STATES OF JERSEY

JERSEY FINANCIAL REPORTING MANUAL 2021

Presented to the States on 23rd March 2022
by the Minister for Treasury and Resources

STATES GREFFE

Jersey Financial Reporting Manual

2021

(Based on UK FReM 2020-21)

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1 Introduction

1.1 Objectives and scope of the Manual

1.1.1 The Jersey Financial Reporting Manual (JFReM) is the technical accounting guide to the preparation of financial statements for the States of Jersey. It complements guidance on the handling public funds in the Public Finance Manual published separately by the relevant authorities in Jersey. The Manual is based on the UK Treasury Financial Reporting Manual, adapted for States of Jersey specific situations.

1.1.2 Arm's length organisations (ALO's) which are companies should comply with the Companies (Jersey) Law 1991 and should also follow the principles in this Manual and provide the additional disclosures required by the Manual where these go beyond the Companies Act.

However, references are made throughout the manual to the UK Companies Act 2006. Although the States of Jersey is not required to comply with this legislation it has chosen to consider its requirements as best practice and comply with those requirements which it considers relevant.

1.1.3 The JFReM applies directly to:

- All entities ('reported entities'), and to funds, flows of income and expenditure and any other accounts (referred to collectively as 'reportable activities') that are prepared on an accruals basis and consolidated within States of Jersey Consolidated Accounts,

- defined in Chapter 4 whose accounts are required to be consolidated in the accounts of the States of Jersey.

1.1.4 The Manual is kept under constant review. It is updated to reflect developments in international financial reporting standards (IFRS), and, where appropriate, comments received from users. The Manual is available on the States of Jersey website.

This Manual applies EU adopted IFRS and Interpretations in effect for accounting periods commencing on or after 1 January 2020, except for IFRS 16 Leases, which is deferred until 1 January 2023 in the JFReM.

1.1.5 The principles underlying the application of accounting standards set out in this Manual may also be applied to other funds and accounts within the Jersey public sector. The Manual does not, however, consider the accounting requirements of these funds and accounts any further.

1.2 Using the Manual

1.2.1 The Manual provides guidance on the application of IFRS, adapted and interpreted for the public sector context. Preparers of financial statements covered by the requirements of this Manual are reminded that:

a) in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, accounting policies set out in IFRSs need not be applied when the effect of applying them is immaterial;

b) in accordance with IAS 1 *Presentation of Financial Statements*, applying the concept of materiality means that a specific disclosure requirement in a Standard or in an Interpretation need not be satisfied if the information is not material (disclosures should be limited to those necessary for an understanding of the entity's circumstances)[1]; and

c) for the avoidance of doubt, there is no need to develop accounting policies, or provide disclosure notes, in relation to accounting standards that do not apply to the States of Jersey's circumstances or are immaterial. However, additional commentary may be provided if helpful to the user and could be in the accounting policy note or next to an individual disclosure note.

1.2.2 Preparers are further reminded that the format and content of financial statements need to meet the information needs of the users of those financial statements.

1.2.3 Further guidance and examples will be issued by the Group Reporting to assist entities in applying the Financial Reporting Manual.

1.3 Budgetary Controls

1.3.1 Accounting policies are generally common to both accounting and budgeting.

1.3.2 The Public Finances (Jersey) Law 2019 introduced the principle of heads of expenditure that include both revenue and capital expenditure. Budgetary controls do not align with accounting on that basis as there is no longer a concept of capital expenditure in budgetary control; it has been replaced with project expenditure that may be accounted for as capital or revenue.

1.3.3 In selecting relevant accounting policies (see chapter 2), the States should have regard to budgetary and control requirements, but should give paramount importance to the need for financial statements to give a true and fair view.

1.3.4 Preparers of financial statements need to consult with The Treasury before changing significant accounting policies and estimation techniques where it appears that there could be a potential impact on budgets and on the Consolidated Accounts.

1.3.5 Where preparers consider it necessary to adjust retrospectively for changes in accounting policies or material errors, they should first contact the Treasury to ensure that the budgeting and estimates implications have been properly considered.

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[1] In line with IFRS Practice Statement 2: Making Materiality Judgements issued by the IASB September 2017

1.4 Trading funds

1.4.1 Trading funds are established under the Public Finances (Jersey) Law 2019 to engender a market based approach to managing activities. They might also be departments in their own right.

1.5 Reportable activities

1.5.1 Preparers of the financial statements of reportable activities should apply the guidance in this Manual only to the extent that it is relevant to those activities and in the light of any statutory requirements or other pronouncements that might from time to time be made by the relevant authorities.

1.5.2 Appendix 1: *Choosing what to publish and how to publish it* gives support to those considering whether to publish information in the annual report and accounts.

1.5.3 Appendix 2: *Best practice in narrative reporting* gives support to those writing the narrative of the information to be published in the annual report and accounts.

2 Accounting principles

2.1 Application of generally accepted accounting practice

General

2.1.1 The accounting principles contained in this Manual follow generally accepted accounting principles (GAAP) to the extent that it is meaningful and appropriate in the public sector context. Although the term 'GAAP' has no statutory or regulatory authority, for the purposes of this Manual, GAAP is taken to be:

a) the accounting and disclosure requirements of the Companies (Jersey) Law 1991;

b) the accounting and disclosure requirements of the Companies Act 2006 of the United Kingdom (the UK Companies Act) as per paragraph 1.1.1;

c) pronouncements by or endorsed by the International Accounting Standards Board (IASB), including the *Framework for the Preparation and Presentation of Financial Statements*, the accounting standards – international accounting statements (IAS) and international financial reporting standards (IFRS) – and interpretations thereof issued by the Standards Interpretations Committee (SIC) or its successor, the International Financial Reporting Interpretations Committee (IFRIC);

d) the body of accumulated knowledge built up over time and promulgated in (for example) textbooks, technical journals and research papers.

2.1.2 For clarity, pronouncements as described in c) above are as reflected in the 2019-20 Financial Reporting Manual issued by HM Treasury (the 'UK FReM'). The States of Jersey therefore applies all such pronouncements as were relevant and effective at the date of issue of the UK FReM.

2.1.3 For the purposes of accounting by the entities covered by this Manual, GAAP is taken to mean primarily those items listed under (a), (b), and (c) above, interpreted as necessary in the light of the body of accumulated knowledge under (d).

2.1.4 In addition to the general principles underlying GAAP, entities covered by the requirements of this Manual need to apply two additional principles – political accountability and regularity. These principles are explained in the context of the States of Jersey in the separate Public Finance Manual.

Accounting convention

2.1.5 Financial statements should be prepared under the historical cost convention, modified by the revaluation of certain assets and liabilities to fair value as determined by the relevant accounting standards, subject to the interpretations and adaptations of those standards in this Manual.

Practical application of guidance

2.1.6 The following chapters refer to practical guidance on the application of GAAP where the Treasurer of the States feels that such guidance will assist in preparing the financial statements. The Treasurer of the States will provide additional guidance on request.

2.2 Preparation and Presentation of Financial Statements

Legal Responsibility for the preparation of Financial Statements

2.2.1 The Public Finances (Jersey) Law 2019, article 37 states the following:

Annual financial statements

The Treasurer must, within 3 months of the end of a financial year –

(a) prepare a financial statement in respect of the accounts of the States for that financial year; and

(b) send the statement to the Comptroller and Auditor General for auditing.

2.2.2 After the annual report and accounts have been certified by the Comptroller and Auditor General (or other appointed auditor) there is an expectation that they will not be changed prior to laying in the States Assembly. Where an entity wishes to make any change to a certified annual report and account prior to laying in the States Assembly, that entity must first discuss with their external audit team

IASB's Conceptual Framework for Financial Reporting (the Conceptual Framework)

2.2.3 The Conceptual Framework sets out the principles that the IASB believes should underlie the preparation and presentation of general purpose financial statements. In particular, preparers should be familiar with the objective of financial statements, which is to provide financial information about the reporting entity or reportable activity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to it. For the States of Jersey the objective of the financial statements is also to provide information about its financial position, financial performance, changes in financial position and cash flows that is useful to a wide range of users to permit them to assess the stewardship and accountability of management for the resources entrusted to them.

2.2.4 The key users of the information in the financial statements of the States of Jersey are the States Assembly. Other users include the Corporate Strategy Board, the States of Jersey Risk and Audit Committee and the taxpayer.

2.2.5 In presenting information in their financial statements, preparers should also be familiar with the:

- underlying assumption (financial statements shall be prepared on a going concern basis);
- qualitative characteristics of financial statements;
- elements of financial statements;
- recognition of the elements of financial statements; and
- measurement of the elements of financial statements.

2.2.6 The *Conceptual Framework* notes that financial statements cannot meet all the information needs of users, who may need to consider pertinent information from other sources. However, the provision of financial statements that meet the requirements of the States Assembly will also meet most of the needs of other users.

2.2.7 The entities covered by the requirements of this Manual will prepare general purpose financial statements that are sufficient for the needs of the key users. However, where departments are required by the relevant legislation to demonstrate accountability to States Assembly, they should prepare a statement on political accountability, which, within the meaning of the Conceptual Framework, can be regarded as a special purpose financial report.

2.2.8 The *Conceptual Framework* also sets out the principles behind the technical concepts that form the basis for all International Financial Reporting Standards. The Standards interpret these principles into guidance, which takes precedence over the *Conceptual Framework* for entities preparing accounts. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* sets out this relationship and also provides guidance on when and how it is appropriate to refer back to the Framework to develop an accounting policy.

2.2.9 In 2018, the IASB published a revised Conceptual Framework. References to the Framework in IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 have been updated in amendments that are effective for periods beginning on or after 1 January 2020.

Financial statements must give a true and fair view

2.2.10 Financial statements prepared in accordance with the requirements of this Manual:

a) should give a true and fair view of the state of affairs of the States of Jersey at the end of the financial year and of the results for the year; and

b) where, in exceptional circumstances, the Treasurer of the States concludes that compliance with a requirement in the JFReM would be so misleading that it would conflict with the objective of the financial statements set out in the Framework it shall depart from that requirement following the principles set out at paragraphs 20-24 of IAS 1. Particulars of any departure, the reasons for it and its effects should be disclosed in the financial statements.

2.2.11 The Treasurer of the States and Minister for Treasury and Resources should not provide approval unless they are satisfied that the accounts give a true and fair view of the assets, liabilities, financial position and net income or expenditure of the entity, and where relevant, of the group.

2.3 The budgeting system

Reporting performance against budgeting rules

2.2.12 Departments produce monthly budgetary information in Departmental Financial Reports; which is then consolidated into a Government Financial Report. The Statement of Outturn against Approvals is produced for the Annual Report, as part of the Political Accountability Report. (see section 3.2 of this Manual).

3 Political Accountability

3.1 The Statement of Outturn against Approvals

Introduction

3.1.1 This section of the chapter explains the Statement of Outturn against Approvals.

Approvals refer to:

a) amounts of income from taxation intended to be raised approved by the States in the Budget Statement;

b) appropriations to heads of expenditure approved by the States in the Government Plan, after any amendments approved in accordance with the Public Finances (Jersey) Law 2019. Under the Public Finances (Jersey) Law 2019, the approval by the States of a 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 Government Plan.

The Statement of Outturn against Approvals

3.1.2 The Statement of Outturn against Approvals is the States' accountability statement. It reports the following to the States:

a) a comparison of outturn against the approval for each head of expenditure (or equivalent) for both net revenue expenditure, and capital expenditure;

b) a reconciliation of the revenue outturn to net revenue expenditure disclosed in the Statement of Comprehensive Net Expenditure; and

c) a statement showing the unallocated consolidated fund balance at the end of the financial year.

3.1.3 Explanations of variances between the approval and outturn should be given in the Management Commentary and any accompanying reports and information.

The Notes to the Statement of Outturn against Approvals

3.1.4 The Statement of Outturn against Approvals is supported by notes to the statement. The following information must be given in the supporting notes, however some detail may be included as an annex to the supporting notes.

Analysis of net revenue expenditure outturn

3.1.5 This note analyses the net revenue expenditure outturn against approval as follows:

a) Net General Revenue Income by income line as presented in Summary Table 1 of the Government Plan, against the Estimate.

b) Near cash net revenue expenditure outturn for the Consolidated Fund by head of expenditure, comparing the net total outturn for each head of expenditure with the Approval.

c) Non-cash net revenue expenditure outturn for the Consolidated Fund by head of expenditure, comparing the net total outturn for each head of expenditure with the Approval.

d) Net revenue expenditure outturn for each Trading Operation, comparing the net total outturn for each operation with the Estimate.

3.1.6 A brief explanation of the reasons for significant variances between approvals and outturn should be given in the Management Commentary and any accompanying information to the Accounts.

Analysis of project expenditure outturn

3.1.7 This note analyses the project expenditure outturn against approval as follows:

a) Project expenditure outturn for the Consolidated Fund by head of expenditure, comparing the net total outturn for each head of expenditure with the Approval.

b) Project expenditure outturn for Trading Operations by project, comparing the net total outturn for each project with the Estimate.

Other notes relating to Political accountability

3.1.8 In addition to the requirements for notes supporting the Statement of Outturn against Approvals the States should also disclose in notes to the accounts:

a) the names of any public sector bodies outside the group boundary for which the States had lead policy responsibility in the year, together with a description of their status (for example, trading fund or public corporation);

b) a brief description of the nature of material remote contingent liabilities (that is, those that are disclosed under political reporting requirements and not under IAS 37) and, where practical, an estimate of its financial effect;

c) a statement of losses, special and other payments; and

d) gifts made over £10,000.

3.1.9 Departments should note these disclosures will be subject to an audit opinion as described in 5.3.3.

4 Accounting boundaries

4.1 Accounting boundaries

Accounting boundaries

4.1.1 The States of Jersey shall prepare an annual report and consolidated financial statements (as defined in Chapter 5) covering all entities within its accounting boundary.

4.1.2 Arm's length bodies which are companies shall prepare consolidated (as relevant) financial statements in accordance with the requirements of the JFReM, without adaptation and interpretation.

4.1.3 The group boundary is similar to the concept of a group under generally accepted accounting practice, but it is based on direct control principles. The direct control principles which are to be applied when considering whether an entity is within or without the group boundary are when the States, Council of Ministers, a Minister, Corporate Strategy Board or any other state body evidences Direct control:

- By exercising in year control over operating practices, income, expenditure, assets or liabilities of the entity.
- By demonstrating control for the purpose of the Island's affairs, the realisation of value for the States' interests or the management of the States' liabilities shall be considered within the group boundary.
- For the avoidance of doubt, the operation of the Common Investment Fund (the 'CIF') as a State administrated investment pooling arrangement is under the direct control of the States. However, the proportion of the CIF that relates to out of group participant entities shall be recognised as a liability in the States of Jersey consolidated financial statements.

4.1.4 Trust Funds are monies donated or left to the government through citizens wills with their wishes over what these funds are to be used for. The States of Jersey will do its best to ensure these funds available are effectively utilised to satisfy the wishes of the donors. Where the wishes of the donor are unclear or unable to satisfy very specific wishes the State will approach the courts to redirect the funds to the closest possible outcome to the original wish. These trust funds (including bequest funds) that invests into the CIF's pooling arrangement will be treated as out of group participants.

4.1.5 The JFREM considers that it has direct control over the following subsidiary companies and as such they are deemed to be within the group boundary:

- States of Jersey Development Company,
- Andium Homes Limited and
- Ports of Jersey Limited.

4.1.6 Entities which are not under the direct control of the States, Council of Ministers, a Minister, Corporate Strategy Board or any other state body shall not be considered within the group boundary.

4.1.7 The States of Jersey has made the irrevocable election under *IFRS 9: Financial Instruments* to account for the following investment entities, to which the state holds equity instruments for, as fair value through other comprehensive income:

- JT Group Limited;

- Jersey Post International Limited;
- Jersey Electricity plc; and
- The Jersey New Waterworks Company Limited.

These entities are catagorised in the States of Jersey Consolidated accounts as “Strategic Investments”.

4.1.8 There are a number of smaller entities which fall within the accounting boundary of the States of Jersey but which are not consolidated as they are immaterial to the financial statements as whole. These are referred to as "Minor Entities" and comprise:

- Government of Jersey London Office
- Jersey Sport Limited
- Digital Jersey Limited
- Jersey Legal Information Board
- Jersey Business limited
- Bureau des Iles Anglo-Normandes
- Jersey Finance Limited
- Channel Islands Brussels Office
- Visit Jersey Limited

4.1.9 Where one entity has an investment in a second entity that does not meet the criteria for consolidation, it should be treated as an investment in the States of Jersey consolidated financial statements. Investments in other entities should be accounted for following the requirements of IFRS 9: Financial Instruments. This includes all investments in entities classified as Strategic Investments, Associates or Joint Venture.

4.1.10 For the purposes of applying the principles of consolidation, the States of Jersey will be the parent entity in the consolidated financial statements. The States of Jersey will present consolidated financial statements for the entire accounting boundary, and for the core departments in order to meet reporting obligations as detailed in 5.5.3. The financial statements of all entities whose results are to be consolidated will generally have the same accounting reference date. Where a subsidiary has:

- An accounting reference date more than 3 months different to the accounting reference date of the department; and
- The subsidiary is material to the group;

The relevant authority will consider the treatment of the non-coterminous reference dates. In other cases, the entity shall approach the consolidation of subsidiaries with non-coterminous year ends in line with IFRS 10 paras B92-B93.

4.2 Business Combinations

Applicability

4.2.1 IFRS 3 excludes from its scope business combinations involving entities or businesses under common control. Public sector bodies within the States of Jersey accounting boundary are deemed to be under common control. The combination of two or more public sector bodies within the Accounting Boundary into one new body, or the transfer of functions from the responsibility of one part of the public sector to another, will be accounted for as either a Transfer by Merger or as a Transfer by Absorption as detailed below.

4.2.2 For the purposes of this manual, a function is defined as an identifiable business operation with an integrated set of activities and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that business operation.

4.2.3 IFRS 3 applies to all combinations involving an entity or entities within the accounting boundary with an entity outside the Accounting Boundary.

4.2.4 When a business combination has been incorrectly reported by preparers, IAS 8 should be applied in determining whether it is necessary to adjust retrospectively for material errors, as set out in Chapter 2 of this Manual. Any prospective change to an entity's reporting boundary where the business combination is not under common control should apply IFRS 3 in full.

Transfer by Merger or Transfer by Absorption

4.2.5 The accounting treatment for transfers of function under common control should be determined by aligning the reporting with the accountability for financial performance. The underlying objective is to ensure the financial reporting supports the accountability for the transferring function, and to do so in a symmetrical way to ensure there is no transparency gap. As both entities will be within the Accounting Boundary there will be no effect on the consolidated financial statements.

4.2.6 Under a Transfer by Merger, the carrying value of the assets and liabilities of the combining bodies or functions are not adjusted to fair value on consolidation. The results and cash flows of all the combining bodies (or functions) should be brought into the financial statements of the combined body from the beginning of the financial year in which the combination occurred. Restatement of comparatives including that of the results for all the combining bodies (or functions) for the previous period, should be provided in accordance with IAS 1 as interpreted by this manual. Comparatives should be adjusted as necessary to achieve uniformity of accounting policies and consistency of presentation.

4.2.7 Under a Transfer by Absorption the carrying value of the assets and liabilities of the combining bodies or functions are not adjusted to fair value on consolidation. There should be no recognition of goodwill and no restatement of comparatives in the primary financial statements. The recorded amounts of net assets should be brought into the financial statements of the transferee from the date of transfer. The net asset/liability carrying value should be recorded at carrying value. Revaluation reserves should be transferred in full, with the remaining balance transferred to the accumulated reserve.

Disclosure

4.2.8 An entity that receives a transfer of functions should be disclosed in the Accounts and accompanying information that the transfer has taken place (including a brief description of the transferred function), giving the date of the transfer, the name of the transferring body and the effect on the financial statements. Where accounted for as a Transfer by Absorption, the reporting entity should apply judgment as to whether the additional disclosure of historical financial performance of the function should be provided, to enable users to understand the operation performance.

4.2.9 Transfers of function under common control can have a significant impact on the accounts, budgets and Estimates of the transferee if the data pertaining to the assets and liabilities of the transferring function are not accurate. It is in the interests of both the transferor and the transferee to ensure such data are accurate to prevent post-transfer disputes between the two parties.

4.2.10 Both the transferor and the transferee of a business combination under common control should apply a symmetrical accounting treatment for the transfer. A reporting entity that transfers functions to another reporting entity should also provide the same information about the transfer in its financial statements. Entities controlled by a parent entity should provide the necessary information required by the parent entity to meet the requirements set out in paragraphs 4.2.5 to 4.2.7.

Other requirements

4.2.11 Transfers of non-current assets that are not part of a transfer of functions should be transferred at fair value following the fair value measures in IFRS 3. Where a States Decision specifies the value that should be used for such a transfer, this will be used instead (for example the Protocols for the Transfer of assets to and from the States of Jersey Development Company included in P.73/2010).

4.2.12 Any departure from the accounting treatments in 4.2.5 to 4.2.11 must be agreed with the Relevant Authority, and applied symmetrically by the transferor and transferee.

5 Form and content of the annual report and accounts

5.1 Introduction

5.1.1 This chapter sets out the requirements for the format and content of the annual reports and accounts of the States of Jersey, incorporating the entities covered by the requirements of this Manual. The annual report and accounts includes:

a) the Performance Report (section 5.2);

b) the Accountability Report (section 5.3);

c) the Audit Report and the report of the Comptroller and Auditor General (section 5.4); and

d) the Primary Financial Statements and notes (section 5.5).

