STATES OF JERSEY

JERSEY FINANCIAL REPORTING MANUAL 2023

Presented to the States on 21st March 2024
by the Minister for Treasury and Resources

STATES GREFFE

Jersey Financial Reporting Manual 2023

(Based on the United Kingdom's Financial Reporting Manual 2022-23)

1. Background

The Public Finances (Jersey) Law 2019 requires the annual financial statements of the States be prepared in accordance with accounting standards issued by the Treasurer with the approval of the Minister.

Historically, it has been the policy of the Government of Jersey for the Jersey Financial Reporting Manual (JFReM) to be based on the standards and accounting policies adopted by the UK Government in their annually updated Financial Reporting Manual ("UK FReM"), adapted as appropriate for the Public Sector in Jersey, with a year's delay. This approach is continued, with the JFReM being based on the UK FReM issued for the year ending 31 March 2023.

Applying the UK FReM in a Jersey context requires judgement. There are many similarities between Jersey's public sector institutions and those in the UK, nevertheless, differences exist which means the UK FReM must be modified to make it relevant to Jersey.

Previous versions of the JFReM have been issued as a stand-alone document which reflects any adaptations directly. For 2023, the JFReM will instead be issued as an accompanying document to the UK FReM, setting out any adaptations and interpretations for the context of the Public Sector in Jersey. This is structured to include general interpretations and adaptations (i.e. those that apply to several chapters), and those that apply to specific chapters of the UK FReM. In the case of any uncertainty of application of these interpretations, the Minister will make the ultimate decision (after consultation with the Comptroller & Auditor General).

Summary Key Differences between UK FReM and JFReM

There are two significant adaptions in the JFReM, which represent notable departures from the accounting practice prescribed by International Financial Reporting Standards ("IFRS"):

- Adaptations to the concept of the Group Boundary [Chapter 4], though there is a project to review this accounting treatment in order to align with IFRS.
- The temporary deferral of the implementation of IFRS 16 (Leases) until 1 January 2024.

In addition, the budgeting process in Jersey differs from that in the UK and so a number of adaptations are needed to reflect this. Similarly, the different pension arrangements require adaptations, most notably to Chapter 12 of the UK FReM.

As the Annual Report and Accounts applies to the whole of the States of Jersey Group, Chapter 13 (Whole of Government Accounts) does not apply.

2. General Interpretations and Adaptations

Applicable Legislation

UK Legislation does not apply in Jersey. The key pieces of legislation relevant to the preparation and audit of the States Annual Report and Accounts are:

- Public Finances (Jersey) Law 2019
- Comptroller and Auditor General (Jersey) Law 2014

The requirements for the preparation of the Accounts are set out in Article 37 of the Public Finances (Jersey) Law 2019.

37 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.

The requirements for audit and presentation to the States Accounts to the Assembly are set out in Article 12 of the Comptroller and Auditor General (Jersey) Law 2014.

12 Duty to ensure that the annual financial statement of the States is audited

(1) When the annual financial statement in respect of the accounts of the States for a financial year is sent to the Comptroller and Auditor General by the Treasurer in accordance with Article 37(b) of the Public Finances Law, the Comptroller and Auditor General must ensure –

(a) that an audit of it is completed, whether by the Comptroller and Auditor General or whether by a person appointed by the Comptroller and Auditor General for the purpose;

(b) that a certificate from the person carrying out the audit is attached to the statement; and

(c) that the statement with the attached certificate and any note mentioned in paragraph (3) are forwarded to the Minister,

before the end of the period of 5 months after the end of the financial year.

(2) The certificate mentioned in paragraph (1)(b) must certify whether the annual financial statement properly represents the activities of the States for the financial year and whether the accounting standards referred to in the Public Finances Manual issued under the Public Finances Law have been complied with.

(3) The Comptroller and Auditor General may also attach to the statement a note drawing the attention of the States –

(a) to any matter in the statement that the Comptroller and Auditor General considers should be of concern to the States or should receive the attention of the States; and

(b) to any matter that prevented or hindered an audit of any part of the statement or, in the Comptroller and Auditor General's opinion, constituted a significant breach of a provision of the Public Finances

Law or of any other enactment referred to in Article 11(1)(b) to (e) of this Law.

