	21,781
Heads and Deputy Heads, Highlands Managers	5,582	5,855
Teachers and Lecturers	44,690	42,200
Youth Service	1,264	1,047
Chief Officers, Judicial Greffe, Crown Appointments, Law Draftsmen and Other Personal Contract Holders	5,051	5,866
Law Officers	2,966	2,767
Amounts shown in Other Staff Costs	(1,194)	(4,060)
Other Accounting Adjustments	539	(468)
Total Salaries and Wages	**302,309**	**292,814**
Pension	39,335	38,561
Social Security	17,619	17,274
Total	**359,263**	**348,649**

4.11
Grants

Significant grants made during 2017

The note below summarises grants of £75,000 and over made by the States of Jersey in 2017.
Some organisations below may have also received grants below £75,000. Reference to the relevant Strategic Priority from the Strategic Plan 2015 - 2018 is given in brackets alongside the reason for the grant.

Full details of grants below £75,000 are given in the Unaudited Annex to the Accounts.

Issuing Dept	Grantee	2017 Grant	Reason for Grant (Strategic Priority)
		£	
CMD	Digital Jersey	1,030,000	To market and promote the Digital sector on/off-Island and provide technical assistance to Government (4)
CMD	Jersey Competition Regulatory Authority	1,215,604	Work with the JCRA to create a more competitive commercial environment through the application of the Competition (Jersey) Law (1, 4)
CMD	Government of Jersey London Office	395,660	Grant for the operation of the Government of Jersey London Office (4)
CMD	Jersey Financial Services Commission	248,965	Assist with the costs of the Anti Money Laundering Unit (4)
EDTSC	Jersey Finance Limited	5,570,000	Market and promote the Finance Industry and provide technical assistance to Government (4)
EDTSC	Visit Jersey Limited	5,100,000	To market and promote Jersey for inbound tourism purposes in overseas markets and provide policy advice to Government (4)
EDTSC	Jersey Heritage Trust	2,837,000	To support the Trust in its operation of more than 20 historic sites in Jersey made available to the public (3)
EDTSC	Jersey Business Limited	739,000	To provide wide ranging business support, advice and guidance to local Jersey businesses on behalf of Government (4)
EDTSC	Jersey Sport Limited	681,983	Delivery of sport development and physical literacy in Jersey (2, 3)
EDTSC	Jersey Arts Trust	572,000	To repay the Opera House refurbishment loan (3)
EDTSC	The Jersey Opera House	463,000	To operate the Opera House as a public resource for the Island; and to deliver the specific objective contained in the Opera House's annual business plan as agreed with the Minister for Education (3)
EDTSC	Jersey Arts Centre Association	449,800	To support the operation of the Jersey Arts Centre – comprising theatre, gallery and activity rooms – to enable it to offer a wide range of professional events (3)
EDTSC	Serco (Jersey) Limited	392,635	Subsidy in respect of the operation of the Waterfront Pool (2)
EDTSC	Jersey Arts Trust	198,400	To support a programme of arts development including grants to local artists, events which engage with Island artists and help support their work, and connect them with artists from other places to increase the standard and variety of creative practice in the Island (3)
EDTSC	Royal Jersey Agricultural and Horticultural Society	180,000	Services to support the dairy industry, e.g. bull proving and artificial insemination (4)
EDTSC	The Jersey Royal Company	165,774	Area Payments support to underpin a base level of farming activity in the countryside (2, 4)
EDTSC	Battle of Flowers Association	130,000	Battle of Flowers - Event grant (4, 5)
EDTSC	Jersey Retail Association	100,000	Support set up and operational costs (4)
EDTSC	Jersey Consumer Council	96,228	To provide wide ranging consumer advice and support to local citizens (4)
EDU	Beaulieu School	2,114,716	Support the operation of Beaulieu School in delivering the Jersey Curriculum to its students (3)
EDU	De La Salle College	1,831,581	Support the operation of De La Salle College in delivering the Jersey Curriculum to its students (3)

Issuing Dept	Grantee	2017 Grant	Reason for Grant (Strategic Priority)
		£	
EDU	FCJ Primary School	387,420	Support the operation of Convent FCJ School in delivering the Jersey Curriculum to its students (3)
EDU	Jersey Childcare Trust	178,800	To support the Jersey Childcare Trust (JCCT) in the provision of its core services, staff, accommodation and resources (2, 3)
ER	Channel Islands Brussels Office	98,649	Grant for the operation of the Channel Islands Brussels Office (4)
H&SS	Citizen's Advice Bureau	224,136	Provide information and advice to members of the public (2, 3)
JOAC	Overseas Aid Grants	10,144,247	Humanitarian aid provided in response to sustainable grant projects, disaster and emergency relief and community work project initiatives (N/A)
SSD	The Jersey Employment Trust	1,068,496	Assist people with disabilities by providing sheltered work and additional training and development for the most severely disabled (4)
SSD	The Jersey Employment Trust	835,296	To provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
SSD	Jersey Advisory and Conciliation Service	370,538	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 (4)
CILF	Association of Jersey Charities	1,399,097	Grant aid to various registered Jersey Charities (2)
TDF	Super League Triathlon Jersey Ltd	200,000	Support hosting of the Super League Triathlon in Jersey (2, 4)
	Total significant grants awarded	**39,419,025**	

Payments made under significant grant schemes during 2017

The note below summarises payments under States of Jersey Grant Schemes where total payments exceeded £25,000 in 2017.

Full details of these grants, and any grants are given in the Unaudited Annex to the Accounts.

Details of grants under £25,000 awarded under States of Jersey Grants Schemes are also given in the Unaudited Annex to the Accounts.

Issuing Dept	Name of Scheme	2017 Grant	Reason for Grant (Strategic Priority)
		£	
DFI	Car2Cycle Scheme	56,389	Funding mechanism that enables local retailers within the private sector to deliver the States of Jersey Electric Bike Fund ("EBF") (5)
DoE	Countryside Enhancement Scheme	165,471	Environmental financial support to land owners for the benefit of the Island's population (2)
DoE	Energy Efficiency Service	160,257	Initiative to assist low-income and vulnerable households reduce their energy bills and keep warmer through the winter (2)
EDTSC	Area Payments to Individuals	432,327	Support to underpin a base level of farming activity in the countryside (2, 4)
EDTSC	Quality Milk Payments to Individuals	386,515	Transitional support to allow the industry to implement their Dairy Industry Recovery Programme (4)
EDTSC	Rural Initiative Scheme	370,000	Provides support for innovation and business diversification (4)
EDTSC	Support for travel to participate in sports events	222,725	To support individuals, clubs and associations in travel to participate in sports events (2)
EDTSC	Support for travel to participate in sports events	(25,980)	Return of 2015 Underspend (2)
EDU	Nursery Education Fund	1,842,286	Provide pre-school learning through the Nursery Education Fund (3)
EDU	Grants to individuals (Jersey College for Girls)	154,432	To assist students in the payment of fees (3)
EDU	Grants to individuals (Victoria College)	80,887	To assist students in the payment of fees (3)
SSD	Various employment schemes	441,256	Additional employment opportunities for the unemployed - includes Back to Work, Enhanced Workzone, Advance Plus (4)
	Total significant grants awarded under States of Jersey Grant Schemes	**4,286,565**	
	Total other Grants and Subsidies - see Unaudited Annex	**901,846**	
	Grand Total - Grants and Subsidies awarded	**44,607,436**	

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 2015 as follows:

1. Sustainable Public Finances
2. Improving Health and Wellbeing
3. Improving Education
4. Optimising Economic Growth
5. Improving St Helier

4.12
Finance costs

	2017	2016
	£'000	£'000
Interest Expense		
PECRS Pre-1987 Debt Expense	12,815	13,084
Bond Interest	9,369	9,461
Finance Lease Interest	209	64
Other Interest	561	208
Total Interest Expense	**22,954**	**22,817**
Finance Charges		
Bank and Other Charges	408	365
Total Finance Charges	**408**	**365**
Total Finance Costs	**23,362**	**23,182**

4.13 - 4.30
Notes supporting the **Statement of Financial Position**

4.13
Property, plant and equipment
2017

Department	Land	Buildings	Social Housing (inc Land)	Networked Assets (inc Land)	Other Structures	Transport Equipment	Plant and Machinery, Furniture and Fittings	Information Technology Equipment	Antiques and Works of Art	Assets Under Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 January 2017	**369,891**	**785,155**	**861,261**	**1,225,683**	**339,004**	**19,231**	**227,930**	**5,412**	**822**	**78,771**	**3,913,160**
Additions	(679)	967	4,287	-	2	44	12	-	-	97,726	102,359
Disposals	(332)	(2,242)	(6,961)	(5)	(188)	(1,797)	(1,113)	-	-		(12,638)
Transfers	1,109	30,170	17,019	6,803	3,827	2,067	16,349	1,005	-	(78,349)	-
Revaluations	26,677	73,588	30,132	75,357	21,308	-	-	-	-		227,062
Impairments	(3,111)	(10,741)	(9,974)	(108)							(23,934)
Impairment Reversals	508	1,454	-	-	3,042						5,004
At 31 December 2017	**394,063**	**878,351**	**895,764**	**1,307,730**	**366,995**	**19,545**	**243,178**	**6,417**	**822**	**98,148**	**4,211,013**
Accumulated Depreciation											
At 1 January 2017	**(62,901)**	**(175,676)**	**(59,780)**	**(11,926)**	**(58,215)**	**(10,696)**	**(105,834)**	**(4,067)**	**(36)**	**-**	**(489,131)**
Depreciation charge	-	(23,942)	(12,366)	(4,118)	(7,224)	(1,729)	(14,522)	(529)	(5)		(64,435)
Disposals	21	1,441		-	45	1,452	944	-	-		3,903
Transfers	-	(74)		-	53		19				(2)
Revaluations	152	8,969	3,044	(670)	15,822						27,317
Impairments	(3,213)	(21,225)	(3,890)	(492)							(28,820)
Impairment Reversals	1,934	14,926	29	233							17,122
At 31 December 2017	**(64,007)**	**(195,581)**	**(72,963)**	**(16,973)**	**(49,519)**	**(10,973)**	**(119,393)**	**(4,596)**	**(41)**	**-**	**(534,046)**
Net Book Value: 31 December 2017	**330,056**	**682,770**	**822,801**	**1,290,757**	**317,476**	**8,572**	**123,785**	**1,821**	**781**	**98,148**	**3,676,967**
Net Book Value: 1 January 2017	**306,990**	**609,479**	**801,481**	**1,213,757**	**280,789**	**8,535**	**122,096**	**1,345**	**786**	**78,771**	**3,424,029**
Asset Financing											
Purchased	290,025	653,810	821,493	1,290,756	310,759	8,499	123,599	1,821	57	98,148	3,598,967
Donated	30,621	177	-	1		73	186	-	724	-	31,782
Leased	9,410	28,783	1,308	-	6,717	-	-	-	-	-	46,218
Net Book Value: 31 December 2017	**330,056**	**682,770**	**822,801**	**1,290,757**	**317,476**	**8,572**	**123,785**	**1,821**	**781**	**98,148**	**3,676,967**