5.1.2 Reporting entities that comply with this Manual and are not incorporated as companies will apply chapters 4, 5 and 6 of Part 15 of the UK Companies Act 2006, plus associated statutory instruments, with interpretation for the public sector context. The remaining chapters of Part 15 will not apply.

5.1.3 Guidance on the requirements for a Statement of Outturn against Approvals is set out in Chapter 3.

Summary financial information

5.1.4 If the States wishes to publish a document additional to its annual report and accounts that contains supplementary material including summary financial information it should comply with the requirements of Chapter 7, section 426 of Part 15 of the UK Companies Act 2006, as amended by SI1970 (2013). The summary data must not be published in advance of the full annual report and accounts where this summary data refers to audited financial information.

5.2 The Performance Report

Scope of the performance report

5.2.1 The purpose of the performance section of the annual report is to provide information on the entity, its main objectives and strategies and the principal risks that it faces. The requirements of the performance report are based on the matters required to be dealt with in a Strategic Report as set out in Chapter 4A of Part 15 of the UK Companies Act 2006. The requirements of the Companies Act 2006 have been adapted for the public sector context.

5.2.2 The performance report must provide a fair, balance and understandable analysis of the entity’s performance, in line with the overarching requirement for the annual report and accounts as a whole to be fair, balance and understandable (paragraph 5.3.11 of this manual).

5.2.3 Auditors will review the performance report for consistency with other information in the financial statements.

5.2.4 The performance report shall be signed and dated by the Chief Executive Officer.

5.2.5 The performance report is required to have two sections: an ‘Overview’ and a ‘Performance analysis’.

Overview

5.2.6 The purpose of the ‘Overview’ is to give the user a short (no more than 10 to 15 pages) summary that provides them with sufficient information to understand the organisation, its purpose, the key risks to the achievement to of its objectives and how it has performed during the year. The Overview should be enough for the lay user to have no need to look into the rest of the annual report and accounts unless they were interested in further detail or had specific accountability or decision making needs to be met.

5.2.7 As a guide, the Overview should include the below although it could also be captured elsewhere in the Performance Report:

- A short summary explaining the purpose of the overview section;
- A statement from the Minister for Treasury and Resources providing their perspective on the performance of the Government/States of Jersey over the period;
- A statement of the purpose and activities of the Government/States of Jersey including in respect of a brief description of the business model and environment, organisational structure, objectives and strategies;
- The key issues and risks that could affect the Government/States of Jersey in delivering its objectives; and
- A performance summary.

Performance analysis

5.2.8 The purpose of the ‘Performance analysis’ is for entities to provide a detailed performance summary of how their entity measures its performance, more detailed integrated performance analysis and long term expenditure trend analysis where appropriate.

5.2.9 As a minimum, the Performance analysis must include:

- Information on how the entity measures performance i.e. what the entity sees as its key performance measures, how it checks performance against those measures and narrative to explain the link between KPIs, risk and uncertainty;
- A more detailed analysis and explanation of the development and performance of the entity during the year and an explanation of the relationships and linkages between different pieces of information. This analysis is required to utilise a wide range of data including key financial information from the financial statements section of the accounts;
- Non-financial information including, for example, social matters, respect for human rights, anti-corruption and anti-bribery matters; and
- Reporting entities are expected to provide information on environmental matters including the impact of the entity’s business on the environment. Entities must also comply with mandatory sustainability reporting requirements. It is envisaged that such reporting will be integral throughout the annual report and accounts and not a separate standalone report.

5.3 The Accountability Report

Scope of the accountability report

5.3.1 The purpose of the accountability section of the annual report is to meet key accountability requirements to the States Assembly. The requirements of the accountability report are based on the matters required to be dealt with in a Directors' Report, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and Schedule 8 of SI 2008 No 410.

5.3.2 The requirements of the Companies Act 2006 have been adapted for the public sector context and only need to be followed by entities which are not companies to the extent that they are incorporated into this Manual.

5.3.3 Auditors will review the accountability report for consistency with other information in the financial statements and will provide an opinion on the following disclosures which should clearly be identified as audited within the accountability report:

- the Statement of Outturns against Approvals and any supporting notes, including any notes reported in an accompanying report to the financial statements;
- Regularity of expenditure;
- Disclosures of political accountability as detailed in 3.1.8;
- Single total figure of remuneration for each minister and director;
- CETV disclosures for each minister and director;
- Payments to past directors, if relevant;
- Payments for loss of office, if relevant;
- Fair pay disclosures;
- Exit packages, (if relevant); and
- Analysis of staff numbers and costs.

5.3.4 The accountability report shall be signed and dated by the Treasurer of the States.

5.3.5 The accountability report is required to have three sections: a Corporate Governance Report, a Remuneration and Staff Report, and a Political Accountability and Audit Report. The entity should provide a short overview of these sections and explain how they contribute to the entity's accountability to the States Assembly and best practice corporate governance norms and codes.

Corporate governance report

5.3.6 The purpose of the corporate governance report is to explain the composition and organisation of the States' governance structures and how they support the achievement of the States' objectives.

5.3.7 As a minimum, the corporate governance report must include:

- The directors' report;
- The governance statement; and
- Statement of responsibilities

The directors' report

5.3.8 The directors' report must include the following, unless disclosed elsewhere in the annual report and accounts in which a cross-reference may be provided;

a) the ministerial titles and names of all ministers who had responsibility for the State departments during the year;

b) the name of the chief executive unless disclosed elsewhere in the annual report;

c) the composition of the management board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the States during the year. This means those who influence the decisions of the States as a whole rather than the decisions of individual directorates or sections within the reporting entity;

d) details of company directorships and other significant interests held by members of the management board which may conflict with their management responsibilities. Where a Register of Interests is available online, a web link may be provided instead of a detailed disclosure in the annual report; and

e) information on personal data related incidents where these have been formally reported to the information commissioner's office.

For the remainder of the manual, individuals described in bullets b) to c) above are referred to as directors.

Statement of Principal Accountable Officer's responsibilities

5.3.9 The role and functions of the Principal Accountable Officer should be explained in respect of the information reported within the Annual Report and Accounts.

5.3.10 The Treasurer of the States should explain his/her responsibility for preparing the financial statements. The Statement should be positioned as part of the Accountability report.

5.3.11 The Treasurer of the States is required to confirm that, as far as he or she is aware, there is no relevant audit information of which the States of Jersey's auditors are unaware, and the Treasurer of the States has taken all the steps that he or she ought to have taken to make himself or herself aware of any relevant information to establish that the States of Jersey's auditors are aware of that information.

Governance statement

5.3.12 The Chief Executive and the Treasurer of the States shall prepare a Governance Statement. They should refer to guidance in Public Finances Manual and guidance published separately by the Treasurer of the States for Governance Statements. Reference should also be made to the governance structure in place for the States of Jersey.

5.3.13 Accountable Officers of all entities covered by the requirements of this Manual shall prepare a Governance Statement. Entities should refer to guidance in the Public Finances Manual published separately by the Treasurer of the States for Governance Statements. In preparing the statement, the Accountable Officer should reflect the particular circumstances in which the entity operates, and adapt the statement accordingly. These statements should not be included in full in the financial statements but will be kept on record by the Treasury.

5.3.14 The Chief Executive and the Treasurer of the States shall sign and date the Governance Statement.

Remuneration and staff report

5.3.15 The remuneration and staff report sets out the entity's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors and where relevant the link between performance and remuneration.

5.3.16 In addition the report provides details on remuneration and staff that the States Assembly and other users see as key to accountability.

5.3.17 The remuneration and staff report are fundamental to demonstrating transparency and accountability to State Assembly. There is a presumption that information about named individuals will be given in all circumstances and all disclosures in the remuneration report will be consistent with identifiable information of those individuals in the financial statements. However, individuals must be advised in advance of the intention to disclose information about them, with an invitation for sight of the intended information to be published and notification that the individual can object under Article 21 of the General Data Protection Regulation (GDPR).

5.3.18 If a member does not agree to disclosure, the entity must consider whether to accept it. Under such circumstances the GDPR requires the entity to demonstrate compelling legitimate grounds for the disclosure which override the interests, rights and freedoms of the member or for the establishment, exercise or defence of legal claims. Entities are strongly advised to take legal advice in such a case, because a decision not to publish may be challenged under the Freedom of Information Act. Where non-disclosure is agreed, the fact that certain disclosure has been omitted should be disclosed.

Remuneration policy

5.3.19 Entities must disclose their policy on the remuneration of ministers and directors for the current and future years.

Single total figure of remuneration for each minister and director

5.3.20 The States of Jersey Accounts must disclose each component and the overall single total remuneration figure for each minister and director. The components of the single total remuneration figure are:

a) Salaries and allowances – should be disclosed in bands of £5,000. Salary and allowances covers both pensionable and non-pensionable amounts and includes, but may not necessarily be confined to: gross salaries; overtime; recruitment and retention allowances; private-office allowances or other allowances to the extent they are subject to taxation and any severance or ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties;

b) Performance pay or bonuses payable – should be separately reported from salaries, in bands of £5,000;

c) Non-cash benefits – the estimated value of non-cash benefits (benefits in kind) should be disclosed to the nears £100;

d) Accrued pension benefits – employer pension contributions will be used to represent accrued pension benefits. Accrued pension benefits will be disclosed in bands of £5,000.

Pension entitlements for each minister and director

5.3.21 Entities must disclose the pension entitlements for each minister and director. This must include:

- the real increase during the reporting year in the pension and (if applicable) related lump sum at pension age in bands of £5,000;
- the value at the end of the reporting year of the accrued pension and (if applicable) related lump sum at pension age in bands of £5,000;
- the value of the cash equivalent transfer value at the beginning of the reporting year to the nearest £1,000;
- the real increase in the cash equivalent transfer value during the reporting year, to the nearest £1,000; and
- the value of the cash equivalent transfer value at the end of the reporting year to the nearest £1,000.

Compensation on early retirement or loss of office

5.3.22 If a payment for compensation on early retirement for loss of office (paid or receivable) has been made under the terms of legislation or an approved Compensation Scheme, the fact that such a payment has been made should be disclosed, including a description of the compensation payment and details of the total amounts paid (the cost to be used must include any top-up to compensation provided by the employer to buy out the actuarial reduction on an individual's pension). This should include severance payments made to Ministers on loss of office. Ministerial severance should be stated by Minister and include actual and receivable payments.

Payments to past directors

5.3.23 Entities must provide details of any payments made to any person (minister or officials) who was not a director at the time the payment was made, but who had been a director of the entity previously, unless already disclosed within a previous directors' remuneration report, the current year single total remuneration disclosure or within the disclosure of compensation for early retirement or loss of office. Only payments of regular pension benefits which commenced in previous years and payments in respect of employment for the entity other than as a director may be excluded.

Fair pay disclosure

5.3.24 Entities must disclose the following information together with prior year comparatives:

- The median remuneration of the reporting entity's staff. This is based on annualised, full-time equivalent remuneration of all staff (excluding temporary and agency staff) as at the reporting date;
- The range of staff remuneration;
- The ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid director; and
- An explanation for any significant changes in the ratio between the current and prior year.

Staff report

5.3.25 The staff report must include the following information:

a) Number of senior civil service staff (or equivalent);

b) Staff numbers and costs – an analysis of staff costs and numbers distinguishing between:

- Staff in a permanent employment contract;
- Other staff engaged on objectives of the States, such as short-term contract staff or agency/temporary staff. Where the number of staff under any one subset of "other staff" is significant, that subset should be separately disclosed; and

c) Staff composition – including an analysis of the number of persons of each sex who were directors, senior civil servants (or equivalent) and employees;

d) Staff policies applied during the financial year:

- For giving full and fair consideration to applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities;
- For continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company;
- Otherwise for the training, career development and promotion of disabled persons employed by the company.

e) Other employee matters – such as, other diversity issues and equal treatment in employment and occupation; employment issues including employee consultation and/or participation; health and safety at work; trade union relationships; and human capital management such as career management and employability, pay policy etc.;

f) Expenditure on consultancy;

g) Exit packages; and

h) States member's remuneration.

Political accountability Report

5.3.26 The political accountability report brings together the key political accountability documents with the annual report and accounts. It comprises:

a) Statement of Outturn against Approvals and supporting notes;

b) Regularity of expenditure; and

c) Political accountability disclosures as detailed in 3.1.8.

5.3.27 The requirements for a) and c) are detailed in Chapter 3.

5.4 The Audit Report and the report of the Comptroller and Auditor General

5.4.1 The financial statements laid before the States shall include the report issued by the auditors appointed by the Comptroller and Auditor General, the certificate of the Comptroller and Auditor General and any report by the C&AG under Article 12(3) of the Comptroller and Auditor General (Jersey) Law 2014.

5.5 Primary Financial Statements and notes

Introduction

5.5.1 This section of the chapter provides guidance on the format and content of the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows, together with the relevant notes. This section sets requirements based on the UK Companies and details adaptations and interpretations of the following accounting standards that provide guidance on the formats of, and disclosures in, financial statements:

IAS *1 Presentation of Financial Statements*;

IAS *7 Statement of Cash Flows*;

IAS 10 *Events after the Reporting Period*;

IAS 24 *Related Party Disclosures*; and

IFRS 8 *Operating Segments*.

5.5.2 Other accounting standards, which are dealt with in other chapters of this Manual, might include disclosure requirements. Unless indicated otherwise, those disclosure requirements apply in full.

5.5.3 Where group accounts are prepared IAS 1 is interpreted to require that the financial statements provide two columns, one showing the core entities and the other showing the group as a whole, where core entities are those subject to a regularity audit opinion and the entire group being all those within the group boundary for accounting purposes. Only the Statement of Comprehensive Net Expenditure shall be split in this way.

Statement of Comprehensive Net Expenditure

5.5.4 IAS 1 requires entities to prepare a Statement of Comprehensive Income. This manual adapts IAS 1 as set out below

5.5.5 The States of Jersey shall prepare a Statement of Comprehensive Net Expenditure. Row headings should be based on material sources of income and expenditure.

Statement of Financial Position

5.5.6 IAS 1 requires entities to prepare a Statement of Financial Position and provides guidance on the minimum presentation required on the face of the statement of financial position.

5.5.7 The Statement of Financial Position must be signed by the Treasurer of the States.

Statement of Cash Flows

5.5.8 IAS 7 sets out the requirements for the format of the Statement of Cash Flows.

5.5.9 In reconciling the operating expenditure to operating cash flows, entities should exclude movements in debtors and creditors relating to items that do not pass through the Statement of Comprehensive Net Expenditure.

5.5.10 In analysing capital expenditure and financial investment, entities should adjust for debtors and creditors relating to capital expenditure and those relating to loans issued to or repaid by other entities in the accounting boundary.

5.5.11 In analysing financing, departments should adjust for debtors and creditors relating to the capital expenditure in respect of finance leases and on-balance sheet PFI contracts.

Statement of Changes in Equity

5.5.12 IAS 1 requires entities to prepare a Statement of Changes in Equity. IAS 1 is interpreted for the public sector context such that the States of Jersey is required to present a Statement of Changes in Taxpayers' Equity following the format in IAS 1.

5.5.13 The financing of public sector entities is ultimately tax-based and an IAS 1-based notion of capital does not apply.

Notes to the accounts

5.5.14 The notes to the financial statements provide additional detail to users on the accounting policies of the entity and the numbers included in the core financial statements. Notes should only be included where additional information is material, i.e. where its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. In the public sector context, materiality can be by nature and contest as well as in value, and the decisions of users can be of a non-economic nature. Notes are not required where the information is immaterial to the user and this manual clearly notes that disclosures should be limited to those necessary for an understanding of the entity's circumstances. Entities should refer to the disclosure requirements in the International Financial Reporting Standards unless adaptations and interpretations are detailed below.

Accounting policies

5.5.15 The Group's accounting policies are attached as Appendix 4: Accounting Policies. Accounting policies are rules and guidelines that have been selected by the States of Jersey for use in preparing and presenting its financial statements. Accounting policies are important, as they set a framework, which all group entities follow, and provide comparable and consistent standard financial statements across years and relative to other governments.

5.5.16 The notes to the accounts must include a statement that the accounts have been prepared in accordance with International Financial Reporting Standards as adapted and interpreted by this Manual. Significant accounting policies should be disclosed particularly in the event of a change in policy or in relation to a material item. The accounting policy for a particular item within the financial statements may be disclosed within the note for that item. Where an entity considers that additional information on accounting policies is necessary to assist users then this should be included in the accounting policies note or next to an individual disclosure note.

Operating Segments

5.5.17 IFRS 8 applies in full to all entities within scope of this Manual. Entities should provide an analysis of their operating segments, products and services, the geographical areas in which they operate, and their major customers in accordance with the requirements of IFRS 8.

Expenditure

5.5.18 Entities should provide an analysis of expenditure as recorded in the Statement of Comprehensive Net Expenditure in separate notes to the financial statements. This should include service charges under PFI contracts, the individual components of non-cash items, and an analysis of other significant expenditure items. A brief summary of staff costs should also be included with a reference to more detailed disclosures (per 5.3.25b) in the Accountability Report.

Cash and cash equivalents

5.5.19 Entities shall disclose the opening position, the change in balances and the closing position separately for cash and cash equivalents.

Financial instruments

5.5.20 Where the entity is exposed to material financial instrument risk the relevant IFRS 7 disclosures should be made. Particular emphasis should be placed on considering appropriate disclosure requirements relating to significant credit risk from receivables.

Commitments under PFI contracts

5.5.21 Commitments under Private Finance Initiative (PFI) contracts will need to be disclosed. The Treasurer of the States will provide advice on a case by case basis.

Information about related undertakings

5.5.22 If not disclosed elsewhere in the annual report and accounts, entities shall disclose the name of each of its subsidiaries, or provide a web link to where this information is available.

Third party assets

5.5.23 These are assets for which an entity acts as custodian or trustee but in which neither the entity nor government more generally has a direct beneficial interest. Third party assets are not public assets, and should not be recorded in the primary financial statements. Material third party assets should be disclosed. Where significant, the note should differentiate between:

a) third party monies and listed securities: the minimum level of numerical disclosure required is a statement of closing balances at financial year-end. For listed securities, this will be the total market value. Optionally, when considered significant by the entity and at its discretion, further disclosures may be made, including gross inflows and outflows in the year and the number and types of securities held;

b) third party physical assets and unlisted securities: disclosure may be by way of narrative note. For physical assets, the note should provide information on the asset categories involved. Such disclosure should be sufficient to give users of the financial statements an understanding of the extent to which third-party physical assets and unlisted securities are held by the entity; and

c) in the event that third party monies are found to have been in a public bank account at the end of an accounting year, commentary should be included in the note on cash at bank and in hand and in the disclosures above on the amount of third party monies held in the bank account.

Grants and subsidies payments

5.5.24 A note should analyse all grants and subsidies payments by entity. It should categorise all grants/subsidies, and should separately disclose grants/subsidies of £75,000 or more to any individual/organisation in the year. In the rare instances where disclosure of this detailed information would seriously prejudice the position of the States of Jersey, a general disclosure should be made, together with a reason why the detailed information has not been disclosed.

Trade and other receivables

5.5.25 Entities shall analyse trade and other receivables by type (as appropriate) as set out below:

a) Income Tax Receivables and Accrued Income;

b) GST Receivable and Accrued Income;

c) Provision for taxation receivables;

d) Trade receivables;

e) Contract assets

f) Prepayments and accrued income;

g) Other Receivables;

h) Provision for non-taxation debtors; and

Trade and other payables

5.5.26 The consolidated financial statements shall analyse payables by type (as appropriate) as set out below:

a) Trade payables;

b) Contract liabilities

c) Other payables;

d) Income Tax receipts in advance

e) Accruals and deferred income;

f) Receipts in advance

g) Other headings as appropriate.

Currency in circulation

5.5.27 A note should disclose the States liability in relation to currency in circulation, split between currency and coinage, including the balances held by the States of Jersey.

Entities within the departmental boundary

5.5.28 The States of Jersey should disclose in a note to the accounts a list of entities within the accounting boundary.

5.5.29 A note including a Statement of Net Comprehensive Expenditure and Statement of Financial Position for each of the Social Security Fund, Health Insurance Fund, Social Security (Reserve) Fund, Long Term Care Fund and Jersey Dental Scheme should also be included.

6 Applicability of accounting standards

6.1 EU adopted IFRS

6.1.1 A list of EU adopted IFRS is shown in Table 6.1, together with a record or whether they have been adapted or interpreted for the public sector context in this Manual. All standards apply to all reportable activities and reporting entities applying this Manual to the extent that each standard is relevant to those activities and in the light of any statutory requirements or other pronouncements that might from time to time be made by the Treasurer of the States.

