States of Jersey

FINANCIAL REPORT AND ACCOUNTS 2016

TREASURY
& RESOURCES

FINANCIAL REPORT AND ACCOUNTS

2016

Contents

Key Deliveries 2016

Financial Performance

INCOME

2015
£1,110m

2016
£1,502m

CONSOLIDATED

An increase in total income of £392 million (35%) from 2015 primarily due to investment income performance and an increase in income tax revenue.

2015
£692m

2016
£737m

STATES ASSEMBLY APPROVED

An increase in General Revenue Income, as approved by the States Assembly, of £45 million (7%) from 2015 primarily due to an increase in income tax revenue and investment income.

EXPENDITURE

CONSOLIDATED

An increase in total expenditure of £43 million (4%) from 2015 primarily due to the valuation movement of specific pension debts.

2015
£1,152m

2016
£1,195m

STATES ASSEMBLY APPROVED

Departmental net expenditure increased marginally by £1 million (0.2%) from 2015, including investment in key priority areas offset by savings achieved.

2015
£697m

2016
£698m

Key Deliveries 2016

BALANCE SHEET

2015
£5,871m

2016
£6,244m

An increase in the net asset position of £373 million (6%) mainly due to the increase in value of investments.

2015
£771m

2016
£820m

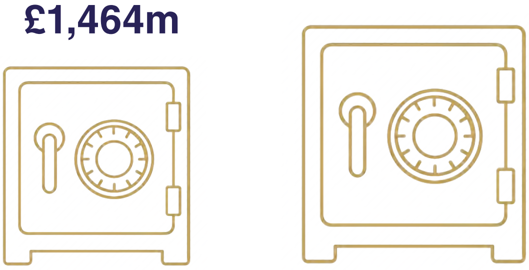
MANAGING INVESTMENTS

The Strategic Reserve (also known as the 'Rainy Day Fund') achieved investment returns of £105 million in 2016 – representing net performance in excess of 13.5%.

Protected capital value based on 2012 is £691 million.

2015
£1,464m

2016
£1,751m



THE SOCIAL SECURITY FUNDS

have increased in value by £287 million from 2015.

The Social Security (Reserve) Fund achieved income of £254 million, representing a net rate of return in excess of 19%

Key Deliveries 2016

WHAT DID WE SPEND IT ON?

13,912
children in full time mainstream education (January 2016)

77% GCSE A* – C
(England 67%)

81% A Level A* – C
(England 77%)

78,000 bed days at the Hospital

188,000 Hospital Outpatient attendances

39,165 Emergency Department attendances

Jersey Fire and Rescue attended **1,210** emergencies

Jersey Police dealt with **12,937** incidents

Back to Work scheme helped jobseekers get **2,036** jobs

Paid Old Age Pension to over **30,000** people

2.6% of the Island's road network resurfaced in 2016

£40.9 million spent on capital projects by States Departments

£10.5 million spent by Andium Homes and **£24.1 million** by the States of Jersey Development Company

1 The Minister's Report

1.1 The Minister's Report

Jersey's already robust finances have grown even stronger in 2016, with net assets of £6.2 billion, and we are best placed to take advantage of the opportunities arising in these uncertain times and also to weather any economic shocks that may lie ahead.

A strong economy, record levels of employment and continuing to win the fight against unemployment, as well as stellar investment performance have led to a very good year for our public finances.

The remarkable dedication of our public servants in progressing the transformation of the public sector and savings targets, in some cases ahead of time, whilst continuing to deliver the essential services to Islanders have improved yet further that financial position and I thank them for all their hard work.

These factors together have resulted in broadly balanced budgets for 2016, and after the results of wider organisation, such as the Strategic and Social Security Reserves, Andium Homes, Ports of Jersey and The Jersey Development Company are taken into account, there was a surplus of £308 million.

The improved financial position is extremely pleasing, yet latest income forecasts for the remaining years of the MTFP (2016–2019) have not significantly improved from those previously given in light of the uncertainties we face and the challenges for corporate taxation receipts.

The Plan, as set out in the MTFP is working, making vital investment in health and education in particular, whilst investing in the economy and delivering savings, however the job is far from done and we are certainly not be complacent.

The government's strategic priorities have once again underpinned our financial planning during 2016, and will continue to do so throughout the current year and beyond. We have been focussing on the future by prioritising investment in the Health and Education Departments, and by ensuring that there is sufficient funding for Jersey to protect the Island's interests during the UK's Brexit negotiations.

Like many governments across the world, we are also facing the challenge of an ageing population, which means that our financial strategy must be far-sighted enough to take this into account by investing in healthcare now. This is just one part of our commitment to making the right decisions today so that we can future-proof the Jersey of tomorrow. The education of our children, the strength of our economic performance and international reputation, and the ongoing development of our digital transformation are further examples of how our financial planning must account for the needs of the present while also investing in the Island's future.

The economy saw its second consecutive year of growth in 2015, with real GVA increasing by 2%. The majority of the non-finance sectors of the economy recorded real growth, although the finance sector saw GVA decline by 1% on an annual basis. Employment in Jersey is at a record high and the Fiscal Policy Panel expect the economy to grow further in 2016 and 2017. However, the rate of growth is likely to slow, and despite improvement in a number of economic indicators in 2015, the FPP see considerable uncertainty regarding the likely short- and long-term economic implications of the UK's exit from the EU, and the impact on Jersey.

We must also continue to invest in our physical infrastructure, and in the maintenance and development of our housing stock, while at the same time working hard to deliver more and better government services for less. Reforming the public sector helps us to free up funds for many of these agreed priorities. Of course, there is still a long way to go, but it is encouraging to see that expenditure by Departments grew by only 0.2% in 2016 compared to 2015. This was one of the smallest increases in expenditure for many years and demonstrates our focus on this area.

General revenue income was £45.1 million higher than in 2015, the largest contributions coming from investment returns and personal taxation which rose by £27.4 million over 2015, reflecting the strength of the economy and record employment levels.

The value of our strategic reserve saw an increase, too, building on 2015's value of £771.4 million to £819.6 million in 2016. This £48.2m increase was due to investment gains of £104.9 million, set against withdrawals of £56.7 million as agreed in the MTFP 2016–2019.

The returns on the Social Security Reserves were equally strong, finishing the year at £1.75 billion, with investment returns of over £250 million.

These Accounts help to demonstrate how Government is committed to strong financial stewardship and the discipline necessary to provide financial resilience in uncertain times.

This report is important for two reasons. Firstly, it allows us a full picture of Jersey's finances, rather than the snapshots that we see throughout the year in the course of debate and discussions. It also provides everyone with an opportunity to scrutinise the way Government departments fund their services and how effectively the Government has prioritised spending while moving towards balanced budgets.

We remain committed to working with States Members and Islanders in the ongoing formulation of our policies, and to publishing our data regularly, openly and in a form that is easily and readily accessible.

I would like to thank all the staff across the States of Jersey for their contribution throughout the year, and add a personal note of thanks to the hard working team at the Treasury. I also thank my Assistant Minister, Connétable John Refault, for his wise counsel and support.

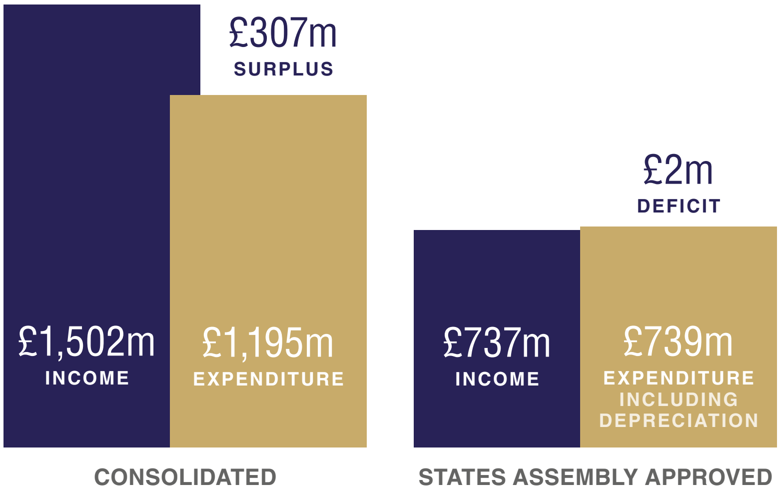
Senator Alan Maclean
Minister for Treasury and Resources
Date: 26th May 2017

2 The Treasurer's Report

2.1 Highlights

These consolidated accounts include not only the results against income and expenditure approved by the States Assembly in the Budget and Medium Term Financial Plan but also include the results of the wider States of Jersey group which includes entities such as the Social Security Funds, Andium Homes Limited, the States of Jersey Development Company and Ports of Jersey. A full explanation of the structure of the States of Jersey Group is provided over the page.

The highlights below pick out some of the high level points of interest.



rounding applied

INCOME VS EXPENDITURE *Consolidated States of Jersey Group*	Income exceeded expenditure for the year by £307 million in 2016 compared to expenditure exceeding income by £42 million in 2015. The movement of £349 million between years comprised: • An increase in income of £392 million, principally due to investment income and taxation revenue. • An increase in expenditure of £43 million mainly due to the movement in the valuation of the defined pension debt liability.
STATES ASSEMBLY APPROVED *General Revenues Income and Expenditure*	Before depreciation, there was an operating surplus of over £38 million compared to a deficit of £5 million in 2015. This is the net impact of greater revenue income of £45 million offset by only a slight increase in net revenue expenditure of £1 million in 2016. After depreciation, there was a broadly balanced position with expenditure exceeding income in 2016 by £2 million compared to a £50 million deficit in 2015.
INCOME	Total Revenue Income increased by 35% in 2016 to £1.50 billion. This was £392 million higher than 2015 as a result of higher investment returns of £331 million and receipts from income taxation also higher than 2015. Included in the above, General Revenue Income was £45 million higher than 2015 largely as a result of an increase in income tax receipts and investment returns.
EXPENDITURE	Total Revenue Expenditure of £1.19 billion was incurred during the year. This was an increase of £42 million compared to 2015. This includes a net increase associated with the movement in the valuation of pension past service debts of £52 million and social benefit payments of £9 million offset by decreases in the impairment of assets and losses on disposal as well as a decrease in staff costs. Departments spent only £1.4 million (0.2%) more than in 2015, recording an underspend against their total available budget of £33.9 million which has been carried forward to fund department and corporate priorities as well as supplement reserves and contingencies.
STRONG BALANCE SHEET	The balance sheet has grown further in 2016 with an increase in the net asset balance of £373 million to £6.2 billion, largely as a result of investment returns and the revaluation of property and infrastructure. There has also been a £24 million increase in development property held by the States of Jersey Development Company.
CAPITAL PROJECTS	Departments spent a total of £41 million on capital projects in 2016, with a further £2.0 million spent by trading operations, £11 million by Andium Homes Limited and £24 million by the States of Jersey Development Company.

Investment Performance	The States of Jersey pooled investments have generated an annualised net return of 8.7% over the last 3 years; well above the average level of inflation over the same period of 1.4%. The total return to the States across its reserves in 2016 was £391 million. The value of our Strategic Investments in utility companies has increased by £3.0 million (0.8%) to £365.9 million.
Reserves	The balance in the Strategic Reserve increased from £772 million to £820 million over 2016, an increase of £48 million (6.2%). The movement reflects net earnings of £105 million, representing a net performance in excess of 13.5%, offset by transfers out of £57 million. The transfers from the Fund were approved by the States Assembly: £27 million to fund the annual capital programme, £16 million for redundancies, £5 million for the Economic and Productivity Growth Provision, £5 million towards a working balance in the Consolidated Fund and £4 million related to funding for the Independent Jersey Care Inquiry. The balances in the four Social Security Funds increased in 2016 to a total value of over £1.75 billion.
Pension Liabilities	The Accounts include disclosures in respect of the States' two main pension funds, the Public Employees Pension Fund (PEPF) and the Jersey Teachers' Superannuation Fund (JTSF). The schemes operated are recognised as defined contribution schemes and, as such, only the contributions made in each year are recognised in the financial statements.