2016

Department	Land	Buildings	Social Housing (inc Land)	Networked Assets (inc Land)	Other Structures	Transport Equipment	Plant and Machinery, Furniture and Fittings	Information Technology Equipment	Antiques and Works of Art	Assets Under Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation											
At 1 January 2016	**370,446**	**784,727**	**798,188**	**1,226,568**	**335,097**	**19,636**	**211,121**	**5,256**	**822**	**79,932**	**3,831,793**
Additions	20	(4,275)	3,546	1	(1)	29	76	-	-	59,092	58,488
Disposals	(3,103)	(3,398)	(518)	-	(884)	(941)	(2,270)	(312)	-	-	(11,426)
Transfers	2,510	11,308	8,950	7,150	5,096	507	19,003	468	-	(60,253)	(5,261)
Revaluations	18	1,599	59,156	13,685	-	-	-	-	-	-	74,458
Impairments	-	(4,806)	(8,061)	(21,721)	(304)	-	-	-	-	-	(34,892)
Impairment Reversals	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	**369,891**	**785,155**	**861,261**	**1,225,683**	**339,004**	**19,231**	**227,930**	**5,412**	**822**	**78,771**	**3,913,160**
Accumulated Depreciation											
At 1 January 2016	**(63,285)**	**(135,593)**	**(61,815)**	**(8,141)**	**(51,549)**	**(9,715)**	**(94,286)**	**(3,924)**	**(31)**	**-**	**(428,339)**
Depreciation charge	-	(23,310)	(11,326)	(5,017)	(7,575)	(1,685)	(13,689)	(455)	(5)	-	(63,062)
Disposals	400	695	518	-	884	704	2,143	312	-	-	5,656
Transfers	-	-	-	-	2	-	(2)	-	-	-	-
Revaluations	(12)	23	12,573	3,061	23	-	-	-	-	-	15,668
Impairments	-	(17,495)	(214)	(1,829)	-	-	-	-	-	-	(19,538)
Impairment Reversals	(4)	4	484	-	-	-	-	-	-	-	484
At 31 December 2016	**(62,901)**	**(175,676)**	**(59,780)**	**(11,926)**	**(58,215)**	**(10,696)**	**(105,834)**	**(4,067)**	**(36)**	**-**	**(489,131)**
Net Book Value: 31 December 2016	**306,990**	**609,479**	**801,481**	**1,213,757**	**280,789**	**8,535**	**122,096**	**1,345**	**786**	**78,771**	**3,424,029**
Net Book Value: 1 January 2016	**307,161**	**649,134**	**736,373**	**1,218,427**	**283,548**	**9,921**	**116,835**	**1,332**	**791**	**79,932**	**3,403,454**
Asset Financing											
Purchased	266,963	580,273	800,295	1,213,756	274,073	8,462	121,861	1,345	62	78,771	3,345,861
Donated	30,617	185	-	1	-	73	235	-	724	-	31,835
Leased	9,410	29,021	1,186	-	6,716	-	-	-	-	-	46,333
Net Book Value: 31 December 2016	**306,990**	**609,479**	**801,481**	**1,213,757**	**280,789**	**8,535**	**122,096**	**1,345**	**786**	**78,771**	**3,424,029**

During the year ended 31 December 2017 the States of Jersey undertook a full valuation of land and building assets and an interim valuation of the Infrastructure assets. Andium Homes also conducted a desktop exercise to revalue the social housing estate. Overall there has been an increase in the net values across land, buildings, social housing and infrastructure assets of £191.6 million (6.5%).

Valuations

Infrastructure assets - During the interim valuation exercise the external valuers established that there had been an increase of 9.4% in the Tender Price Indices for Building works from December 2016 to December 2017. Land values have remained stable since the last review. Overall, infrastructure assets increased in value by £77.0 million which has largely been driven by the build cost indices as a key input into the valuation.

Land and Buildings - There was an overall increase in the portfolio of £93.3 million. During 2017 a number of land and building sites were identified as potentially having indicators of impairments due to events that happened in the year. These properties included Westaway Court, the existing General Hospital site and the Limes Care Home. All properties were reviewed in line with the States of Jersey Capital Accounting Manual (CAM) and Jersey Financial Reporting Manual (JFReM), resulting in impairments of £31.1 million.

Social Housing - There was an overall increase in the value of social housing and associated land of £21.3 million in 2017. This reflects the rental yields of the properties including the anticipated increase in properties being rented at 90% of market rent.

Investment Properties - The States does not generally hold assets solely for investment purposes. Where assets are held primarily for income generation they are included within Property, Plant and Equipment.

Procedures for Revaluations

All Property Assets with the exception of Assets Under Construction, are subject to a quinquennial revaluation (QQR), with an interim valuation after 3 years. A full property valuation was under taken by the District Valuer Service (part of the Valuation Office Agency) during 2017.

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.

Social Housing is valued on an Existing Use Value for Social Housing (EUV-SH), prepared using a discounted cash flow of future rental streams. Jones Lang LaSalle (JLL) have carried out the valuation inclusive of discounting the net income stream at an appropriate rate reflecting their judgment of the overall level of risk associated with long term income. The discount rate applied on income by JLL was 7.0% for High-rise stock and 5.75% per annum for all other properties.

A full valuation of Infrastructure Assets is undertaken every 5 years with annual ‘desktop’ valuations conducted by independent external valuers. The last full valuation was carried out in 2013 by the District Valuer Services (part of the Valuation Office Agency) with the next full valuation to be undertaken in 2018.

Other non-property assets are valued in accordance with IAS 16 as adapted by the JFReM. This may include valuations by employees of the States of Jersey.

Heritage Assets

The States of Jersey owns a number of assets which are held because of their cultural, environmental or historical associations, rather than for operational purposes. These assets have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or level of costs of valuation greatly exceed the additional benefits derived by users of the accounts, and in these cases, no value is reported for these assets in the Statement of Financial Position.

There were no significant acquisitions or disposals of States' heritage assets during 2017.

The principal advisor to the States in matters relating to public heritage assets is the Jersey Heritage Trust. The Trust is an independent body incorporated in 1983, and receives an annual grant from the States of Jersey to support its running costs.

Heritage Properties

The States owns a number of Heritage Properties, including Elizabeth Castle, Mont Orgueil Castle, 11 forts and towers, 6 ruins, the Opera House and St James Concert Hall.

The Jersey Heritage Trust has been granted by deed of gift the usufruct of both Castles, and as such has responsibility for these properties, although the States retains legal ownership, and as such they would not be recognised as an asset of the States.

Some of the towers and forts are occupied, either by the States or by external organisations, but any rental amounts received are not reflective of the value of the structure. As any use is not the principle reason for retaining the properties, these are considered to be non-operational heritage assets. For example, St Aubin's Fort is retained due to its historic and cultural relevance, not as a residential facility. These properties are not valued due to the difficulty in obtaining a reliable estimate of value, and the costs that would be involved in valuation.

The Opera House and St James Concert Hall are both leased to the Jersey Arts Trust, although the States retains the responsibility for maintenance of these properties. These are both treated as operational heritage assets, and are valued and included within the Land and Building asset class on the Statement of Financial Position.

Paintings, sculptures, and other works of art

The States of Jersey owns a number of pieces of Art, including paintings, sculptures, statues, fountains, and other pieces of art in public places. Where a reliable valuation is available these assets have been included on the balance sheet under the Antiques and Works of Art asset class. However, in a number of cases no valuation is available, and the cost of obtaining one would exceed the benefits, and in these cases no asset is recognised. 31 pieces of art have been identified but not recognised on the Statement of Financial Position, including 6 paintings and 20 sculptures in public places.

Other Heritage Assets

Other heritage assets held by the States of Jersey include:

- Rare books at Jersey Library (with an estimated value of £265,000)
- Antique Cannon at Fort Regent (no reliable estimate of value available)
- Various organs and pianos (recognised only where a reliable estimate exists)[i]
- The Bailiff's Mace and the Royal Seal (no reliable estimate of value available)
- Honours Boards, Memorials, Clocks, etc (recognised only where a reliable estimate exists)

Note

i. In particular, The Chapel Organ at Highlands has been awarded a certificate Grade I by The British Institute of Organ Studies in recognition of it being a rare example of instrument by Mutin/Cavaille-Coll 1913, in original condition. Whilst the value of the organ has been approximated at £600,000, the cost of obtaining a formal valuation is considered to outweigh the benefits that would be obtained.

4.14
Intangible assets

	Information Technology Software	Assets under course of construction	Total
	£'000	£'000	£'000
Cost or Valuation			
At 1 January 2017	**34,795**	**1,355**	**36,150**
Additions	-	2,382	2,382
Disposals	(108)	-	(108)
Transfers	2,833	(2,833)	-
At 31 December 2017	**37,520**	**904**	**38,424**
Accumulated Amortisation			
At 1 January 2017	**(29,096)**	**-**	**(29,096)**
Amortisation charge	(2,682)	-	(2,682)
Disposals	108	-	108
Transfers	-	-	-
At 31 December 2017	**(31,670)**	**-**	**(31,670)**
Net Book Value: 31 December 2017	**5,850**	**904**	**6,754**
Net Book Value: 1 January 2017	**5,699**	**1,355**	**7,054**

	Information Technology Software	Assets under course of construction	Total
	£'000	£'000	£'000
Cost or Valuation			
At 1 January 2016	**33,650**	**812**	**34,462**
Additions	-	1,252	1,252
Disposals	-	-	-
Transfers	1,145	(709)	436
At 31 December 2016	**34,795**	**1,355**	**36,150**
Accumulated Amortisation			
At 1 January 2016	**(26,778)**	**-**	**(26,778)**
Amortisation charge	(2,318)	-	(2,318)
Disposals	-	-	-
Transfers	-	-	-
At 31 December 2016	**(29,096)**	**-**	**(29,096)**
Net Book Value: 31 December 2016	**5,699**	**1,355**	**7,054**
Net Book Value: 1 January 2016	**6,872**	**812**	**7,684**

All Intangible Assets were purchased by the States of Jersey. There are no leased or donated Intangible Assets.

4.15
Non-current assets held for sale

	2017	2016
	£'000	£'000
Cost or Valuation		
At 1 January	**5,540**	**1,095**
Additions	8,291	4,370
Transfers from Property, Plant and Equipment	-	4,825
Disposals	(12,208)	(4,750)
Revaluations	7	-
Impairments	-	-
At 31 December	**1,630**	**5,540**
Accumulated Depreciation		
At 1 January	**(90)**	**(90)**
Disposals	-	-
Revaluations	-	-
Impairments	-	-
Impairment Reversal	-	-
At 31 December	**(90)**	**(90)**
Net Book Value: 31 December	**1,540**	**5,450**
Net Book Value: 1 January	**5,450**	**1,005**

All Non-Current Assets Held for Sale were purchased by the States of Jersey. There are no leased or donated Non-Current Assets Held for Sale.

4.16
Loans and Advances

Analysed by fund

		31 Dec 2017	31 Dec 2016
		£'000	£'000
Consolidated Fund		2,303	3,094
Dwelling Houses Loan Fund		2,153	2,406
99 Year Leaseholders Account		115	125
Assisted House Purchase Scheme		602	847
Agricultural Loans Fund		167	313
Jersey Innovation Fund		1,216	1,597
Total Loans and Advances		**6,556**	**8,382**

Maturity analysis

		31 Dec 2017	31 Dec 2016
		£'000	£'000
Receivable within one year		1,476	1,424
Receivable over one year		5,080	6,958
Total Loans and Advances		**6,556**	**8,382**

Changes to loans and advances

		31 Dec 2017	31 Dec 2016
		£'000	£'000
Opening Balance		8,382	10,337
Additional Advances made		-	-
Repayments		(1,642)	(1,955)
Write Offs		(184)	-
Closing Balance		**6,556**	**8,382**

Provisions for Loans and Advances

		31 Dec 2017	31 Dec 2016
		£'000	**£'000**
Opening Balance		2,073	690
Increase in Provision		-	1,383
Release of Provision		(1,609)	-
Closing Balance		**464**	**2,073**

Investments in Leases

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

4.17
Available for sale financial assets

Available for Sale investments are non-derivative financial assets that are either designated in this category or not classified in any other categories and are intended to be held for an indefinite period of time.

