

# STATES OF JERSEY



## STATES' EXPENDITURE: CLASSIFICATION IN ACCORDANCE WITH INTERNATIONAL BEST PRACTICE (P.94/2019) – AMENDMENT

---

Lodged au Greffe on 30th September 2019  
by the Minister for Treasury and Resources

---

STATES GREFFE

STATES' EXPENDITURE: CLASSIFICATION IN ACCORDANCE WITH  
INTERNATIONAL BEST PRACTICE (P.94/2019) – AMENDMENT

---

**PAGE 2 –**

For the year “2019” substitute “2020” and for the year “2021” substitute “2022”.

MINISTER FOR TREASURY AND RESOURCES

**Note:** After this amendment, the proposition would read as follows –

**THE STATES are asked to decide whether they are of opinion –**

to request the Minister for Treasury and Resources, working with Statistics Jersey, to require all States' expenditure to be classified in accordance with the United Nations Classification of the Functions of Government system, so that the Annual Accounts of the States of Jersey 2020 and all subsequent government documents presenting financial information (including the Government Plan 2022) classify public spending in accordance with international best practice.

## REPORT

The Minister for Treasury and Resources is prepared to support Deputy R.J. Ward of St. Helier's proposition provided this amendment is adopted by the Assembly. This support is dependent upon an assessment of additional resources required and making those resources available.

The proposition requests the Minister to adopt the Classification of the Functions of Government (COFOG) expenditure analysis as published by the Organisation of Economic Cooperation and Development (OECD) with effect from the 2019 Annual Accounts and for all subsequent financial information reported by the to conform with this classification.

The Minister supports the use of the COFOG analysis, as an additional analysis of expenditure, because this will allow improved decision-making through being able to compare and benchmark the States' allocation of resources to competing services against other nation states within the OECD. For example, use of the COFOG analysis will allow standard ratios to be derived such as spend as a percentage of Gross Domestic Product (GDP) or per head of population across either the ten first level classes of spend or at a more detailed level. This provides a powerful macroeconomic tool to help decision-makers to allocate resources.

For the avoidance of doubt the primary analysis of expenditure in the Annual Report and Accounts and Government Plan will still be by head of expenditure. The COFOG analysis will be presented alongside this, in the same way that the Government Plan 2020-2023 sets out expenditure by Minister and Common Strategic Policy theme.

Whilst the COFOG classification provides a standard classification of expenditure for use by national governments the information may not be directly comparable to other jurisdictions for the following reasons –

- (a) different financial reporting regimes between nations. For example, the States of Jersey, in line with the UK Government, uses International Financial Reporting Standards (IFRS) as the basis for financial reporting, while other nations within the OECD use Public Benefit Entity adapted IFRSs and International Public Sector Accounting Standards (IPSAS) and others still report on a cash receipts and payments basis;
- (b) different definitions of government boundary will determine what is reported and what is omitted.

To implement the COFOG analysis for the 2019 Annual Accounts in October 2019 is very short notice, because the year-end is only 3 months away and preparations have already commenced for closedown and to a tighter timetable than for 2018.

To implement COFOG in an efficient and effective manner, the Treasury and Exchequer Department will need a project plan to –

- (a) review the extent to which current financial reporting can be mapped straight across to the COFOG classifications and where there may be additional work to address gaps or overlaps from the current arrangements; and

- (b) consider the impact for financial reporting systems both for the States itself and the companies which are consolidated into the States Accounts.

With the above in mind, the Minister recommends that implementation of the COFOG analysis is deferred to the 2020 Accounts allowing a project plan to be fully worked up. The analysis is, accordingly, likely to be first available to support preparation (in 2021) of the Government Plan 2022-2025.

### **Financial and manpower implications**

If the Assembly adopts the proposition a detailed assessment of additional resources required will be undertaken. The cost of this assessment will be met from the existing resources of the Treasury and Exchequer Department, provided that the Assembly approves the proposed amount for that head of expenditure in the Government Plan 2020-2023. Following the assessment, additional resources may need to be made available from Reserves or in the Government Plan 2021-2024.