At a Glance – Financial Results

TABLE 1 – SUMMARY OF FINANCIAL RESULTS

2015 Actual £'000		Table	2016 Actual £'000	Difference from Prior Year £'000
691,743	States Net General Revenue Income	2	736,803	45,060
(697,031)	Departmental Net Revenue Expenditure – Near Cash	3,4	(696,048)	983
–	Departmental Pay Award		(2,406)	(2,406)
(5,288)	**Operating (Deficit) / Surplus**		**38,349**	**43,637**
(44,676)	Departmental Depreciation/Amortisation	5	(40,154)	4,522
(49,964)	**Deficit of General Revenue Expenditure over Income**		**(1,805)**	**48,159**
(38,755)	Departmental Net Revenue Expenditure – Other Non Cash	5	(22,660)	16,095
(18,824)	Trading Operations Net Revenue Expenditure	6	393	19,217
62,658	Net Revenue Income of Special Funds	7	390,886	328,228
(21,050)	Net Revenue Expenditure of Consolidated Entities	7	(14,695)	6,355
24,785	Other Income/(Expenditure)	8	(46,271)	(71,056)
(708)	Consolidation Adjustments	8	1,819	2,527
(41,858)	**Net Revenue (Expenditure) / Income as Reported in the SoCNE**		**307,667**	**349,525**

2.2 Explanation of the Structure of the States of Jersey

Principal Activities of the States of Jersey

The States Assembly raises taxes and other levies to fund the provision of a wide range of public services including Health Care, Education, Social Security and the administration of Justice. These functions are primarily carried out by Departments, both Ministerial and Non Ministerial.

The States of Jersey Accounting Boundary

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

Consolidated Fund

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

Trading Operations

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

Special Funds

In addition to the Consolidated Fund, the Public Finances (Jersey) Law 2005 names four Special Funds – the Strategic Reserve, the Stabilisation Fund, the Currency Fund and the Insurance Fund. These relate to the operation of the States of Jersey in general. The Public Finances (Jersey) Law 2005 also allows the States to establish special funds (also known as Separately Constituted Funds) for specific purposes. These are usually established by legislation or a States decision, and more detail is given in Note 34.

Social Security Funds

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

States Owned Subsidiary Entities

Andium Homes Limited

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

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

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

Ports of Jersey Limited

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

States of Jersey Development Company

The States of Jersey Development Company (SOJDC) is a wholly owned subsidiary company of the States. It was originally incorporated in 1996 as the Waterfront Enterprise Development Board (WEB) and vested with responsibility for the co-ordination and promotion of development in the St Helier Waterfront Area on behalf of the States of Jersey. In 2010, the States approved proposition P.73/2010, which set out proposals for the restructure of WEB into the SOJDC, clarifying the role of the company and widening the companies remit to cover all designated "Regeneration Zones".

STATES OF JERSEY GROUP					
STATES ASSEMBLY APPROVED		SPECIAL FUNDS			WHOLLY OWNED COMPANIES
Consolidated Fund	Trading Operations	Special Funds Named In The PFL[1]	Special Funds For Specific Purposes	Social Security Funds	
Ministerial Departments	Fleet Management	Strategic Reserve	Loans Funds	Social Security Fund	States of Jersey Development Company Ltd
Non-Ministerial Departments	Car Parking	Stabilisation Fund	Tourism Development Fund	Social Security (Reserve) Fund	Andium Homes Ltd
Jersey Overseas Aid Commission*		Currency Fund	Lottery Fund	Health Insurance Fund	Ports of Jersey Limited
General Revenue Income		Insurance Fund	Housing Development Fund	Long Term Care Fund	
			Confiscations Funds	Jersey Dental Scheme	
			Ecology Fund		

1 Public Finances (Jersey) Law 2005

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

Public Sector Bodies Outside of the Accounting Boundary

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

PARISHES

The Parishes perform various Government Functions, including Refuse Collection, Provision of Parks and Gardens and issue of Licenses. Details of the functions of individual parishes can be found on the Parishes Websites. http://www.parish.gov.je/

TRUST AND BEQUEST FUNDS

The States administers a number of Trust and Bequest Funds. These funds commonly set defined purposes for the use of their assets, and so are not controlled by the States directly.

STRATEGIC INVESTMENTS

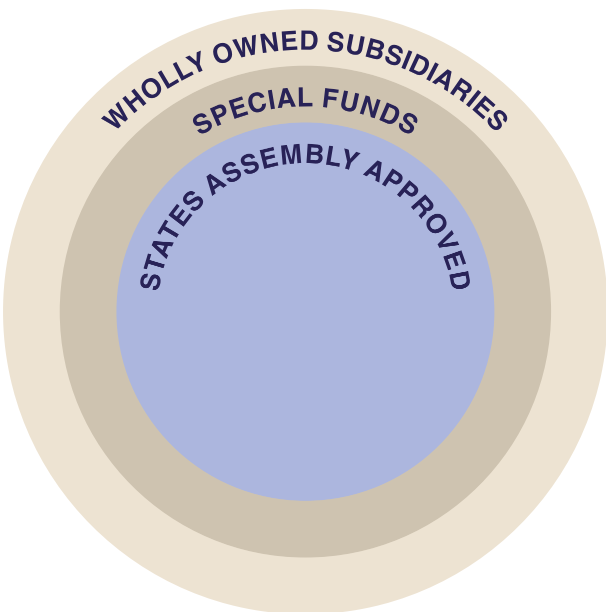
The States owns controlling investments in these utility companies, but as it does not exert direct control as defined by the JFReM these are accounted for as Strategic Investments in the Accounts.

- Jersey Electricity plc
- Jersey New Waterworks Company
- Jersey Telecom Group Limited
- Jersey Post International Limited

More information about the valuation of these companies is given in Note 9.17.

INDEPENDENT BODIES

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



2.3 Performance of the States Assembly Approved

2016 was the first year of the Medium Term Financial Plan 2 which had a clear strategy to balance budgets by 2019 whilst focussing on the priorities agreed in the Strategic Plan. The final outturn for 2016 is more positive than that projected in the MTFP and Budget 2017.

The States achieved broadly balanced budgets in 2016 with a small deficit after depreciation of £1.8 million. Income from income tax and investment returns performed strongly and expenditure remained stable.

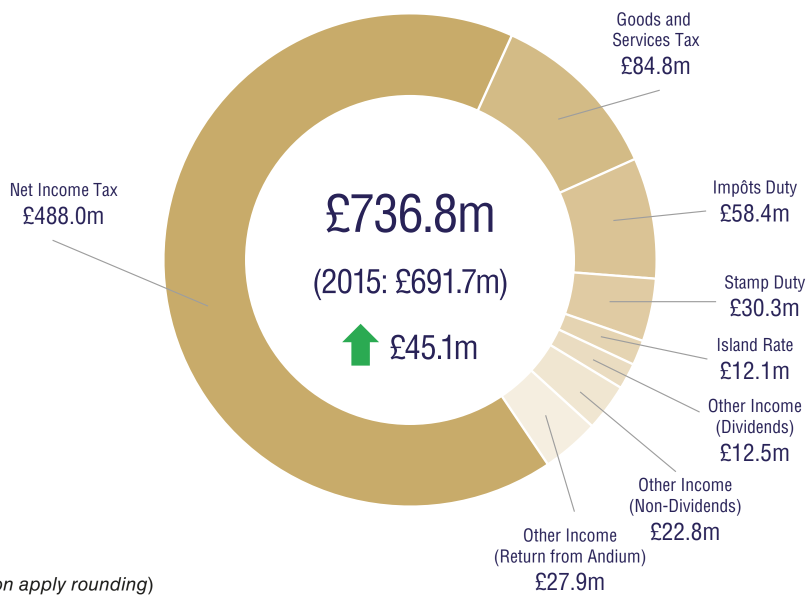
The following analysis of performance focuses on the income and expenditure approved by the States Assembly.

2.4 General Revenue Income

TABLE 2 – NET GENERAL REVENUE INCOME – OUTCOME COMPARED TO PRIOR YEAR AND TO BUDGET SUMMARY TABLE A

2015 Actual £'000		2016 Actual £'000	Difference from Prior Year £'000	Budget 2017 Forecast £'000	Difference from Budget forecast £'000
457,583	Net Income Tax	487,965	30,382	471,000	16,965
85,042	Goods and Services Tax	84,798	(244)	83,334	1,464
54,146	Impôts Duty	58,410	4,264	56,787	1,623
29,032	Stamp Duty	30,305	1,273	25,394	4,911
11,928	Island Rate	12,141	213	12,142	(1)
14,023	Other Income (Dividends)	12,568	(1,455)	11,149	1,419
12,505	Other Income (Non-Dividends)	22,760	10,255	9,710	13,050
27,483	Other Income (Return from Andium)	27,856	373	27,785	71
691,742	**Net General Revenue Income**	**736,803**	**45,061**	**697,301**	**39,502**

FIGURE 1 – BREAKDOWN OF NET GENERAL REVENUE INCOME RECEIVED



(all charts in this section apply rounding)

All references to '2016 forecast' are based on the most recent published forecast for 2016 which was included in the Budget 2017 and MTFP Addition.

Net General Revenue Income

6.5% higher than last year
5.7% better than the 2016 forecast

The largest element of income received by the States is 'General Revenue Income', which is made up of income to the Consolidated Fund covered by the Annual Budget Statement and includes taxes, duties and some investment income.

In the Budget Statement, General Revenue Income is voted net of directly related expenditure, such as Irrecoverable Debts or Investment Management fees, to represent the amount that is available to spend on providing services. Net General Revenue Income for 2016 was £736.8 million, compared to £691.7 million for 2015 largely as a result of an increase in Income Tax of £30.4 million and a £10.3 million increase in Other Income (Non-Dividends) driven by investment performance. Income from Impôts and Stamp Duty were also higher than 2015 by £4.3 million and £1.3 million respectively

Directly related expenditure totalled £1.2 million in 2016 (2015: £3.3 million), giving gross General Revenue Income of £738.0 million. The remainder of income received by the States includes charges raised by departments included in their cash limits and income relating to Trading Operations and Special Funds.

WHERE CAN I READ MORE?

Details of directly attributable expenditure for each type of General Revenue Income are included in The General Revenue Pages in the Unaudited Annex to the Accounts.

Net Income Tax

6.6% higher than last year
3.6% better than the 2016 forecast

Income Tax comprises two main elements, Personal Income Tax and Company Income Tax.

Personal Income Tax

The standard rate of personal income tax is 20%; when calculating the tax due personal taxpayers are entitled to a limited number of allowances/reliefs. To protect lower to middle income earners, a separate calculation is also performed using exemption thresholds and a greater number and value of allowances/reliefs, together with a higher tax rate (26% from 2014 year of assessment). The lowest of the two tax calculations is then used to determine the tax charge. Therefore personal taxpayers are never charged more than 20% tax on their income. This is explained in a video available on the States' website:

http://www.gov.je/TaxesMoney/IncomeTax/Individuals/AllowancesReliefs/Pages/MarginalCalculation.aspx

Since 2006 new taxpayers with employment income have tax collected via their salaries through the Income Tax Instalment System (ITIS) in the year in which they earn the salary and are known as Current Year Basis (CYB) taxpayers. Prior to 2015 tax collected from CYB taxpayers was accounted for a year in arrears, in the same way as Prior Year Basis (PYB) taxpayers.

The proportion of CYB taxpayers is increasing each year, and will continue to do so until eventually the entire tax base will be CYB. For that reason, the accounting treatment was amended in 2015 to permit tax collected from CYB taxpayers to be accounted for in the year it is collected. This change meant that the tax paid by CYB taxpayers through ITIS would be recognised one year earlier and, for comparative purposes, previous years were restated.

Company Income Tax

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

- 0% – all non-financial service entities (except those at 20% below).
- 10% – Financial Services Companies (a company registered, or holding a permit, by virtue of various Laws administered by the Jersey Financial Services Commission).
- 20% – Utility Companies, Rental and Property Development activities.

Net Income Tax for 2016 was £488.0 million which is £30.4 million (6.6%) more than 2015. Within this, Company Tax increased by £3.0 million and Personal Tax £27.4 million.

Increases in tax from CYB taxpayers accounts for the majority of the movement in Personal Tax. It is expected that CYB taxpayers will account for the majority of future increases in Personal Tax due to two main factors:

- Growth in the CYB population (i.e. there are more CYB taxpayers) as an overall proportion of taxpayers; and
- Growth in the tax paid by existing CYB taxpayers at a rate higher than that of PYB taxpayers.

Recent analysis from the Taxes Office and Economics Unit confirms a correlation between increases in CYB tax income and economic and migration trends. Current economic assumptions are that real GVA grew 1.0% faster in 2016 than expected, reflecting that earned income also grew faster than expected at 5% for 2016. These will both have contributed to higher than expected CYB tax income in 2016.