Table 6.1

International Standard	Applies without adaptation	Applies as interpreted for public sector	Applies as adapted for public sector
IFRS 1 First-time Adoption of IFRS		●	
IFRS 2 Share-based Payments	●		
IFRS 3 Business Combinations		●	
IFRS 4 Insurance Contracts	●		
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations		●	
IFRS 6 Mineral Resources	●		
IFRS 7 Financial Instruments: Disclosures	●		
IFRS 8 Operating Segments	●		
IFRS 9 Financial Instruments		●	
IFRS 10 Consolidated Financial Statements			●
IFRS 11 Joint Arrangements			●
IFRS 12 Disclosure of Interests in Other Entities			●
IFRS 13 Fair Value Measurement[2]	●		
IFRS 15 Revenue from Contracts with Customers		●	●
IFRS 16 Leases			
IAS 1 Presentation of Financial Statements		●	
IAS 2 Inventories		●	

[2] Although IFRS 13 is applied without adaptation, IAS 16 and IAS 38 have been adapted and interpreted for the public sector context to limit the circumstances in which a valuation is prepared under IFRS 13. For further details see Table 6.2

International Standard	Applies without adaptation	Applies as interpreted for public sector	Applies as adapted for public sector
IAS 7 Statement of Cash Flows		●	
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	●		
IAS 10 Events after the Reporting Period		●	
IAS 11 Construction Contracts	●		
IAS 12 Income Taxes	●		
IAS 16 Property, Plant and Equipment		●	●
IAS 17 Leases	●		
IAS 18 Revenue	●		
IAS 19 Employee Benefits		●	
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance		●	
IAS 21 The Effects of Changes in Foreign Exchange Rates		●	
IAS 23 Borrowing Costs		●	
IAS 24 Related Party Disclosures		●	●
IAS 26 Accounting and Reporting by Retirement Benefit Plans		●	●
IAS 27 Separate Financial Statements			●
IAS 28 Investments in Associates and Joint Ventures			●
IAS 29 Financial Reporting in Hyperinflationary Economies		●	
IAS 32 Financial Instruments: Disclosure and Presentation		●	
IAS 33 Earnings per Share	●		
IAS 34 Interim Financial Reporting	●		
IAS 36 Impairment of Assets		●	●
IAS 37 Provisions, Contingent Liabilities and Contingent Assets		●	●
IAS 38 Intangible Assets			●
IAS 39 Financial Instruments: Recognition and Measurement		●	
IAS 40 Investment Property		●	
IAS 41 Agriculture	●		

6.2 Interpretations and adaptations for the public sector context

6.2.1 Table 6.2 provides details of those adaptations and interpretations for the public sector context. Where an adaptation or interpretation to a standard results in an inconsistency with a related Interpretation issued by the IFRS Interpretations Committee (IFRIC) or Standards Interpretations Committee (SIC), the Interpretation is similarly adapted or interpreted. In all other cases, IFRIC and SIC Interpretations will apply in full.

Table 6.2

IFRS 1 First-time Adoption of International Financial Reporting Standards	
Interpretations	This Manual requires financial statements to be prepared under the historical cost convention, modified by the revaluation of assets and liabilities to fair value as determined by the relevant account standard, and so the elections available in IFRS 1.16, 17 and 18 are not relevant.
IFRS 3 Business Combinations	
Interpretations	IFRS 3 excludes from its scope business combinations involving entities or businesses under common control. Public sector bodies within the States of Jersey accounting boundary are deemed to be under common control. Therefore IFRS applies only to combinations involving an entity or entities within the accounting boundary with an entity outside the accounting boundary. **Chapter 4 provides guidance on the accounting for a combination of two or more public sector bodies into one new body, or the transfer of functions from the responsibility of one part of the public sector to another.**
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations	
Interpretations	(1) In order to qualify as 'discontinued operations', the activities must cease completely: that is, responsibilities transferred from one part of the public sector to another are not discontinued operations.
IFRS 8 Operating Segments	
Interpretation	The Financial Report and Accounts and accompanying information includes a large amount of detailed information relating to the departments, funds and other entities included within them. This information in a lot of cases exceeds that required by the standard, and so a summarised segmental analysis may be provided with reference to other parts of the Financial Report and Accounts including the accompanying information. The States will report any further segmental information required by IFRS 8 that is regularly reviewed by senior management as per 5.3.8 a) to c).
IFRS 9 Financial Instruments	
Interpretation	1) 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 financial instrument discount rate set by HM Treasury (promulgated in PES papers) as applied to the flows expressed in current prices. 2) The accounting policy choice allowed under IFRS 9 which allows entities upon transition to restate prior periods if, and only if, it is possible without the use of hindsight has been withdrawn. All entities applying this Manual shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application.

	3) The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying this Manual should utilise IFRS 9's simplified approach to impairment for relevant assets. 4) The accounting policy choice allowed under IFRS 9 which allows entities to either continue to apply the hedge accounting requirements of IAS 39 (until the macro hedging project is finalised) or to apply IFRS 9 has been withdrawn. All entities applying this Manual should apply IFRS 9 hedge accounting requirements (with the scope exception only for fair value macro hedges of interest rate risk).
IFRS 10 Consolidated Financial Statements	
Adaptations	The group boundary is similar to the concept of a group under generally accepted accounting practice, but it is based on direct control and not on strategic control. Direct control will 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. **Chapter 4 provides guidance on the departmental accounting boundary and application of consolidation standards.**
IFRS 11 Joint Arrangements	
Adaptations	Where one entity has an investment in a second entity that does not meet the criteria for consolidation, it should be treated as an investment in the States of Jersey consolidated financial statements. Investments in other entities should be accounted for following the requirements of IAS 39. **Chapter 4 provides guidance on the departmental accounting boundary and application of consolidation standards.**
IFRS 12 Disclosure in Interests of Other Entities	
Adaptations	Disclosures of interests in other entities will be subject to the adaptations for departments and agencies to IFRS 10, IFRS 11, IAS 27 and IAS 28. **Chapter 4 provides guidance on the departmental accounting boundary and application of consolidation standards.**
IFRS 15 Revenue from Contracts with Customers	
Adaptations	Where by statute or Treasury consent, an entity is permitted to retain the revenue from taxation, fines and penalties, this revenue shall be treated as arising from a contract and accounted for under IFRS 15 (15a). However, where entities receive revenue through taxation, fines and penalties which is wholly non-refundable and leads to no obligations, entities are not required to wait until all, or substantially all, of the promised revenue has been received to recognise the revenue. In these instances entities should recognise revenue when an equivalent to a taxable event has occurred, the revenue can be measured reliably, and it is probable that the assisted economic benefits from the taxable event will flow to the collecting entity. All these elements are required to be satisfied.
Interpretations	Upon transition, the following accounting policy choice to retrospectively restate in accordance with IAS 8 has been withdrawn. All entities applying the FReM shall recognise the difference between the previous carrying amount and the carrying amount at the beginning on the annual reporting period that includes the date of initial application in the opening general fund within taxpayers' equity (or other component of equity, as appropriate) per IFRS 15 C3(b). In using this transition approach The election to apply this Standard retrospectively only to contracts that are not completed contracts at the date of initial application should be exercised.

<table>
<tr><th colspan="2">IAS 1 Presentation of Financial Statements</th></tr>
<tr><td>Interpretations</td><td>
(1) References to 'present fairly' and to 'fair presentation' should be read to mean 'give a true and fair view' and 'truthful and fair presentation' to comply with the requirements of the UK Companies Act 2006.
(2) In addition to naming the legislative authority for producing the accounts, the notes to the accounts shall disclose the basis of preparation of the financial statements as being in accordance with this Manual as follows:
“The financial statements have been prepared in accordance with the States of Jersey Financial Reporting Manual (JFReM) issued by Treasurer of the States in order to meet the requirements of the Public Finances (Jersey) Law 2005/2019. The accounting policies contained in the JFReM apply International Financial Reporting Standards as adapted or interpreted for the public sector in Jersey. The JFReM applicable to the [financial year] financial year is based on the UK Financial Reporting Manual for the UK financial year ending 31 March [year].
Where the JFReM permits a choice of accounting policy, the accounting policy which is 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 particular policies adopted the States of Jersey are described below. They have been applied consistently in dealing with items that are considered material to the accounts.”
(3) Going concern is interpreted for the public sector context
• for non-trading entities, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern. However, a trading entity needs to consider whether it is appropriate to continue to prepare its financial statements on a going concern basis where it is being, or is likely to be, wound up, and
• Where an entity ceases to exist, it should consider whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern for the final set of financial statements.
• If an entity considers that its accounts should not be prepared in accordance with the going concern principle it should provide an explanation to the Treasurer of the States in advance of making the change.
• If a non-departmental entity has adopted the going concern basis of accounting where this might be called into doubt, for example where there are significant net liabilities, they must provide an explanation to the Treasurer of the States of why they consider that this approach is appropriate.
(4) IAS 1 requires entities to prepare a Statement of Comprehensive Income. The States of Jersey shall prepare a Statement of Comprehensive Net Expenditure.
(5) The financing of public sector entities is ultimately tax-based and an IAS 1-based notion of capital does not apply to many of them. Capital disclosures should be given only where this is appropriate to the States of Jersey.
(6) The flexibility provided in IAS 1 to select the order of presentation of line items on the Statement of Financial Position and to present on a liquidity basis is withdrawn.
Chapter 5 provides application guidance on the form and content of the annual report and accounts and additional reporting requirements.
</td></tr>
<tr><th colspan="2">IAS 2 Inventories</th></tr>
</table>

Interpretations	In addition to the types of inventories identified in IAS 2, central government has categories of inventories for which IAS 2 may not adequately cover the accounting treatment. **Chapter 5 provides guidance on the treatment of stockpile goods and military reserve inventories; confiscated, seized and forfeited property; and goods held under price support programmes.**
IAS 10 Events after the Reporting Period	
Interpretations	The date of the Accountable Officer's authorisation for issue of the financial statements of the reporting entities covered by this Manual is normally the same as the date of the Certificate and Report of the Comptroller and Auditor General. The date of authorisation for issue must be included in the Annual Report and Accounts, but not on the title page.
IAS 16 Property, Plant and Equipment	
Adaptations	IAS 16 is adapted to specify the following valuation bases for property, plant and equipment: - Assets which are held for their service potential (i.e. operational assets) and are in use should be measured at current value in existing use. For non-specialised assets current value in existing use should be interpreted as market value for existing use. In the RICS Red Book, this is defined as Existing Use Value (EUV). For specialised assets current value in existing use should be interpreted as the present value of the asset's remaining service potential. - Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use as above if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the entity could access the market then the surplus asset should be valued at fair value using IFRS 13. - Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where such assets are surplus and do not fall within the scope of IFRS 5 or IAS 40, they should be valued at fair value applying IFRS 13.
Interpretations	(1) All tangible non-current assets shall be carried at fair value at the reporting date – that is, the option given in IAS 16 to measure at cost has been withdrawn, as has the option to value only certain classes of assets. (2) It is not necessary to disclose the historical cost carrying amounts (where available). **Chapter 5 provides additional guidance on asset valuations and additional interpretations for applying IAS 16 to heritage assets. Further application guidance on accounting for heritage assets, networked assets and PPP arrangements, including PFI is included in chapter 7. Further guidance of capital accounting is provided in the Capital Accounting Manual.**
IAS 19 Employee Benefits	
Interpretations	(1) Recognition of pension schemes: Public Employees Pension Fund (PEPF) and Jersey Teachers Superannuation Fund (JTSF) The PEPF comprises a final-salary section known as the Public Employees Contributory Retirement Scheme (PECRS) and a career average section known as the Public Employees' Pension Scheme (PEPS).

	Whilst the schemes characterise the benefits that members can receive, they are not conventional defined benefit schemes as the employer is not responsible for meeting any past service deficiency in the schemes. Regulations and communications to scheme members clearly state that benefits are dependent on the financial position of the pension funds remaining satisfactory – they are not guaranteed. If there is a deficit in the funds, employee benefits may be reduced in order to bring the funds back to a balanced position. Whilst employer contributions *could* be increased to meet scheme deficits, the possibility is considered remote and within the employer's control with an employers contribution cap in legislation in the case of PEPF. The characteristics of the schemes leave them open to interpretation against the definitions in IAS 19. Based on the limitations to employer liabilities identified above, IAS 19 is being interpreted to recognised these schemes as defined contribution schemes. (2) IAS 19 requires the present value of defined benefit obligations (and, if applicable) the fair value of the plan's assets to be determined with sufficient regularity that the amounts recognised in the financial statements do not differ materially from those determined at the reporting period date. This shall be interpreted to mean that the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years. Acceptable approximations shall include adjusting full valuation results using the latest available membership data. (3) Voluntary early retirements under scheme rules will be discounted at the pensions rate and not at the provisions rate.
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	
Interpretations	(1) The option provided in IAS 20 to offset a grant for acquisitions of an asset against the cost of the asset has been withdrawn. (2) The option provided in IAS 20 to defer grant income relating to an asset is restricted to income where the funder imposes a condition. Where assets are financed by government grant or donation, the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure. To defer this income, a condition imposed by the funder must be: a requirement that the future economic benefits embodied in the grant/donation are consumed as specified by the grantor/donor or must be returned to them, e.g. a grant that is conditional on the construction of an asset. (3) A grant, contribution or donated asset may be received subject to a condition that it be returned to the transferor if a specified future event does or does not occur (for example, a grant may need to be returned if the entity ceases to use the asset purchased with that grant for a purpose specified by the transferor). In these cases, a return obligation does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such conditions do not prevent the grant, contribution or donated asset being recognised as income in the Statement of Comprehensive Net Expenditure.
IAS 21 The Effects of Changes in Foreign Exchange Rates	
Interpretations	The presentational currency will be the same as the functional currency i.e. pounds sterling.
IAS 23 Borrowing Costs	

Interpretations	Borrowing costs in respect of qualifying assets held at fair value shall be expensed.
IAS 24 Related Party Disclosures	
Interpretations	(1) For the purposes of IAS 24.9(a), the related party will be one of those defined in paragraph 5.3.8 plus assistant ministers. (2) The requirement to disclose the compensation paid to management, expense allowances and similar items paid in the ordinary course of an entity's operations will be satisfied by the disclosures made in the notes to the accounts and in the Remuneration Report. (3) For clarity, transactions between key management personnel and the government in respect of statutory payments such as taxation, duties and contributions are outside of the remit for this disclosure and will not be reported. (4) In considering materiality, regard should be had to the definition in IAS 1, which requires materiality to be judged "in the surrounding circumstances". Materiality should thus be judged from the viewpoint of both the entity and the related party.
IAS 26 Accounting and Reporting by Retirement Benefit Plans	
Adaptations	IAS 26 does not apply to forms of employment benefit other than retirement benefits. However, where schemes currently report separately transactions relating to termination benefits (also known as early departure costs or compensation payments) they should continue to do so. The treatment of such costs will depend on whether the scheme acts as a principal or an agent, and whether or not the early departure costs (however described) are regarded as retirement benefits and included within the pension provision.
IAS 27 Separate Financial Statements	
Adaptations	The presentation of separate, non-consolidated financial statements will only be applied in full if the investment has not been designated for consolidation.
IAS 28 Investments in Associates	
Adaptations	Where a department has an investment in a public sector entity that has not been designated for consolidation, it should be reported following the requirements of IAS 39. **Chapter 4 provides guidance on the departmental accounting boundary and application of consolidation standards.**
IAS 29 Financial Reporting in Hyperinflationary Economies	
Interpretations	As all entities covered by the JFReM have a functional currency of pounds sterling, the Treasurer of the States will notify classification of the economy as hyperinflationary if appropriate.
IAS 36 Impairments of Assets	
Adaptations	References in IAS 36 to the recognition of an impairment loss of a revalued asset being treated as a revaluation decrease to the extent that the impairment does not exceed the amount in the revaluation surplus for the same asset, are adapted such that only those impairment losses that do not result from a clear consumption of economic benefit or reduction of service potential (including as a result of loss or damage resulting from normal business operations) should be taken to the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit should be taken to the Statement of Comprehensive Net Expenditure.
Interpretations	Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. **Chapter 7 provides additional guidance on the classification of impairments and application guidance.**

IAS 37 Provisions, Contingent Liabilities and Contingent Assets	
Interpretations	(1) Where the cash flows to be discounted are expressed in current prices, entities should use the real discount rates set by the Treasurer of the States. (2) Two specific past service liabilities are recognised on the States of Jersey's Statement of Financial Position; • The PECRS Pre-1987 liability has been agreed in Regulations made in exercise of powers contained in the Public Employees (Retirement) (Jersey) Law 1967 and is revalued annually using an actuary based on relevant input assumptions. • The JTSF Pre-2007 liability has not been set out in legislation yet but is also revalued annually using an actuary based on a simple interest rate increase offset by contributions made during the year. Both liabilities are serviced by an agreed proportion of the overall contributions paid in to the schemes with the precise mechanism for valuing and repaying the JTSF subject to agreement by the Management Board and employer. **Chapter 3 details additional requirements for remote obligations outside the scope of IAS 37 to be reported to the States.**
IAS 38 Intangible Assets	
Interpretations	Following the initial recognition of an intangible asset, for subsequent measurement IAS 38 permits the use of either the cost or revaluation model for each class of intangible asset. Where an active (homogenous) market exists, intangible assets should be carried at fair value at the reporting period date – that is, the cost option given in IAS 38 has been withdrawn. Where no active market exists, entities should revalue the asset, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the asset should be valued used depreciated replacement cost. These measures are a proxy for fair value.
IAS 39 Financial Instruments: Recognition and Measurement	
Interpretations	(1) Any financial instrument that is not held in furtherance of the entity's objectives but is held on behalf of government more generally should be accounted for in a separate Trust Statement. Entities should discuss such cases with the Treasurer of the States. (2) Special or 'golden' shares, being those shares retained in businesses that have been privatised but in which the department wishes to retain a regulatory interest or reserve power, should not be recognised in the Statement of Financial Position. (3) 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 financial instrument discount rate set by the Treasurer of the States as applied to the flows expressed in current prices.
IAS 40 Investment Properties	
Interpretations	All investment property should be accounted for under the fair value model – that is, the option given in IAS 40 to adopt the cost model has been withdrawn. IAS 40 applies in full to all reporting entities covered by this Manual that hold (or are constructing or developing) properties only for the purpose of earning rentals or for capital appreciation or both. If earning rentals were an outcome of a regeneration policy, for example, the properties concerned would be accounted for under IAS 16 and not IAS 40.

7 Further guidance on accounting for assets and liabilities

7.1 Property, plant and equipment

Valuations (excluding networked assets, donated assets and heritage assets)

7.1.1 In considering how best to apply the valuation requirements of IAS 16 so as to ensure that the Statement of Financial Position gives a true and fair view of the value of the assets at the reporting date, entities should consider the following guidance on property and non-property assets. The flowchart at the end of this section will assist in determining the appropriate accounting treatment of PPE excluding networked assets, donated assets and heritage assets. (More detailed guidance is available in the Capital Accounting Manual).

7.1.2 Entities should value their property using the most appropriate valuation methodology. Such methods might include:

- a quinquennial valuation supplemented by either annual indexation or regular desktop valuation update;
- a quinquennial valuation supplemented by an interim professional valuation in year 3;
- annual valuations;
- a rolling programme of valuations; or
- for non property assets only, appropriate indices.

7.1.3 It is for valuers, using the Royal Institution of Chartered Surveyors; (RICS) 'Red Book' (RICS Valuation – Professional Standards), and following discussions with the entity, to determine the most appropriate methodology for obtaining a fair value.

7.1.4 Assets which are held for their service potential (i.e. operational assets used to deliver either front line services or back office functions) should be measured at their current value in existing use. For non-specialised assets current value in existing use should be interpreted as market value in existing use which is defined in the RICS Red Book as Existing Use Value (EUV). For specialised assets current value in existing use should be interpreted as the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

7.1.5 Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use as per paragraph 7.1.15 if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the entity could access the market then the surplus asset should be valued at fair value under IFRS 13.

7.1.6 In determining whether an asset which is not in use is surplus, management should assess whether there is a clear plan to bring the asset back into future use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise, the asset should be assessed as surplus and valued under IFRS 13.

7.1.7 Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale.

7.1.8 Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and should be valued at fair value using IFRS 13.

7.1.9 Where a valuer, following discussion with the entity, determined that depreciated replacement cost (DRC) is the most appropriate, entities and their valuers should have regard to the guidance contained in the most recent RICS Red Book.

7.1.10 Where DRC is used as the valuation methodology:

- entities should normally value a modern equivalent asset in line with the Red Book;
- entities should use the 'instant build' approach;
- the choice of an alternative site will normally hinge on the policy in respect of the locational requirements of the service that is being provided.

7.1.11 The cost of enhancements to existing assets (such as building of a new wing within an existing prison) should be capitalised during the construction phase as an asset under construction. At the first valuation after the asset is brought into use, any write down of cost should be treated as an impairment and charged to the Statement of Comprehensive Net Expenditure.