	Notes	31 Dec 2017	31 Dec 2016
		£'000	£'000
Strategic Investments: Equity Shares			
Jersey Electricity plc		88,400	78,600
Jersey New Waterworks Company Limited		36,300	38,600
JT Group Limited		212,000	212,000
Jersey Post International Limited		30,600	29,300
Total: Equity Shares		**367,300**	**358,500**
Strategic Investments: Irredeemable Preference Shares			
Jersey New Waterworks Company Limited		7,400	7,400
Total: Preference Shares		**7,400**	**7,400**
Total Strategic Investments		**374,700**	**365,900**
Other Available for Sale Investments held at Fair Value			
Housing Property Bonds		19,687	18,954
Other		340	332
Total Other Available for Sale Investments		**20,027**	**19,286**

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 2017 (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 hold 100% of the issued 'A' Ordinary shares, 50% of the issued Ordinary shares and 100% of the 7.5%-10% cumulative 5th Preference shares in the Jersey New Waterworks Company Limited as at 31 December 2017.

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

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

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

States of Jersey Investment Limited

The States of Jersey owns 100% of the share capital of States of Jersey Investments Limited (SOJIL), a company used to hold the investments in JT Group Limited and Jersey Post International Limited. Due to its nature as a holding company, SOJIL is consolidated in full and included inside the Consolidated Fund. This has the effect of treating the investments in JT and Jersey Post as part of the Consolidated Fund.

JT Group Limited
SOJIL holds all the Ordinary shares in the JT Group Limited.

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. This is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Andium Homes Limited

The States of Jersey holds direct control over Andium Homes Limited as the guarantor for the company. This is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Ports of Jersey Limited

The States of Jersey holds direct control over Ports of Jersey Limited. This is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Basis of Valuation of Strategic Investments

Strategic Investments are valued in line with the JFReM, IAS 39 and the Accounting Policies specified in Note 4.1.

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

Jersey Electricity plc	Market Value of "A" Shares,
Jersey New Waterworks Company Limited	Comparable Company Multiple
JT Group Limited	Comparable Company Multiple
Jersey Post International Limited	Comparable Company Multiple

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 States decision 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.

Results of the 2017 Valuation

Overall the value of Strategic Investments increased by £8.8 million. The investment in Jersey Electricity increased in value by £9.8 million, reflecting the increase in the traded share price at the 2017 year end compared to 2016. The share price increase has been driven by solid financial performance by the company throughout the year.

The investment in Jersey Water decreased by £2.3 million, this was due to a drop in the operating profit of the company coupled with a decrease in the multiple used in calculating the valuation.

The valuation of Jersey Post has increased by £1.3 million from 2017. At the end of 2016 Jersey Post began to undertake a small number of acquisitions the benefits of which are starting to show through in the 2017 valuation. The enterprise value has increased due to these improved results and the multiple used in calculating the valuation is also marginally higher. These have been partially offset by a reduction in the 'free cash' held by the company, reflecting the more diversified nature of the business.

The valuation of JT has also remained the same as 2016. JT completed a business re-structure in 2017 which led to a relatively static business performance but will lead to future benefits. The enterprise value of the company and the multiple used in calculating the valuation are both marginally lower. This has been offset by an improved cash position.

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 £1,087,010 (2016: £691,500) 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 Andium. During 2017, £843,497 of bonds were redeemed (2016: £784,410), with a gain of £52,888 being recognised.

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

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

The Bonds are valued to reflect:

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

Movement in Other Available for Sale Investments

		2017	2016
		£’000	£’000
Opening		19,286	19,067
Issue of New Bonds		1,087	691
Redemption of bonds		(843)	(784)
Movement in Fair Value		489	313
Other Movements		8	(1)
Closing		**20,027**	**19,286**

As bonds mature on the sale of the underlying property, which is outside of the States control, no Housing Bonds have been classified as Current Assets.

4.18
Infrastructure investments

	31 Dec 2017	31 Dec 2016
	£'000	£'000
JT - Gigabit Jersey	10,000	10,000
Parish of Trinity 2	-	750
Parish of Trinity	-	680
Total Infrastructure Investments	**10,000**	**11,430**

JT Group – Gigabit Jersey

A £10 million investment was approved in 2011 to provide support to JT for the financing of the Gigabit Jersey project. The Currency Fund carried out an Infrastructure Investment in JT Group Limited (JT) in line with its current Investment Strategy. The Infrastructure investment has taken the form of a 2.5% Redeemable Preference Share instrument. During 2012 all of the £10 million 2.5% Redeemable Preference shares were issued (3 tranches of £4 million in April, £3 million in June and £3 million in September).

Parish of Trinity

All investments in the Parish of Trinity to fund housing developments were repaid in full by the end of 2017.

States of Jersey – Sewage Treatment Works

In line with the Waste Water Strategy (P.39/2014) which was approved by the States, the Currency Fund is committed to issue an Investment to provide partial funding for the construction of the new Sewage Treatment Works at a fair interest rate. The Medium Term Financial Plan (2016-19) allocated £25.5 million of the Fund portfolio for investment in the Sewage Treatment Works; as at the year end the investment had not yet been drawn down but it is expected to be drawn down in 2018.

4.19
Investments held at Fair Value through Profit or Loss

Investments held in the Common Investment Fund are managed as a portfolio reported at Fair Value, and so the States has designated these investments at Fair Value through Profit or Loss (FVTPL). Investments held with the States' Cash Manager are classified as Cash Equivalents, and included in Note 4.22.

		31 Dec 2017	31 Dec 2016
		£'000	£'000
Equity Class		1,687,818	1,653,426
Government Bond Class		141,213	140,782
Corporate Bond Class		45,763	69,278
Absolute Return Bond Class		414,444	364,075
Cash Class		284,055	170,187
Property Class		101,895	92,885
Absolute Return Class		320,676	314,205
Opportunities Class		6,121	
Total Investments at FVTPL		**3,001,985**	**2,804,838**

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

		31 Dec 2017	31 Dec 2016
		£'000	£'000
Less than one year		372,199	256,734
Between one and two years		44	27,028
Between two and five years		38,712	7,829
More than five years		14,313	19,378
Pooled vehicles and assets without a maturity date (ie equity)		2,576,717	2,493,869
Total Investments at FVTPL		**3,001,985**	**2,804,838**

4.20
Inventories

Analysed by fund

	31 Dec 2017	31 Dec 2016
	£'000	£'000
Consolidated Fund	8,184	8,012
Jersey Currency Fund	1,523	1,173
Jersey Fleet Management	54	59
States of Jersey Development Company Limited	102,409	66,354
Ports of Jersey Limited	400	340
Total Inventories	**112,570**	**75,938**

Analysed by type

	31 Dec 2017	31 Dec 2016
	£'000	£'000
Raw Materials, Consumables, Work in Progress and Finished Goods	10,167	9,589
Development Property Inventories	102,403	66,349
Total Inventories	**112,570**	**75,938**

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

	2017	2016
	£'000	£'000
Inventory used during the year	23,584	24,663
Inventory written off	251	223
Reversals of previous write offs	-	-
Total Expense	**23,835**	**24,886**

4.21
Trade and other receivables

Amounts falling within one year

	31 Dec 2017	31 Dec 2016
	£'000	£'000
Taxation Receivables: Amounts falling due within one year		
Income Tax Receivables	84,936	64,958
Income Tax Accrued Income	3,193	2,120
GST Receivables	6,174	5,738
GST Accrued Income	20,022	19,912
Provision for Taxation Receivables	(11,285)	(12,128)
Total Taxation Receivables	**103,040**	**80,600**
Non-Taxation Receivables: Amounts falling due within one year		
Trade Receivables	51,525	46,195
Prepayments and Accrued income	56,248	57,274
Other Receivables	5,386	4,915
Provision for Non-Taxation Receivables	(5,716)	(3,675)
Total Non-Taxation Receivables	**107,443**	**104,709**
Total Receivables due within one year	**210,483**	**185,309**
Amounts falling due after more than one year		
Trade and Other Receivables	4,469	3,300
Total Receivables due after more than one year	**4,469**	**3,300**
Total Receivables	**214,952**	**188,609**

Taxation Receivables

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

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

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

4.21
Trade and other receivables (continued)

Non-Taxation Receivables

Included in the non-taxation receivables balance are receivables with a carrying value of approximately £19.6 million (2016: £16.5 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

	2017	2016
	£'000	£'000
30-60 days	2,746	2,087
61-90 days	1,333	1,524
91-120 days	1,496	1,651
More than 120 days	14,024	11,244
Total past due but not impaired receivables	**19,599**	**16,506**

Movement in the allowance for non-taxation debts

	2017	2016
	£'000	£'000
Balance at the beginning of the year	3,675	2,740
Impairment losses recognised	2,272	1,232
Amounts written off as uncollectible	(362)	(141)
Impairment losses reversed	(69)	(253)
Other Adjustments	10	97
Balance at the end of the year	**5,526**	**3,675**

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

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

Ageing of impaired receivables

	2017	2016
	£'000	£'000
30-60 days	179	4
61-90 days	47	38
91-120 days	170	71
More than 120 days	5,130	3,562
Total Impaired receivables	**5,526**	**3,675**

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

4.22
Cash and Cash Equivalents

	Notes	31 Dec 2017	31 Dec 2016
		£’000	**£’000**
Bank deposit accounts		195,667	112,656
Bank current accounts		6,345	9,866
Cash in hand and in transit		870	405
Cash Equivalents	i	135,582	158,405
Total Cash and Cash Equivalents		**338,464**	**281,332**

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

4.23
Trade and other payables

	31 Dec 2017	31 Dec 2016
	£'000	**£'000**
Amounts falling due within one year		
Trade Payables	48,935	43,879
Current Portion of PECRS Past Service Liability	7,722	7,208
Income Tax Payables and Receipts in Advance	38,958	32,633
Accruals and deferred income	38,446	29,631
Receipts in advance	10,706	8,429
Total Payables due within one year	**144,767**	**121,780**
Amounts falling due after more than one year		
Trade Payables	1,402	788
Accruals and deferred income	-	-
Receipts in advance	1,340	4,322
Total Payables due after more than one year	**2,742**	**5,110**
Total Payables	**147,509**	**126,890**

The average credit period taken for purchases in 2017 was 31 days (2016: 33 days).
The States considers that the carrying value of trade payables approximates to their fair value.

4.24
External borrowings

	31 Dec 2017	31 Dec 2016
	£'000	**£'000**
Amounts falling due within one year		
SoJDC Bank borrowings	-	2,500
Total borrowings due within one year	**-**	**2,500**
Amounts falling due after more than one year		
SoJDC Bank borrowings	55,199	23,328
External Bond due	243,287	243,198
Total borrowings due after more than one year	**298,486**	**266,526**
Total Borrowings Due	**298,486**	**269,026**

SoJDC have bank borrowings secured on inventory and investment property at a floating rate of interest and bears average interest of 2.56% (2016: 2.89%) annually.

The fair value of borrowings approximated their carrying value at the date of the statement of financial position.

A Bond was issued in June 2014, the proceeds of which are to be used to fund a programme of affordable housing through providers such as Andium Homes Limited.

The unsecured Bond was issued at £243,772,500 (nominal amount of £250,000,000, issued at a discount) with a coupon rate of 3.75%, and a final maturity of 40 years, with the final instalment due to be repaid in 2054.