Faster growth in the tax paid by existing CYB taxpayers is also likely to be the result of the demography of the CYB population which includes all new taxpayers, for example, school leavers, graduates and professionally qualified migrants who can experience faster income growth in the early part of their career until they reach their maximum earning potential.

Net income tax was £17.0 million (3.6%) more than the 2017 Budget Forecast produced in September 2016. This was primarily down to an increase in the Personal Tax paid by CYB taxpayers. A prudent forecast was used in September 2016 recognising the relatively short period of trend data available to support forecasts. The positive indications from the in-year information is now borne out by the increased expectation of economic growth in 2016.

Goods and Services Tax

0.3% lower than last year
1.8% better than the 2016 forecast

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

Income from GST fell marginally from 2015 (£0.2 million, 0.3%) due to a significant one off income in 2015 from Import GST and a drop off in ISE fees due to corporate restructures and relocations which was partially offset by an upward trend in other GST receipts. Income from GST was slightly higher (£1.5 million, 1.8%) than the forecast in the Budget 2017.

Impôts Duty

7.9% higher than last year
2.9% better than the 2016 forecast

Impôts duties are duties charged on certain goods as they are imported into the Island. The duties apply to a range of commodities including alcohol, tobacco and fuel. There were increases in duties received in 2016 on alcohol, tobacco products and fuel totalling £4.3 million compared to 2015.

The £1.6 million overachievement against the Budget 2017 forecast is primarily due to duties from alcohol which were £1.1 million higher than forecast. There are some indications that this could be the result of higher levels of consumption in the year but the trend remains one of decreased consumption over a longer timeframe. Duty from tobacco products was £0.7 million higher than forecast which has again been attributed to higher consumption in the context of a continuing longer term decrease in importation and consumption. These were offset by minor underachievement against forecast across other duties.

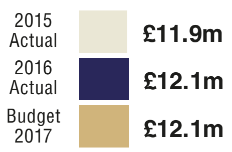
Stamp Duty

4.4% higher than last year
19.3% better than the 2016 forecast

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

Stamp Duty collected in 2016 was £1.3 million or 4.4% higher than in 2015 and £4.9 million or 19.3% higher than the Budget 2017 forecast. The favourable variance in Stamp Duty income in 2016 was as a result of a large number of high value property transactions in the final quarter of 2016, following the announcement of draft Budget 2017 proposals to increase stamp duty on properties over £3 million from 1 January 2017.

Island Wide Rate

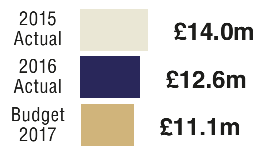


1.8% higher than last year
Equal to budget

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

Island Wide Rate income was marginally higher than 2015 and as forecast in the Budget 2017.

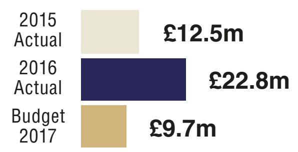
Other Income (Dividends)



10.4% lower than last year
12.7% better than the 2016 forecast

Income from dividends received from the States' investments in the utility companies fell by £1.4 million from 2015 due to the agreed special dividends received in 2015. This was still £1.5 million higher than forecast in the Budget 2017 due to the prudent dividend forecasts issued by the companies ahead of their results being finalised.

Other Income (Non-Dividends)



82.0% higher than last year
134.4% better than the 2016 forecast

Other income from non-dividends is primarily derived from investment returns. There was a £10.3 million increase from 2015 due to strong investment performance and the impact of the devaluation of Sterling following the EU Referendum. Actual income also exceeded the forecast in the Budget 2017 by £13.1 million (134.4%) due to the prudent forecast position, recognising potential heightened volatility in the markets.

Other Income (Return from Andium)

1.4% higher than last year
0.3% better than the 2016 forecast

The return from Andium Homes also includes returns from the other housing trusts (£0.1 million in 2016). The Andium return will continue to increase in line with inflation with the other housing trusts increasing above inflation over the coming years.

Changes in General Revenue Income

Figure 2 shows how Net General Revenue Income has changed since 2005. 2014 and 2015 have been restated to reflect the change in accounting policy for current year basis tax payers to improve comparability.

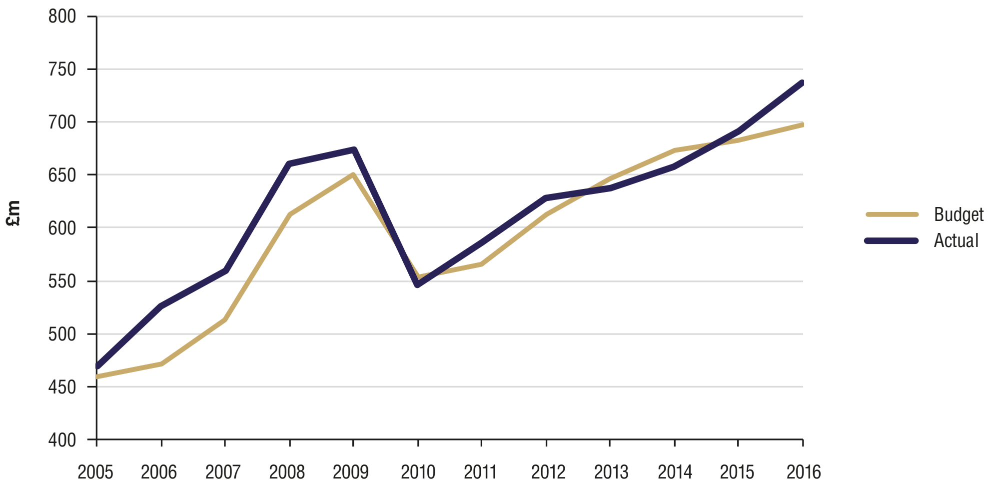
The graph shows a large drop in General Revenue Income between 2009 and 2010, which was anticipated in the Budget as a result of the introduction of 0/10 and subsequently offset by the introduction of GST. Actual income in 2016 was higher than 2015 by £45.1 million.

The main changes from 2015 were an increase in Income Tax of £30.4 million, primarily as a result of an increase in the yield of existing current year basis income tax payers, all Other Income of £9.2 million due to an increase in investment returns and increased activity in both Impôts and Stamp Duty contributing £4.3 million and £1.3 million respectively.

WHERE CAN I READ MORE?

Further details on the individual streams of General Revenue Income are included in the Unaudited Annex to the Accounts. Individual Departments and Trading Operations also include an analysis of their income as part of the departmental pages in the Unaudited Annex to the Accounts.

FIGURE 2 – NET GENERAL REVENUE INCOME



2.5 Departments' Revenue Expenditure

TABLE 3 – NET REVENUE EXPENDITURE – OUTCOME COMPARED TO PRIOR YEAR AND MEDIUM TERM FINANCIAL PLAN SUMMARY TABLE

Restated 2015 Actual £'000		2016 Actual £'000	Difference from Prior Year £'000	Final Approved Budget £'000	Difference from Final Approved Budget £'000
	Ministerial Departments				
37,206	Chief Minister	35,539	(1,667)	37,913	(2,374)
10,425	– Grant to the Overseas Aid Commission	10,287	(138)	10,344	(57)
49,398	Community and Constitutional Affairs	49,636	238	51,114	(1,478)
21,840	Economic Development, Tourism, Sport and Culture	19,768	(2,072)	20,274	(506)
102,417	Education	101,263	(1,154)	105,388	(4,125)
5,920	Department of the Environment	6,108	188	6,591	(483)
202,733	Health and Social Services	198,446	(4,287)	204,919	(6,473)
176,606	Social Security	185,624	9,018	195,802	(10,178)
35,867	Department for Infrastructure	40,779	4,912	44,129	(3,350)
19,848	Treasury and Resources	23,794	3,946	25,269	(1,475)
	Non Ministerial States Funded Bodies and the States Assembly				
2,115	Bailiff's Chambers	1,627	(488)	1,643	(16)
8,718	Law Officers' Department	7,213	(1,505)	8,494	(1,281)
6,573	Judicial Greffe	5,461	(1,112)	6,459	(998)
940	Viscount's Department	1,024	84	1,411	(387)
570	Official Analyst	534	(36)	619	(85)
761	Office of the Lieutenant Governor	1,301	540	1,358	(57)
26	Office of the Dean of Jersey	26	–	26	–
243	Data Protection Commission	309	66	309	–
1,943	Probation Department	1,896	(47)	1,991	(95)
757	Comptroller and Auditor General	571	(186)	812	(241)
12,125	States Assembly and its services	7,248	(4,877)	7,536	(288)
697,031	**Net Revenue Expenditure – Near Cash**	**698,454**	**1,423**	**732,401**	**(33,947)**

2015 has been restated to reflect the Transfer of Ministerial Functions approved in (P.46/2015)

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

In 2016 Near Cash Net Revenue Expenditure for departments was £698.5 million (2015: £697.0 million). This included departmental income of £94.5 million (2015: £98.8 million), giving gross expenditure of £792.9 million (2015: £795.8 million).

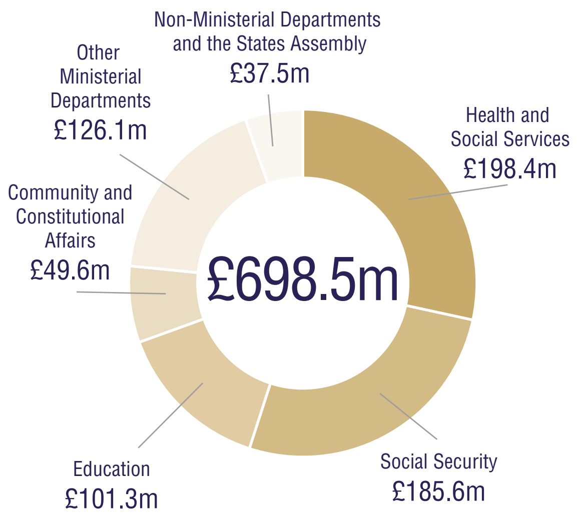
The marginal £1.5 million (0.2 %) increase in departmental net expenditure in 2016 reflects the work done in departments to achieve further savings in 2016 offset by investment in the priority growth areas agreed by the States Assembly. The position includes:

- Social Security net expenditure increased by £9.0 million which was mainly due to a grant transfer from the Department to the Long Term Care Fund, part of which was previously recognised in the Health and Social Services Department. This was partially offset by reduced spend on Income Support and the Christmas Bonus as well as non-benefit savings.
- Department for Infrastructure gross spend increased by £5.1 million. £3.0 million of that was attributable to the non-recurring revenue costs on the Future Hospital project associated with the work done in advance of

agreeing a preferred site. There was also a £2.0 million increase maintenance costs across States buildings, equipment and infrastructure.

- Health and Social Services net spend decreased by £4.3 million in 2016 which included the removal of £8.6 million of long term care costs that are now reflected in the Long Term Care Fund following the introduction of the Long Term Care Benefit. £6.0 million of income from the Health Insurance Fund also ceased in 2016. After these adjustments, there was still a decrease of £1.7 million from 2015, reflecting further savings achieved offset by investment in the growth areas identified in the MTFP.
  The Department had £6.5 million of approved budget remaining unspent at the end of 2016, the majority of which related to growth investment in Children's Services and the reform of Department services identified in P.82/2012 due to the phased start and timing of project spend which can span multiple years and the difficulty recruiting and retaining staff in some service areas.
- £2.4 million across departments in respect of the 2016 staff pay award accrued in 2016.

FIGURE 3 – MINISTERIAL AND NON-MINISTERIAL DEPARTMENTS – NET REVENUE EXPENDITURE (NEAR CASH)



As well as Near Cash there were also Non-Cash amounts of £62.8 million for depreciation, impairments and losses on disposal of assets which represent the use of resources such as fixed assets, even though no cash is spent.

Departments' Near Cash Net Revenue Expenditure

MTFP 2016 Approval	Actual 2016	
£697.4 million	£698.5 million	
Budget Carried Forward from 2015 £19.1 million	Underspend £33.9 million	Actual 2015 £697.0 million
Other Allocations and Transfers £15.9 million	4.6% Less than Final Approved Budget	0.2% More than Last Year

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

During the year, Budgets can be varied for limited reasons. Table 4 reconciles departmental approvals in the Medium Term Financial Plan to the Final Approved Budget. More detail on these changes is given in Note 10 and the Unaudited Annex to the Accounts.