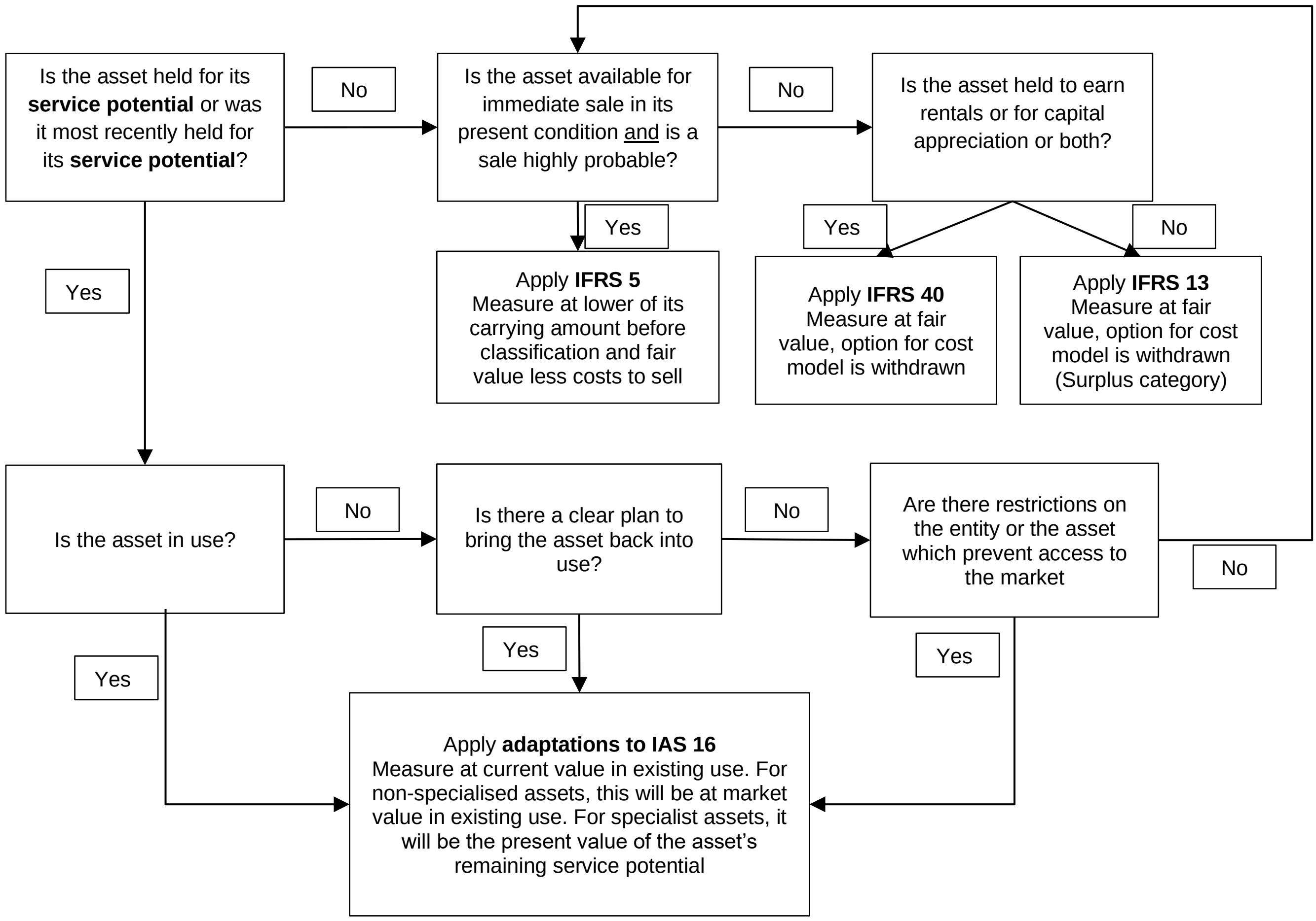
7.1.12 The States of Jersey should:

- disclose in the accounting policies note the fact that assets are carried at fair value. Entities should also provide information about the approach to valuing their estates, including a statement (where applicable) that alternative sites have been used in DRC valuations;
- disclose in the notes on tangible non-current assets: the date of the last valuations of those property assets that are subject to revaluation, and the names and qualifications of the valuer; and
- discuss in the Management Commentary, where they hold extensive estates: their estate management strategy; the indicative alternative use values provided by the valuer as part of the routine valuation work, and what those alternative use values mean.

7.1.13 As part of the Property, Plant and Equipment note entities are required, in the year the asset is acquired, to separately disclose the fair value of those assets funded by capital grant or donation. Where the funder provides cash, rather than the physical assets, any difference between the cash provided and the fair value of the assets acquired should also be disclosed.

7.1.14 Entities may elect to adopt a depreciated historical cost basis as a proxy for fair value for assets that have short useful lives or low values (or both). For depreciated historical cost to be considered as a proxy for fair value, the useful life must be a realistic reflection of the life of the asset and the depreciation method used must provide a realistic reflection of the consumption of that asset class. If depreciated historical cost is used as a proxy for current value in existing use or fair value then this fact should be disclosed, including the classes of assets where it has been used (where appropriate), the reasons why, and information about any significant estimation techniques (where applicable).

Flowchart of valuation for property, plant and equipment (excluding networked assets, donated assets and heritage assets)



Networked assets

7.1.15 Networked assets comprise assets that form part of an integrated network servicing a significant geographical area. These assets usually display some or all of the following characteristics:

- they are part of a system or network;
- they are specialised in nature and do not have alternative uses;
- they are immovable; and
- they may be subject to constraints on disposal.

Examples of networked assets include road networks, sewer systems and sea defences.

The road network

7.1.16 Land, Structures and Communications will be accounted for following the guidance in IAS 16.

7.1.17 The road surface asset will be recognised as a single asset following the additional guidance in this manual.

7.1.18 The road surface asset will be held at depreciated replacement cost based on service potential.

7.1.19 Subsequent expenditure on the road surface will be capitalised where it enhances or replaces the service potential. Spending that does not replace or enhance service potential will be expensed.

7.1.20 The annual depreciation charge for the road surface will be the value of the service potential replaced through the maintenance programme plus, or minus, any adjustment resulting from the annual condition survey. The value of maintenance work undertaken will be used as an indication of the value of the replaced part. Where the condition survey show that deterioration in the road surface exceeds the service potential replaced by the maintenance programme the additional deterioration will be taken to the Statement of Comprehensive Net Expenditure as part of the depreciation charge. Where the condition survey shows that deterioration in the road surface is less than the service potential replaced by the maintenance programme the depreciation charge will be reduced by the excess maintenance.

7.1.21 The road surface will be subject to annual valuations as measured by suitable indices. Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Downward movements in value will be set against any credit balance held in the revaluation reserve until this credit is exhausted and thereafter to net operating expenditure.

7.1.22 The road surface will be subject to an annual impairment review. Impairments will be recognised as required by IAS 36 Impairment of Assets as applied by the manual (see section 7.2).

Other Infrastructure

7.1.23 The road accounting methodology detailed above should also be used for the foul and surface water sewerage system and the sea defences network. Where entities hold other networked assets the road surface accounting methodology detailed above may be used where it is appropriate to do so. However approval to use the road surface methodology should first be obtained from Treasurer of the States.

Donated assets

7.1.24 Assets donated by third parties (see also paragraph 7.1.30 on asset transfers), either by gift of the asset or by way of funds to acquire assets should be capitalised at current value in existing use or fair value on receipt depending on whether the assets will be held for their service potential and as set out in paragraphs 7.1.4 to 7.1.7. The funding element should be recognised as income as required by IAS 20 as interpreted in this Manual.

7.1.25 To qualify for treatment as a donated asset there should be no consideration given in return.

7.1.26 Donated assets do not include:

a) assets financed by States of Jersey Funds;

b) the subsequent capitalised expenditure on a donated asset which is capitalised;

c) assets constructed or contributed to by a developer to benefit the developer's business;

d) assets accepted in lieu of tax.

7.1.27 The assets listed in 7.1.26 should be accounted for in accordance with IAS 16 in the same way as other assets of that general type.

7.1.28 Donated assets should be revalued, depreciated and subject to impairment review in the same way as other non-current assets.

7.1.29 Details of any restrictions or conditions imposed by the donor on the use of the donated asset should be disclosed in a note to the financial statements.

Asset transfers

7.1.30 Entities may give or receive assets to/from another public sector body (including public sector bodies not covered by the requirements of this Manual) for no consideration. Assets acquired in this way will normally be recognised in accordance with IAS 20 as interpreted in this Manual. Entities should consult the Treasurer of the States before entering into such a transaction.

Heritage assets

Definition

7.1.31 A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of the heritage. Non-operational assets are those that are held primarily for this purpose. Operational heritage assets are those that, in addition to being held for their characteristics as part of the nation's heritage, are also used by the reporting entity for other activities or to provide other services (the most common example being buildings).

7.1.32 The entity holding the asset should attest annually to the ongoing heritage credentials of its heritage assets. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, museum and gallery collections and works of art.

7.1.33 In principle, heritage assets should be accounted for in the same way as any other asset under IAS 16. There are, however, certain characteristics associated with heritage assets that give rise to the need for interpretation of IAS 16:

a) Their value to government and the public in cultural, environmental, educational and historical terms is unlikely to be fully reflected in a financial value derived from a market mechanism or price.

b) Established custom and, in many cases, primary statute and trustee obligations impose prohibitions or severe restrictions on disposal by sale.

c) They are often irreplaceable and their value may increase over time even if their physical condition deteriorates.

d) They may require significant maintenance expenditure so that they can continue to be enjoyed by future generations.

e) Their life might be measured in hundreds of years.

f) Antiques and other works of arts held by reporting entities outside the main collections should be classified as heritage assets only when they fulfil the above requirements. Otherwise, antiques and other works of art should be accounted for in the same way as other assets.

Recognition and measurement

7.1.34 Operational heritage assets should be valued in the same way as other assets of that general type (buildings, for example).

7.1.35 Non-operational heritage assets should be valued subject to the requirements set out in paragraphs 7.1.36 to 7.1.39 below.

7.1.36 Where information is available on the cost or fair value of heritage assets:

(i) they should be presented in the Statement of Financial Position separately from other tangible assets;

(ii) the Statement of Financial Position or the notes to the accounts should identify separately those classes of heritage assets being reported at cost and those at fair value; and

(iii) changes in the valuation should be recognised in the Other Comprehensive Expenditure section of the Statement of Comprehensive Net Expenditure, except impairment losses that should be recognised in accordance with section 7.2 of this Manual.

7.1.37 The accounting convention in this manual is to recognise non-current assets at either current value in existing use or fair value but, where exceptionally, it is not practicable to obtain a fair value, the heritage assets may be reported at historical cost.

7.1.38 Where assets have previously been capitalised or are recently purchased, information on their cost or fair value will be available. Where this information is not available, and cannot be obtained at a cost commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Statement of Financial Position and the disclosure required by this manual should be made.

7.1.39 Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are reported at valuation, the carrying amount should be reviewed with sufficient frequency to ensure the valuations remain current.

Depreciation and impairment

7.1.40 Depreciation is not required on heritage assets which have indefinite lives.

7.1.41 The carrying amount of an asset should be reviewed where there is evidence of impairment, for example, where it has suffered physical deterioration or breakage or new doubts arise as to its authenticity. Any impairment recognised should be dealt with in accordance with the recognition and measurement requirements of IAS 36 *Impairment of Assets* in section 7.2.

Donations

7.1.42 The receipt of donations of heritage assets should be recognised as income and taken through the Statement of Comprehensive Net Expenditure where there are no conditions specifically relating to the operating activities of the entity or recognised as deferred income in the Statement of Financial Position. Where exceptionally, it is not practicable to obtain a valuation for a donated heritage asset, the reasons why should be stated. Disclosures should also be provided on the nature and extent of significant donations.

Disclosures

7.1.43 The disclosures required for heritage assets are set out below and apply to all heritage assets:

a) The States of Jersey's financial statements should contain an indication of the nature and scale of heritage assets held by the entity;

b) The financial statements should set out the States' policy for the acquisition, preservation, management and disposal of heritage assets. This should include a description of the records maintained by the States of its collection of heritage assets and information on the extent to which access to the assets is permitted. The information required by this paragraph may alternatively be provided in a document that is cross-referenced from the financial statements;

c) The accounting policies adopted for the States' holding of heritage assets should be stated, including details of the measurement bases used;

d) For heritage assets that are not reported in the Statement of Financial Position, the reasons why should be explained and the notes to the financial statements should explain the significance and nature of those assets that are not reported in the Statement of Financial Position; and

e) The disclosures relating to assets that are not reported in the Statement of Financial Position should aim to ensure that, when read in the context of information about capitalised assets, the financial statements provide useful and relevant information about the entity's overall holding of heritage assets.

7.1.44 Where heritage assets are reported in the Statement of Financial Position, the following should be disclosed:

(i) the carrying amount of heritage assets at the beginning of the financial period and at the Statement of Financial Position date, including an analysis between those classes or groups of heritage assets that are reported at cost and those that are reported at valuation; and

(ii) where assets are reported at valuation, sufficient information to assist in an understanding of the valuations being reported and their significance.

This should include:

a) the date of the valuation;

b) the methods used to produce the valuation;

c) whether the valuation was carried out by external valuers and, where this is the case, the valuer's name and professional qualification, if any; and

d) any significant limitations on the valuation.

7.1.45 An example of a limitation to be disclosed under paragraph 7.1.44 (ii) d) would be where an asset has a particular provenance, the effect of which is not fully captured by valuation.

7.1.46 Information that is available to the entity and is helpful in assessing the value of those heritage assets that are not reported in the entity's Statement of Financial Position should be disclosed.

7.1.47 The financial statements should contain a summary of transactions relating to heritage assets disclosing, for the accounting period and each of the previous four accounting periods:

a) the cost of acquisitions of heritage assets;

b) the value of heritage assets acquired by donation;

c) the carrying amount of heritage assets disposed of in the period and the proceeds received; and

d) any impairment recognised in the period.

This summary should show separately transactions in assets that are reported in the Statement of Financial Position and those that are not.

7.1.48 The disclosures required by paragraphs 7.1.43 to 7.1.47 may be presented in aggregate for groups or classes of heritage assets provided this aggregation does not obscure significant information. Separate disclosures should be provided for those assets reported at cost and those reported at valuation. Amounts in respect of assets that are not reported in the Statement of Financial Position should not be aggregated with amounts for assets that are recognised at cost or valuation.

Accounting for Public-Private Partnership (PPP) arrangements, including Private Finance Initiative (PFI) contracts, under IFRS

7.1.49 This section of the Manual deals with the accounting treatment of PPP arrangements, including PFI contracts, that meet the definition of service concession arrangements in IFRIC 12 Service Concession Arrangements. To be within the scope of IFRIC 12, the service concession arrangement must contractually oblige the private sector operator to provide the services related to the infrastructure to the public on behalf of the grantor (the public sector) (IFRIC 12.3). Contracts that do not involve the transfer or creation of an infrastructure asset for the purpose of the contract fall outside the scope of IFRIC 12, as do arrangements that do not involve the delivery of services to the public. Examples of infrastructure for public services are: roads, bridges, tunnels, prisons, hospitals, airports, water distribution facilities, telecommunication networks, permanent installations for military etc. operations, and non-current assets used for administrative purposes in delivering services to the public.

7.1.50 The private sector operator will apply IFRIC 12 to those arrangements where:

e) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and

f) the grantor controls – through beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where the infrastructure asset is used for its entire useful life, and there is little or no residual interest, the arrangement would fall within the scope of IFRIC 12 where the grantor controls or regulates the services as described in the first condition (see also IFRIC 12.6). Significant residual interest will exist where the grantor is contractually required to purchase the infrastructure asset at the end of the term of the arrangement.

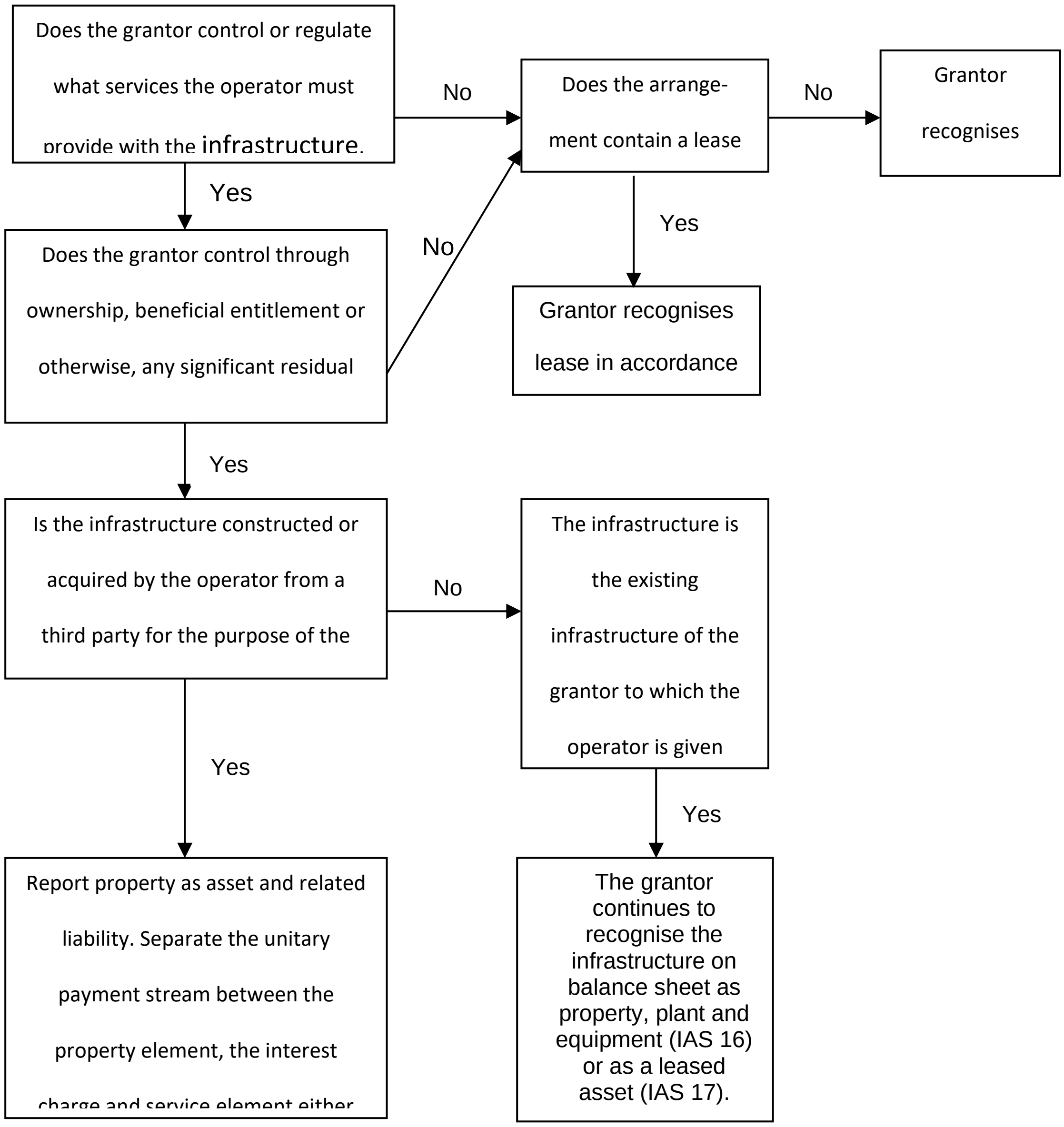
7.1.51 IFRIC 12 (Application Guidance paragraph 3) notes that, in determining the applicability of the first condition, non-substantive features (such as price capping that would apply only in remote circumstances) should be ignored and the substance of the arrangement considered.

7.1.52 IFRIC 12, including the Appendices, Information Notes, Illustrative Examples and Basis for Conclusions, provides guidance on how to apply IFRS to service concession arrangements. IFRIC 12 does not create exceptions from other IFRS for transactions that are within service concession arrangements, other than as specifically stated in IFRIC 12. Issues not addressed explicitly in this section of the Manual should be resolved by reference to other IFRS. IFRIC 12 applies to:

- arrangements where the infrastructure is used for its entire useful life;
- infrastructure that the operator constructs or acquires from a third party; and
- infrastructure that the grantor provides to the operator for the purpose of the concession.

IFRIC 12 does not specify the accounting for infrastructure that was held and recognised as an asset by the operator prior to entering the arrangement (IFRIC 12.6-8). This is because the operator would de-recognise the asset under IAS 16. Paragraph 7.1.48 interprets IFRIC 12 for the public sector by including an asset previously owned by the operator within the criteria for recognising the arrangement as a service concession. The flowchart overleaf will assist in determining the appropriate accounting treatment of PPP arrangements, including PFI contracts by public sector grantors.

Flowchart of accounting for PPP arrangements



Initial recognition and measurement of assets and liabilities in new arrangements and contracts

7.1.53 Where there is infrastructure, whether previously owned by the contractor or the grantor, or constructed or acquired from a third party for the purpose of the service arrangement, and the grantor:

g) Controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and

h) Controls through beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement (or there is no residual interest), then the PPP arrangement or PFI contract is a service concession within the meaning of IFRIC 12 from the grantor's viewpoint.

7.1.54 The grantor should recognise the infrastructure as a non-current asset and value it in the same way as other non-current assets of that generic type. The asset will be recognised when:

a) it is probable that future economic benefits associated with the asset will flow to the organisation; and

b) the cost of the asset can be measured reliably.

The grantor should consider the asset recognition criteria, together with the specific terms and conditions of the binding arrangement, when determining whether to recognise the service concession asset during the period in which the asset is constructed or developed. If the asset recognition criteria have been met a work-in-progress service concession asset and associated liability should be recognised. If not and the grantor makes contributions to the operator in advance of the asset coming into use, the grantor should account for those payments as prepayments.

Subsequent measurement

7.1.55 The asset will be measured in one of two ways:

a) where the contract is separable between the service element, the interest charge and the infrastructure asset (see also paragraph 7.1.56), the asset will be initially measured following the guidance in IAS 17, with the service element and the interest charge recognised as incurred over the term of the concession arrangement (the subsequent measurement should be subject to the guidance of IAS 16); or

b) where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques as set out in paragraph 7.1.57.