(4) The Minister for Treasury and Resources and Treasurer must each sign the annual financial statement.

(5) The Minister for Treasury and Resources must then present the statement, the certificate mentioned in paragraph (1)(b) and any note mentioned in paragraph (3) to the States as soon as practicable.

(6) The States may, on a proposition lodged by the Minister for Treasury and Resources, extend the time within which an action specified in paragraph (1) must be taken.

References are made throughout the UK FReM 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.

Requirements in the UK FReM based on other UK legalisation will in general not apply, for example:

- the Government Resource and Accounts Act 2000
- the Trade Union (Facility Time Publication Requirements) Regulations 2017 (SI 2017/328)

Similarly, other UK government issued documents such as “Managing Public Money”, Public Expenditure System (PES) papers and Employer Pension Notices (EPNs) referred to in the UK FReM do not apply, and should be read as the Jersey equivalent.

Jersey Equivalents

The UK FReM is written to be applied by a large number of government entities who draft their own financial statements, whereas in Jersey it only applies to the States of Jersey Group. The UK FReM should therefore be read in this context.

The UK FReM applies to the Government in the UK, and so references to the UK and its institutions must be adapted for the context in Jersey. Not all of these are directly equivalent, but it is not considered that this impacts the interpretation of the requirements.

UK FReM	JFReM
Country	Island
United Kingdom	Jersey
Government Annual Report and Accounts	States of Jersey Annual Report and Accounts
Relevant Authorities	Minister for Treasury and Resources
Government Financial Reporting	Financial Reporting by the States of Jersey
Parliament	States Assembly
HM Treasury	Treasury and Exchequer Department
Select Committees	Scrutiny Panels
Accounting Officer	Treasurer of the States
Managing Public Money	Public Finances Manual
UK Civil Service	Jersey Public Service

Some UK institutions have no direct Jersey equivalent, for example, UK Local Government, Clinical Commissioning Groups. Requirements relating to these institutions shall not apply.

References to the Discount Rate set by HM Treasury should be interpreted to be a suitable discount rate as determined by the Treasurer of the States.

Budget setting

The budgeting process for the States of Jersey is set out in the Public Finances (Jersey) Law 2019, and differs from the arrangements in the UK. The following adaptations/interpretations are therefore applied:

- references to Statement of Outturn against Parliamentary Supply (“SOPS”) are replaced with the Statement of Outturn against Approvals (“SOA”).
- reference to comparisons to "Estimates” should be interpreted to mean comparisons against Government Plan approvals.
- reference to “Spending Reviews” should be interpreted to mean the Government Programme (including the Common Strategic Policy and the Government Plan)
- different types of approval in the UK (RDEL, CDEL, RAME, CAME) should be interpreted to be types of approval based on the relevant Government Plan (e.g. Heads of Expenditure).

Signatures in the Annual Report and Accounts

The Annual Report and Accounts will be signed and dated as follows:

- the Performance Report: by the Chief Executive Officer;
- the Accountability Report: by the Treasurer of the States;
- the Governance Statement: by the Chief Executive Officer and Treasurer of the States; and
- the Statement of Financial Position: by the Minister for Treasury and Resources and the Treasurer of the States.

Any references to signatures in the UK FReM to signatures should be adapted as above.

3. Chapter 1 – Introduction

This chapter is adopted subject to the following adaptation and interpretations (in addition to general adaptations set out in section 2).

Section 1.1 The purpose of the Government Financial Reporting Manual (FReM)

Paragraphs 1.1.4, 1.1.7, 1.1.8 are UK specific and are not adopted.

Section 1.2 The scope of the FReM

The UK FReM is written to be applied by a large number of government entities who draft their own financial statements, whereas in Jersey it only applies to the States of Jersey Group. Paragraphs 1.2.1-1.2.5 therefore do not apply and are replaced by:

1.2.1 The JFReM applies directly 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 as accounts which are required to be consolidated in the accounts of the States of Jersey.

4. Chapter 2 – The purposes and principles of government financial reporting

This chapter is adopted subject to the general adaptations set out in section 2.

5. Chapter 3 – Best practice in narrative reporting

This chapter is adopted subject to the general adaptations set out in section 2.