TABLE 4 – RECONCILIATION OF FINAL APPROVED BUDGET TO THE MEDIUM TERM FINANCIAL PLAN NEAR-CASH APPROVAL

	£'000
Medium Term Financial Plan Approval (Near-Cash)	**697,377**
2015 Departmental Approvals Carried Forward to 2016	19,073
Allocation of Contingency	14,985
Transfers Between Capital and Revenue	966
Final Approved Budget	**732,401**

WHERE CAN I READ MORE?

Each department gives an explanation of differences between actual amounts and approvals as part of their departmental pages in the Unaudited Annex to the Accounts. They also give further information on variances from 2015.

Departments' Non Cash Expenditure

TABLE 5 – NON-CASH AMOUNTS

2015 Actual £'000		2016 Actual £'000	Difference from Prior Year £'000	Final Approved Budget £'000	Difference from Final Approved Budget £'000
44,676	Depreciation and Amortisation	40,154	(4,522)	43,612	(3,458)
26,030	Impairments	19,324	(6,706)	–	19,324
12,878	(Gain)/Loss on Disposal of Assets	3,434	(9,444)	–	3,434
(153)	Other Non-Cash adjustments	(98)	55	–	(98)
83,431	**Total Non-Cash Amounts**	**62,814**	**(20,617)**	**43,612**	**19,202**

Depreciation and amortisation combined were £4.5 million lower in 2016 than 2015. This was nearly all within the Department for Infrastructure which now includes Jersey Property Holdings. There were reductions across equipment assets as a number of items were fully depreciated, infrastructure assets due to the level of spend which forms the basis for depreciation and property assets as a result of the interim revaluation in 2015.

Impairments were £6.7 million lower in 2016 than 2015. The majority of the 2016 impairment relates to the existing General Hospital estate. Following the decision to develop the existing site for the new hospital, some of the estate has been impaired to reflect the reduced useful economic life. The 2015 impairments were as a direct result of the interim land and buildings and infrastructure valuation exercise.

The £3.4 million net losses on disposals in 2016 comprised mainly the £3.7 million losses on disposal of the Broadcasting House, Summerland and Thorp House sites that were transferred to Andium Homes Limited for the development of social housing. These were offset by £0.3 million of net gains on the disposal of other fixed assets.

The MTFP 2016–2019 approved a total of £43.6 million for depreciation and amortisation as part of individual departments' approved expenditure limits. Depreciation for 2016 was £3.5 million less than budgeted in the MTFP at £40.2 million.

Impairments and gains or losses on disposal of assets are not budgeted as they do not relate to planned activity. An estimate of proceeds from the sale of property assets is included as part of the Capital Programme, but this is not comparable to gain or loss on disposal.

2.6 States Trading Operations – Net Revenue Expenditure

TABLE 6 – TRADING OPERATIONS NET REVENUE EXPENDITURE – OUTCOME COMPARED TO PRIOR YEAR AND BUSINESS PLAN SUMMARY TABLE B

2015 Actual £'000		2016 Actual £'000	Difference from Prior Year £'000	Final Approved Budget £'000	Difference from Final Approved Budget £'000
(14,666)	Jersey Airport	–	(14,666)	–	–
(5,274)	Jersey Harbours	–	(5,274)	–	–
702	Jersey Car Parking	16	686	(676)	(692)
414	Jersey Fleet Management	377	37	139	(238)
(18,824)	**Net Revenue Income/(Expenditure) – Trading Operations**	**393**	**(19,217)**	**(537)**	**(930)**

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

On 1 October 2015 Airport and Harbours were incorporated into a separate legal company called Ports of Jersey Limited. The results in Table 6 for Jersey Airport and Jersey Harbours therefore represent the nine months of 2015 they were designated as Trading Operations.

Immediately prior to incorporation Jersey Airport and Jersey Harbours settled the Public Employees Contributory Retirement Scheme (PECRS) pre-1987 debt relating to their operations at a cost of £20.7 million. The results in Table 6 include this payment which was not budgeted as budgets were set in advance of this agreement.

At the start of 2016 there were two operations designated as Trading Operations.

Jersey Car Parking is responsible for administration, management, financing, development and maintenance of public parking places and Jersey Fleet Management is responsible for the acquisition, maintenance, servicing, fuelling, garaging and disposal of vehicles and mobile plant on behalf of the States.

Due to their commercial nature, Net Revenue (Income)/Expenditure for the Trading Operations includes Non-Cash amounts relating to the use of assets such as depreciation and impairments.

WHERE CAN I READ MORE?

Each Trading Operation gives an explanation of differences between actual amounts and approvals as part of their departmental pages in the Unaudited Annex to the Accounts

2.7 Performance of the Remaining Consolidated Group

Special Funds, Social Security Funds and Subsidiaries

TABLE 7 – NET REVENUE INCOME OF SPECIAL FUNDS AND SUBSIDIARIES

2015 Actual £'000		2016 Actual £'000	Difference from Prior Year £'000
16,709	Special Funds Net Revenue Income	104,042	87,333
45,949	Social Security Funds Net Revenue Income	286,844	240,895
(754)	States of Jersey Development Company Ltd Net Revenue Expenditure / Income	465	1,219
(15,348)	Andium Homes Ltd Net Revenue Expenditure	(14,646)	702
(4,948)	Ports of Jersey Ltd Net Revenue Expenditure *	(514)	4,434
41,608	**Total Net Revenue Income of Special Funds and Subsidiaries**	**376,191**	**334,583**

* part year 2015

Special Funds

In addition to the Consolidated Fund, the Public Finances (Jersey) Law 2005 names four Special Funds – the Strategic Reserve, the Stabilisation Fund, the Currency Fund and the Insurance Fund. These relate to the operation of the States of Jersey in general. The Public Finances (Jersey) Law 2005 also allows the States to establish special funds for specific purposes. These are usually established by legislation or a States' decision. A summary of the purpose of the various funds is given in Note 35.

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

During 2016 Special Funds saw Net Revenue Income (NRI) of £104.0 million, comprising income of £144.2 million and expenditure of £40.2 million. The majority of this figure was income in the Strategic Reserve. The Net Asset Value (NAV) of the Fund increased from £771.4 million to £819.6 million over 2016, an increase of £48.2 million (6.2%). The movement reflects net earnings of £104.9 million but drawings of £56.7 million. Drawings on the Fund were approved in the Medium Term Financial Plan 2016–2019.

Social Security Funds

The Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and Long Term Care Fund are four specific Special Funds established under Social Security legislation. The Jersey Dental Scheme is also consolidated in this category.

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

During 2016 the Funds saw Net Revenue Income (NRI) of £286.8million, comprising income of £588.0 million and expenditure of £301.2 million. This income includes contributions received and returns on investments held in the Social Security (Reserve) Fund of £253.7 million representing a net rate of return in excess of 19%. This Fund sets aside funds for the future provision of pension benefits for those currently in employment so as to smooth the impact on future workers.

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

States of Jersey Development Company

The States of Jersey Development Company (SOJDC) is a wholly owned subsidiary company of the States.

The SOJDC is outside of the Budgeting Boundary, but for 2015 the SOJDC showed a small Net Revenue Income of £0.5 million.

Andium Homes Limited

Andium Homes Limited is a wholly owned subsidiary company of the States.

For 2016, Andium Homes Limited showed a Net Revenue Expenditure of £14.6 million for the year compared to £15.3 million in 2015.

Ports of Jersey

Ports of Jersey Limited have been recognised as a wholly owned subsidiary company of the States since the incorporation of Harbours and Airports which was effective from 1 October 2015.

For 2016, Ports of Jersey Limited showed a Net Revenue Expenditure of £0.5 million.

WHERE CAN I READ MORE?

Full explanation of each separate Fund and the balance as at 31 December 2016 is provided in Note 34. Where separate Accounts are not published, each Fund gives an explanation of income and expenditure and balance movements in the pages in the Unaudited Annex to the Accounts. They also give further information on variances from 2015.

Other (Income) / Expenditure and Accounting Adjustments

TABLE 8 – OTHER INCOME/EXPENDITURE AND ACCOUNTING ADJUSTMENTS

2015 Actual £'000		2016 Actual £'000
23,291	Pension liabilities	(47,582)
1,491	Other Income	1,311
(708)	Consolidation Adjustments	1,819
24,074	**Other Income/(Expenditure) and Accounting Adjustments**	**(44,452)**

There are some items of expenditure consolidated into these financial statements that are outside of the scope of the budgeting boundary but do not form part of a Special Fund. One example is the movement in the actuarial valuations of pension liabilities, which are non-cash accounting adjustments.

In 2016 the value of Pension Liabilities increased by £47.6 million due to an increase of £43.8 million in the PECRS past service liability and an increase of £3.8 million in the JTSF past service liability. The movement in the PECRS past service liability was mainly due to an actuarial movement of £37.9 million on top of finance charges of £13.1 million, partially offset by payments in year of £7.2 million. More details on these amounts are given in Note 9.29 – Past Service Liabilities and Note 9.30 – Defined Benefit Pension Schemes Recognised on the Statement of Financial Position.

Accounting Standards also require that all transactions and balances between entities within the States of Jersey are eliminated in the consolidated accounts. More details of consolidation adjustments are given in Note 9.3 – Segmental Analysis. Table 8 above shows only the impact on the SoCNE. This is not zero as there is also an impact on the SoFP which is not seen in this table.

Reconciliation of Reported Figures to Consolidated Income and Expenditure

The figures reported in the previous sections are based on the States of Jersey budgeting framework. The Financial Statements are prepared in line with the Jersey Financial Reporting Manual (JFReM), which includes for example definitions of Income and Expenditure. This means that income and expenditure amounts are reported for General Revenue Income and Departmental Expenditure, even though the States budgets are for the Net Amounts. Table 12 shows how these reported figures split into income and expenditure, tying into the reports reported in the Financial Statements.

TABLE 9 – RECONCILIATION OF REPORTED FIGURES TO CONSOLIDATED INCOME AND EXPENDITURE

	Table	Reported Figure £'000	Income £'000	Expenditure £'000
Net General Revenue Income	2	(736,803)	(738,041)	1,238
Departmental Net Revenue Expenditure (Near Cash)	3	698,454	(94,486)	792,940
Departmental Non-Cash Expenditure	5	62,814	(98)	62,912
Trading Operations Net Revenue Expenditure	6	(393)	(11,516)	11,123
Special Funds Net Revenue Income	7	(104,042)	(144,222)	40,180
Social Security Funds Net Revenue Income	7	(286,844)	(588,069)	301,225
SOJDC Net Revenue Expenditure	7	(465)	(7,218)	6,753
Andium Net Revenue Expenditure	7	14,646	(48,794)	63,440
Ports of Jersey Net Revenue Expenditure	7	514	(43,365)	43,879
Other Income	8	46,271	(4,720)	50,991
Gross Income/Expenditure		**(305,848)**	**(1,680,529)**	**1,374,681**
Consolidation Adjustments	8	(1,819)	178,207	(180,026)
Total Consolidated (Income)/Expenditure		**(307,667)**	**(1,502,322)**	**1,194,655**

2.8 Capital Expenditure

Consolidated Fund – the Capital Programme

The Budget 2016 included a capital expenditure allocation from the Consolidated Fund of £25.5 million. In addition, there were £121.6 million of unspent approvals from previous years.

During 2016 actual capital expenditure from the Consolidated Fund amounted to a total of £40.9 million.

Capital expenditure in 2016 included spend on the following capital projects:

Police Relocation

The building reached practical completion on 12 December 2016 two weeks ahead of programme. The successful project met all the challenges laid down including access to the land locked site, traffic management, a significant piled foundation, a complexed reinforced concrete frame and a massive interwoven M&E system.

The New HQ meets all of the UK Home Office custodial specifications and will serve the Island for decades to come.

Grouville School Artificial Pitch

The Grouville School artificial pitch project was to provide a new playing surface which will meet the requirements of the School. The proposal was be to put in an artificial surface on waste land that was transferred as part of a land deal with a local resident. This has allowed significantly increased use by the School to deliver physical education and after school sport, as well as to accommodate the needs of the School during break and lunch times. The facility will also be able to be used by the local community after School and at weekends during daylight hours. The installation of this facility supports the aims of the Sport Strategy ‘Fit for the Future’.

Additional Primary School Accommodation

Based on known and predicted demographics and to meet the expected increase in pupil numbers from September 2016, the Education Department sought capital funding to extend a number of its existing Primary Schools to create ‘two forms’ of additional teaching capacity (i.e. 14 teaching classrooms and associated ancillary spaces).