7.1.56 The grantor should separate out the service, interest and infrastructure elements. A contract may be separable in a variety of circumstances, including but not limited to the following:

a) the contract identifies an element of a payment stream that varies according to the availability of the property itself and another element that varies according to usage or performance of certain services;

b) different parts of the contract run for different periods or can be terminated separately. For example, an individual service element can be terminated without affecting the continuation of the rest of the contract; or

c) different parts of the contract can be renegotiated separately. For example, a service element is market tested and some or all of the cost increases or reductions are passed on to the grantor in such a way that the part of the payment by the grantor that relates specifically to that service can be identified.

7.1.57 In situations where it is not possible to separate the contract due to commercial reality, the service element of the payments must be estimated, which could be achieved by obtaining information from the operator or by using the fair value approach. The fair value of the asset determines the amount to be recorded as an asset with an offsetting liability. The total unitary payment is then divided into three: the service charge element, repayment of the capital element of the contract obligation and the interest expense on it (using the interest rate implicit in the contract).

7.1.58 For both existing and new contracts, where it is not practicable to determine the interest rate implicit in the contract, the grantor shall use its cost of capital rate (including inflation). It is expected that this situation would be rare. The rate should not be changed unless the infrastructure element or the whole of the contract is renegotiated.

7.1.59 Under either approach, the grantor will recognise a liability for the capital value of the contract. That liability does not include the interest charge and service elements, which are expensed annually to the Statement of Comprehensive Net Expenditure.

7.1.60 Entities should adopt an appropriate asset revaluation approach as set out earlier in this chapter. Liabilities will be measured using the appropriate discount rate, taking account of the reduction arising from the capital payments included in the unitary payment stream.

7.1.61 Revenue received under any revenue sharing provision in the service concession arrangement should be recognised when all the conditions as laid down in IAS 18 have been satisfied.

7.1.62 The grantor should recognise any guarantees to the operator that it will meet any shortfalls in revenue or repay the debt if the operator defaults in line with the requirements of IAS 32 and IAS 39.

7.1.63 The grantor should derecognise a non-current asset provided to the operator (and not used in the arrangement) and recognise any consideration received at fair value. If the consideration received is in the form of a reduction in future payments, this should be recognised as an asset representing a reduction in the future liability (normally as a prepayment).

Disclosure

7.1.64 The disclosure requirements in respect of PPP arrangements, including PFI contracts, are set out in chapter 5 of this manual.

7.2 Impairments

7.2.1 Where the carrying amount of an asset exceeds its recoverable amount departments will recognise an impairment loss. Departments need to establish whether any of the impairment loss is as a result of:

- Consumption of economic benefit or reduction in service potential, or;
- A change in market price.

7.2.2 A fall in value relating to a consumption of economic benefit or reduction in service potential is always taken to the SoCNE. A fall in value relating to changes in market price should first be offset against a revaluation reserve for the asset in question if there is one, and once that element of the reserve is exhausted the fall in value should be taken to the SoCNE.

7.2.3 Examples of impairments resulting from a consumption of economic benefit or reduction in service potential include losses as a result of loss or damage, abandonment of projects, gold plating and use of the asset for a lower specification purpose.

7.2.4 In preparation for planned changes to the States of Jersey budgeting regime, entities are required to classify impairments on the following basis: certain impairments will score as Departmental Expenditure Limit (DEL) and others as Annually Managed Expenditure (AME). The budgeting treatment does not influence the accounting treatment, but entities might wish to consider whether information about the type and cause of impairment could usefully be included in the relevant notes to the accounts. Impairment categories are defined below.

7.2.5 Where an asset has been impaired due to a clear consumption of economic benefit or reduction in service potential, any balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the general fund. This ensures that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had the FReM adaptation of IAS 36 not been applied

7.2.6 7.3.6 The capitalised development expenditure that is directly linked to a tangible noncurrent asset should be impaired only where the tangible non-current asset becomes impaired. Where the intangible asset relates to a group of tangible non-current assets, any impairment will be charged only where the entire group is impaired and will be proportionate to the impairment of the group of tangible assets.

7.3 Inventories

7.3.1 In addition to the types of inventories identified in IAS 2, the States has categories of inventories for which IAS 2 may not adequately cover the accounting treatment.

<u>Stockpile goods</u>

7.3.2 Stockpile goods may be defined as strategic materials held for use in national defence and national emergencies. They can be further categorised as:

d) non-current assets, which should be accounted for in the same way as other assets of the same type; or

e) other non-deteriorable and deteriorable inventories. Other inventories should be accounted for under IAS 2.

<u>Confiscated, seized and forfeited property</u>

7.3.3 Seized assets should be recognised at current value when legal ownership is transferred to the States of Jersey. Assets that are held before the point at which legal ownership has been transferred should be treated as third party assets.

7.3.4 The proceeds of items sold to satisfy outstanding tax liabilities, net of sale expenses, should be treated in the same way as other taxation receipts.

<u>Goods held under price support and stabilisation programmes (intervention stocks)</u>

7.3.5 Intervention buying is a method of supporting market prices for certain agricultural commodities. Purchased stocks are valued at cost, adjusted by any depreciation or revaluation to bring them into line with market values.

<u>Unissued Currency</u>

7.3.6 Unissued Currency should be recognised at cost.

Inventories held for distribution at no/nominal charge and inventories held for consumption in the production process of goods to be distributed at no/nominal charge

7.3.7 Inventories held for distribution at no/nominal charge and inventories held for consumption in the production process of goods to be distributed at no/nominal charge should be measured at the lower of cost and current replacement cost.

7.3.8 A public sector entity may hold inventories whose future economic benefits or service potential are not directly related to their ability to generate net cash inflows. These types of inventories may arise when the public sector entity has determined to distribute certain goods at no charge or for a nominal amount. In these cases, the future economic benefits or service potential of the inventory for financial reporting purposes is reflected by the amount the entity would need to pay to acquire the economic benefits or service potential if this was necessary to achieve the objectives of the entity. Where the economic benefits or service potential cannot be acquired in the market, an estimate of replacement cost will need to be made.

8 Further guidance on accounting for income and expenditure

8.1 Income

Operating and non-operating income

8.1.1 Operating income is any income generated by an entity in pursuit of its activities (generally referred to as fees and charges) or as part of managing its affairs (examples include rents, interest and dividends receivable). Proceeds arising from the sale of investments and non-current assets are accounted for as non-operating income.

Retainable and non-retainable income

8.1.2 All income should be recognised in the Statement of Comprehensive Net Expenditure. Only income that can be retained and set against resource or capital budgets should be recorded in the Statement of Outturn against Approvals.

Taxes and duties

8.1.3 Taxes and duties are economic benefits compulsorily paid or payable to public sector entities, in accordance with laws and regulations established to provide revenue to the government, excluding fines or other penalties imposed for breaches of laws or regulations.

8.1.4 In preparing their financial statements, entities will not recognise or measure the “tax gap”. The “tax gap” is defined as the difference between the hypothetical amounts of revenue due, based on data on economic activity, and revenue receivable. Revenues receivable include both the tax yield from compliant taxpayers and estimates of amounts expected to be paid from non-compliant, but known, taxpayers. Where taxes and duties are material, a statement should be included in the accounting policies note that the “tax gap” is not recognised in the financial statements.

8.1.5 Where taxes and duties are recognised on an accrual basis, they will be measured at the fair value of the consideration received or receivable, net of repayments. Revenue is recognised when a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to the collecting entity. All these elements are required to be satisfied. In the case of personal income tax, taxation income will be recognised on an accruals basis based on a reliable estimate. Companies tax will be recognised in the year company tax returns are due based on completed assessments, returns by companies where assessments are not complete or appropriate estimates of their liability in the absence of a return.

Fines and penalties

8.1.6 Fines and penalties are economic benefits paid or payable to government for breaches of laws or regulations where there is a statutory obligation to pay.

8.1.7 Fines and penalties are recognised at the time that the fine or penalty is imposed and becomes receivable by the entity. Where, on appeal, or for other legal reasons, the penalty is cancelled, the amount receivable is derecognised at the date of the successful appeal. Where a financial penalty is imposed, but with an alternative of a non-financial penalty, the financial penalty is recognised initially, but is derecognised when (and if) the option of the non-financial penalty is taken up.

8.1.8 Where fines and penalties are uncollectible or, for policy reasons, (other than the imposition of an alternative penalty), the entity decides that it is inappropriate to pursue collection, the amounts not collected are recorded as an expense. The amounts not collectible are estimated from the most appropriate data available to the entity.

Non-exchange income

8.1.9 IFRS 15 does not apply to non-exchange transactions such as taxation, fines and penalties. These transactions are covered in IFRS 15 paragraph 15. It states that when a contract with a customer does not meet the criteria in IFRS 15 paragraph 9 and an entity receives consideration from the customer, the entity shall recognise the consideration received as revenue only when either of the following events has occurred:

- the entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable; or

- the contract has been terminated and the consideration received from the customer is non-refundable

Non-exchange income will be accounted for on an accruals basis, provided that a reasonable estimate of that income can be determined.

8.1.10 For the sake of clarity, the following types of income will be classified as non-exchange income, and accounted for in the following way:

Revenue type	Recognition point
Social Security Contributions, Long-term Care Contributions and Personal income tax	Accrued for in the year the assessable income is earned.
Corporation tax	Year after assessable income is earned based on company returns.
Goods and Services Tax (GST) and Stamp Duty	Accrued for in the year the taxable activity occurs.
Impôts Duties	When the goods are landed in Jersey.
Island rates	Accrued in the year the Island Rates are charged for on a calendar year basis. Income is recognised in the period for which the rates are charged.
Fines and penalties	Accrued for when the fines and penalties are imposed.

Earned through operations

8.1.11 Revenue from sale of goods and services is measured based on the fair value of the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The States recognises revenue when it transfers control over a product or service to a customer. Grants and similar financing for capital items, to the extent that they have not been eliminated on consolidation, are recognised immediately in the Consolidated Statement of Comprehensive Net Expenditure unless it is likely that the grant will need to be repaid, in which case the grant is deferred in the Statement of Financial Position.

Presentation

8.1.13 Where revenue from taxes, duties fines and penalties is material to the entity, it shall prepare a trust statement containing details of the material income, expenditure, assets, liabilities and cash flows detailed in a Statement of Revenue, Other Income and Expenditure, a Statement of Financial Position and a Statement of Cash Flows, together with supporting notes to those primary statements, to give a true and fair view of the statement of affairs relating to the collection and allocation of taxes, duties fines and penalties and any other revenues and related expenditure.

8.1.14 Where revenue from taxes, duties, fines and penalties is not material to the entity, it need not prepare the trust statement set out in the preceding paragraph, but may do so if it provides a clearer interpretation of the state of affairs. Where the entity does not produce the statements in the preceding paragraph, it shall set out in a note to the accounts details of the amounts collected and surrendered or otherwise expended (but shall not include them in its statement of income and expenditure) and of the amounts receivable and payable at the end of the reporting period.

Disclosures

8.1.15 An entity shall disclose:

- in the notes to the trust statement, the main accounting policies, estimates and judgements used to assess tax income, expenditure, assets and liabilities, including any provision created in respect of tax, fines or penalties deemed uncollectible;
- in the notes to the trust statement, a statement of those taxes reported on an accruals basis and those on a cash basis; and
- any additional supporting information which might aid the understanding of users of the accounts. This will include the following where material:
    - Details of fraud, evasion and error;
    - Accounting estimates of accrued tax revenue; and
    - Credit risk disclosures relating to debt write-offs, remissions and overdue debt.

8.2 Expenditure

Grant expenditure

8.2.1 Expenditure in respect of grants or subsidy claims should be recognised in financial statements at the time of the underlying event or activity that gives rise to a liability.

Insurance claims

8.2.2 Expenditure that is subject to an insurance claim should be recorded gross in the accounts. Any receipt from insurers should be shown as income.

Appendix 1 - Choosing what to publish and how to publish it

1 Choosing what to publish and how to publish it

1.1 Figures 1 and 2 give a two-part decision tree to support those considering whether to publish additional information in the annual report and accounts. The set of questions in Figure 1 help determine whether information should be published, and those in Figure 2 help determine whether a given report is the right place for that publication.

1.2 When deciding whether to include information in the Performance Report and Accountability Report, the States of Jersey must consider whether the information is material to the primary users of the annual report and accounts and determine the appropriate level of information to disclose in relation to the given matter. As noted in section 2.2.3 of the JFReM, the primary users of government annual reports and accounts are the States Assembly.

1.3 Information is material if its omission or misrepresentation could reasonably be expected to influence the decisions primary users take on the basis of the annual report as a whole. As a general principle the States of Jersey should disclose material financial and non-financial information in the annual report and accounts that is necessary for the understanding of the performance and accountability of the entity irrespective of whether there is an explicit disclosure requirement in statute or in this Manual.

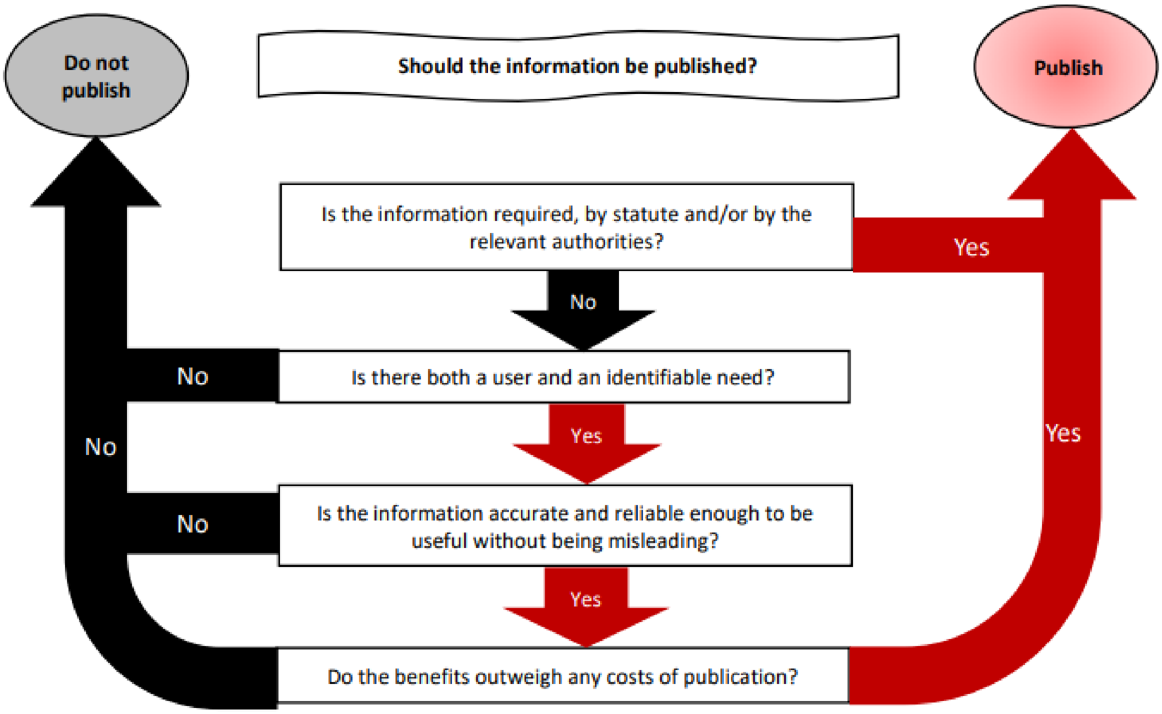


Figure 1: Disclosure decision tree part 1.

1.4 Due to the nature of the information contained in the Performance Report and Accountability Report, qualitative factors will often have a greater influence on what is material in the context of these reports, particularly in relation to nonfinancial information.

1.5 The States of Jersey may consider the following questions when deciding whether information is material:

- What types of information are likely to influence the decisions of the primary users of the annual report and accounts?

- For any given matter, what is the appropriate context for assessing materiality?
- When do non-financial issues become qualitatively material?

1.6 The use of terms such as ‘to the extent necessary for an understanding of’ or ‘principal’ mean materiality judgements can be made to disclosure requirements.

1.7 For example, para 5.3.24 of this Manual sets out the minimum disclosure requirements for the Staff Report to be included in the States of Jersey annual report. Materiality cannot be applied to these requirements and must be included. The States of Jersey can apply materiality judgements to determine what risks are material to understanding the performance of the Group.

1.8 As per Figure 1 above, there are exceptional cases where information is not accurate or reliable and should not be reported. Where relevant, the governance statement should acknowledge this and identify the steps that are being taken to improve data collection and disclosure, as well when reliable data will be made available.

2 How you present what you publish

2.1 Transparency, and therefore accountability, depends not just on how much data is published but on how it is turned into information that readers can understand. Making reports longer can make them unreadable and obscure information which is material to the primary users of the accounts. Too much information can be difficult to absorb, and as unhelpful or misleading as too little information would be.

2.2 Though an annual report contains information which has differing objectives, the entity should aim to present the annual report as a cohesive document and link related information together. Where information relevant in one part of the annual report and accounts is included elsewhere in the annual report and accounts, the entity should use cross-refencing and avoid duplicating information. Where cross referencing is used, the entity may wish to explain the nature of the relationship or interdependency, rather than just highlighting the existence of the relationship or interdependency.

2.3 The annual report should highlight and explain linkages between pieces of information presented within the annual report and accounts. While each component of the annual report is independently useful, more valuable insight can be provided where linkages between information in the annual report and accounts is explained.

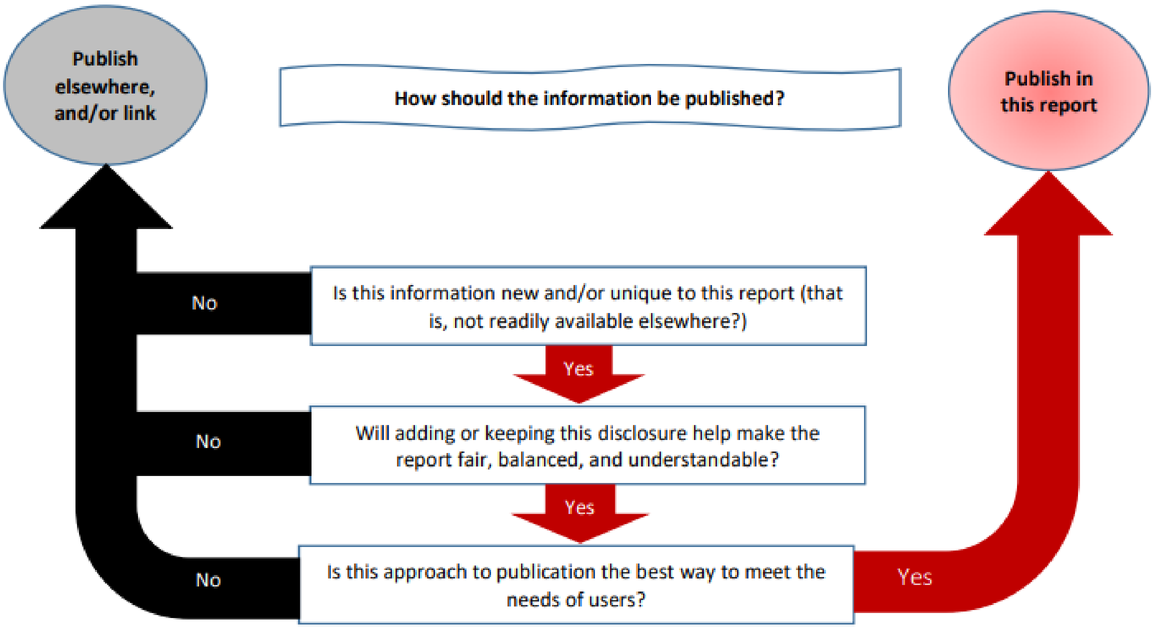


Figure 2: Disclosure decision tree part 2

2.4 Government annual reports should be trustworthy and transparent. The Principal Accountable Officer and Treasurer are responsible for ensuring that, taken as a whole, they are fair, balanced, and understandable. A financial report that only tells only the good news may undermine readers' trust, even if what is reported is accurate.

2.5 Two useful questions to help those preparing annual reports to assess them for balance are:

- Is this report complete? That is, does it refer to everything that is relevant?
- Does this report put the information it contains into full context?

2.6 Appendix 5 of this Manual provides more guidance on best practice in narrative reporting

3 Balancing cost and usefulness in reporting

3.1 Every disclosure in a set of annual reports and accounts comes with a cost. Relevant authorities consider the cost of reporting when interpreting or adapting reporting standards and developing guidance. All government bodies have a duty to use public resources well, and Accounting Officers should therefore also consider value for money when making the judgements about financial reporting that fall into their remit.

3.2 However, the reporting entity is not permitted to disregard mandatory reporting requirements due to value for money concerns. Instead, any such concerns should be raised with the appropriate relevant authority.

3.3 In rare circumstances, if cost is the reason given for not following best practice in a comply or explain scenario, the explanation should include enough details to allow a user to understand why best practice, in that instance, would not give value for money.

Appendix 2 – Best practice in narrative reporting

1 Introduction

1.1 This chapter gives best practice guidance for developing narrative in States of Jersey financial reporting.

1.2 Most financial reports include narrative. In the annual report and accounts, for example, the performance report and accountability report are mostly narrative, and there are extensive notes giving context to the financial statements.