4.25
Currency in circulation

	31 Dec 2017	31 Dec 2016
	£'000	**£'000**
Jersey Notes issued	109,050	109,092
Less: Jersey Notes held	(5,948)	(6,783)
Total Jersey Notes in Circulation	**103,102**	**102,309**
Jersey Coinage issued	10,460	10,195
Less: Jersey Coinage held	(968)	(888)
Total Jersey Coinage in Circulation	**9,492**	**9,307**
Total Currency in Circulation	**112,594**	**111,616**

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 liability in the accounts reflects the value of currency in circulation.

4.26
Finance Lease Obligations

The States of Jersey have entered into finance lease and sale and lease back arrangements to finance the development of capital projects, Morier House and Maritime House. At 31 December 2017, the States had commitments to make the following payments under these arrangements.

	Minimum Lease Payments	
	31 Dec 2017	31 Dec 2016
	£'000	£'000
Within one year	1,593	1,558
In the second to fifth years inclusive	976	2,569
After five years	-	-
Gross Minimum Lease Payments	**2,569**	**4,127**
Less: future Finance charges	(331)	(614)
Total Finance Lease Obligations	**2,238**	**3,513**

	Present Value of Minimum Lease Payments	
	31 Dec 2017	31 Dec 2016
	£'000	£'000
Within one year	1,403	1,275
In the second to fifth years inclusive	835	2,238
After five years	-	-
Total Finance Lease Obligations	**2,238**	**3,513**

4.27
Provisions

Provisions as at 31 December were made up of:

		31 Dec 2017	31 Dec 2016
		£'000	£'000
Self insurance claims		3,522	3,785
Other provisions - to be used within one year		1,261	622
Other provisions - to be used after one year		8,556	19,400
Total Provisions		**13,339**	**23,807**

Movement in Provisions were:

		31 Dec 2017	31 Dec 2016
		£'000	£'000
Balance 1 January		23,807	13,277
Increase in Provisions		717	12,142
Use in Year		(8,600)	(1,012)
Other movements		(2,585)	(600)
Balance 31 December		**13,339**	**23,807**

Material amounts included in "Other Provisions" include:

	Notes	31 Dec 2017	31 Dec 2016
		£'000	£'000
Decommissioning - New EfW	i	2,080	2,080
Asset Sharing Agreement - Other	ii	3,166	12,070
Jersey Arts Trust Loan	iii	1,432	1,894

Notes

i. Provision for new Energy from Waste decommissioning in accordance with IAS 37. Approval for this expenditure will not be sought until closer to the end of the plant's useful life.

ii. 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.

iii. Provision for a guarantee to Barclays Bank Plc for amounts outstanding in respect of a loan to the Jersey Arts Trust in connection with the renovation of the Opera House. The States pay funding to the Trust to cover loan payments, however if this funding were not in place, the States would become liable under the guarantee.

4.28
Derivative financial instruments

	31 Dec 2017	31 Dec 2016
	£'000	£'000
Derivative Liabilities		
Housing Development Fund Letters of Comfort	-	-
Other Financial Derivatives	235,452	461,163
Total Derivative Liabilities	**235,452**	**461,163**
Derivative Assets		
Other Financial Derivatives	(238,886)	(456,959)
Total Derivative Assets	**(238,886)**	**(456,959)**
Total Derivative Net (Assets)/ Liabilities	**(3,434)**	**4,204**

Special Hedging Arrangement

Following the result of the EU referendum, Sterling suffered a significant devaluation against all major foreign currencies resulting in a substantial rise in the value of foreign denominated assets within the Common Investment Fund. The most material holding was of equity denominated in US Dollars followed by equity denominated in Euros. Under the advice of the Treasury Advisory Panel a special hedging arrangement was entered into to protect some of these gains from a sudden recovery in Sterling.

In addition to the US Dollar hedging arrangement in place at the end of 2016, a Euro hedging arrangement was entered into in March 2017 to hedge 50% of the Euro denominated equity exposure. This level of hedging remained unchanged by the year end.

During the year Sterling saw a recovery in value vs the US Dollar, accordingly the level of USD hedging was reduced from 60% to 20%. Post year end USD hedging was reduced to 0%. A trigger matrix remains in place to increase the level of protection should the exchange rate deteriorate beyond predetermined triggers.

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 4.33. Details of Gains and Losses recognised on these instruments are given in Note 4.8.

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 31 Letters of Comfort to 4 Housing Trusts, covering loans totalling £100.6 million as at 31 December 2017 (2016: £105.5 million). 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 underlying 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 the full period of exposure, the table below shows what the approximate level of subsidy payments would be in 2018 if rates were at various levels for the year.

Interest rate (LIBOR)	Value of subsidies (2018)
	£'000
3%	-
4%	538
5%	1,196
6%	2,111
7%	3,059
8%	4,006

Other Financial Derivatives

The Governments of the UK and France enter into an agreement with the States of Jersey to delegate authority for air traffic control over the 'Channel Islands Control Zone'. The contract agrees a fixed sum of Euros, paid quarterly, over a three year period to cover the cost of this operation. This compensation is transferred to the Ports of Jersey Limited to meet the costs of provision of the air traffic control services. The States had entered into a number of forward contracts to sell the Euro receipts at a fixed rate in order to provide a guaranteed sterling amount to Ports of Jersey Limited over the life of the contract, the final forward contract entered into by the States of Jersey matured in December 2017.

Whilst these instruments hedged foreign exchange risk, they had not been designated as hedging instruments and were accounted for at Fair Value through the Operating Cost Statement. More details on the management of Foreign Exchange risk is given in Note 4.33.

Details of Gains and Losses recognised on these instruments are given in Note 4.8.

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 Profit or Loss, any gains and losses on these derivatives are included within gains and losses on these investments.

4.29
Past service liabilities

PECRS pre-1987 debt

The framework for dealing with the pre-87 debt is outlined in the Public Employees (Pension Scheme) (Funding and Valuation) (Jersey) Regulations 2015. Under the Regulations, annual repayments are due to be paid until September 2053. 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.

Due to the relative size of the annual payment the States does not consider that this liability leads to any significant liquidity risk.

The debt is valued as a salary-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 2017 the value of the pre-87 debt increased by £12.3 million. This was mainly due to a reduction in the discount rate over the last year.

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 £5 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 £5 million. Such movements in the liability amount are recognised within the “Movement in Pension Liabilities” line in the SoCNE.

	2017	2016
	£’000	£’000
Balance at 1 January	**297,335**	**253,565**
Finance Charge	12,815	13,084
Payment in Year	(7,482)	(7,217)
Movement in Liability Amount	6,958	37,903
Balance at 31 December	**309,626**	**297,335**

Amounts falling due

	31 Dec 2017	31 Dec 2016
	£’000	£’000
Within one year	7,722	7,208
After one year	301,904	290,127
Total	**309,626**	**297,335**

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

	2017 %	2016 %
Average future increase in Staff Expenditure	5.15	4.95
Discount Rate	4.80	4.31

JTSF Past Service Liabilities

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. In 2012 the Scheme's Management Board made a proposal to the States on the treatment of the pension increase debt.

On the basis of the Management Board proposal the Scheme Actuary has calculated the value of this past service debt at the actuarial valuation date and an updated value as at 31 December 2017. As a result the provision has increased from £111.8 million to £115.9 million, with the movement being recognised within the "Movement in Pension Liabilities" line in the SoCNE.

This represents the expected amount that will be required to settle the liability, based on the latest information available in the Management Board proposal.

	2017	2016
	£'000	£'000
Balance at 1 January	**111,874**	**108,062**
Net Movement in Liability Amount	4,061	3,812
Balance at 31 December	**115,935**	**111,874**

The liability had not been formally agreed as at 31 December 2017, but it is planned that this will be completed following a review of the Jersey Teachers Superannuation Fund. This will lead to a proposition being taken to the States to amend the relevant orders to formally recognise the liability. In subsequent years the liability would then be valued in a similar way to the PECRS Pre-1987 Debt.

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

4.30
Defined Benefit Pension Schemes Recognised on the Statement of Financial Position

The States of Jersey operates three defined benefit pension schemes which are not open to new members and all current members are receiving pension benefit: the Jersey Post Office Pension Fund (JPOPF), the Discretionary Pension Scheme (DPS) and the Civil Service Scheme (CSS). In addition, the States also has responsibility for the unfunded Pensions Increase Liability (PIL). The States also operates a further two schemes which are not recognised on the Statement of Financial Position, details of which are given in the Treasurer's Report.

Assumptions

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

	2017 % p.a.	2016 % p.a.
Jersey Price Inflation	2.90	3.25
Rate of general long-term increase in salaries	3.85	4.25
Rate of increase to pensions in payment	2.90	3.25
Discount rate for scheme liabilities	2.30	2.70

Demographic Assumptions for each scheme are made by the Actuary, as are assumptions about the long term returns on various asset classes.

Scheme Assets and Liabilities

	Notes	31 Dec 2017			31 Dec 2016
		Asset	Liability	Net (Asset) Liability	Net (Asset) Liability
		£'000	£'000	£'000	£'000
Jersey Post Office Pension Fund	i	(7,040)	7,354	314	1,049
Discretionary Pension Scheme		(245)	591	346	377
Jersey Civil Service Scheme (pre-67)		-	4,522	4,522	5,219
1972 Pensions Increase Act		-	-	-	-
Total Defined Benefit Pension Schemes Net (Asset)/Liability		**(7,285)**	**12,467**	**5,182**	**6,645**

The JPOPF holds assets in several classes, with the majority being Gilts. The DPS has a single asset, in the form of a Secured Pension.

Notes
i. The JPOPF had previously reported a small surplus for a number of years, but this is not recognised as an asset due to the restrictions of paragraph 58 of IAS 19.

Amounts recognised in Net Revenue Expenditure

The difference between expected returns on scheme assets and interest on scheme liabilities is recognised in Net Revenue Expenditure.

	2017	2016
	£'000	£'000
Jersey Post Office Pension Fund	31	38
Discretionary Pension Scheme	10	12
Jersey Civil Service Scheme (pre-67)	136	192
Pensions Increase Liability	-	-
Total Defined Benefit Pension Schemes (Income)/Expenditure	**177**	**242**

Amounts recognised in Other Comprehensive Income

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

	31 Dec 2017	31 Dec 2016
	£'000	£'000
Jersey Post Office Pension Fund	(766)	-
Discretionary Pension Scheme	(29)	54
Jersey Civil Service Scheme (pre-67)	(457)	59
Pensions Increase Liability	-	-
Total Actuarial (Gain)/Loss recognised in Other Comprehensive Income	**(1,252)**	**113**

4.31 - 4.43
Other Notes and disclosures

4.31
Capital Commitments

At the balance sheet date the States had authorised capital expenditure of £130.7 million (2016: £105.3 million) from the consolidated fund which had not yet been incurred.

A further £15.7 million was authorised from the Trading Funds, but not incurred (2016: £14.8 million).