4 of the 6 projects were completed in 2016 and included a 7 classrooms extension at d’Auvergne School (i.e. turning it from a 2 form to 3 form of entry school), a 2 classroom extension at Plat Douet School, a 2 Classroom extension at Springfield School and a 4 Classrooms at Bel Royal School. As Bel Royal School is the island’s designated School for children with physical disabilities, additional welfare and nurturing facilities were also provided.

Sludge Thickener Project

The New sludge digestion facilities at Bellozanne treatment works were commissioned in January 2016. This new plant pasteurisers and breaks down the solids element of what gets flushed down the toilet into a useable fertiliser which can be recycled back to land. During this process, which takes approximately 18 days, biogas containing methane is given off and stored in a large gas holder. This biogas then runs a combined heat and power unit which produces electricity reducing the amount of electricity being imported to run the whole sewage treatment process. For 2016 the combined heat and power unit saved the government £312,000 worth of electricity.

TABLE 10 – CONSOLIDATED FUND CAPITAL PROGRAMME

	2016 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Chief Minister's Department				
Upgrade Microsoft Desktop Tech	(1,411)	–	29	29
Web Development	11	837	837	–
Enterprise Systems Development	813	850	2,521	1,671
E Government	1,194	1,763	4,503	2,740
Application Compatibility to Windows 8	(224)	–	4	4
Computer Development Vote	–	736	2,242	1,506
HR Transform (Change Team Trf)	1	1	77	76
T&R JDE System	2	400	772	372
Desktop Upgrades	–	–	477	477
Income/Payment Management System	–	–	379	379
Corporate Web Platform Refresh	101	101	300	199
Web Search Engine Upgrade	28	28	105	77
Content Management System	–	–	105	105
Taxes Office System Renewal	288	288	579	291
Chief Minister's Department Total	**803**	**5,004**	**12,930**	**7,926**
Education				
Victoria College	–	74	237	163
ESC Minor Capital/AUCC	370	875	1,181	306
School ICT	–	–	556	556
Other Capital Projects	24	23,213	23,239	26
Education Total	**394**	**24,162**	**25,213**	**1,051**
Department of the Environment				
Central Environmental Management	–	934	1,038	104
Automatic Weather Station	–	213	265	52
Equipment, Maintenance, Minor	(110)	444	651	207
Met Radar Refurbishment	334	669	722	53
Countryside Infrastructure	(123)	–	65	65
Other Capital Projects	–	734	740	6
Department of the Environment Total	**101**	**2,994**	**3,481**	**487**

	2016 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Health and Social Services				
Equipment, Maintenance & Minor Capital	1,772	14,818	16,587	1,769
Replacement MRI Scanner	21	23	3,027	3,004
Replacement RIS/PACS IT Assets	140	202	498	296
Other Capital Projects	(6)	871	880	9
Health and Social Services Total	**1,927**	**15,914**	**20,992**	**5,078**
Community and Constitutional Affairs				
Biometric Passports	224	1,075	1,183	108
Prison Security Measures	(76)	800	867	67
Prison Cell Call System	(90)	11	99	88
Tetra Radio Replacement	(49)	1,980	2,199	219
Minor Capital	754	3,624	5,609	1,985
Other Capital Projects	(68)	1,784	1,816	32
Community and Constitutional Affairs Total	**695**	**9,274**	**11,773**	**2,499**
Department for Infrastructure				
EFW Plant La Collette	583	118,600	118,774	174
Eastern Cycle Network	26	307	582	275
Liquid Waste Strategy	991	5,315	41,652	36,337
Waste: Ash Pit La Collette	884	3,735	4,224	489
Replacement Assets	2,248	3,139	4,696	1,557
Asbestos Waste Disposal	82	577	1,398	821
Fiscal Stimulus Parish Project	(174)	995	1,169	174
New Public Recycling Centre	3,574	6,454	6,638	184
Scrap Yard Infrastructure	(5)	127	1,025	898
EFW Replacement Assets	129	1,805	2,343	538
Road Safety Improvements	798	1,085	1,823	738
Infrastructure	4,707	49,721	52,835	3,114
Other Capital Projects	838	54,079	54,133	54
On behalf of Education				
St Martin's School	91	7,069	7,732	663
Additional Primary School Accommodation	3,279	9,410	10,322	912
Les Quennevais Replacement School	765	1,081	1,320	239
Victoria College Capital Project	(1)	1,171	1,759	588
Archive Storage Extension	331	343	3,500	3,157
Grainville Phase 5 (including Music)	51	51	175	124
Other Capital Projects	(33)	17,200	17,252	52
On behalf of Health and Social Services				
Oncology Extension & Refurbishment	203	2,789	3,332	543
Intensive Care Unit Upgrade	(1)	2,224	2,300	76
Main Theatre Upgrade	2,536	5,555	6,483	928
Clinique Pinel Upgrade	3	2,773	2,868	95
Limes Upgrade	–	–	1,159	1,159
Future Hospital	1,696	6,128	29,656	23,528
Mental Health Facilities Overdale – Feasibility	–	–	350	350
Relocation Ambulance and Fire – Feasibility	–	5	100	95
Adult Care Homes	4	181	4,000	3,819
Children's Homes	(5)	995	2,075	1,080

	2016 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Autism Support	(26)	798	976	178
Refurbishment of Sandybrook	2	2	1,699	1,697
Other Capital Projects	(17)	1,054	1,070	16
On behalf of Community and Constitutional Affairs				
Prison Improvement Phase 4	134	9,944	10,007	63
Police Relocation (Phase 1)	12,578	23,963	24,966	1,003
Other projects				
Relocation of Sea Cadets	–	–	107	107
Public Markets Maintenance	135	2,854	3,543	689
Demolition Fort Regent Pool	13	23	750	727
Office Modernisation Project	219	219	350	131
Other Capital Projects	76	2,881	2,929	48
Department for Infrastructure Total	**36,714**	**344,652**	**432,072**	**87,420**
Treasury and Resources				
Tax Transformation Prog & IT Systems	50	911	1,245	334
ITAX Development – Taxes Office	–	1,312	1,332	20
Treasury and Resources Total	**50**	**2,223**	**2,577**	**354**
Non Ministerial States Funded				
Non Mins – Minor Capital	172	799	1,338	539
Non Ministerial States Funded Total	**172**	**799**	**1,338**	**539**
Total	**40,856**	**405,022**	**510,376**	**105,354**

Trading Operations Capital Expenditure

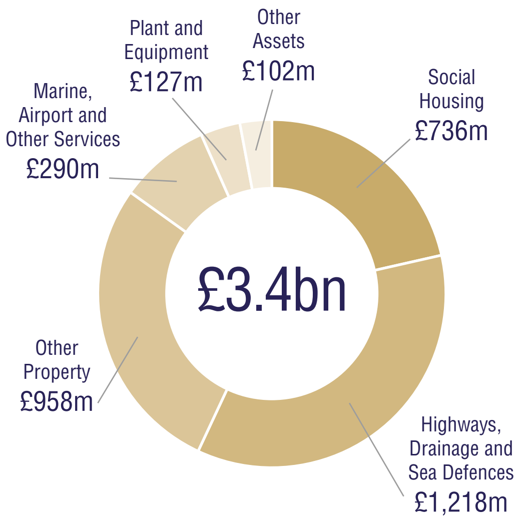
During 2016 actual capital expenditure from Trading Funds amounted to a total of £2.0 million. Further detail, including budget movements can be found in Section 10. Jersey Airport and Harbours were incorporated as Ports of Jersey Limited on 1 October 2015; the results shown in Section 10 refer only to Jersey Car Parking and Jersey Fleet Management.

2.9 The States Balance Sheet

The States net asset position of £6.2 billion is illustrated by Figure 5 below. The States has total assets of £7.2 billion compared to total liabilities of £1.0 billion. This is an increase in the net asset position of £373.0 million from £5.9 billion in 2015.

The majority of the States assets consist of Property, Plant and Equipment of £3.4 billion which includes the Island's infrastructure assets, States land and buildings and the social housing stock administered by Andium Homes Limited.

FIGURE 4 – BREAKDOWN OF PROPERTY AND OTHER FIXED ASSETS



The second biggest group of assets, Other Investments, is made up of the cumulative States investment holdings and includes the funds of the Strategic Reserve and Social Security Funds.

The largest distinct liabilities held by the States relate to the pension debt liabilities totaling £0.4 billion and the external bond taken out in 2014 of £0.4 billion.

Key Movements in Assets and Liabilities

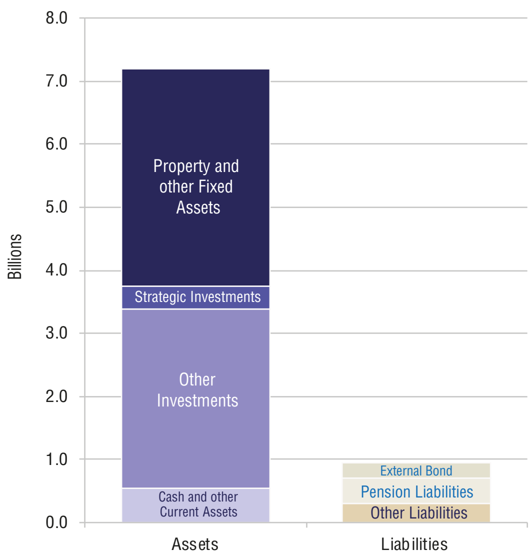
A special hedging arrangement was put in place during 2016 to protect the significant increase in the Sterling value of primarily equity investments in US Dollars following the exchange rate movement in the year. Associated gross assets and liabilities of £0.4 billion were held at the end of 2016 but it is settled net with only the net position of a £3.2 million liability recognised on the Statement of Financial Position at the end of the year.

Following on from that, the value of investments has increased by £346.7 million to £2.8 billion which is a 13.9% increase.

Pensions liabilities relating to past service liabilities have increased by £47.6 million, as set out in Note 9.29. The PECRS pre-87 debt increased by £43.8 million, whilst the provision for JTSF pre 2006 debt increased by £3.8 million. The value of both liabilities is calculated by the Scheme

Actuaries, and details of the assumptions are given in Note 9.29. The biggest single change in the assumptions driving the increase in the valuation is the reduction in the discount rate reflecting the actuary's assessment of long term investment returns.

FIGURE 5 – STATES ASSETS AND LIABILITIES



WHERE CAN I READ MORE?

8.2 Statement of Financial Position and the Notes to the Accounts give more details of the States Assets and Liabilities.

Performance of States Investments

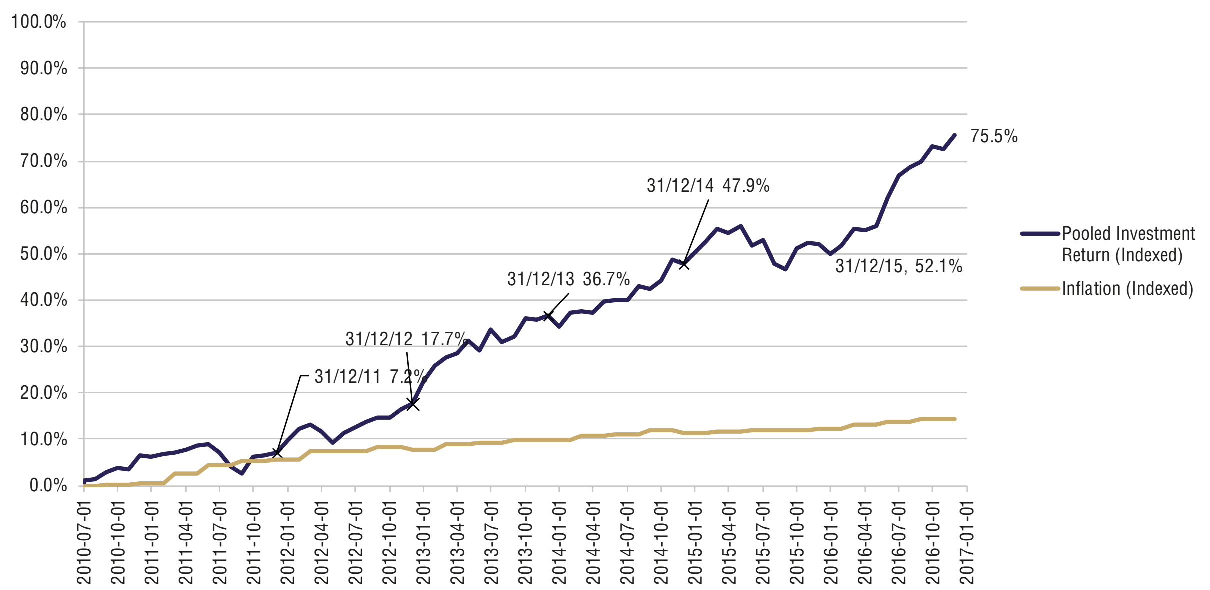
Over 2016 the States pooled investments generated a net return of approximately 15.4%, the return consolidated into the States accounts equaled £391 million.