6. Chapter 4 - The annual report and accounts general adaptations set out in section 2).

Section 4.2 Accounting principles for government annual reports and accounts

Accounting policies and budgetary controls

The budgeting regime in Jersey is set out in the Public Finances (Jersey) Law 2019, and differs from the arrangements in the UK, and so paragraphs 4.2.20 to 4.2.24 do not apply. Paragraph 4.2.25 should be interpreted in line with the adaptations to Chapter 6.

Section 4.3: Consolidation and accounting boundaries

The basis of consolidation in the States of Jersey Accounts differs from the approach taken by the UK. The UK FReM section 4.3 is replaced with the following:

4.3.1 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.

4.3.2 The group boundary is similar to the concept of a group under generally accepted accounting practice, but it is based on direct control principles.

4.3.3 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.*

- *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.*

4.3.4 Trust Funds are monies donated or left to the States of Jersey 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.

4.3.5 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.*

4.3.6 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.

4.3.7 *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 categorised in the States of Jersey Consolidated accounts as "Strategic Investments".

4.3.8 *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*
- *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*

4.3.9 *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.*

4.3.10 *For the purposes of applying the principles of consolidation, the States of Jersey will be the parent entity in the consolidated financial statements. The 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 Minister for Treasury and Resources 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.

Section 4.4: Reporting requirements beyond central government departments

This section is not applicable to Jersey and therefore not adopted.

Section 4.5: Presentation to Parliament and publication

The requirements to audit and present the States Accounts to the Assembly are set out in Article 12 of the Comptroller and Auditor General (Jersey) Law 2014, and consequently this section does not apply.

7. Chapter 5 - the performance report

This chapter is adopted subject to the following adaptation and interpretations (in addition to general adaptations set out in section 2).

The performance report in the Annual Report and Accounts will cover the SOJ Group, but will also refer to detailed Annual Reports of entities who report separately where appropriate.

Section 5.4: Performance analysis

The budgeting regime in Jersey is set out in the Public Finances (Jersey) Law 2019, and differs from the arrangements in the UK. The general interpretations set out in section 2 should be applied. In particular, performance reporting should be against the priorities set out in the Government Programme rather than Spending Review.

In general this section has been drafted for the UK context, and so does not directly apply to the States of Jersey Group. The content of the section will be considered when determining the appropriate format and content of the performance report, but is not mandatory.

Sustainability reporting
The Annual Report and Accounts will provide information on environmental matters including the impact of the entity's business on the environment. As the mandatory sustainability reporting requirements referred to in paragraphs 5.4.7 to 5.4.14 relate to UK specific guidance, these paragraphs are considered to be best practice rather than mandatory requirements. Specific requirements for sustainability reporting by the States of Jersey will be developed based on recognised best practice for inclusion in the JFReM 2024.

8. Chapter 6 - the accountability report

This chapter is adopted subject to the following adaptation and interpretations (in addition to general adaptations set out in section 2).

Section 6.4: Corporate governance report

Paragraph 6.4.3 is interpreted as follows:

b) the name of the "person occupying the position of the permanent head of the department" should be interpreted as the Chief Executive

.

Section 6.5: Remuneration and staff report

Paragraph 6.5.8 d) is replaced by: "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."

This change reflects the different tax and pension structures in Jersey which make the 'multiplied by 20' and references to lump sums irrelevant.

Section 6.6: Statement of Outturn against Parliamentary Supply (SOPS)

The budgeting process in Jersey is set out in the Public Finances (Jersey) Law 2019, and differs from the arrangements in the UK.

The SOA will be prepared in the Jersey context, and consequently paragraphs 6.6.10 to 6.6.21 do not apply as included in the UK FREM, and are replaced with the following:

The Statement of Outturn against Approvals

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

a) a comparison of outturn against estimates for General Revenue Income
b) a comparison of outturn against the approval for net revenue expenditure;
c) a reconciliation of the revenue outturn to net revenue expenditure disclosed in the Statement of Comprehensive Net Expenditure;
d) a comparison of outturn against the approval for project expenditure; and
e) a statement showing the unallocated consolidated fund balance at the end of the financial year.