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

	2017	2016
	£'000	£'000
CMD: Enterprise Systems Development	13	384
CMD: Egovernment	1,056	-
CMD: Income Payment Management System	45	-
CMD: Taxes Office System Renewal	25	-
HSS: Equipment Replacement	190	614
HSS: Replacement MRI Scanner	24	-
HSS: Replacement RIS/PACS	-	137
DFI: Liquid Waste Strategy	1,418	3,176
DFI: Sludge Thickener Project	-	109
DFI: Replacement Assets	-	695
DFI: EFW Replacement Assets	-	695
DFI: Infrastructure Rolling Vote	543	-
DOE: Equipment maintenance and Minor	117	117
DFI : Police Relocation (Phase 1)	303	794
DFI : Future Hospital	408	2,339
DFI : Add. Primary School Accommodation	178	725
DFI : Les Quennevais Replacement School	254	229
T&R : Tax Transformation Prog & IT	-	142
T&R : ITAX Development-Taxes Office	142	20
CCA: Biometric Passports	108	108
CCA: Minor Capital	2,616	1,984
CCA: Tetra Radio Replacement	285	285
CCA: Prison Control Room	32	32
CCA: Security Measures	21	66
CCA: Prison Cell call system	-	89
CCA: Prison shower refurbishment and cell electrics	535	-
Non Mins: Minor Capital	250	-
Jersey Fleet Management: Vehicle and Plant Replacement	126	895
Jersey Car Parks: Car Park Maint & Refurbishment	614	91
Total Capital Commitments	**9,303**	**13,726**

4.32
Commitments under Operating Leases

The States as Lessee

Total Minimum lease payments under operating leases are given below:

	31 Dec 2017 £'000	31 Dec 2016 £'000
Land and Buildings		
Within one year	865	433
In the second to fifth years inclusive	1,752	1,070
After five years	111	241
Total Land and Buildings	**2,728**	**1,744**
Plant and Machinery		
Within one year	-	-
In the second to fifth years inclusive	-	-
After five years	-	-
Other Operating Leases		
Within one year	163	180
In the second to fifth years inclusive	165	-
After five years	-	-
Total Other Operating Leases	**328**	**180**
Total Operating Lease Commitments	**3,056**	**1,924**

The States as Lessor

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

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

	2017 £'000	2016 £'000
Cost	1,514,358	1,607,235
Accumulated Depreciation	(38,657)	(30,878)
Net Book Value	**1,475,701**	**1,576,357**

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

	2017	2016
	£'000	**£'000**
Within one year	53,704	49,560
In the second to fifth years inclusive	306,196	231,034
After five years	87,605	61,610
Total	**447,505**	**342,204**

4.33
Risk Profile and Financial Instruments

The States of Jersey is exposed to risk through its holdings of financial instruments both through its operational activities and through its investment portfolios.

This note provides information about financial instruments which are material in the context of the accounts as a whole. The States hold financial instruments for a variety of purposes however by far the most material concentration are held within the States Investment Portfolio which is invested through the Common investment Fund. Other material financial instruments include a £2m investment in Absolute Return Bond class assets managed by Ports of Jersey, this is incorporated into the assets held at Fair Value through Profit and Loss detailed in note 4.19, a £250 million unsecured bond issued by the States, detailed in note 4.24, and short term deposits utilised in the management of the States operational cash requirements, detailed in note 4.22.

Key risks are defined below:

Market risk

Market risk is the risk of loss from fluctuations in asset prices. Market risk is inherent in all asset classes but is considered to be higher in the more volatile asset classes such as equity

Market risk can be split into the following components:

- **Price Risk**
  Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from credit, interest rate risk or currency risk).

- **Credit Risk**
  Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

- **Interest Rate Risk**
  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with changes in market interest rates

- **Currency Risk**
  Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

Quantification of risk exposure:

The following 'market risk' table summarises the most significant risks financial instruments are exposed to by asset class:

CIF asset Class	Market Risk				2017 Value	2016 Value
	Price	Credit	Interest Rate	Currency	£'000	£'000
Equities	✓			✓	**1,687,818**	**1,653,426**
UK Government Bonds		✓	✓		141,213	140,782
UK Corporate Bonds		✓	✓		45,763	69,278
Absolute Return Bonds		✓	✓	✓	414,444	364,075
Fixed income					**595,413**	**574,135**
Cash		✓	✓		**284,055**	**170,187**
Property Class	✓	✓	✓	✓	101,895	**92,885**
Absolute Return	✓	✓	✓		320,676	**314,205**
Infrastructure		✓			-	**680**
Opportunities class	✓	✓	✓	✓	6,121	**-**
Alternative	✓	✓	✓		**718,754**	**407,770**

Approach to risk

The Common Investment Fund (CIF) was established on 1 July 2010 as an arrangement to allow States Funds and other Funds managed by the States to pool their assets for investment purposes. The CIF is an aggregation of the holdings of the underlying participating Funds ('Participants'). Risk is monitored at both this Participant level and at the aggregate CIF level.

The primary long-term risk of the CIF is that Participants fail to meet their investment objectives. Investment objectives of Participants are defined in the 'States Investment Strategies' document. The Minister for Treasury and Resources presented the latest investment strategy in December 2017 setting out the strategy for each Fund including strategic aims and investment limits.

The objective of the Fund's risk management strategy is to identify, manage and control its risk exposure within acceptable parameters, whilst optimising the return on risk. The exposure to risk of individual Funds is considered within their investment strategy and is managed at a strategic level through their asset allocation as published within the States Investment Strategies Document. Investment strategy is considered over a long term investment horizon and diversifies risk across managers and assets. Investment strategy is overseen by the Treasury Advisory Panel ('TAP') under the advice of the States Investment Advisor, Aon Hewitt.

The States approach to the individual components of Market risk are considered in turn in the following section.

Further information about investment asset classes and approach to risk management is detailed within the States Investment Strategies document which is published online at the States Greffe.

Price Risk

Price risk is managed via asset allocation at the strategic level but also managed by Investment Managers at the operational level through tools such as diversification and selection of individual securities. The operational controls employed by the managers are included within their investment management agreements, scheme rules or equivalent. Reliance on managers is further considered in the manager risk section of this note.

Interest Rate Risk

The states are exposed to interest rate risk through holdings in interest bearing assets held both directly or indirectly through Fund structures. The Asset classes exposed to interest rate risk includes the Cash, UK Government Bonds, UK Corporate Bonds, Absolute Return Bonds and the Opportunities class.

UK Government Bonds are held directly within the Short Term Government Bond and Index Linked Government Bond Pool of the CIF. These pools are passively managed and interest rate risk is managed through limiting the duration of the States holdings. Cash, UK Corporate Bond, Absolute Return Bond and Opportunities class assets are actively managed by external managers. The Fund's investment managers are responsible for the management of interest rate risk. Some managers may utilise derivative instruments such as futures, options and swap agreements to modify duration, subject to restrictions.

Currency Risk

The States of Jersey maintains investments that may be denominated in currencies other than Sterling. Where the States is exposed to the risk posed from foreign currencies, the following policy in the published States Investment Strategies document applies:

Global equities are not, under normal circumstances, hedged back to Sterling. Bonds within the CIF may be hedged but this is typically dealt with within the underlying investment vehicle through which the CIF invests and managed by the Investment Manager. The majority of the foreign currency risk within the CIF's Hedge Fund Pool is hedged within the underlying investment vehicle by the Investment Manager. Where this is not possible, for example due to the lack of a sterling share class, 95% of the exposure will be hedged within the pool.

Under advice from the TAP further hedging arrangements, in addition to those described above, may be entered into to protect the States Investments from movements in exchange rates to which they would be exposed, this includes (but is not limited to) the use of currency derivatives.

Special hedging arrangement – Equity Exposure

Following the result of the EU referendum, Sterling suffered a significant devaluation against all major foreign currencies resulting in a substantial rise in the value of foreign denominated assets within the CIF.

The most material foreign currency exposure holding was of US Dollar denominated equity followed by Euro denominated equity.

Under advice of the TAP a special hedging arrangement was entered into to protect some of these gains from a sudden recovery in Sterling.

The hedging arrangement implemented a stepped profile whereby a greater proportion of the CIFs USD exposure was hedged as the exchange rate fell. By the end of 2016 60% of the CIFs USD exposure was hedged. By February 2017 this had risen to 80%.

In addition a Euro hedging arrangement was entered into in March 2017 to hedge 50% of the Euro denominated equity exposure. This level of hedging remained unchanged at the year end.

By the end of 2017 Sterling saw a recovery in value against the US Dollar, accordingly the level of USD hedging was reduced to 20%. Post year end USD hedging was reduced to 0%. A trigger matrix remains in place to increase the level of protection should the exchange rate deteriorate beyond predetermined triggers.

The overall level of hedging continues to be monitored by the States of Jersey investment advisor and the Treasury Advisory Panel

Credit risk

The main exposure to credit risk to which the States is exposed arises from investment in Gilts, UK Corporate Bonds, Absolute Return Bond and Cash class assets. The Opportunities class is also exposed to credit risk though is less material in size relative to the other asset classes. UK Gilts are held within the Short Term Government Bond Pool and Index Linked Gilt Pool and are dependent on the solvency of the UK Government.

The credit rating of the UK Government is AA; this rating is monitored by the investment advisor who reports on the holding within the UK gilts pools both quarterly to the TAP and by exception. UK Corporate bonds, absolute return bonds and the opportunities class are held through collective investment vehicles. Credit risk within the vehicles is managed through diversification and selection of securities/counterparty which is delegated to the manager. Cash is held for operational and investment purposes. The States minimises holdings of operational cash with the States banker, HSBC, transferring cash in excess of short term requirements to the States Cash Manager, Royal London Asset Management (RLAM) on a daily basis. Again, credit risk is managed through diversification and selection of securities/counterparty which is delegated to the manager.

Reliance on managers is further considered in the manager risk section of this note.

Cash held for investment purposes is quantified in the market risk table within this note.

Cash held for operational purposes is summarised within the Cash and Cash Equivalents note.

Manager Risk

Manager risk is the broad risk which encompasses losses arising from the mistakes, negligence and underperformance of the managers in the discharge of their responsibilities in the management of a financial portfolio.

In assessment of manager risk we have differentiated between performance risk, the risk that the manager underperforms their relative benchmark, and operational risk, the risk that the manager fails to adequately discharge their responsibilities.

Performance risk is managed through initial selection of managers, ongoing monitoring of performance. Appointment and dismissal of Investment Managers is subject to the recommendation of TAP following appropriate scrutiny supported by the States investment advisor. Ongoing performance of managers is monitored on a monthly basis by both Treasury and the investment advisor and reported and scrutinised by the TAP on a quarterly basis.

To manage operational risk the States investment advisor conducts a continuous monitoring program over the managers and reports both by exception and at the quarterly meetings of the TAP. Operational due diligence is carried out by an experienced team at Aon Hewitts and includes both on site visits and examination of internal control reports, where produced. Limits are placed to ensure assets do not become overly concentrated with a single manager or strategy.

Fair value disclosures

All financial instruments measured at fair value must be classified by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Level 1

- (CIF) Index Linked Bonds
- (CIF) Short Term Government Bonds
- (CIF) Long Term Cash and Cash Equivalents
- (CIF) UK Active Equity
- (CIF) Global Passive Equities

Level 2

- (CIF) Derivative Forward Contracts (see Note 4.28)
- (CIF) Global Active Equity (a combination of level 1 & 2 assets)
- (CIF) Pooled Emerging Market Equity Pool
- (CIF) Pooled Special Equity Pool
- (CIF) UK Corporate Bond Pool

Level 3

- (CIF) Absolute Return Bond Pool
- (CIF) Absolute Return Pool
- (CIF) Infrastructure Investments
- (CIF) Pooled Property I Pool

4.34
Summary of Key Funds Held by States of Jersey

The tables below provide an explanation of the purpose of the Funds held by the States and the net asset balances as at the end of 2017.