The pooled investments contains a diverse range of growth and capital preservation focused assets. Variation in the level of earnings is expected as the growth assets, whilst generating higher gains, are also subject to greater short term volatility. Due to this volatility the earnings are best reviewed over a long term investment horizon. The long term net return, measured over three years, shows estimated annualised performance of 8.7%, over 5 years the annualised return rises to 10.3%. Over one, three and five years the performance exceeds its market benchmarks.

During the year the majority of the performance of the States' investments was generated by equity investments. Equity markets were subject to significant rises during the year but the States were also the beneficiary of currency gains stemming from the devaluation of Sterling which occurred following the results of the EU referendum. The States Equity portfolio is widely diversified globally and holds significant US and European equity positions, which rose in value sharply as Sterling depreciated. Subsequently a hedging arrangement has been entered into to protect a proportion of this gain from a recovery in the value of Sterling.

Over 2016, the investment portfolio has sought to further diversify its sources of returns, in 2015/16 Absolute Return class assets were added as a return seeking class and over 2016/17 a further 'opportunity class' pool has been established to further diversify future sources of return. The Opportunities Pool invests in non-traditional asset classes which seek to generate long term growth but are expected to be less correlated with other growth class assets such as equities. The portfolio will seek to access the illiquidity premium associated with investing in asset classes that require money to be locked up for a period of time.

FIGURE 6 – POOLED INVESTMENT PERFORMANCE COMPARED TO RPI (INDEXED)



Financial Position of States Funds

The key results relating to the position of significant funds are highlighted below.

Consolidated Fund

At the end of 2016, the unallocated Consolidated Fund Balance was £90.9 million. The 2016 Budget Statement forecast an unallocated balance in the Consolidated Fund of £16.9 million. This was revised in the 2017 budget to £54.6 million after considering the improved brought forward balance and a reduced forecast deficit for the year. More details can be found in the 2017 Budget Statement.

The actual balance was £36.3 million more than expected in the Budget 2017. This difference is primarily as a result of higher than previously expected General Revenue Income which was £39.5 million higher than forecast in Budget 2017, partially offset by property disposals that were £2.2 million lower than forecast. There were also other smaller differences.

Trading Operations

The total balance in the Trading Funds relating to Jersey Car Parking and Jersey Fleet Management increased by £2.0 million with Jersey Car Parking decreasing by £0.5 million, mainly due to capital expenditure, and Jersey Fleet Management increasing by £2.5 million due to additional States funding and income from vehicle leasing. A significant amount of these balances have been earmarked for future projects, as detailed in the relevant pages in the Unaudited Annex to the Accounts. Jersey Airport and Jersey Harbours were incorporated as Ports of Jersey Limited on 1 October 2015 so no longer constitute Trading Operations.

Special Funds

The balance in the Strategic Reserve increased by £48.2 million during the year and now holds £819.6 million. This increase represents £104.9 million of net investment returns but drawings of £56.7 million. Drawings on the Fund were approved in Medium Term Financial Plan / Budgets; £25.7 million related to funding for the annual capital programme, £16.0 million for the Redundancy Provision, £5.0 million for the Economic and Productivity Growth Provision, £4.0 million for the Committee of Inquiry, £1.0 million towards funding the Les Quennevais School project and £5.0 million for a working balance on the Consolidated Fund. Further details can be found in the Unaudited Annex to the Accounts.

Other Funds saw smaller movements in their fund balances, and details are given in their individual pages in the Unaudited Annex to the Accounts.

Social Security Funds

The balances of the four Social Security Funds increased in 2016, most notably the Social Security (Reserve) Fund which grew by £283.7 million to £1.6 billion. The increase was generated by investment returns primarily through those held in the Common Investment Fund.

Further details are can be found in the Social Security Funds individual pages in the Unaudited Annex to the Accounts.

WHERE CAN I READ MORE?

The relevant pages in the Unaudited Annex give more information about the performance and position of the funds. Annually, the Social Security Minister publishes a report of the activities and costs of the Social Security Department.

Assessment of Liquidity

The States of Jersey's fiscal policy is to operate budget surpluses during periods of economic growth with an objective of transferring surpluses to the Stabilisation Fund in order to help fund any deficits that arise in periods of economic decline. In their pre-MTFP report published in January 2015, the Fiscal Policy Panel (FPP), the States' independent fiscal experts, made an assessment of the economic outlook for Jersey and recommended that the States should develop a plan that will address any structural deficit by 2018/2019. The FPP have provided regular updates during 2016, and most recently in March 2017, which recommend that the States continue with the measures agreed in the MTFP 2016–2019 and the subsequent MTFP Addition for 2017/2019. They also stressed that it was important that those measures include utilising reserves in the short-term to minimise the risks to the economic recovery and would then deliver broadly balanced budgets by 2019. The FPP also recognise that with a weaker economic outlook post Brexit it may take longer to achieve a fully balanced budget, but that this must be fully addressed in the next MTFP.

The Stabilisation Fund was used substantially in the 2009–2011 period to provide fiscal stimulus funding and to support the economy through automatic stabilisers. The current balance is just over £6,000. It is intended that this Fund will be rebuilt once the economy recovers sufficiently, on current economic advice this is now more likely during the next MTFP.

The Strategic Reserve is maintained as a reserve, where the capital value can be used in exceptional circumstances to insulate the Island's economy from severe structural decline. The Strategic Reserve balance is £819.6 million. The policy for the Strategic Reserve was amended as part of the 2015 Budget to allow the further use of the investment returns for the New Hospital Project while protecting the value of the Reserve in real terms. Further consideration of the policy for the Strategic Reserve was considered as part of the Fiscal Framework, which was presented alongside the MTFP in June 2015.

Further changes in the Strategic Reserve policy are being considered as part of the funding proposals for the Future Hospital.

The unallocated Consolidated Fund balance at the end of 2016 was £90.9 million. Historically, the FPP has recommended that a working balance of £20 million be maintained where possible on the Consolidated Fund but this could change if the proposals to further restrict the use of the Strategic Reserve are approved

The 2017 Budget indicates a positive balance will be maintained on the Consolidated Fund in each of the years 2016–2019 with a balance of £29.5 million forecast at the end of 2019. The States income forecasts are currently being reviewed, and with the improved 2016 Outturn, the position of the Consolidated Fund to be reported in the 2018 budget (October 2017) is likely to improve.

This forecast balance is an important part of the flexibility that the Council of Ministers is looking to maintain throughout the period of the MTFP to address the inevitable variations to the current plan and wherever possible to maintain the planned investment in strategic priorities and essential infrastructure. The position of the Consolidated Fund will be monitored during 2017 ahead of the proposals for the 2018 Budget in October.

The balances held in the Social Security Funds are not currently required for in-year benefit expenditure with the exception of the Long Term Care Fund. The balances held in the Social Security (Reserve) Fund have been set aside for the future provision of pension benefits for those in employment so as to reduce the impact of pensions on future generations, as well as to smooth contributions for Social Security benefits over time. The balances in the Social Security Fund, Health Insurance Fund and Long Term Care Fund will be used to pay benefits under the relevant laws.

The sufficiency of the Social Security Fund and Social Security (Reserve) Fund (the combined funds) is assessed in the Government Actuary's Department (GAD) report on the condition of the Fund, which is required under the law to be carried out at least every three years. The last published report assessed the condition of the fund as at 31 December 2015, and is available on www.gov.je.

This report includes estimates for when the balance in the combined funds will fall to zero at existing contribution rates, and using a range of relevant assumptions. The various scenarios considered give a range from 2055 to 2075.

2.10 Sustainability

Introduction

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

This Sustainability Report is the fourth to be included in the Financial Report and Accounts in line with the States of Jersey Financial Reporting Manual (JFReM).

The Report includes information on key areas of environmental performance, such as emissions and finite resource consumption. The States will continue to develop and enhance this information in future years.

A key environmental initiative is the Eco Active States (EAS) programme which has been developed to support the States of Jersey in managing its environmental performance and resource management with consequent efficiency savings. Further information on the EAS programme can be found in the eco active states annual report, including achievements during the year.

Greenhouse gas emissions

Greenhouse gas emissions are calculated from the use of energy for the heating and lighting of States of Jersey properties, running IT systems and use of fleet vehicles. Carbon emissions factors from the building bye-laws regulations have been applied to energy consumption figures in order to calculate equivalent carbon emissions.

The generation of renewable energy and energy storage systems back up solutions need to be considered for new installations. SoJ are looking at how to futureproof both existing and future installations by evaluating alternative options such as use of different heating sources. This will give SoJ the ability to respond to global and local energy market changes and to select the best heating solution based not only on cost, availability and reliability of the primary fuel supply but also financial and emissions savings according to market conditions.

An Open Data project commenced in 2016 to provide access to energy dashboards for all the SoJ sites that have a utility supply. This will provide historic usage data against which it will be possible to see any changes in the estate usage. The data will be used for monitoring and reporting on Energy Plan targets[1].

Reducing energy demand has continued to be focused on procurement, reducing waste and increasing efficiency.

- Procurement – The use of heat pumps and Photovoltaic Panels (PV) to provide heat and power is being implemented in a number of SoJ properties. The performance of these installations will inform decisions around heating sources for new projects in the future. This will require changing the evaluation to include carbon emission, pricing volatility and security of supply in the selection matrix as well as the installation and replacement costs.
- Waste – Eco active supports a behaviour change campaign encouraging all staff to switch off devices when not in use and to turn down heating controls.
- Efficiency – Services such as lights, boilers and heating that maintain the building environmental conditions are being upgraded to low energy standards with extended warranties of up to 5 years. This will reduce both energy use and expenditure. All lighting replacements are LED's.

The States of Jersey vehicle fleet is made up of low emission lease-hire cars, including a small number of electric vehicles and owned vehicles which are kept for their full economic life. During 2016 the number of departments using Jersey Fleet Management (JFM) to provide fuel has remained stable. The Department for Infrastructure fleet size has reduced as a result of service re-organisation and an element of outsourcing in the Cleaning Services and Gardens sections. The 7.2% reduction in fuel supplied by JFM compared with 2015 is a reflection of this fleet reduction and use of more fuel efficient vehicles through the ongoing fleet replacement policy of JFM.

Fuel supplied through Home Affairs and Health's fuel systems has reduced from 225,700 litres in 2015 to 222,800 in 2016 as more fuel efficient vehicles join their fleets as replacements.

1 https://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=1039

Greenhouse Gas (GHG) Emissions		2016	2015	2014
Energy Consumption	Electricity (millions of kWh)	61.7	66.6	66.9
	Heating Oil (millions of litres)	4	3.8	3.8
	Fleet Vehicle Fuel (thousands of litres)	720	776	564
	Gas (millions of kWh)	6.5	7.3	7.2
Equivalent Emissions	Electricity (tCO_2e)	5,700	6,100	6,200
	Heating Oil (tCO_2e)	9,900	9,400	9,400
	Fleet Vehicle Fuel (tCO_2e)	2,000	2,100	1,500
	Gas (tCO_2e)	1,400	1,500	1,500
Financial Indicators	Total energy expenditure (Electricity, Gas, Heating Oil and Vehicle Fuel) (£m)	10.2	11.1	12.0

The numbers above include States departments within the States of Jersey Accounting Boundary.

Finite Resource Consumption – Water

Water consumption – Total water consumption by the States of Jersey includes all public toilets, showers and schools, plus the airport, hospital and all other States of Jersey activities – see table below. Consequently, it is difficult to compare our overall performance against recognised good practice benchmarks.

The installation of water meters in 2015 has enabled individual States departments to monitor their water consumption year on year and where possible make reductions. Reducing water consumption is already a priority of the EAS programme. In reducing water consumption, there is potential for significant cost savings, as well as a reduction in energy that is used to collect, process, clean and transport potable water to the workplace.