1.3 This chapter discusses:

- The role of narrative reporting
- Balance in narrative reporting
- Context and trends
- Design choices and graphics
- Usability
- Using clear English
- Handling standardised content with care

2 The role of narrative reporting

2.1 Appendix 4 discusses the difference between data, information, and reports. Financial information is used to tell a story, and in a report the role of the narrative is to make that story clear to readers.

2.2 The narrative elements of States of Jersey financial reports are crucial for meeting the needs of users, as they provide context and describe the financial information presented. Narrative that is confusing, repetitive, or misleading can undermine the whole purpose of a report.

2.3 There is no single right way to prepare the narrative elements of a financial report. Some specific pieces of narrative may be required in a certain format. In most cases, though, mandatory guidance only states what should be included in the narrative, not how to say it. This is because every organisation, situation, and audience is different.

3 Balance in narrative reporting

3.1 The narrative is the part of a States of Jersey financial report that shapes its message. Preparers must choose how best to tell the story to achieve a fair, balanced, and understandable report. That can be in words, through images, or through design choices in style and structure.

3.2 As the States Assembly is the primary user of a department's annual report and accounts, preparers should consider whether the narrative meets the needs of State Members who might read it. Meeting the requirement for an annual report and accounts is fair, balanced, and understandable is essential to meeting the needs of the States Assembly.

3.3 Preparers should also consider each part of the narrative in the context of the report as a whole. When a report is wide-ranging, different authors may draft different sections. The final product should stand as a whole, with the narrative in every section working together to create a single joined-up story.

4 Context and trends

4.1 Context is key to understanding what any information in a financial report means. Sharing trend data can help build trust in the information presented. It provides context and can give users confidence that the numbers have not been cherry picked to the benefit of the entity preparing the report.

4.2 Showing one prior year comparison helps, but it is best practice to present several years of data. Five years of comparison is a good target for narrative reporting that will make the trend clear. Information may be added year-on-year as it becomes available.

4.3 Preparers of annual reports and accounts have a comply or explain requirement to report on trend data in the performance analysis section as set out in section 5.2.8-9 of this Manual. Data trends can also be shared in graphs or tables, or in a footnote, or with a link to another part of a report.

4.4 Clear and full explanations can help the user to make connections and understand conclusions. Adding context with both narrative and numbers gives a user the best possible support to understand the story set out in a report.

4.5 Information should be specific to the entity- the inclusion of boilerplate information on its own is of limited use to users of the annual report and accounts.

5 Design choices and graphics

5.1 The layout and design choices influence how a reader understands a financial report. For example, it is likely that the reader will assume the first item in a list is the most important.

5.2 Preparers can use design choices to direct a reader's attention, to put information in context, or to make things easier to grasp. For example, headings and subsections can break up a report and show how one point relates to another.

5.3 Graphics are powerful tools for sharing concepts at a glance. They work best when they:

- (a) serve a clear purpose
- (b) show relationships that are more difficult to describe in words
- (c) are properly labelled
- (d) are supported by sufficient narrative

5.4 Graphics are also more accessible when they rely on shape and layout to tell a story.

5.5 Accounts preparers may find the following guide to data visualisations to be useful: https://gss.civilservice.gov.uk/policy-store/introduction-to-data-visualisation/#section-1

5.6 Graphics, and other design choices, can sometimes be misleading. Preparers should consider possible alternative presentation and be careful that the narrative in their annual reports and accounts conveys the intended message.

5.7 Contrasting colours may appear differently to different readers, or on different screens.

5.8 When deciding on graphics and other design choices, entities may also wish to consider whether they make the annual report and accounts accessible. For example, would a certain design choice make the annual report and accounts less accessible to individuals with visual impairments?

6 Usability

6.1 Many users of States of Jersey financial reports will first access them online. This means that the landing page can be integral in influencing the user's experience of the report.

6.2 The format of the report also has implications for users. Search engines will pick up key words from web pages but will only read the title of a pdf report. Spreadsheet formats are easier for users who want to use tables of data, but do not include much narrative.

6.3 Many users may be looking for specific information. The easier it is to navigate across a report, the less time they will have to spend searching. Ways to improve reader navigation include:

6.4 Preparers can take practical steps to help users find the information they are looking for by:

- (a) informative chapter or section headings
- (b) a clear integrated structure and contents list
- (c) concise summaries of key points
- (d) the use of internal links throughout a report
    - i. adding text to the landing page to help search engines find the report

ii. sharing transparency data in spreadsheet format such as Excel or the more flexible .CSV format
iii. when one report relates to another, giving a link between landing pages
iv. designing the structure and internal links in a report.

7 Using clear English

7.1 Clear and simple language makes reports easier for a wide range of people to read. Even when the subject of a report is complicated, using clear English makes the narrative easier to read. Some useful goals are:

(a) keep sentences short, with an average length of 15 to 20 words.
(b) avoid acronyms.
(c) where possible, use active verbs.
(d) excessive use of jargon should be avoided.
(e) where industry-specific terms are necessary for clear communication, they should be clearly defined and used consistently.

7.2 These are guidelines rather than rules. Preparers should use their judgement, informed on an ongoing basis by feedback from those who use their reports.

8 Handling standardised content with care

8.1 Many people drafting narrative for financial reports start with relevant examples, such as last year's report. This can be helpful but can also lead to problems.

8.2 Text copied from one place to another can grow less readable with each transfer to a new context. Over time, large sections of repeated text can be off-putting to users, making reports unwieldy so caution must be taken. At the same time, it should be recognised that there are benefits in maintaining a degree of consistency year-to-year for comparability and familiarity for the users of the accounts. There is therefore a need to strike a balance in the way that information is reported in annual reports and accounts.

8.3 To avoid repeating unnecessary text, preparers of narrative reporting should reconsider every piece of text before reusing it:

- Does it meet the needs of the report's primary users?
- Does it fit with the rest of the report?
- Does it still reflect best practice, or could it be revised for clarity in its new context?

8.4 Some standardised definitions and descriptions are mandated by guidance to ensure that reports are consistent across the States. Relevant authorities should keep standardised wording to a minimum and review it on an ongoing basis.

Appendix 3 - Jersey Financial Reporting Manual (JFReM) 2021 – Amendment Record

The JFReM is based on the UK Financial Reporting Manual. More information can be found on the HM Treasury site.

Amendments to the 2019-20 UK Government Financial Reporting Manual *Published December 2019*

Amendments have been made from the 2019-20 UK FReM.

Paragraph	Change	Reason for change	Applied in JFReM
Structural	The structure of the FReM has been revised, and four parts have been identified with new headers: Chapter 1 – Introduction Part A: Principles, purposes and best practice Chapter 2 – Government financial reporting principles Chapter 3 – Best practice in narrative reporting Part B: The form and content of government annual reports and accounts Chapter 4 – The annual report and accounts Chapter 5 – The performance report Chapter 6 – The accountability report Chapter 7 – The financial statements Part C: Applying accounting standards to government annual reports and accounts Chapter 8 – Adopting and interpreting IASs and IFRSs Part D: Further guidance for government annual reports and accounts Chapter 9 – Further guidance on accounting boundaries Chapter 10 – Further guidance on accounting for assets and liabilities Chapter 11 – Further guidance on accounting for income and expenditure Chapter 12 – Further guidance on accounting for pensions Chapter 13 – Whole of Government Accounts	Adding new section headers makes it clear what each part of the guidance is for. This should help keep the structure coherent in future updates, and will help readers navigate the FReM.	N/A

Chapter 1: Introduction	The first chapter of the existing FReM includes a mixture of guidance on accounting principles and accounting boundaries for the annual report and accounts. There was some overlap with other existing material. Content that relates to the annual reports and accounts as a whole has all been moved to the new Chapter 4, The annual report and accounts. The revised Chapter 1 is simply an introduction to the FReM itself.	The new Chapter 1 is more focused and readable. The new FReM moves from referencing general financial reporting principles applicable to annual reports and accounts at a high level, to providing detailed guidance on annual reports and accounts. Content now moves from less to more detail throughout the FReM.	
1.1 The purpose of the Government Financial Reporting Manual (FReM)	Expanded from paragraph 1.1.1 in the existing FReM; footnote listing the relevant authorities brought up into the text. Post consultation: Paragraph 1.1.5 added on the government functional standard GovS 006:Finance		N/A
1.2 The structure and contents of the FReM	New section, other than the reference to gov.uk which is taken from Paragraph 1.2.3 of the existing FReM.		N/A
1.3 The FReM review and update cycle	Expanded from paragraph 1.1.4 in the existing FReM.		N/A
1.4 Which entities apply the FReM	Expanded from paragraphs 1.1.2-3 in the existing FReM Post consultation: Note at foot of Figure 1 updated to reflect that audit requirements may vary for different relevant authorities.		N/A
Chapter 2: Government financial reporting principles	This new chapter introduces the four purposes of government financial reporting first articulated in the Public Administration and Constitutional Affairs Committee's (PACAC's) Accounting for democracy reports.	The new FReM begins with the most basic principles of government financial reporting. These are the fundamental ideas that sit behind the rest of the guidance.	Yes as appendix

	The chapter also emphasises the importance of user engagement, and includes further basic principles for reporting: • choosing what to publish and how to publish it; • balanced reporting; • comply or explain; • balancing cost and usefulness in reporting; and • continuous improvement.	This chapter answers the 'why' questions for reporting, and will help inform judgement and shape future guidance as well as future reports.	
Chapter 3: Best practice in narrative reporting	This new chapter brings in a range of best practice points for all narrative included in financial reports, including: • The role of narrative reporting; • Choosing what to say and how to say it; • Design choices and infographics; • Context and trends; • Usability; • Using clear English; • Handling standardised content with care; and • Resources for better narrative financial reporting.	This guidance reflects feedback from many different users of government financial reports on the importance of narrative. Many of the subsections are responses to concerns raised by PACAC in 'Accounting for democracy'. Others reflect discussions between HMT and various users of government annual reports and accounts.	Yes as appendix
Chapter 4: The annual report and accounts	This new chapter combines elements of the existing chapters 1 (introduction), 2 (accounting principles), 4 (accounting boundaries), and 5 (form and content of the annual report and accounts) into one single new chapter.	This new chapter groups for guidance that relates to the annual report and accounts as a whole.	N/A
4.1 Introduction and Structure of public sector annual reports and accounts	Expanded from paragraphs 5.1.1-2 in the existing FReM.	Expanded the formatting for clarity.	N/A
4.2 Accounting principles for government annual reports and accounts	4.2.1-2 are new paragraphs quoting from Managing Public Money. 4.2.3 is taken from 1.1.5 of the existing FReM. 4.2.4-6, Generally Accepted Accounting Practice (GAAP), is adapted from 2.1.1-2 of the existing FReM.	Much of the wording in this section is refined for readability. The presence of the financial reporting principles chapter at the start of the FReM reduces the pressure on this content – its scope is now purely the accounting principles for annual reports and accounts.	N/A

	4.2.7, Parliamentary accountability and regularity, is adapted from 2.1.3 of the existing FReM. 4.2.8, Historical cost convention, is adapted from 2.1.4 of the existing FReM. 4.2.9-10, A true and fair view, is adapted from 2.2.8-9 of the existing FReM. 4.2.11, Small and medium-sized entities, is adapted from 2.1.5 of the existing FReM. 4.2.12-18, Conceptual Framework for financial reporting, is adapted from 2.2.1-7 of the existing FReM. 4.2.19-20, Applying IASs and IFRSs, is adapted from 1.2.1 of the existing FReM. 4.2.21-26, Accounting policies and budgetary controls, is adapted from 1.3.1-5 and 2.3.1 of the existing FReM.		
4.3 Consolidation and accounting boundaries	Taken from 4.1.1-4 in the existing FReM, unchanged except for some extra paragraph breaks.	Paragraph breaks added for readability.	N/A
4.4 Reporting requirements beyond central government departments	4.4.1-2, Scottish and Welsh spending bodies, is adapted from 5.1.4-5 of the existing FReM. 4.4.3-5, Executive agencies and trading funds, is adapted from 1.6.1 and 5.1.6 of the existing FReM. 4.4.6-8, Other arm's-length bodies, is adapted from 5.1.6 of the existing FReM. 4.4.9-12, Arm's-length bodies which are companies, is adapted from 1.5.1-2, 5.1.7, and 5.1.9 of the existing FReM. 4.4.13-15, Arm's-length bodies which are charities, is adapted from 1.4.1-5 and 5.1.8 of the existing FReM.	This section combines parts of the existing chapter 5 with the existing chapter 1, to reduce repetition. None of the substance has changed, but the language has been simplified where possible.	N/A

	4.4.16, Reportable activities, is adapted from 1.7.1 of the existing FReM.		
4.5 Presentation to Parliament and publication	Adapted from 5.5.1-10 in the existing FReM	No changes, but this part of the existing FReM clearly relates to the whole of the annual report and accounts and is, therefore, moved for improved positioning.	N/A
Chapter 5: The performance report	This chapter provides updated and new guidance on the performance report, with the sections on the accountability report and financial statements moved to create new subsequent chapters.	Updated to improve the clarity of performance reporting guidance, separating this out into a single chapter, and to reflect improvements to guidance arising from the GFR and SoPS thematic reviews.	N/A
5.1 Purpose of the performance report	A new section that details the purpose of the performance report and incorporates guidance from the Additional guidance for the preparation of annual reports and accounts PES paper.	Expanded to emphasise the importance of the performance report, incorporating themes arising from the GFR review and to add PES guidance into the FReM where relevant.	N/A
5.2 Principles for the performance report	5.2.1 – 3, new paragraphs that outline key principles for performance reporting, referring the user back to the principles and best practice chapters, and some further specific principles: a) reporting should reflect the structure and activity of the organisation; b) trend data should be included; and c) preparers should make clear where information has been audited. 5.2.4 – 7, requirements on following the Companies Act 2006 or other relevant legislation, auditing and signing of the performance report have been largely carried forward from the previous FReM.	The new guidance incorporates recommendations arising from the GFR review, with some existing guidance carried forward.	N/A
5.3 Performance overview	The guidance covers an explanation of the performance overview and what should be included. Most requirements are brought forward from the previous FReM. Guidance on summarising performance and risks has been expanded to better align the overview to the performance analysis. Guidance on explaining the structure of the organisation, if not otherwise done so, has been split out as a separate bullet point, to improve the clarity of guidance. The requirement to summarise single departmental plan (SDP) or organisational goals is new, but was already implied under the existing	The desktop review of annual reports and accounts indicated that most entities prepared an effective performance overview section, in that they followed requirements of the FReM and contained enough information for the lay user to have no need to look further into the rest of the annual report and accounts, unless they were seeking specific detail. Therefore, guidance has been largely carried forward, especially as GFR review recommendations were instead incorporated into the new performance analysis	N/A

	requirement to provide a performance summary. Other requirements have been strengthened. In particular, risk reporting has been enhanced by strengthening the requirement to report on risk, how risks have been mitigated and how they will affect future performance.	requirements. However, guidance has been updated to better align the overview to the analysis section and to improve the clarity of guidance.	
5.4 Performance analysis	The section has been substantially revised, to incorporate recommendations arising from the GFR and SoPS thematic review. 5.4.2 – 3, emphasise the importance of linking users to other parts of the annual reports and accounts and why entities have been permitted some flexibility in reporting, incorporating recommendations arising from the GFR review. The guidance is broken down into three sections: a) mandatory requirements; b) comply or explain requirements, and c) best practice recommendations. The section then goes onto cover sustainability reporting.	5.4.2 - 3 incorporate recommendations arising from the GFR review. This structure was deemed the clearest in relation to the requirements, given the number of them.	N/A
	5.4.4, mandatory requirements include: • Reporting on progress against SDP goals. An existing reporting requirement for those entities with a SDP but introduced in the FReM from the Additional Guidance for Preparers PES paper. • For entities without SDP goals, the form or reporting should be agreed first with the sponsoring department, relevant select committee and HM Treasury spending team. Otherwise, these entities are required to also report on performance against objective. This was discussed as part of the GFR review and best practice as part of the SoPS review. • Reporting on non-financial information including social matters, respect for human rights anti-corruption and anti- bribery matters. The FReM requires this reporting, as detailed under EU law and is carried forward.	This section incorporates required reporting per PES papers, best practice arising from the GFR and SoPS reviews and otherwise carries forward requirements. Per the desktop review of annual reports and accounts, most entities already complied with this requirement to structure their performance analysis around the discussion of progress against goals. Given this and to ensure consistency of reporting and best practice is followed, it was considered that this requirement should be mandatory for entities that do not have SDPs.	N/A
	5.4.5, Introduction of comply or explain requirements: • Further detail on the structure of the organisation, if not otherwise provided elsewhere, to aid the user's understanding. • Further detail on the risk profile of the organisation and how risks have affected performance and been mitigated. This requirement has been added given the GFR review to tie the	This section incorporates recommendations arising from the GFR and SoPS reviews, adjustments for clarity and otherwise carries forward requirements. A number of accounts already adhere to	N/A

	discussion of risk into the accountability report. • Disclosure of unit cost data, where these are a relevant indicator or metric in relation to SDPs or other objectives. This requirement has been added given the GFR review. • Disclosure of relevant trend data. This requirement has been added given the GFR review. • A financial review, this requirement has been added given the SoPS thematic review and finding that financial performance should be tied into broader performance more effectively. • Detail on future plans and performance. This requirement has been added given the GFR review. • A summary of any key issues detailed in the accountability report that may be of use to the user. The requirement to summarise any key issues arising from the accountability is new and is designed to ensure preparers bring together reporting across annual reports and accounts into the performance report. • Otherwise comply or explain requirements are carried forward from previous FReM requirements (explaining the purpose of the analysis section and reporting against any further key financial indicators or measures). Further comply or explain requirements have been added in relation to the financial review, but only for entities that are required to prepare SoPS. These requirements have been added given the findings of the SoPS thematic review and are as follows: • Context and explanation of the public sector budgeting framework • A summary table showing outturn against estimate • Commentary on outturn against estimate variances • A summary outturn to accounts reconciliation, where this is easy to provide. • A trend analysis	these requirements, per the desktop review. For example, the majority of entities discuss future plans, although usually this was tied into general performance reporting and not separated out as an individual section. The purpose of this section is to provide an understanding of the budgeting framework and why outturn against Estimate is important, before providing any further relevant detail. This complements changes to SoPS reporting, aiding usability, and addresses weaknesses of SoPS reporting (namely that a lack of supporting context is provided and that SoPS reporting can be difficult for a lay user to understand). The majority of accounts reviewed already incorporate a financial review. These requirements are comply or explain only for entities that compile SoPS, as the budget framework and outturn against estimate is more relevant to them. Entities that do not prepare SoPS should still refer to this requirement as best practice. It should be noted that most entities that prepare SoPS already adhere to these requirements; for example, most accounts reviewed summarised the SoPS outturn against Estimate in their financial review.	
	5.4.6, Inclusion of best practice recommendations: • For entities that do not prepare a SoPS, they still should consider how to apply the comply or explain requirements in relation to the financial review.	As above, entities that do not prepare SoPS should refer to the comply or explain requirements for best practice. Further best practice recommendations in relation to the financial review have not been drafted as	N/A

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	• Financial reviews may still include as best practice: a) an analysis of the balance sheet position; b) detail on the type of spend incurred, and c) detail on outturn against estimate by SDP objective or organisational goal.	comply or explain given that they were not deemed relevant enough forms of reporting for all departments (this was corroborated by the review of accounts). In addition, providing outturn against estimate for each organisational goal could be highly judgemental, as spend would need to be apportioned, and difficult for departments to compile, given estimate lines rarely match to objectives. Noting this reporting as best practice, however, should encourage this reporting where this would aid users.	
	5.4.8, Provides guidance on sustainability reporting. It amalgamates paragraphs on sustainability reporting from the existing FReM, incorporates guidance previously included in the additional guidance on the preparation of ARAs PES paper and refers preparers to the sustainability reporting guidance for further detail.	The new paragraph collates guidance on sustainability reporting into one section of the FReM. It summarises mandatory requirements, before referring the user onto the separate sustainability reporting guidance.	N/A
Chapter 6	This new chapter is adapted from section 5.3 in the existing FReM, with amendments. Chapter 6 also contains the updated guidance on the Statement of Parliamentary Supply (SoPS) that was the separate chapter 3 in the existing FReM. The changes to SoPS are the most significant in the chapter. While a number of changes in reporting are listed below, these are not considered significant. The data shown is not changing, merely the way it is presented and most alterations relate to formatting and the requirement to include explanatory text, provided in the illustrative disclosures. The changes to SoPS reporting are supplemented by changes to performance reporting (see chapter 5) which are designed to summarise the SoPS for the lay user, as well as otherwise providing key information on performance. The changes made are as follows (also to be made in the 2019-20	To improve readability and bring in actions from the government financial reporting review. The SoPS guidance has been reviewed and updated as part of a separate thematic review of SoPS disclosures.	N/A

	FReM): • Structure of the SoPS – An explicit requirement mandating the structure of reporting that the SoPS should follow has now been introduced (i.e. to stipulate the tables and notes that must be disclosed, as indicated by guidance and the illustrative disclosures). This requirement was already implicit, but is now explicit. • Following the form of the SoPS illustrative disclosures – Following the form of the SoPS, i.e. the presentation of rows and columns as dictated by the illustrative disclosures (rather than the structure of the SoPS itself) is now a comply or explain requirement. • Explanatory text – Preparers must include supporting and standardised text, as provided in the illustrative disclosures which explains the purpose of the SoPS and why it is the key accountability statement. • All numbers are presented in £000's – An explicit requirement that all numbers are presented in £000's has been introduced, to ensure the SoPS aligns to the figures presented in the Supply Estimates. This requirement was already implicit, but is now explicit. • Minor alterations to presentation of the SopS – minor alterations to the SoPS are also included as part of the updated illustrative disclosures. For example, DEL and AME total rows have been added to the SoPS summary table, or the adjustment of the virements columns. • Formatting and other minor adjustments – The guidance allows entities to format SoPS disclosures as they prefer so as to align with the style of their annual reports and accounts. However, the illustrative disclosures now provide best practice formatting. Please note the following SoPS changes are only to be made in the 20-21 FReM.		