Special funds named in the law

Special Fund	31 Dec 2017	31 Dec 2016	Function
	£'000	£'000	
Strategic Reserve Fund	840,107	819,584	Established under the Public Finances (Jersey) Law 2005, this is permanent reserve. The policy for the Reserve was agreed by the States under P.133/2006, stating that it is to be used only in exceptional circumstances to insulate the Island's economy from severe structural decline (such as the sudden collapse of a major Island industry) or from major natural disaster. The States have subsequently approved P.84/2009 which proposed that this policy is varied to enable the Strategic Reserve to be used, if necessary, for the purposes of providing funding up to £100 million for a Bank Depositors Compensation Scheme and P.122/2013 which agreed to the drawdown of approximately £297 million to fund the new hospital services over a period of years. During 2017, P.107/2017 was adopted which amended the purpose of the Strategic Reserve with respect to the funding of the future hospital project. The proposition authorised issuance of up to £275 million of debt which is to be received by the Strategic Reserve. Up to £466 million (deducting £23.6 million already allocated) is then authorised to be drawn, as required, to Fund the project. The Strategic Reserve is to meet costs of borrowing including ongoing finance and administration costs and the fund the repayment of the borrowed amount.
Stabilisation Fund	5	6	Established under the Public Finances (Jersey) Law 2005, the purpose of this Fund is to provide a reserve which can be used to make Jersey's fiscal policy more countercyclical in order to create a more stable economic environment. The Fund receives cash allocations in more buoyant economic conditions and makes payments at times of anticipated economic downturn.
Currency Fund	7,350	6,108	Established under the Public Finances (Jersey) Law 2005, the Currency Notes (Jersey) Law 1959, and the Decimal Currency (Jersey) Law 1971, the fund holds assets that match the value of Jersey currency notes and coinage in circulation, such that the holder of Jersey currency could be repaid on request. It also produces and issues currency notes and coins, and administers the currency in issue.
Insurance Fund	6,695	5,682	Established under the Public Finances (Jersey) Law 2005 (as amended under P.73/2013), the fund facilitates the provision of mutual insurance arrangements for States funded bodies and other participating bodies.

Special funds for specified purposes

Special Fund	31 Dec 2017	31 Dec 2016	Function
	£'000	£'000	
Dwelling Houses Loans Fund	4,870	4,723	Established under the Building Loans (Jersey) Law 1950, to establish a building loans scheme to enable residentially qualified first-time buyers,who have never owned residential freehold property in Jersey, to purchase their first home. No new loans were made in 2017.
Assisted House Purchase Scheme	2,228	2,213	Established in 1977, the purpose of this fund was to aid the recruitment of staff from the UK, by facilitating the purchase of suitable properties by the States on behalf of the employee. It is no longer making new loans.
99 Year Leaseholders Fund	830	830	Established by the former Housing Committee under the general powers of the Building Loans (Jersey) Law 1950, this fund allowed the Committee to lend to individuals offering leasehold property as security (at a time when there was no share transfer or flying freehold legislation). It is no longer making new loans.
Agricultural Loans Fund	541	534	Established under the Agriculture (Loans and Guarantees) (Jersey) Regulations 1974, the fund makes loans to individuals engaged in work of an agricultural nature in Jersey for the purpose of furthering their agricultural business. Approval of new loans to farmers has been suspended.
Tourism Development Fund	44	420	Established under P.170/2001 to replace the Tourism Investment Fund, this fund makes grants to the tourism industry in order to improve Jersey's competitiveness and sustain the industry as an important pillar of the economy.
Channel Islands Lottery (Jersey) Fund	100	100	Established by the Gambling (Channel Islands Lottery) (Jersey) Regulations 1975, the fund promotes and conducts public lotteries, the draws for which may be held in Jersey or Guernsey. The money held is distributed to charities.
Jersey Innovation Fund	(619)	2,918	Established under P.124/2012, the fund was set up to make investments in private and public sector projects to drive greater innovation in Jersey and improve competitive advantage.
Housing Development Fund	(10,964)	(6,032)	Established under P.74/99 and P.84/99, the fund assists in meeting the requirements for the development of social rented and first-time buyer homes by providing development and interest subsidies.
Criminal Offences Confiscation Fund	1,222	3,863	These funds are established under the Proceeds of Crime (Jersey) Law 1999 and Civil Asset Recovery (International Co-operation) (Jersey) Law 2007 respectively. These funds hold amounts confiscated under law. Funds are then distributed in accordance with the relevant legislation.
Civil Asset Recovery Fund	376	248	
Ecology Fund	473	441	Established in 1991, the purpose of this fund was to support local environmental projects.
Jersey Reclaim Fund	0	N/a established in 2017	Established under the Dormant Bank Accounts (Jersey) Law 2017. The Fund serves to receive the balances of dormant Jersey bank accounts transferred in accordance with the law. Money from Jersey bank accounts meeting dormancy conditions, as outlined in the Law and accepted by the Chief Minister, are to be transferred into the Fund annually. Banks may reclaim from the Fund amounts paid out to customers in relation to those dormant accounts, up to a maximum equal to the amount paid in. The Chief Minister having consulted the Minister for Treasury and Resources, may determine to make distributions from the Fund for the purposes outlined below: • to defray the cost of the remuneration or other payment for the services of the Commissioner due under the terms of his or her appointment and the cost of providing staff, accommodation or equipment that are required for the proper and effective discharge of the Commissioner's functions; and • charitable purposes in accordance with the Law.

Social Security funds

Special Fund	31 Dec 2017	31 Dec 2016	Function
	£'000	£'000	
Social Security Fund	72,056	72,155	Established under the Social Security (Jersey) Law 1974, the fund receives all contributions payable under the Law, and pays out benefits such as the old age pension and incapacity benefit and expenditure related to the administration of these benefits.
Social Security (Reserve) Fund	1,779,592	1,572,038	Established under the Social Security (Jersey) Law 1974, the fund sets aside funds for the future provision of pension benefits for those in employment so as to reduce the impact of pensions in future generations, as well as to smooth contributions for Social Security benefits over time.
Health Insurance Fund	93,627	86,341	Established under the Health Insurance (Jersey) Law 1967, the fund receives allocations from Social Security Contributions for the purpose of paying claims for medical benefits and pharmaceutical benefit as defined in the law.
Long-Term Care Fund	25,111	19,985	Established under the Long Term Care (Jersey) Law 2013, the fund receives allocations under the Social Security Law, for the purpose of paying out benefits and expenditure relating to longterm care.
Jersey Dental Scheme	9	7	The Jersey Dental Benefit Scheme was established under the Jersey Dental Care Subsidy Scheme Act of June 1991 with the objective of providing a professional service of regular dental care to maintain the dental fitness of the members of the Scheme and to maintain a system of peer review of dental services provided to members under the scheme.

4.35
Contingent Assets and Liabilities

Contingent Assets

There are no Contingent Assets as at 31 December 2017 (2016: Nil).

Guarantees not recognised as Financial Liabilities

Jersey New Waterworks Company

The States of Jersey have provided a guarantee to HSBC Plc up to a maximum of £16.2 million (2016: £16.2 million) for amounts outstanding in respect of a loan to the Jersey New Waterworks Company Limited. As at the year end the amount guaranteed was £14.9 million (2016: £14.9 million). This guarantee was first provided in its current form in 1999, and historically no amounts have been drawn down in relation to it. Due to the stability of the company and the resulting low likelihood of default, the current value of total expected outflows under this guarantee will be very low and so no amount is recognised on the Statement of Financial Position.

Student Loan Guarantees

Faced with increasing tuition fees and increased numbers of local young people seeking entry to higher education, the Education Sport and Culture Department has worked with local banks to offer a loan facility valued at up to £1,500 per year to all students attending programmes of higher education in the UK. The introduction of this facility helps to spread the costs of tuition by enabling the student to take responsibility for part of the costs. The interest rate is set at 1% above base rate and young people taking up the offer commence repayments one year after graduation.

The States of Jersey has given guarantees against these loans to the banks. As at the year end the value of the loans amounted to £2.6 million (2016: £2.7 million).

There is a 1.5% experience of default in the Jersey Scheme, and the equivalent scheme in the UK experiences defaults on approximately 1% of the total balance each year. Using a simplified analysis of the guarantees this would suggest that the current value of total expected outflows under the scheme will be very low (less than £50,000) and so no amount is recognised on the balance sheet for these guarantees.

Other Contingent Liabilities

There are several cases where a possible obligation may exist (as a result of past events), and where the existence of the liability will be confirmed only by future events outside of the States control.

Civil claims against the States of Jersey still continue to be a present obligation that arises from past events with regards to the Independent Jersey Care Inquiry. Although the quantum has been estimated within the banding set by a UK specialist counsel based on a sample of claims, there is a substantial process to be undergone before the matter can be finalised. A provision for this liability cannot be made in the Accounts because the amount of the obligation cannot be measured with sufficient accuracy.

The UK passed legislation in 2015 requiring the NHS to charge overseas visitors 150% of the standard cost based tariff for hospital services. The legislation, set out in Regulations, is ambiguous about its intended impact on Jersey patients, and therefore it is unclear whether this charge will impact Jersey patients. As such, the certainty is unknown as a provision cannot made for this amount.

A number of other potential liabilities may exist, but details are not included in these accounts as they may prejudice the outcome of the actions in question.

These include potential claims in the following areas:

- Health and Safety
- Employment issues
- Contract Terms
- Medical Claims
- Public Liability Claims

4.36
Losses and Special Payments

	31 Dec 2017 £'000	31 Dec 2016 £'000
Losses		
Losses of cash		
Overpayment of Social Benefits	33	100
Bookkeeping Adjustments	-	27
Other Losses of cash	-	2
Total losses of cash	**33**	**129**
Fruitless Payments		
Fruitless Payments	39	-
Total Fruitless Payments	**39**	**-**
Bad debts and claims abandoned		
Uncollectible Tax	1,518	1,848
Other Tax Receivables written off	213	305
Other claims abandoned	695	363
Total bad debts and claims abandoned	**2,426**	**2,516**
Damage or loss of inventory		
Write off of expired stock	58	(15)
Other inventory write offs	70	71
Total damage or loss of inventory	**128**	**56**
Impairment of fixed assets		
Impairment of fixed assets	-	-
Total impairment of fixed assets	**-**	**-**
Other losses		
Other losses	-	-
Total other losses	**-**	**-**
Total Losses	**2,626**	**2,701**

		31 Dec 2017	31 Dec 2016
		£'000	£'000
Special Payments			
Total compensation payments		-	100
Total ex gratia and extra contractual payments		902	25
Total Severance Payments		1,086	3,970
Total Regulatory Payments		50	(30)
Total Special Payments		**2,038**	**4,065**
Total Losses and Special Payments		**4,664**	**6,766**

4.37
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 that are a result of their role as such are excluded in line with accounting standards. This includes:

- Electricity provided by Jersey Electricity
- Water provided by Jersey Water
- Postage services provided by Jersey Post
- Telephone charges from JT

Transactions relating to salaries and statutory amounts such as taxes are excluded.

All transactions are at arm's 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.

Further to the transactions listed in this note, the States of Jersey acts as an agent in some cases to administer transactions with related parties. For example, there are cases where recipients of benefits instruct the States to pay their designated care provider directly rather than receive the benefit and pass it on to the provider. These transactions with the care providers do not form part of the balances included in the States of Jersey financial statements but the associated benefits expenditure does.

In 2017 the Social Security Department paid £4.0 million as agent transactions on behalf of benefits recipients to Les Amis which is a related party.