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

6.6.12 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 Outturn Against Approvals - Forecast Operating Balance

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

a) Net General Revenue Income by income line as presented in the Government Plan, against the Estimate.
b) 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) Net revenue expenditure outturn for each Trading Operation, comparing the net total outturn for each operation with the Estimate.

6.6.14 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

6.6.15 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.

Section 6.7: Other Notes relating to Parliamentary accountability

"Managing public money" does not apply to the States of Jersey. No limit is applied to losses and special payments, and the limit over which Gifts made should be disclosed is £10,000.

Section 6.8: the certificate and report of the comptroller and auditor general to the House of Commons

Section 6.8 is not adopted into the JFReM, with the equivalent requirements set out in Article 12 of the Comptroller and Auditor General (Jersey) Law 2014.

9. Chapter 7 - the financial statements

This chapter is adopted subject to the following adaptation and interpretations (in addition to general adaptations set out in section 2).

Some of the provisions in the Chapter refer to UK concepts that do not apply in Jersey:

- "Supply Issued from the Consolidated Fund" and related concepts
- Funding from "Grant-in-aid"
- "General Fund" as a component of equity

10. Chapter 8 – adapting and interpreting IFRS Standards

This chapter is adopted subject to the following adaptation and interpretations (in addition to general adaptations set out in section 2).

Section 8.2 Interpretations and adaptions of the public accounts context

A number of the UK FReM adaptations that are clearly not applicable in the Jersey context are not explicitly removed for brevity.

IFRS 10, 11 and 12, IAS 1

These standards are adapted in line with the adaptations to Chapter 4.

IFRS 15

For clarity: taxation through the Consolidated Fund is included in the Annual Report and Accounts. Non-exchange income will be accounted for on an accruals basis (in line with the second adaptation to the standard), provided that a reasonable estimate of that income can be determined.

IFRS 16

IFRS 16, as adapted and interpreted by the Manual, will be effective from 1 January 2024.

IAS 19 and 26:

These standards are adapted in line with the adaptations to Chapter 12.

11. Chapter 9 – Further guidance on accounting boundaries

This chapter will generally not apply as it relates to transfers between entities preparing separate sets of accounts.

12. Chapter 10 – Further guidance on accounting for assets and liabilities

This chapter is adopted subject to the following adaptation and interpretations (in addition to general adaptations set out in section 2).

Section 10.2 Right of Use Assets

This section does not apply, as the adoption of IFRS 16 is deferred.

Section 10.3 Carbon Reduction Commitment

This section does not apply, as it is not relevant to Jersey.

13. Chapter 11 - Further guidance on accounting for income and expenditure

This chapter is adopted subject to the following adaptation and interpretations (in addition to general adaptations set out in section 2).

Section 11.1 Income

The definitions in set out in Paragraphs 11.1.1-11.1.4 are specific to the UK and are not applied.

Section 11.2 Accounting for Supply

This section is specific to the UK and does not apply.

Section 11.3 Consolidated Fund Revenue

Whilst the Consolidated Fund in the UK is a different concept to Jersey, most of this section applies where relevant, subject to the general interpretations.

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.
Companies tax	Accrued for in the year company tax returns are due unless no return was submitted and it is impracticable to make an estimate of tax due, i.e. 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.

Paragraphs 11.3.11 to 11.3.22 relating to Trust Statements and Devolved Taxes accounts do not apply and are not adopted.

Sections 11.4 and 11.5 are not applicable and therefore not adopted into the JFReM.

14. Chapter 12 – Further guidance on pensions accounting

The arrangements for Pension Funds in Jersey differs to that in the UK, and consequently the chapter as included in the UK FReM does not apply. However, a relevant interpretation of standards is introduced:

Recognition of pension schemes: Public Employees Pension Fund (PEPF) and Jersey Teachers Superannuation Fund (JTSF)

12.1.1 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).

12.1.2 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.

12.1.3 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.

15. Chapter 13 - Whole of Government Accounts

This chapter is not applicable to Jersey and is not adopted into the JFReM.

16. Annexes

As the Annexes give illustrative wording and further guidance, they are considered only to the extent that they are applicable and appropriate to the States of Jersey Annual Report and Accounts.