	• The title of the SoPS – The SoPS has been renamed the Statement of Outturn against Parliamentary Supply (SOPS). Budgeting framework – Where the budgeting framework has not already been explained as part of the financial review in the performance report (see chapter 5 of the draft FReM), an explanation of the budgeting framework must instead be included with the SoPS notes; for example, through a flow of funds diagram. Commentary on variances between outturn and the Supply Estimate – Unless commentary is already provided as part of the financial review in the performance report (see chapter 5 of the draft FReM), it is mandated that commentary on variances between outturn and the Supply Estimate is provided in the SoPS. Preparers are allowed discretion as to what commentary they provide, and whether it covers the SoPS summary table or SoPS note 1		
6.1.1-4 Purpose and scope of the accountability report	Adapted from 5.3.1-3. Added "the primary user of the annual report and accounts" to 6.1.1. Changed "Westminster departments" to "UK central government departments" in 6.1.4 Added a link to Chapter 3, best practice in narrative reporting.	Consistency with the newly expressed principles for government financial reporting. Avoided using "Westminster" as synonym for "government".	N/A
6.2 Auditors and the accountability report	Adapted from 5.3.4-5, with heading added and minor tweaks for readability. Changed "Westminster" to "UK government" in 6.2.1.	New heading/section to help users navigate. Avoided using "Westminster" as synonym for "government".	N/A
6.3 Structure of the accountability report	Adapted from 5.3.6-13, with minor tweaks for readability.		N/A
6.4.7-11 Corporate governance report	Adapted from 5.3.13-14, amended to expand language on the Corporate Governance Code and risk disclosure, to emphasise the Accounting Officer's responsibility, and to encourage links to the Accounting Officer System Statement.	Enhanced language on risk disclosure and Accounting Officer responsibilities implement actions from 'The government financial reporting review'.	N/A
6.5.1-14 Remuneration	Adapted from 5.3.15-27, with minor tweaks for readability.		N/A

and staff report			
6.5.16 Remuneration and staff report	Adapted from 5.3.28-9, with added content: e) new requirement to disclose staff turnover as per Cabinet Office guidance. f) new requirement to disclose staff engagement scores, from the latest Civil Service People Survey (or alternative similar indicators for tjose who don't participate) h) additional guidance on reporting trade union facility time disclosure i) additional guidance on exit packages disclosure	Enhanced disclosures on staff turnover and engagement implement actions from 'The government financial reporting review'.	N/A
6.6 Supply and the Statement of Outturn against Parliamentary Supply (SoPS)	This section has been revised on the basis of the SoPS thematic review. Paragraphs 6.6.7 to 6.6.9 have been substantially revised, otherwise paragraphs are similar to those in the existing FReM.	Refer to Section 2 of the consultation for background and an understanding of the proposed changes.	N/A
6.7 Other notes relating to Parliamentary accountability	Adapted from 5.3.31.	New heading/section to help users navigate.	N/A
6.8 The Certificate and Report of the Comptroller and Auditor	Adapted from 5.3.32-6.	New heading/section to help users navigate.	N/A
General to the House of Commons			N/A
Chapter 7 The financial statements	This new chapter is unchanged from paragraphs 5.4.1-28 in the existing FReM, other than some minor amendments.	Separating out content into a single chapter to aid usability and readability.	N/A

Chapter 8 Adopting and interpreting IASs and IFRSs	This new chapter is unchanged from Chapter 6 of the existing FReM, other than some changes in relation to IFRS 16 detailed here: ADD LINK TO FRAB PAPER	Separating out content into a single chapter to aid usability and readability.	N/A
Chapter 9 Further guidance	Taken unchanged from 4.2.1-15, with an added link to guidance on accounting for transfers of a function under common control	This section was in the old ‘Accounting boundaries’ chapter 4 – it’s very detailed, so makes more sense here in the ‘further guidance’ section.	N/A
Chapter 10 Further guidance on accounting for assets and liabilities	Taken unchanged from Chapter 7 of the existing FReM, other than some changes in relation to IFRS 16 detailed here: ADD LINK TO FRAB PAPER		N/A
Chapter 11 Further guidance on accounting for income and expenditure	Taken unchanged from Chapter 8 of the existing FReM, with one amendment		N/A
11.2.1-2 Accounting for Supply	Taken from 3.3.1-3.	Moved down from the Chapter 3 (which is is now part of Chapter 6) after the FReM working group pointed out that this is detail that belongs in further guidance.	N/A
Chapter 12 Further guidance on pensions accounting	Taken unchanged from Chapter 9 of the existing FReM		N/A
Chapter 13 Whole of Government Accounts	Taken unchanged from Chapter 10 of the existing FReM		N/A
Annex 1 SoPS disclosures illustrative guidance	This section of the FReM incorporates illustrative guidance previously in Department Yellow and updates this based on the recommendations arising from the SoPS thematic review. Refer to chapter 3 of the consultation for further detail.	Changes made as a response to the SoPS thematic review	N/A

Annex 5 Links to relevant guidance and resources	Reviewed and updated with additional links to help preparers		N/A

In-year amendments to the 2020-21 Government Financial Reporting Manual (FReM) *Published December 2019*

Amendments have been made to the 2019-20 FReM and illustrative statements to correct minor errors and provide clarifications to improve disclosure requirements.

Paragraph	Change	Reason for change	Applied in JFReM
Throughout	The FReM has been reformatted so the styling is consistent with other HM Treasury publications, such as Managing Public Money, the Consolidated Budgeting Guidance and IFRS 9, 15 and 16 application guidance. Links have been added to make the FReM easier to navigate. Note the structure of the 2020-21 FReM is unchanged from the version presented at the November 2019 FRAB meeting.	The changes are mainly aesthetic, however, users should find the FReM easier to navigate than previous versions.	N/A
1.1.4 & 1.1.5	Paragraphs added to explain the legislative authority for issuing the FReM.	To provide users background information on why HM Treasury issues the FReM.	N/A
1.1.8	Paragraph added to explain how entities can access certain additional guidance such as PES papers and Employer Pension Notices.	The FReM includes references to PES papers and EPNs in multiple chapters, but assumes users know how to access these additional pieces of guidance. The addition of this paragraph makes it clear where	N/A

		these additional pieces of guidance can be found.	
1.2.1	Paragraph amended to clarify that the FReM may apply to entities directed to follow the FReM by their relevant authority but are not consolidated into the Whole of Government Accounts.	Clarification of the scope of the FReM as explained in the revision to the paragraph.	N/A
Figure 1 below para 1.4.4	The headings have been updated so they are clearer.	Explained in 'Change' column.	N/A
1.5.1	Minor wording change to improve clarity of guidance.	Explained in 'Change' column.	N/A
2.3.3	Wording change to improve clarity of guidance.	Explained in 'Change' column.	Yes in appendix
2.4.2	Removal of the last sentence as it is duplicated in paragraph 2.4.4	Removal of duplicated sentence.	Yes in appendix
2.4.3, 4.5.4, 6.6.2	Updated 'National Assembly for Wales' with the Senedd.	Name changed in line with the Senedd and Elections (Wales) Act 2020	Yes in appendix
2.6.1 – 2.6.14	Ordering of paragraphs changed.	Order of paragraphs changed so the section has a more logical flow.	Yes in appendix
2.6.5, 2.6.6, 2.6.7, 2.6.8, 2.6.9, 2.6.10, 2.6.11, 2.6.12, 2.6.13, 3.4.5, 3.7.1(d-e)	Additional guidance for users to apply materiality to the performance and accountability reports, decide what to include in these reports and explain the importance of linkages. All guidance is adapted from the FRC Guidance on the Strategic Report except for 2.6.8 which is from guidance published by the ICAEW.	It provides useful guidance to users of the FReM when to emphasise the importance of staff report. preparing their annual report. Many of the principles in the FRC's guidance are equally applicable to public sector annual reports and accounts.	Yes in appendix
2.6.12	Paragraph updated to explain why longer annual reports are not necessarily better. Added new subtitle above paragraph as well.	Explained in the 'Change' column.	Yes in appendix
2.6.11	Paragraph updated so it is more concise.	Explained in the 'Change' column.	Yes in appendix
2.6.20	Paragraph amended so make is clearer that cost being a reason for not following best practice in a comply or explain scenario is expected to be rare.	Explained in the 'Change' column.	Yes in appendix
3.5.4 and 3.5.7	Paragraph split out to help the logical flow of the section.	Explained in the 'Change' column.	Yes in appendix
3.5.5	Paragraph added to provide a link to ONS guidance on using data visualisations in reports.	Explained in the 'Change' column.	Yes in appendix
3.5.8	Paragraph added to provide guidance on choosing design choices	Explained in the 'Change' column.	Yes in appendix

3.5.9	Paragraph added to provide a link to government guidance on how to make reports more accessible.	Explained in the 'Change' column.	Yes in appendix
3.6.1	Minor drafting change to help with clarity of guidance.	Explained in the 'Change' column.	Yes in appendix
4.1.2	Minor drafting change to help with clarity of guidance.	Explained in the 'Change' column.	N/A
4.1.4	Correction of grammatical error.	Explained in the 'Change' column.	N/A
4.2.5 (b)(iv)	Deleted the words 'or by its Board members and staff' as comments made by the Board members and staff of the IASB may be their own rather than of the IASB.	Explained in the 'Change' column.	N/A
4.3.6	Paragraph amended to clarify that the relevant authority will consider the treatment of non-coterminous year ends where a subsidiary has a year end more than 3 months from the year end of the department.	This change was made to align the requirement with IFRS 10 para B93.	N/A
4.4.1	Amendment made to this paragraph to more closely align the guidance with the Scottish Public Finance Manual.	Explained in the 'Change' column.	N/A
4.3.3	Paragraph added to split out Northern Ireland reporting requirements from Welsh reporting requirements.	Explained in the 'Change' column.	N/A
4.4.12	Removal of reference to SI 2013/1970	Once statutory instruments (SI) have been incorporated into the Companies Act there shouldn't be a need to continually refer to the SI. Reference to the Companies Act should be sufficient at that point.	N/A
4.5.1	Paragraph added to clarify that entities should not amend annual reports and accounts which have been certified by the Comptroller and Auditor General (or other appointed auditor) without first discussing with the relevant external audit team.	Explained in the 'Change' column.	N/A
4.5.2, 4.5.3, 4.5.3	Clarifications made that the entity publishes their annual reports and accounts.	Explained in the 'Change' column.	N/A
5.2.3 (third bullet)	Amendment made to spell out the SOPS acronym for the first time.	Explained in the 'Change' column.	N/A
5.3.2, 5.3.3(e-f), 5.4.4, 5.4.12	Removal of requirement of departments to report against Single Departmental Plans and replace with a requirement to report against their strategic objectives.	Earlier in the year HM Treasury and the Cabinet Office wrote to Heads of Departments and the PAC that Ministers have agreed not to ask departments to provide or publish Single Departmental Plans this year.	N/A

		Amendments to performance reporting requirements have therefore been amended to reflect this change.	
5.4.4 (a)(ii)	Paragraph deleted.	Paragraph delated as new priority outcomes are being agreed as part of SR 20, which will be reported against from 2021-22.	N/A
5.4.4 (f-m)	Change of requirement from comply or explain to mandatory where relevant to the entity.	On reflection, none of these requirements did not fit into the comply or explain category.	N/A
5.4.6 (b)	Inclusion of a new best practice requirement for entities to explain how they are improving equality of service provision to service users.	Refer to FRAB papers for the November 2020 meeting.	N/A
5.4.9	Added footnote with link to further guidance on what 'rural proofing' is.	Explained in the 'Change' column.	N/A
6.1.4	Explained what the PES acronym stands for.	Explained in the 'Change' column.	N/A
6.5.11	Amendment made to paragraph so it reads clearly.	Explained in the 'Change' column.	N/A
6.5.16(e)	Link added for calculation of staff turnover percentage.	Explained in the 'Change' column.	N/A
6.5.17 – 6.5.24	Addition of a new best practice disclosure covering how the entity has promoted or promotes improved diversity and inclusion of its own workforce.	Refer to FRAB papers for the November 2020 meeting.	N/A
6.7.1(b)	Amendment made to clarify that HM Treasury publishes the contingent liability approval framework guidance.	Explained in the 'Change' column.	N/A
6.7.1(c)	Amendment to clarify the cost allocation and charging requirements are set out in MPM	Explained in the 'Change' column.	N/A
8.2.2 Table 2	Added cross references between adaptations and interpretations and the paragraph(s) in the relevant IAS/ IFRS being adapted or interpreted by the FReM.	Assists users to understand where the adaptation or interpretation derives from.	N/A
8.2.2 Table 2	IFRS 9 interpretation 4- spelt out the PES acronym.	Explained in the 'Change' column.	N/A
8.2.2 Table 2	Added an IFRS 9 adaptation to clarify that financial instrument balances within a group are not expected to be covered by exception from recognising expected credit losses as explained in IFRS 9 adaptation 1.	Refer to FRAB papers for the November 2020 meeting.	N/A
8.2.2 Table 2	IAS 19 adaptation 5 amended to clarify that the rate to discount balances is the pension's rate promulgated in PES papers.	Clarification made as it was not clear what pension rate the entity was supposed to use.	N/A
Above 9.1.6 and 9.1.10- and paragraph 9.1.10	Heading 'Transfer by Merger' added above paragraph 9.1.6 Paragraph 9.1.8 split out into paragraphs 9.1.8 and 9.1.9 Heading 'Transfer by Absorption' added	All three of these changes have been made to make the section easier to read.	N/A

	above paragraph 9.1.10		
9.1.10 last bullet	Amendment made to make the bullet read more clearly.	Explained in the 'Change' column.	N/A
10.1.60	Removal of potentially out-of-date Treasury discount rate for investment appraisal purposes.	Explained in the 'Change' column.	N/A
Various including 7.4.2, 7.4.4, 7.6.15, Table 1 in 8.1.2, Table 2 in 8.2, 10.1.56, deletion of 'Right of use assets' section (10.2), PPP flowchart after 10.1.53,	Changes made to remove IFRS 16 guidance and replace with IAS 17 guidance from the 2019-20 FReM due to the deferral of implementing IFRS 16 in central government to 2021-22	Explained in the 'Change' column.	N/A
Annex 4	Link updated for the Building Public Trust Awards – good practice in annual reports publication and added a link for the FRC Guidance on the Strategic Report.	Explained in the 'Change' column.	N/A
Annex 4	Added new link to FRC Guidance on the Strategic Report.	This is helpful guidance accounts preparers can use when preparing their annual report.	N/A

JFReM 2021 Specific Amendments

Paragraph	Change	Reason for change
2.2.1	Word change from "policy" to "principles"	Clarity.
2.2.2/3	Additional wording inserted in 2.2.2/3	Better financial governance of subsidiaries.
4.1.10	Point 4.1.10 has had additional disclosure.	To clarify that the relevant authority will consider the treatment of non-coterminous year ends where a subsidiary has a year-end more than 3 months from the year end of the parent as reference in the UK FReM.

Table 6.2	Movement within the table of Past service liability narrative from IAS 19 Employee Benefits to IAS 37 Provisions, Contingent Liabilities and Contingent Assets in line with the accounting treatment.	Clarity of accounting practice.

Appendix 4: Accounting Policies

4.1 Significant accounting policies

1 Introduction

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

2 Basis of preparation

Compliance with the 2021 JFReM

These consolidated accounts have been prepared in accordance with the 2021 States of Jersey Financial Reporting Manual (JFReM) issued by the Treasurer of the States to meet the requirements of the Public Finances (Jersey) Law 2019. The accounting policies contained in the JFReM apply EU adopted International Financial Reporting Standards (IFRS) in place as at 1 January 2020 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.

The JFReM applicable to the 2021 financial year (including comparators) is based on the UK Financial Reporting Manual (FReM) for the UK financial year ending 31 March 2021 which is prepared by HM Treasury following consultation with the Financial Reporting Advisory Board (FRAB).

Where the JFReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the 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.

In adopting the going concern basis for preparing the financial statements, the Treasurer has considered the government's power to set tax rates to meet its funding requirements, as well as controls over public spending, which ensure that the government will continue to exercise its functions.

Accounting convention

These accounts have been prepared under the historical cost convention, modified where appropriate to account for the revaluation of certain assets and liabilities as set out in these accounting policies.

Accounting standards in issue but not yet effective in the JFReM

The following new standards and amendments to standards have been issued but not yet effective:

Accounting standard	Key dates	Summary and impact
IFRS 16 'Leases'	• IASB effective date 1 Jan 2018 • EU effective date 1 Jan 2019 • FReM 2022-23 • Expected in JFReM 2023	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 and will bring assets formerly not recognised on the statement of financial position on to the statement of financial position. **Impact:** It is not possible to identify the impact of IFRS 16 on SoJ accounts at this stage, as it subject to further work to be carried out by each entity. The impact is expected to be material.

There are no other IFRS or International Financial Reporting Interpretations Committee (IFRIC) interpretations not yet effective that would be expected to have a material impact on these accounts.

3 Basis of consolidation

These accounts consolidate all material entities within the States of Jersey consolidation boundary (the 'accounting boundary') as set out in the JFReM. The accounting boundary is defined by the JFReM and is consistent to the concept of control under IFRS. Entities that fall within the accounting boundary, but which are immaterial to the accounts, as a whole, have not been consolidated. Entities that fall within the accounting boundary but not consolidated are listed as Minor Entities in Note 26.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The Statement of comprehensive net expenditure (SOCNE) has been split into Core and Group Entities. The Core comprises all entities except for the subsidiary companies (note 4.26).

Policies supporting the Consolidated Statement of Comprehensive Net Expenditure

4 Revenue recognition

Revenue from transactions arise from interactions between the States of Jersey and other entities, including households, private corporations, the not-for-profit sector and other governments. It excludes gains resulting from changes in price levels and other changes in the volume of assets. These are disclosed separately in Note 11 (b) as '(Gains)/Losses on Financial Asset'. The total States of Jersey revenue composition and recognition of revenue sources were as follows:

Levied by the States of Jersey

Revenue type	Recognition point
Social Security Contributions, Long-term Care Contributions and Personal income tax	Accrued for in the year the assessable income is earned.
Corporation tax	Accrued for based on company returns' assessable income. Comprise amounts of tax payable by companies that relate to instalments and final payments received/raised for current and former periods. It does not include estimates of revenue related to the reporting year that will be recognised in annual income tax returns lodged after the reporting date.
Goods and Services Tax (GST) and Stamp Duty	Recognised based on the actual liabilities raised during the year and includes an estimate of amounts outstanding that relate to transactions occurring in the reporting period.
Impôts Duties	Recognised when the goods are landed in Jersey.
Island rates	Accrued in the year the Island Rates are charged for on a calendar year basis. Income is recognised in the period for which the rates are charged.
Fines and penalties	Accrued for when the fines and penalties are imposed.

IFRS 15 does not apply to the non-exchange transactions that are "Levied by the States of Jersey" such as taxation, fines and penalties. These transactions do not meet the requirements of IFRS' definition of a contract due to no specific performance obligations being set in return for the consideration received. Goods, services and rental income under "Earned through Operations" do meet IFRS 15's application criteria and therefore the two different types of incomes will detail their accounting policy separately.

Taxation Revenue:

Taxation revenue is recognised in the period in which the event that generates the revenue occurs. Some of the accrued revenue receivable figures and other items are subject to statistical estimation of forecasts, as tax returns and tax payments can be filed later. Due to the areas of uncertainty involved, actual outcomes could differ from the estimates used. States of Jersey believe that the levels of variation are acceptable, and Revenue Jersey estimate that any total understatement or overstatement is unlikely to exceed 1% of the Statement of Comprehensive Net Expenditure total revenue, which does not significantly impact the reported position. Estimation of some revenues can be difficult due to impacts of economic conditions and the timing of final taxable income; hence the States of Jersey uses the following basis of recognition:

Personal Tax Forecast

The forecast of personal income tax is driven by forecasts for compensation of employees (CoE), gross operating surplus (GOS), Bank Rate, earnings, employment and inflation. These are provided by the independent Fiscal Policy Panel. Taxable income is broken down and forecast as follows:

Income type	Forecast Approach	Proportion of total
Employment and other earned Income	Employment income equation (supplemented by IT IS data)	70%
Pension Income	Pension income	12%
Shareholder income / distributions	RPIY inflation	5%
Business profits	10 year average growth rate	5%
Property income	5 year average growth rate	4%
Bank interest, dividend income and unearned	Unearned income equation	3%
Income taxed at source	RPIY inflation	1%

A different approach is taken to forecasting taxable income from taxpayers on the High-Value-Residency (HVR) regime. This is because the marginal tax rate for these individuals is different from that for the main taxpayer population. This represents a relatively small amount of the total tax take and is forecast using actual and expected arrivals and departures of these taxpayers; multiplied by the expected tax take per individual.