Finite Resource Consumption – Water		2016	2015	2014
Non-Financial Indicators	Metered Water Consumption (thousands of m^3)	596	456	455
	Metered Water Costs as % of total Water Supply Costs	78%	57%	55%
Financial Indicators	Water Supply Costs (£m)	2.0	2.3	2.0

Water protection – The Department of the Environment respond to approximately 100 water pollution incidents[1] per year. Oil makes up approximately a third of all reported incidents, other types of pollution include, sewage, chemical, construction, agricultural and contaminated land. The States of Jersey are responsible for a proportion of these incidents each year. The DOE are continuing to try and reduce this number through its pollution prevention campaigns and public engagement.

As part of the EAS programme all States Department are required to complete a pollution prevention plan to assist in the understanding and identification of potential environmental risks from their building or sites. A number of States of Jersey buildings have been provided with an oil spill kit, which will enable a trained person to respond effectively to an oil spill. Additionally, the provision of oil spill kits is being extended to relevant community buildings undergoing energy efficiency measures under relevant Community Building energy efficiency programme.

Finite Resource Consumption – Water	2016	2015	2014
Total Incidents	95	85	77
SoJ Incidents	6	6	8
Percentage (%) incidents – SoJ	6	7	10

1 Pollution incidents are reported through the Department's pollution hotline, tel: 709535.

Finite Resource Consumption – Paper

The Managed Print Service continues to provide the States of Jersey with office print services. It has supported our environmental and sustainability considerations by reducing the total number of machines that were previously in use by 50%. The machines consume less power in operation and have sleep and deep sleep modes to further improve energy conservation. The service continues to provide printing configuration controls, such as Pull printing where users have to intentionally recall their printing from machines rather than printing automatically and default double sided mono printing results in more control and visibility over printing jobs and pages actually printed.

In 2015 the Corporate Management Board endorsed a policy of using recycled white A4 paper where possible. In 2016 total amount of paper purchased decreased and the percentage of recycled paper increased to 60% of the total purchased on contract.

Finite Resource Consumption – Paper		2016	2015	2014
Non-Financial Indicators	Reams of paper purchased on contract	61,976	67,364	64,520
	% Recycled paper purchased	60%	44%	41%

Waste

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

A review of the Solid Waste Strategy has taken place but the development of a new strategy has been delayed due to wider changes that are being considered to improve the management of the Island's waste going forward, for example the introduction of commercial waste charges.

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

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

Climate change adaptation and mitigation

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

By becoming a signatory, through the UK, to the Kyoto Protocol, Jersey has committed to take a challenging and pro-active approach to reducing its carbon emissions. The UK and the EU have adopted a Kyoto target of an 80% reduction in emissions from 1990 to 2050. The Pathway 2050: Energy Plan for Jersey[1], which was adopted by the States Assembly in May 2015, outlines how Jersey can mitigate some of the impacts of climate change, and meet the 80% emissions reduction requirement by working towards a low carbon future.

The States of Jersey published Turning Point in 2009, explaining both the science and possible impacts of climate change for Jersey; research to support the development of a climate change adaptation and

1 http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=1039

resilience strategy commenced in 2016 and will continue in 2017.

Jersey's greenhouse gas emissions are published online and are updated annually in the form of an infographic.

The infographic uses the data submitted to compile the UK greenhouse gas inventory which is a requirement of the Kyoto Protocol. http://www.gov.je/Environment/GenerateEnergy/Pages/GreenhouseGasEmissions.aspx

Biodiversity and the natural environment

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

The biodiversity strategy has established the Jersey Biodiversity Partnership and a network of species and habitat Champions.

Full details of the Biodiversity Strategy and international commitments are available on www.gov.je.

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

Sustainable procurement

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

Some examples are included below:

- Supplier Questionnaire and Pre-Qualification Questionnaires used by Corporate Procurement include section seeking detail of suppliers Environmental / Sustainability policies and consideration of these formed part of evaluation process where appropriate.
- Jersey Property Holdings – tender and maintenance contracts require suppliers to have environmental management systems in place.
- Department for Infrastructure – cleaning contracts required suppliers to have environmental management systems in place

Appendix – Data Sources

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

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

Heating Oil Usage – based on information provided by central procurement and relates to the total deliveries received rather than use.

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

Gas Usage – based on information provided by Jersey Gas.

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

Paper Usage – based on information provided by the States Corporate Supplier for Stationary.

Relevant amounts have been converted into emissions information using standard conversation factors provided by the Carbon Trust and as advised by the Department for the Environment.

The States of Jersey would like to thank all the companies and departments that have provided information to support the drafting of the 2016 Sustainability report.

2.11 Corporate Social Responsibility

Employee Engagement

The States of Jersey consults with its employees on matters that affect their working lives and seeks to maintain an appropriate environment for the delivery of high quality public services. In doing so, the States of Jersey recognises a number of trade unions and staff associations for negotiation and consultation across the workforce for the purposes of collective bargaining and consultation. Formal meetings take place throughout the year, or as required. States Departments also maintain local arrangements for meeting their accredited representatives to discuss matters of local interest.

During the year a new Leadership programme “Managers to Leaders was launched, with over 90 participants. We also launched an Employee wellbeing strategy to ensure our workforce are properly supported in the delivery of their roles. We support student placements from organisations such as Highlands College and the Institute of Directors for work experience.

The Public Sector Reform programme is actively utilising the talents of employees to develop and implement new working practices which contribute to the improvement of services throughout the island. As part of Public Sector Reform the Workforce Modernisation is working in partnership with trade unions and associations to design and develop a unified, equality-proofed, affordable and sustainable reward framework and terms and conditions for its workforce.

Employment of People with Disabilities

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

Personal Data Related Incidents

During 2016 there were 36 Personal Data Related Incidents (2015: 5). These all related to incidents of unauthorised disclosure of personal data information. Each incident has been reported and investigated in line with States policy.

Payment of Suppliers

The States has a policy of paying suppliers 30 days after invoice date, with exceptions only where the States receives a clear benefit from early payment. During the year the average payment period was 30 days (2015: 30 days).

2.12 Conclusions

These Accounts demonstrate the continued strength of States' finances.

2016 was a notable year for excellent investment performance, which led to considerable growth in the Strategic Reserve and Social Security Funds in particular.

These investment returns are largely responsible for the further growth in the balance sheet, with net assets of £6.2 billion at the end of the year. This robust position leaves Jersey with the resilience to face an uncertain future and, equally importantly, the resources to take advantage of any opportunities that such uncertainty can present.

We have also seen improved taxation receipts, mainly from personal income tax, prompted by the strong economic growth in recent years. This has reinforced our robust position.

The financial position for 2016 was further improved as departmental expenditure remained broadly at 2015 levels. This was in no small part due to the hard work of colleagues across departments who have been transforming the public sector and delivering the associated efficiencies and savings. It is remarkable how all this has been achieved whilst continuing to deliver high quality services to Islanders.

The combined impact of a negligible increase in spending and healthy income growth led to only a small deficit in 2016, effectively balancing the books after allowing for depreciation.

It is very pleasing that we have reached this position earlier than our stated aim of balancing the books by 2019. This provides more flexibility to our finances, but it would be wrong to jump to the conclusion that proposed measures to achieve balanced budgets in 2019 can now be shelved.

Indeed the income proposed to be raised through the planned non-domestic waste charges and the replacement of the income from a health charge remain fundamental to delivering the strategy of balancing budgets, as does the ongoing transformation of the way we work.

While 2016 has been an exceptional year for investment performance, our investment strategies and performance focus on long term returns. Through the successful oversight of the Minister's Treasury Advisory Panel, we have seen investment performance that is well above inflation. This long term performance is accompanied by volatility in the shorter term, and returns as strong as 2016 cannot be expected year after year.

A stronger base of personal income tax is encouraging for future years, driven largely by the successes of the financial services sector. This leaves us well placed to compensate for global uncertainties and the ongoing volatility of company tax receipts which information from companies suggest will reduce in 2017.

The capital expenditure so vital to the local economy and to the delivery of important infrastructure and homes for Islanders continued apace during 2016. This was led by the work of the Department for Infrastructure, Andium Homes Limited and the Jersey Development Company. A highlight being the completion of the much needed new Police HQ.

The levels of unspent capital budget allocated, however, remain high, largely due to the Public Finances (Jersey) Law. Treasury will be looking to find alternative ways of budgeting for projects to improve upon this rather prudent requirement that can lead to many millions of pounds waiting for projects to start. This money could, in the meantime, be put to better use.

2016 was a very busy year for the Treasury & Resources Department, supporting the Minister, Council and other departments with important strategic initiatives, while also continuing to transform the important services delivered by the department. Staff have been working to transform the work of the Taxes Office; automate and provide improved control over ordering and paying for goods and services; and to provide a modern combined HR and payroll system.

2016 saw the implementation of the new employee pension scheme (PEPS), which all new employees, except our teachers, joined from January 2016. This is a positive move for both the employer and employees in terms of sustainability and affordability, and was accompanied by successful delivery of changes to systems and practices in the Treasury's dedicated pensions unit.

I would like to express my admiration to colleagues across the organisation for transforming the way they work while maintaining high standards of service delivery, often going beyond the call of duty both on the frontline and in the often overlooked back office.

Closer to home I would like to thank my extremely hardworking colleagues in the Treasury, Taxes Office, across the finance function, the Treasury Advisory Panel and the Audit Committee, as well as individuals in other Departments and partner organisations for their dedication, support and advice.

Finally, thanks must also go to the small team who work tirelessly to produce these financial statements and have once again made further improvements to help readers understand what these accounts show.

In 2017 we will have another look at the 'readability' of the States Accounts and consider how best to summarise performance to the differing audiences and expand upon non-financial performance measures.

Richard Bell
TREASURER OF THE STATES
Date: 26th May 2017

3 Statement of Responsibilities for the Financial Report and Accounts

The Treasurer of the States is required by the Public Finances (Jersey) Law 2005 to prepare the annual Accounts and financial statements of the States of Jersey. The annual financial statements must be prepared in accordance with Generally Accepted Accounting Practice, and accounting standards prescribed by an Order issued by the Treasurer of the States with the approval of the Minister for Treasury and Resources.

Under the Social Security (Jersey) Law 1974 and Health Insurance (Jersey) Law 1967, accounts of the relevant Funds are be prepared in such form, manner and at such times as the Minister for Social Security may determine. The Minister considers the consolidation of the Funds into the States of Jersey Accounts sufficient for statutory reporting requirements, and so for 2016 will prepare an Annual Performance Report for the Funds that reports upon the performance of the Funds with reference to the relevant statements in these Accounts, rather than a separate set of Accounts.

Under the Public Finances (Jersey) Law 2005, Accounting Officers are responsible for ensuring that the body keeps proper accounts of all its financial transactions and proper records of those accounts, and that the records of the body are promptly provided when required by the Treasurer for the production of the annual financial statements. The statutory responsibilities of Accounting Officers are set out in full in the States of Jersey Governance Statement.

In preparing the accounts, detailed in the following pages, the Treasurer has:

- applied the going-concern principle to all entities included within the accounts;
- applied appropriate accounting policies in a consistent manner; and
- made reasonable and prudent judgements and estimates.

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

Richard Bell
TREASURER OF THE STATES
Date: 26th May 2017

4 Remuneration Report

4.1 Remuneration Policy

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

2016 Pay Awards

The pay scale revision in 2016 comprised:

- 2015, Nurses and Midwives were offered 0.4% consolidated payment with effect from 1 January 2015;
- 2016, 1% consolidated pay award was offered to all pay groups with effect from 1 January 2016 subject to a number of caveats as agreed by the SEB.

The new rates and back pay associated with this offer were paid during 2016 to Head Teachers / Deputy Head Teachers, Teachers, Prison, Police and Chiefs and Deputies of Uniformed Services.

Doctors, Consultants and Junior Doctors have previously been aligned with the pay arrangements for staff covered by the national medical and dental terms and conditions of service in the UK. In 2016, Doctors and Consultants separated their link to the UK rates, and the pay revisions for the year represented a second year of a two year arrangement:

- 2015, 1% consolidated pay award with effect from 1 January 2015;
- 2016, 3% consolidated pay award with effect from 1 January 2016;

Junior Doctors maintain their link with the UK scales and received the following pay revisions in 2016:

- 2016, 1% consolidated pay award applied to the pay scales with effect from 1 April 2016;
- Plus 2015–16 staff who, were on the top pay point in their pay scale received a non-consolidated lump sum of either 1% or 2% of basic pay depending on when they reached the top of their pay scale. For 2016–17, staff who received a 2% non-consolidated payment in 2015/16 and who have not since moved to a new pay scale point will receive a non-consolidated payment equivalent to 1.0% of their 2015/16 basic pay in addition to the uplifts to their basic pay.