2017

Organisation	Income	Expenditure	Balance due to the States	Balances due by the States	Notes
	£'000	£'000	£'000	£'000	
Directly Controlled Entities – Strategic Investments					
Jersey Electricity plc	1,213	598	3	5	
Jersey Post International Limited	387	143	59	-	
JT Group Limited	270	122	23	5	
The Jersey New Waterworks Company Limited	173	84	1	-	
Directly Controlled Entities – Minor Entities					
Government of Jersey London Office	-	-	-	-	
Directly Controlled Entities – Other					
Jersey College for Girls School Fund	-	29	-	-	
Jersey College for Girls PTA Trust Fund	8	-	-	-	
Le Rocquier School Fund	-	7	-	-	
Les Landes School Fund	-	14	-	-	
Les Quennevais School Fund	-	2	-	-	
Victoria College School Fund	-	28	-	-	

Organisation	Income	Expenditure	Balance due to the States	Balances due by the States	Notes
	£'000	£'000	£'000	£'000	
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Limited	-	50	-	-	Subsidiary of JEC.
Jersey Energy	-	46	-	-	Subsidiary of JEC.
JE Building Services	-	187	-	-	Subsidiary of JEC.
Retirement Schemes					
PECRS	976	-	-	2,214	Income related to services provided by the Treasury Department.
JTSF	296	-	-	910	Income related to services provided by the Treasury Department.

Organisation	Income	Expenditure	Balance due to the States	Balances due by the States	Notes
	£'000	£'000	£'000	£'000	
Controlled or influenced by Key Management Personnel or members of their close family					
Association Bureau des Iles Anglo-Normandes (formerly Bureau de Jersey)	-	80	-		A Maclean, Treasury and Resources Minister, is a Board member. Expenditure includes grants of £55k.
Channel Islands Brussels Office	-	99	4	-	K Halls-Nutt, Head of Service for External Relations, is a Director. Expenditure includes grants of £99k.
Governing Body of Institute of Law	1	98	-	-	Sir P Bailhache, External Relations Minister, is the Chairman. Expenditure includes grants of £30k.
Jersey and Guernsey Law Review Limited	-	3	-	-	Sir P Bailhache, External Relations Minister, is the Chairman.
Jersey Chamber of Commerce	-	1	-	-	A Green, Health and Social Services Minister, and S Luce, Environment Minister, are members of the Executive Committee.
Jersey Hospitality Association	-	1	-	-	L Farnham, Economic Development, Tourism, Sport and Culture Minister, is President.
Les Amis Incorporated	33	273	5	12	E Noel, Infrastructure Minister, and P Routier, Chief Minister's Assistant Minister, are Trustees.
Methodist Homes for the Aged	1	81	-	-	A Pryke, Housing Minister, is a Trustee. Expenditure includes grants of £78k.
Millar Software and Consulting Limited	-	5	-	-	E Millar, Viscount, was a Director until March 2017.
Parish of St Brelade	16	45	-	-	S Pallett, Economic Development, Tourism, Sport and Culture and Environment Assistant Minister, is Connétable of St Brelade.
Parish of St Lawrence	19	5	4	-	D Mezbourian, Home Affairs Assistant Minister, is Connétable of St Lawrence.
Parish of St Peter	38	10	9	-	J Refault, Health and Social Services and Treasury and Resources Assistant Minister, is Connétable of St Peter.
The Prince's Trust	-	3	-	-	B Heath, Chief Probation Officer, is Chairman of the Jersey Steering Group.
The Yacht Hotel Limited	8	10	5	-	L Farnham, Economic Development, Tourism, Sport and Culture Minister, is a Director.
Trinity Youth Club	1	-	-	-	A Pryke, Housing Minister, is President.
Victim Support Jersey	18	30	-	-	B Heath, Chief Probation Officer, is the Vice Chairman. Expenditure includes grants £30k.
Visit Jersey	-	5,100	-	-	D Bannister, Chief Executive Officer of Ports of Jersey, is a Member of the Board. Expenditure includes grants of £5,100k.

2016

Organisation	Income	Expenditure	Balance due to the States	Balances due by the States	Notes
	£'000	£'000	£'000	£'000	
Directly Controlled Entities – Strategic Investments					
Jersey Electricity plc	1,219	1,333	162	44	
Jersey Post International Limited	442	161	-	3	
JT Group Limited	664	538	7	10	
The Jersey New Waterworks Company Limited	150	182	-	4	
Directly Controlled Entities – Minor Entities					
Government of Jersey London Office	-	538	-	-	M King, former Chief Officer of Economic Development, was a Director. Expenditure includes grants of £495k.
Directly Controlled Entities – Other					
Jersey College for Girls School Fund	-	13	-	-	
Jersey College for Girls PTA Trust Fund	5	-	-	-	
Le Rocquier School Fund	-	2	-	-	
Les Landes School Fund	-	16	-	-	
Les Quennevais School Fund	-	2	-	-	
Victoria College School Fund	3	48	-	-	Expenditure includes grants of £34k.
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Limited	-	92	-	-	Subsidiary of Jersey Electricity plc.
Jersey Energy	-	46	-	-	Subsidiary of Jersey Electricity plc.
JE Building Services	-	196	-	-	Subsidiary of Jersey Electricity plc.
Retirement Schemes					
PECRS	906	-	-	322	Income related to services provided by the Treasury Department.
JTSF	309	-	-	15	Income related to services provided by the Treasury Department.

Organisation	Income	Expenditure	Balance due to the States	Balances due by the States	Notes
	£'000	£'000	£'000	£'000	
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Francaise de Jersey	13	89	-	-	P Ozouf, Chief Minister's Assistant Minister, is Vice Chair. Expenditure includes grants of £10k.
Association Bureau des Iles Anglo-Normandes (formerly Bureau de Jersey)	-	110	-	25	A Maclean, Treasury and Resources Minister, is a Board member. Expenditure includes grants of £135k.
Channel Islands Brussels Office	2	341	4	-	M King, former Chief Officer of Economic Development Tourism, Sport and Culture, is a Director. Expenditure is grants of £341k.
Digital Jersey	-	1,228	-	-	M King, former Chief Officer of Economic Development Tourism, Sport and Culture, is a non-executive Director. Expenditure includes grants of £1227k.
Governing Body of Institute of Law	1	93	-	-	Sir P Bailhache, External Relations Minister, is the Chairman. Expenditure includes grants of £30k.
Jersey and Guernsey Law Review Limited	-	10	-	-	Sir P Bailhache, External Relations Minister, is the Chairman.
Jersey Employment Trust	13	2,028	-	-	R Bryans, Education Minister, and P McLinton, Health and Social Services Assistant Minister, are Members of the Board. Expenditure includes grants of £1,977k.
Jersey Finance Ltd	1	4,982	-	89	M King, former Chief Officer of Economic Development Tourism, Sport and Culture, is a Member of the Board. Expenditure is grants of £5,060k.
Jersey Milk Marketing Board (Jersey Dairy)	-	183	-	-	M King, former Chief Officer of Economic Development Tourism, Sport and Culture, is a Member of the Board.
Jersey Table Tennis Association	3	16	-	-	P Routier, Chief Minister's Assistant Minister, is Vice-President. Expenditure includes grants of £13k. Amounts due relate to a loan from the States. This loan was repaid in March 2016.
Les Amis Incorporated	27	300	-	-	E Noel, Infrastructure Minister, and P Routier, Chief Minister's Assistant Minister, are Trustees.
Parish of St Lawrence	18	17	-	-	D Mezbourian, Home Affairs Assistant Minister, is Connétable of St Lawrence.
Parish of St Brelade	29	33	-	-	S Pallett, Economic Development Tourism, Sport and Culture and Environment Assistant Minister, is Connétable of St Brelade.

Organisation	Income	Expenditure	Balance due to the States	Balances due by the States	Notes
	£'000	£'000	£'000	£'000	
Parish of St Peter	37	36	-	-	J Refault, Housing and Health and Social Services Assistant Minister, is Connétable of St Peter.
The Yacht Hotel Limited	-	10	-	-	L Farnham, Economic Development Tourism, Sport and Culture Minister, is a Director.
Trinity Youth Club	10	-	-	-	A Pryke, Housing Minister, is President.
Visit Jersey	385	5,214	-	-	D Bannister, Chief Executive Officer, Ports of Jersey, is a Member of the Board. Expenditure includes grants of £5,100k.

4.38
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 Criminal Offences Confiscations Fund; if a third party is found not guilty, property is returned.

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

Asset Category	2017	2016
	£'000	£'000
Viscount's	294,235	285,840
Health and Social Services	262	301

In addition to the liquid assets listed above the Viscount's Department holds property and contents with an approximate total value of £12.6 million (2016: £17.2 million).

In addition to monies listed above the Health and Social Services Department holds equipment on trial and various consignment stocks, valued at £0.1 million (2016: £0.1 million).

The States arrangement to pool funds for investment purposes, is known as the 'Common Investment Fund' (CIF) Included within the CIF are monies held on behalf of entities outside of the States of Jersey group boundary, referred to as Out of Group Funds.

4.39
Entities within the Group Boundary

Consolidated Fund Entities

Ministerial Departments

The list below relates to Ministerial Departments as at 31 December 2017. From 1 January 2016 there were transfers of functions as detailed in P.46/2015 and as such the names and remits of some departments have changed.

» Chief Minister's Department
» External Relations
» Community and Constitutional Affairs Department (formerly Home Affairs Department)
» Department of the Environment
» Economic Development, Tourism, Sport and Culture Department (formerly Economic Development Department)
» Education Department (formerly Education, Sport and Culture Department)
» Health and Social Services Department
» Social Security Department
» Department for Infrastructure
» 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
» Office of the Information Commissioner
» Probation
» Comptroller and Auditor General

The States Assembly and its Services

» [Including Assemblée Parlementaire de la Francophonie - Jersey Branch and Commonwealth Parliamentary Association (Jersey Branch)]

Subsidiary Holding Company

» States of Jersey Investments Limited

States Trading Operations

» Jersey Car Parking
» Jersey Fleet Management

Special Funds named in the Public Finances (Jersey) Law 2005

» Strategic Reserve
» Stabilisation Fund
» Currency Fund (comprising Jersey Currency Notes and Jersey Coinage)
» Insurance Fund

Special Funds for specific purposes

» Dwelling Houses Loan Fund
» Assisted House Purchase Scheme
» 99 Year Leaseholders Fund
» Agricultural Loans Fund
» Tourism Development Fund
» Channel Islands Lottery (Jersey) Fund
» Jersey Innovation Fund
» Housing Development Fund
» Criminal Offences Confiscation Fund
» Civil Asset Recovery Fund
» Ecology Fund
» Fishfarmer Loan Scheme (Dormant)
» ICT Fund (Dormant)

Social Security Funds

» Social Security Fund
» Health Insurance Fund
» Social Security (Reserve) Fund
» Long-Term Care Fund
» Jersey Dental Scheme

Subsidiary Companies

» States of Jersey Development Company Limited, including subsidiary companies.
» Andium Homes Limited
» Ports of Jersey Limited, including subsidiary companies

Minor Entities

There are a number of small entities funded by the States that meet the requirements to be part of the States of Jersey Group (i.e. they are directly controlled by the States) but are immaterial to the financial statements as a whole, and have not been consolidated (see Accounting Policy 4.5). These entities are referred to as “Minor Entities” and are generally funded by a grant from a department, which will form part of the cash limit of the department making this grant.

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

- Gross annual expenditure during the year; and
- Net book value of Property, Plant and Equipment at year end; and
- Level of Net Assets at year end

are all below a designated threshold.

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

- Gross annual expenditure during the year; and
- Net book value of Property, Plant and Equipment at year end; and
- Level of Net Current Assets at year end (excluding Non-Current Assets held for Sale, the current portion of Investments held at Fair Value through Profit or Loss and Currency in Circulation)

for the States of Jersey in the previous financial year.