Tax rates are applied to income forecasts added together, less allowances. Credits are subtracted and adjustments are made for past and future changes to tax rates or allowances. HVR forecasts are added separately.

Approach used to account for the impact of Covid-19

The Income Forecasting Group (IFG) made additional adjustments to account for the impact of the global pandemic and the resultant restrictions on economic activity. These adjustments are set out in the IFG report.

Assumption	£m	Assumption narrative
Pension income	(4)	Pension income is driven in the long run by both demographic change and growth in earnings, there are one-off factors that may result in slower growth in the short term. Specifically, the fall in financial asset valuations will have resulted in a reduction in the size of many pension funds, which may in turn result in new pensions paying out a lower amount than might have otherwise been expected – and could in turn potentially lead to some deferral of retirement.
Personal business profits	(10)	Rather than use recent average growth rates, the IFG has assumed that these income lines would grow in line with the FPP's implied growth rate in non-finance sector profits. This has therefore been adjusted by 25 percentage points, i.e. from 3.5 per cent growth to a 21 per cent fall. This reduces the forecast by around

<table>
<tr><td></td><td></td><td>£10m.</td></tr>
<tr><td>Property Income</td><td>(4)</td><td>The IFG has made a downward adjustment of 15 per cent to property income in 2020, to reflect not only challenging market conditions but also the impact of deferrals and waivers of rents. This reduces the 2020 forecast by £4m.</td></tr>
<tr><td>Investment and other unearned income</td><td>(3)</td><td rowspan="2">The IFG has considered the global outlook for dividends and investment income and judged that it would be appropriate to assume a 20 per cent fall in both investment income and distributions. This requires an adjustment of 16 per cent on investment income and a 21 per cent adjustment to distributions.</td></tr>
<tr><td>Distributions and taxed-at-source income</td><td>(10)</td></tr>
<tr><td>Average effective tax rate</td><td>(8)</td><td>The CFPS [Co-Funded Payroll Scheme] does appear to have been successful in reducing job losses, and registered unemployment has fallen back from its peak. However, it now seems likely that there will be a prolonged period of reduced hours and earnings, particularly in non-finance sectors, and this has been incorporated into the FPP forecast for a slower recovery in total earnings. This will put further downward pressure on the average effective tax rate.</td></tr>
</table>

Penalties and general interest charges (GIC) arising under taxation legislation are recognised as revenue at the time the penalty and GIC are imposed on the taxpayer and included within the relevant revenue categories. Generally, subsequent remissions and write-offs of such penalties and interest are treated as an expense (mutually agreed write-down) or other economic flow of the period. Penalties and interest that are imposed by law and immediately cancelled are not recognised as revenue or expense.

Taxpayers are entitled to dispute amounts assessed by the States of Jersey. Where the States considers that the probable outcome will be a reduction in the amount of tax owed by a taxpayer, an allowance for credit amendment (if the disputed debt is unpaid) or a provision for refund (if the disputed debt has been paid) will be created and there will be a corresponding reduction in revenue.

Earned through operations

The States of Jersey has applied IFRS 15 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 18.

Revenue from sale of goods and services is measured based on the fair value of the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Sale of goods and services

Below is a summary of the revenue recognition:

Revenue Stream	IFRS 15 Revenue Recognition
School Fees	School fees consists of tuition fees, resource fees, levies, application fees, enrolment fees, waiting list fees and other miscellaneous charges. Tuition/term fees, resource fees and levies are recorded as income in the period when services are provided. Non-refundable enrolment fees and application fees were treated as income on receipt.
Lottery Ticket Sales	The income is derived from the sale of lottery scratch cards through numerous retail outlets across the Island. Revenue recognised at the point that the tickets are sold. The purchase of a ticket creates an agreement between the customer and the States that may be evidenced by a ticket specifying the wager and the odds.
Airport and Harbour Charges Chanel Island Control Area (CICA)	There are four distinct performance obligations, these are landing, parking, departing and other charges (i.e. noise and fixed electrical ground power). The revenue from these charges is recognised on the day the movement takes place or services are rendered. Passenger charges levied on passengers on departure; - Aircraft landing and take-off charges levied according to noise certification; - Aircraft parking charges based on a combination of weight and time parked; and - Other charges levied (i.e. fixed electrical ground power) when these services are rendered.
Other fees and services	The States recognises revenue when it transfers control over a product or service to a customer. Grants and similar financing for capital items, to the extent that they have not been eliminated on consolidation, are recognised immediately in the Consolidated Statement of Comprehensive Net Expenditure (SOCNE) unless it is likely that the grant will need to be repaid, in which case the grant is deferred in the Statement of Financial Position (SOFP).

5 Staff costs

Staff costs include salaries and wages, the costs of pensions and other employee benefits. Staff costs that can be attributed directly to the construction of an asset have been capitalised. Average staff numbers include staff engaged on capital projects. Public sector pension scheme costs include current service costs and past service costs, both of which are explained in further detail in accounting policy section 22 and note 20/21.

6 Social benefits payments

Social benefits payments are accounted for as expenditure in the period to which they relate.

Social benefits payments include income support, which are recognised over the period for which the claim assessed is due. Where under or overpayments are identified, either during the award year or subsequently, adjustments are made to expenditure.

7 Grants

Grants made are recognised as Grants and Subsidies Payments within the Consolidated Statement of Comprehensive Net Expenditure (SOCNE) to match the underlying event or activity that gives rise to a liability.

8 Finance Cost

Interest expenses are determined using the effective interest rate method, which exactly discounts estimated future cash flows to the instruments initial carrying amount. For variable rate borrowings the current rate applicable to that product is used.

9 Investment income

Interest is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents and from financial assets at fair value through profit or loss (FVTPL).

Dividend income is recognised when the right to receive a dividend payment is established. Any amount not received by the end of the reporting period is recognised as a current receivable.

10 Accounting for Goods and Services Tax (GST)

GST charged/paid is fully recoverable, and so income and expenditure is shown net of GST.

11 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in British Pounds (GBP), which is the States functional and presentation currency.

Transactions and balances

Foreign currency transactions undertaken in a foreign currency are translated into GBP at the rate ruling at the date of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income (FVOCI).

Policies supporting the Statement of Financial Position

12 Non-current assets: property, plant and equipment

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the States and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Property, Plant and Equipment is recognised where the initial cost or value exceeds £10,000. 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.

Measurement

Assets are initially measured at cost, comprising:

– The purchase price;

– Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

– The cost of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment is subsequently measured as follows:

Asset category	Measurement basis
Non-specialised operational assets	Existing Use Value (EUV)
Social housing	Existing Use Value – Social Housing (EUV-SH)
Specialised assets and networked assets	Depreciated Replacement Cost (DRC)
Surplus assets with access to the market	Fair value
Surplus assets with restrictions preventing access to the market	Existing Use Value (EUV)
Assets under Construction	Cost
Short life and low value assets	Depreciated historical cost (DHC)*

* The States has elected to use DHC as a proxy for fair value for assets with a short useful life or a low value.

Non-specialised assets are valued in accordance with the RICS Valuation Global Standards 2017, as updated for the UK, on a 5-yearly cycle with a 3-year revaluation for higher value assets. The value of assets not revalued in the current year is indexed to the year-end using available property indices. Assets are independently valued by RICS registered valuers, the Valuation Office Agency.

Social housing stock is valued annually at EUV-SH in line with the UK Housing Statement of Recommended Practice (SoRP) using the discounted cashflow approach. The stock is independently valued by RICS registered valuers, Jones Lang LaSalle IP Incorporated.

Specialised assets and networked assets are valued in accordance with the RICS Valuation Global Standards 2017, as updated for the UK, on a 5-yearly cycle with a 3-year revaluation for higher value assets using the modern equivalent basis of DRC valuation.

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

Revaluation

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 as an impairment in Net Revenue Expenditure/Income.

Depreciation

Depreciation for Property, Plant and Equipment, other than for networked assets, is calculated by amortising the carrying value of the asset less its estimated residual value over its useful economic life on a straight-line basis. Depreciation is recognised in the Statement of Comprehensive Net Expenditure. 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, furniture & fittings	3 to 50 years
Transport equipment	2 to 20 years
Information Technology Equipment	3 to 10 years
Antiques and Works of Art	Not depreciated per JFReM 7.1.40
Networked assets (Road networks, sewer systems and sea defences)	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.

Residual Values and Useful Economic Lives of Property, Plant and Equipment are reviewed annually and, if appropriate, amended at the end of each reporting period.

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.

Disposal

On disposal of Property, Plant and Equipment, gains or losses on disposal are measured by deducting the carrying value of the asset and any directly attributable transaction costs from the sale proceeds and are reported in Net Revenue Expenditure/Income.

13 Investment properties

Property (land or building or both) is defined as investment property where it is held solely to earn rental income or for capital appreciation or both.

The States of Jersey uses the fair value model to account for investment properties. Investment properties are measured initially at cost and then subsequently at fair value. Investment properties are not depreciated but valuations are subject to annual review by a RICS registered valuer according to market conditions at the year-end.

Net rental income together with any gains or losses arising from changes in valuation or disposal are recognised as Hire & Rental in Revenue Earned from Operations within the Consolidated Statement of Comprehensive Net Expenditure (SOCNE).

14 Financial instruments

Classification

The group classifies its financial assets at amortised cost or fair value either through other comprehensive income (FVTOCI) or through profit or loss (FVTPL). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Category	Criteria for classification	Financial Assets
Amortised Cost	Amortised cost for financial assets whose cash flows are solely payments of principal and interest and the business model of which is to hold those financial assets in order to collect contractual cash flows. They are initially recognised at fair value and thereafter at amortised cost using the effective interest method less any impairment. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of recognising and allocating interest income over the relevant period.	Loans and advances, contractual trade receivables and cash and cash equivalents
FVTPL	Fair value through profit or loss (FVTPL) for any financial assets that are not measured at amortised cost or FVTOCI. This category includes derivatives and investments in equity instruments, unless an irrevocable election is made on initial recognition to	Investments (in the Common Investment Fund or with the States' Cash

	classify as FVTOCI. The election is only available to equity instruments that are not held for trading. Transactions costs and any subsequent movements in the valuation of assets held at FVTPL are recognised in the Statement of Comprehensive Net Expenditure.	Manager) excluding equity investments, housing property bonds and derivatives
FVTOCI	Debt instruments whose cash flows are the sole payments of principal and interest and held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. Equity instruments that are neither held for trading nor contingent consideration recognised in a business combination. After initial recognition, these assets are subsequently carried at fair value. Gains and losses in fair value are recognised directly in equity. On derecognition, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Net Expenditure.	Strategic investments and equity investments

The group has made the irrevocable election to present Strategic Investments (as defined in note 11 (a)) as fair value through other comprehensive income (FVTOCI).

Financial assets other than equity instruments and those at FVTPL are assessed for impairment at each reporting date using the expected credit loss model as introduced by IFRS 9, and impairments are recognised in the Statement of Comprehensive Net Expenditure.

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the risks and rewards of ownership have been substantially transferred.

Impairment of Financial Assets

The group assesses on a forward-looking basis the expected credit losses, and annual assessments for impairment are carried out. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 impairment requirements for financial assets apply to:

– Debt instruments – loans, trade receivables and debt securities measured at amortised cost or fair value through other comprehensive income (FVTOCI)
– Lease receivables
– Contract assets within the scope of IFRS 15
– Certain financial guarantees and loan commitments.

Trade receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The group classifies its financial liabilities at either amortised cost or fair value through profit or loss (FVTPL)

Category	Criteria for classification	Financial Liability
FVTPL	Meets the IFRS 9 definition of a financial guarantee contract, contingent consideration or financial liability at fair value through profit or loss. Financial liabilities that arise where a transfer of a financial asset does not qualify for derecognition. Commitments to provide a loan at a below-market interest rate.	Derivatives
Amortised Cost	Most of the government's financial liabilities are classified at amortised cost.	Bank borrowings, bond, credit facility and contractual trade payables

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. Differences between derecognised financial instruments' carrying value and cashflows received to transfer ownership are recognised as realised gains/losses in Consolidated Statement of Comprehensive Net Expenditure (SOCNE).

Measurement

At initial recognition, an entity shall measure FVTPL financial instruments at their fair value. Amortised cost and FVTOCI financial instruments shall be measured at their fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Except for contractual trade receivables which are initially measured at IFRS 15's transaction price.

Subsequent measurement of Financial Assets is as follows:

Category	Subsequent measurement
Amortised Cost	Interest income is calculated using the effective interest rate method. Any gain/(loss) arising on derecognition is presented in finance income or cost.
FVTPL	Changes in fair value movements are recognised through the profit and loss under (Gains)/Losses on Financial Assets.
FVTOCI	Changes in fair value movements are recognised through Other Comprehensive Income (OCI). Impairment losses or reversals, interest income (using the effective interest rate method) and foreign exchange gains and losses, are recognised in profit or loss. On derecognition, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Subsequent measurement of Financial Liabilities is as follows:

Category	Subsequent measurement
Amortised Cost	Interest expenses are included in finance costs using the effective interest rate method. Fees paid to establish loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Any gain/(loss) arising on derecognition or remeasurement is presented in finance income or cost.
FVTPL	Fair value movements are recognised through the profit and loss.

Derivative contracts within the Common Investment Fund (CIF) have the legal right of set-off and thus can be settled net.

15 Inventory

Inventory includes:

- Raw materials, consumables, work-in-progress and finished goods;
- Development property; and
- Currency not issued.

Inventory comprising raw materials, consumables, work-in-progress and finished goods are valued at the lower of cost and current replacement cost.

In the case of property held as inventory by the States of Jersey Development Company, costs represents the purchase price plus any directly attributable costs including professional fees and expenses incurred directly associated with the land's development since acquisition. Directly attributable costs also include salaries and related expenses. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses.

Currency not issued is recognised at cost.

16 Tax Receivables

Tax receivables are recognised in the Consolidated Statement of Financial Position (SOFP) on an accruals basis based on individual tax assessments less payments received from the individual taxpayer.

Impairment of statutory receivables - taxes due

Impairment losses for taxes due are recognised as incurred. Impairment for large tax receivables are estimated on an individual assessment basis, with a default percentage impairment rate (based on historical collectability rates) applied to debts where the taxpayer is insolvent or has entered into a payment arrangement. The remaining tax receivables impairment loss is derived using a model which allows large debt populations to be examined and provides for statistical credibility, in conjunction with interpretive judgement.

17 Accrued Income

Taxation revenue is recognised as tax accrued income which is the estimated tax revenue which accrues to the year of economic activity, based on economic forecasts produced by the States' Economic Unit in the case of Personal Income Tax. Other tax revenue is accrued by Revenue Jersey based on relevant taxpayer data.

18 Impairment of Non-Financial Assets

Non-financial assets are assessed at the year-end as to whether there is any indication that they may be impaired. Where indications exist and possible differences are estimated to be material, the recoverable amount of the asset is estimated, and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

19 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and amounts on deposits that are immediately available without penalty. The carrying amount of these assets approximates to their fair value. Cash equivalents are highly liquid investments that mature in no more than three months or less and that are readily convertible to known amounts of cash with low risk of change in value.

20 Tax Receipts in Advance

Tax receipts in advance are recognised where cash receipts from the taxpayer exceed the tax assessments processed to date and there are no outstanding appeals on the taxpayers' account. Tax receipts in advance are applied to future year's tax liability.

21 Currency in Circulation

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 States Treasury and Exchequer department. Once issued the liability value of the currency is recognised at its face value in Currency in Circulation in liabilities within the Statement of Financial Position (SOFP). Cash received in payment for this currency is held in the Currency Fund against this liability.

22 Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end and include salaries and wages and other employee benefits relating to States Staff, Non-States Staff and other expenditure relating to the employment of Staff. These costs are reported within the Staff Costs Statement of Comprehensive Net Expenditure (SOCNE)

Staff costs that can be attributed directly to the construction of an asset have been capitalised. These are not included in staff costs, but make up the value of assets recognised in Note 9.

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.

Post-employment benefits

As part of the terms and conditions of employment of its staff the States of Jersey makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the States has a commitment to fund the payments (for those benefits) and to disclose them at the time that the employees earn their future entitlement.

The States of Jersey run the following schemes in respect to post employment benefits, all of which are administered by the States of Jersey:

- The Public Employees Pension Fund (PEPF) for non-teaching staff comprising of a final-salary scheme known as the Public Employees Contributory Retirement Scheme (PECRS) for all non-teaching staff which is now closed to new members and a replacement scheme open to all new non-teaching staff which is a career average revalued earnings (CARE) scheme referred to as the Public Employees Pension Scheme (PEPS).
- The Jersey Teachers Superannuation Scheme.

Defined Contributions Pension Schemes

Both schemes are funded schemes with benefits being paid from a combination of contributions from employees and employers together with returns from the investment of surplus funds.

Both schemes are subject to cost-cap mechanisms which ensure that the States is not liable for future obligations. Consequently, both schemes are accounted for as defined contribution schemes and no liability for future retirement benefits is recognised in the Statement of Financial Position (SoFP).

Departments are charged with employers contributions payable to the Public Employees and Jersey Teachers Pension Schemes in the year and are reported as part of Staff Costs in the SoCNE.

Both principal pension schemes were re-configured in 2007, so that the past service pension provision at that date was crystallised into a bond-like debt to be repaid over a set period of time subject to actuarial review. The past service pension provision is disclosed and reported in the Statement of Financial Position (SOFP) and has been classified as a provision subject to periodic actuarial revaluation. Contributions to the past service pension provision for both schemes are charged to Staff Costs within Net Revenue Expenditure within the SoCNE. Movements arising from re-measurement of the past service pension provision are reported in the Movements in Pension Liability line within Net Revenue Expenditure.

Defined Benefits Pension Schemes

In addition, the States manages three further pension schemes all of which are closed to new members:

- The Jersey Post Office Pension Fund (JPOPF) providing benefits to employees of Jersey Post International Limited. The scheme is in run-off as the last active member left in 2009;
- The Discretionary Pension Scheme (DPS) which is in run-off as it only has one member; and
- The Civil Service Scheme (CSS) which is a non-contributory scheme predating the formation of the PEPF in 1967. There are no active members remaining in service.

The JPOPF and DPS are funded schemes with scheme assets invested in funds administered by the States of Jersey. The CSS is an unfunded scheme. All three schemes are accounted for as defined benefits schemes under IAS 19.

The liabilities of the defined benefits pensions schemes are recognised in the Statement of Financial Position (SOFP) on an actuarial basis. The basis of calculation of the defined benefit obligation is the projected unit method undertaken by Aon Hewitt, independent actuaries to the States.

The present value of the projected future liability is determined by discounting the future cashflows by reference to market yields for high quality corporate bonds at the year-end date.

The assets of the two funded schemes are included in the Statement of Financial Position (SOFP) at their fair value.

The change in the net pensions liability is analysed into the following components:

a) Service cost comprising current service and net interest expense of the defined benefit liability both of which are charged to Net Revenue Expenditure with the Consolidated Statement of Comprehensive Net Expenditure (SOCNE)

b) Remeasurements - charged to Other Comprehensive Income within the Consolidated Statement of Comprehensive Net Expenditure (SOCNE) comprising:

    - The return on plan assets – excluding amounts included in net interest in the net defined benefit liability;
    - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions;

c) Contributions from the States to the three closed (JPOPF, DPS and CSS) schemes charged to Staff Costs in the Consolidated Statement of comprehensive net expenditure (SOCNE).

23 Leases

At their inception, leases are classified as operating or finance leases. 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

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 minimum non-cancellable period of the lease.

The States as lessor

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 minimum non-cancellable period of the lease.

24 Provisions

Provisions are recognised where the States has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Statement of comprehensive net expenditure (SOCNE) in the year that the States becomes aware of the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account relevant risks and uncertainties.

Policies supporting the Consolidated Statement of Changes in Taxpayers’ Equity

25 Taxpayers’ equity

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

The Accumulated Revenue and Other Reserves represent the cumulative balances of surpluses and deficits recorded by the States of Jersey.

Revaluation reserve

The revaluation reserve reflects the unrealised balance of cumulative revaluation adjustments to Property, Plant and Equipment and Intangible Non-Current Assets other than donated assets. When an asset is disposed any balance in the revaluation reserve is transferred to the Accumulated Revenue and Other Reserves.

Investment reserve

The investment reserve reflects the cumulative balance of unrealised gains and losses on financial instruments classed as Fair Value through Other Comprehensive Income (FVTOCI) within the Common Investment Fund (CIF). Gains and losses on FVTOCI instruments are only recognised as income within Net Revenue Expenditure when the instruments are disposed of.

Other Accounting Policies supporting the Other Notes and disclosures

26 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised as liabilities or assets in the statement of financial position (SOFP), but are disclosed in the notes to the accounts.

27 Third Party Assets

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.

28 Losses and Special Payments

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

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

29 Related Party Transactions

For the purpose of disclosure of Related Party Transactions, Key Management Personnel are considered to be the Council of Ministers, Assistant Ministers and members of Corporate Strategy Board (CSB) subject to remuneration disclosures. These include short term employee benefits, post-employment benefits (pensions) and termination benefit.