For 2017, the threshold was therefore £4,136,000 (based on Net Current Assets for 2016).

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 2017, the following are considered to be Minor Entities:

- Government of Jersey London Office
- Jersey Legal Information Board
- Digital Jersey Limited
- Jersey Business Limited
- Jersey Finance Limited
- Visit Jersey Limited
- Jersey Sport Limited

4.40
Social Security Funds Notes

Note A: Statements of Comprehensive Net Expenditure

	2017				
	Social Security Fund	Health Insurance Fund	Social Security Reserve Fund	Long Term Care Fund	Jersey Dental Scheme
	£'000	£'000	£'000	£'000	£'000
Revenue					
Social Security Contributions	(245,180)	(32,948)	-	(19,203)	
States Contributions to Social Security Funds	-	-	-	(31,795)	-
Sales of goods and services	(41)	-	-	-	(89)
Investment income	(196)	(6,250)	(192,540)	(79)	
Other revenue		-	-	-	(96)
Total Revenue	**(245,417)**	**(39,198)**	**(192,540)**	**(51,077)**	**(185)**
Expenditure					
Social Benefit Payments	225,456	28,525	-	44,564	-
Other Operating expenses	5,278	3,378	-	1,368	181
Grants and Subsidies payments	-	-	-	-	-
Depreciation and Amortisation	548	-	-	14	-
Impairments	(5)	9	-	3	-
Finance costs	-	-	-	-	2
Foreign Exchange Gain	-	-	1	-	-
Total Expenditure	**231,277**	**31,912**	**1**	**45,949**	**183**
Net Revenue Expenditure/(Income)	**(14,140)**	**(7,286)**	**(192,539)**	**(5,128)**	**(2)**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	(788)	-	-	-	-
Total Other Comprehensive Income	**(788)**	**-**	**-**	**-**	**-**
Total Comprehensive Expenditure/ (Income)	**(14,928)**	**(7,286)**	**(192,539)**	**(5,128)**	**(2)**

	2016				
	Social Security Fund	Health Insurance Fund	Social Security Reserve Fund	Long Term Care Fund	Jersey Dental Scheme
	£'000	£'000	£'000	£'000	£'000
Revenue					
Social Security Contributions	(238,314)	(31,705)		(18,008)	-
States Contributions to Social Security Funds	-	-	-	(34,320)	-
Sales of goods and services	(62)	-	-	-	(95)
Investment income	(229)	(11,086)	(253,653)	(116)	-
Other revenue	(532)	(43)	-	-	(99)
Total Revenue	**(239,137)**	**(42,834)**	**(253,653)**	**(52,444)**	**(194)**
Expenditure					
Social Benefit Payments	219,094	28,719	-	42,274	-
Other Operating expenses	5,273	3,246	-	1,370	191
Grants and Subsidies payments	-	-	-	-	-
Depreciation and Amortisation	509	-	-	-	-
Impairments	533	208	-	-	-
Finance costs	-	-	-	-	1
Foreign Exchange Gain	-	-	(2)	-	-
Total Expenditure	**225,409**	**32,173**	**(2)**	**43,644**	**192**
Net Revenue Expenditure/(Income)	**(13,728)**	**(10,661)**	**(253,655)**	**(8,800)**	**(2)**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	-	-	-	-	-
Total Other Comprehensive Income	**-**	**-**	**-**	**-**	**-**
Total Comprehensive Expenditure/(Income)	**(13,728)**	**(10,661)**	**(253,655)**	**(8,800)**	**(2)**

Note B: Statements of Financial Position

	31 Dec 2017				
	Social Security Fund	Health Insurance Fund	Social Security Reserve Fund	Long Term Care Fund	Jersey Dental Scheme
	£'000	£'000	£'000	£'000	£'000
Non-Current Assets					
Property, Plant and Equipment	6,955	-	-		-
Intangible Assets	885	-	-	143	-
Investments held at Fair Value through Profit or Loss	-	87,524	1,783,078	16,086	-
Trade and Other Receivables	-		-	920	-
Total Non-Current Assets	**7,840**	**87,524**	**1,783,078**	**17,149**	**-**
Current Assets					
Trade and Other Receivables	37,702	5,257	-	5,149	8
Amounts due from the Consolidated Fund		-	-	-	-
Cash and Cash Equivalents	30,578	-	-	11,722	43
Total Current Assets	**68,280**	**5,257**	**-**	**16,871**	**51**
Total Assets	**76,120**	**92,781**	**1,783,078**	**34,020**	**51**
Current Liabilities					
Trade and Other Payables	(246)	(2,441)	-	(1,280)	(42)
Amounts due to the Consolidated Fund	(3,818)	3,287	(3,486)	(7,630)	-
Total Current Liabilities	**(4,064)**	**846**	**(3,486)**	**(8,910)**	**(42)**
Assets Less Liabilities	**72,056**	**93,627**	**1,779,592**	**25,110**	**9**
Taxpayers' Equity					
Accumulated Revenue and Other Reserves	67,078	93,627	1,779,592	25,110	9
Revaluation Reserve	4,978	-	-	-	-
Total Taxpayers' Equity	**72,056**	**93,627**	**1,779,592**	**25,110**	**9**

	31 Dec 2016				
	Social Security Fund	Health Insurance Fund	Social Security Reserve Fund	Long Term Care Fund	Jersey Dental Scheme
	£'000	£'000	£'000	£'000	£'000
Non-Current Assets					
Property, Plant and Equipment	6,433	-	-	72	-
Intangible Assets	917	-	-	-	-
Investments held at Fair Value through Profit or Loss	-	84,775	1,572,023	10,057	-
Trade and Other Receivables	-	-	-	823	-
Total Non-Current Assets	**7,350**	**84,775**	**1,572,023**	**10,952**	**-**
Current Assets					
Trade and Other Receivables	37,749	5,216	-	4,774	7
Amounts due from the Consolidated Fund		-	-	-	-
Cash and Cash Equivalents	38,068	-	15	4,746	58
Total Current Assets	**75,817**	**5,216**	**15**	**9,520**	**65**
Total Assets	**83,167**	**89,991**	**1,572,038**	**20,472**	**65**
Current Liabilities					
Trade and Other Payables	(418)	(2,413)	-	(217)	(58)
Amounts due to the Consolidated Fund	(10,594)	(1,237)	-	(270)	-
Total Current Liabilities	**(11,012)**	**(3,650)**	**-**	**(487)**	**(58)**
Assets Less Liabilities	**72,155**	**86,341**	**1,572,038**	**19,985**	**7**
Taxpayers' Equity					
Accumulated Revenue and Other Reserves	67,965	86,341	1,572,038	19,985	7
Revaluation Reserve	4,190	-	-	-	-
Total Taxpayers' Equity	**72,155**	**86,341**	**1,572,038**	**19,985**	**7**

4.41
Events after the reporting date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Audit Report in section 3.

On 6 March 2018, the Chief Executive announced the formal response to the rejection of the workforce modernisation offer by the majority of paygroups. The statement confirmed that the States Employment Board approved the withdrawal of the workforce modernisation offer and authorised the States to progress as quickly as possible to settle the 2017 pay deal and negotiate a two-year deal for 2018-19.

The statement confirmed that the workforce modernisation offer for those groups who voted to accept it would be honoured and the remaining workforce modernisation pay groups would be offered the same 2% consolidated pay offer that was made to the non-workforce modernisation groups for the 2017 pay deal with nurses being offered 2.5%.

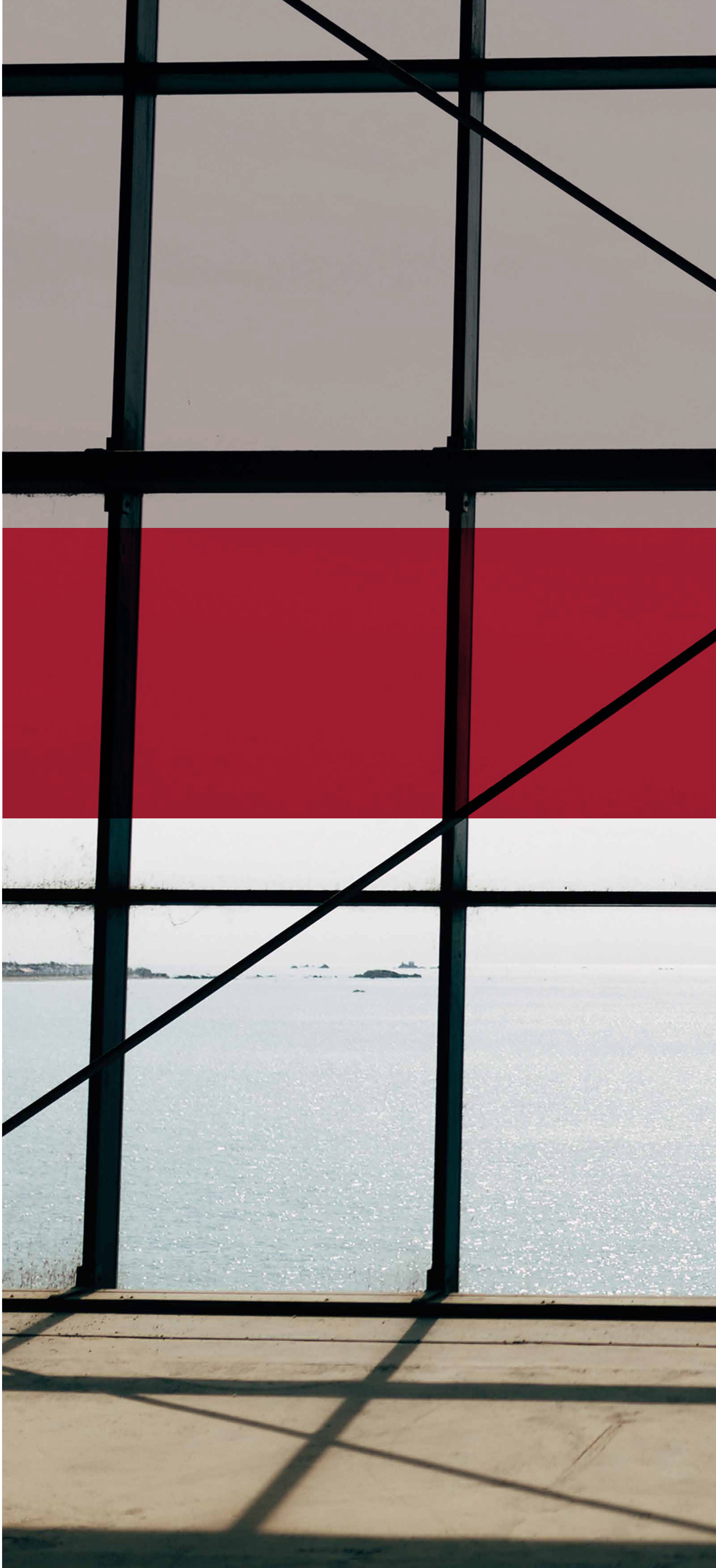
The cost of a 1% pay offer across pay groups had already been recognised in 2017 but this announcement triggered the consideration of whether this constituted an adjusting event in accordance with IAS 10.

The revised offer was determined to be a continuation of negotiations that have been taking place over a length of time preceding the end of the reporting period. As these conditions existed pre year end, the announcement in March has been judged to be an adjusting event.

The cost of the offer is £3.1 million in 2017.

4.42
Publication and distribution of the Annual Report and Accounts

In accordance with the Public Finances (Jersey) Law 2005, the Annual Report and Accounts for the year ended 31 December 2017 have been approved by the Minister for Treasury and Resources and were presented to the States for publication and distribution.



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