Final Pay scale revisions will be implemented in March 2017. The final offer consists of:

- 0.4% consolidated pay rise for only Nurses, Midwives and Family Support Workers effective from 1 January 2015, which will increase pay scales. 0% in 2015 for all other pay groups.
- 1% consolidated pay rise for all pay groups effective from 1 January 2016, which will increase pay scales (except uniformed members of the Fire and Rescue Service, Doctors, Consultants and all other individuals with pay arrangements aligned to UK rates, who are subject to separate arrangements).
- In addition to the final offer, there will also be a one-off payment of £400 (subject to conditions).

4.2 Council of Ministers

As elected members of the States of Jersey, members of the Council of Ministers are entitled to remuneration in line with recommendations of the States Members' Remuneration Review Body. For 2016 States Members were each entitled to remuneration of £46,600, which includes a sum of £4,000 for expenses (2015: £46,600 with £4,000 expenses).

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

4.3 Accounting Officers

Salaries and allowances

The table below gives details of the salaries and allowances of appointed Accounting Officers. No taxable benefits-in-kind were received by the Officers below during 2016.

	2016 Salary £'000	2015 Salary £'000
Chief Executive		
Mr J Richardson	205–210	205–210
Chief Officer – Economic Development, Tourism, Sport and Culture		
Mr M King (to 23 December 2016)[1]	135–140	140–145
Full year equivalent salary	140–145	
Chief Officer – Education		
Mr J Donovan	135–140	130–135
Chief Officer – Department of the Environment		
Mr A Scate	140–145	125–130
Chief Officer – Health and Social Services		
Mrs J Garbutt	180–185	180–185
Chief Officer – Community and Constitutional Affairs		
M T Walker (from 1 May 2015)	135–140	90–95
Chief Officer – Social Security		
Mr I Burns	125–130	125–130
Chief Officer – States of Jersey Police		
Mr M Bowron	140–145	135–140
Chief Officer – Department for Infrastructure		
Mr J Rogers	145–150	135–140
Treasurer of the States		
Mr R Bell	150–155	150–155
Chief Officer – Bailiff's Chambers		
Mr D Filipponi	85–90	85–90
Practice Manager and Director of Administration – Law Officers' Department		
Mr A Le Sueur	85–90	85–90
Judicial Greffier		
Mr P Matthews (from 1 May 2015)	120–125	80–85
Viscount		
Mrs E Millar (from 6 Jul 2015)	120–125	55–60
Chief Probation Officer		
Mr B Heath	95–100	95–100
Greffier of the States		
Dr M Egan (from 19 Dec 2015)	110–115	0–5

Note

1. Mike King resigned from his role as Chief Officer – Economic Development, Tourism, Sport and Culture on 23 December2016. He was contractually entitled to payment in lieu of notice amounting to £88,805 which is not included in the salary disclosure above as it was paid in 2017.

Pension benefits

	Total Accrued Pension at Retirement as at 31 Dec 2016[1] £'000		CETV at 31 Dec 2016 (or date of Cessation)[2] £'000	CETV at 31 Dec 2015 (or date of Appointment)[2] £'000	Real Increase or (Decrease) in CETV[3] £'000
Mr J Richardson	Pension	110–115	2,993	2,846	135
	Increase of	2.5–5			
Mr M King (to 23 December 2016)	Pension	20–25	504	451	45
	Increase of	0–2.5			
Mr J Donovan	Pension	0–5	90	53	30
	Increase of	0–2.5			
Mr A Scate	Pension	40–45	663	628	29
	Increase of	0–2.5			
Mrs J Garbutt	Pension	100–105	1,943	1,865	69
	Increase of	0–2.5			
M T Walker (from 1 May 2015)	Pension	15–20	279	223	48
	Increase of	2.5–5			
Mr I Burns	Pension	10–15	158	123	29
	Increase of	0–2.5			
Mr M Bowron	Pension	15–20	401	297	96
	Increase of	2.5–5			
Mr J Rogers	Pension	20–25	543	446	89
	Increase of	2.5–5			
Mr R Bell	Pension	30–35	700	643	49
	Increase of	0–2.5			
Mr D Filipponi	Pension	15–20	461	427	30
	Increase of	0–2.5			
Mr A Le Sueur	Pension	10–15	294	262	28
	Increase of	0–2.5			
Mr P Matthews (from 1 May 2015)	Pension	70–75	1,932	1,864	61
	Increase of	2.5–5			
Mrs E Millar (from 6 Jul 2015)	Pension	0–5	40	12	21
	Increase of	0–2.5			
Mr B Heath	Pension	50–55	1,387	1,319	62
	Increase of	0–2.5			
Dr M Egan (from 19 Dec 2015)	Pension	0–5	21	1	14
	Increase of	0–2.5			

Notes

1. Members of PECRS can choose to exchange up to 30% of their pension for a lump sum upon retirement. For every £1 of annual pension given up members will receive a cash sum of £13.50. As each individual may choose to exchange a different proportion, individual lump sums are not shown. Members of the JTSF (that joined the scheme prior to 1 April 2007) receive an automatic lump sum on retirement and this is included in the table.

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

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

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

4.4 Segmental Analysis of Staff

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

There were 113 individuals (2015: 105) who received basic salary payments in excess of £100,000 (this may include more than one role).

There were 22 individuals (2015: 13) who received redundancy payments which have meant that they received over £100,000 total remuneration.

SEGMENTAL ANALYSIS OF REMUNERATION IN EXCESS OF £100,000 BY DEPARTMENT

Remuneration	Chief Minister's Department	Economic Development, Tourism, Sport and Culture	Education	Department of the Environment	Health and Social Services Department	Community and Constitutional Affairs	Social Security Department	Department for Infrastructure	Treasury and Resources Department	Non-Ministerial Bodies	2016 Total	Restated 2015 Total
100,000 – 109,999	4	2	5	4	17	8	3	3	1	7	**54**	44
110,000 – 119,999	2	1	4	1	8	5	1	2	2	2	**28**	33
120,000 – 129,999	10		4		14	2				2	**32**	23
130,000 – 139,999	2		3		16			1	1	8	**31**	41
140,000 – 149,999	4	1			18		1			6	**30**	27
150,000 – 159,999			1	1	11	1		1	1	1	**17**	23
160,000 – 169,999	2	1			13	1		1		1	**19**	9
170,000 – 179,999	1				7				1		**9**	4
180,000 – 189,999					5				1		**6**	5
190,000 – 199,999					2						**2**	3
200,000 – 209,999					3						**3**	2
210,000 – 219,999					1						**1**	1
220,000 – 229,999					1						**1**	2
230,000 – 239,999	1				1					1	**3**	1
240,000 – 249,999											**–**	–
250,000 – 259,999											**–**	1
260,000 – 269,999										1	**1**	–
270,000 – 279,999											**–**	–
280,000 – 289,999										1	**1**	1
290,000 – 299,999											**–**	–
300,000 – 309,999											**–**	–
310,000 – 319,999											**–**	–
320,000 – 329,999											**–**	–
330,000 – 339,999											**–**	1
340,000 – 349,999										1	**1**	–
Total	**26**	**5**	**17**	**6**	**117**	**17**	**5**	**8**	**7**	**31**	**239**	**221**
Less individuals who received voluntary redundancy payments that make total remuneration greater than £100,000											22	13
Total											**217**	**208**

SEGMENTAL ANALYSIS OF REMUNERATION IN EXCESS OF £100,000 BY PAY GROUP

Remuneration	Accounting Officers	Civil Service A Grades	Civil Servants	Heads and Deputy Heads, Highlands Managers	Doctors and Consultants	Non Ministerial Holders	Law Officers	Teachers and Lecturers	Nurses and Midwives	Police Officers	2016 Total	Restated 2015 Total
100,000 – 109,999	1	11	15	4	11	3	4			5	**54**	44
110,000 – 119,999		6	5	3	7	3	1	1		2	**28**	33
120,000 – 129,999	1	5	1	2	13	8	1		1		**32**	23
130,000 – 139,999	2	3	3	2	14	4	3				**31**	41
140,000 – 149,999	1	4	2		17	1	5				**30**	27
150,000 – 159,999	3	3			10	1					**17**	23
160,000 – 169,999	3	1	1		13		1				**19**	9
170,000 – 179,999	1				7	1					**9**	4
180,000 – 189,999		1			5						**6**	5
190,000 – 199,999					2						**2**	3
200,000 – 209,999	1				2						**3**	2
210,000 – 219,999					1						**1**	1
220,000 – 229,999					1						**1**	2
230,000 – 239,999	1				1	1					**3**	1
240,000 – 249,999											**–**	–
250,000 – 259,999											**–**	1
260,000 – 269,999						1					**1**	–
270,000 – 279,999											**–**	–
280,000 – 289,999						1					**1**	1
290,000 – 299,999											**–**	–
300,000 – 309,999											**–**	–
310,000 – 319,999											**–**	–
320,000 – 329,999											**–**	–
330,000 – 339,999											**–**	1
340,000 – 349,999						1					**1**	–
Total	**14**	**34**	**27**	**11**	**104**	**25**	**15**	**1**	**1**	**7**	**239**	**221**

	2016	2015
Less individuals who received redundancy payments that make total remuneration greater than £100,000	22	13
Total	**217**	**208**

4.5 Median Remuneration

The Median Remuneration is a form of average, representing the individual that half of the employees earned more than, and half earned less than. The calculation below is based on the full time equivalent annual salary for individuals holding contracts (permanent of fixed term) at the end of the relevant year. Individuals who do not have a fixed working pattern (Zero Hour Contracts) are not included.

	2016	2015
Highest Paid Employee Band	340,000 – 349,000	330,000 – 339,999
Median Remuneration	44,268	44,268
Remuneration Ratio	7.7	7.6

4.6 Gender Diversity of States of Jersey

	2016		2015	
	Male	Female	Male	Female
Accounting Officers	87.5%	12.5%	90.0%	10.0%
Senior Manager	59.8%	40.2%	58.6%	41.4%
Remaining Workforce	36.7%	63.3%	37.4%	62.6%
All Workforce	**37.2%**	**62.8%**	**37.8%**	**62.2%**

Signed:

Richard Bell
TREASURER OF THE STATES
Date: 26th May 2017

5 Governance Statement

5.1 Scope of Responsibility

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

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

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

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

Each Accounting Officer has formally recorded in a Governance Statement the basis upon which they believe their duties have been properly discharged during 2016 for their area(s) of responsibility.

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

5.2 The Purpose of the Governance Framework

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

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

5.3 Governance Framework and Structures

The key elements of the Governance Framework within the States of Jersey are explained below.

The States of Jersey Vision and Purpose

Strategic planning

The States of Jersey strategic and financial planning process is used to set priorities and objectives and then to allocate resources.

Each new Council of Ministers (CoM) must produce 'a statement of its common strategic policy' – generally referred to as the Strategic Plan – within 4 months of taking office so that it can be approved by the States.

The purpose of the Strategic Plan is to identify the Council's key priorities for their term of office, set strategic direction for detailed delivery plans and frame the development of the Medium Term Financial Plan. The 2015–18 Strategic Plan is available on the States Website:

http://www.gov.je/Government/PlanningPerformance/StrategicPlanning/Pages/StrategicPlan.aspx

The current Strategic Plan highlights five priorities where the Council believe significant change will make the biggest difference to Jersey's future – health, education, economic growth and the regeneration of our town, St Helier and with these four priorities managed within the final priority of sustainable public finances. It also shows how these priorities address two of Jersey's other key challenges; social inclusion and population. The Plan also commits to increase the pace of public sector reform in order to achieve savings and deliver shared services that are fundamentally better – in terms of results, value for money and efficiency.

During 2016, the Council put into place a strategic planning process with the aim of delivering a 'Vision for Jersey' outlining the future direction of the Island and ensuring that all aspects of our social, economic and environmental wellbeing are addressed in a coherent way. This will be developed using a new planning framework, supported by an integrated performance management system and processes designed to promote convergence and alignment of delivery strategies. The Island Vision will provide the context for 4-year Strategic Policy documents (equivalent to the current Strategic Plan) as required by law and progress will be reviewed through Strategic Assessments produced in line with the election cycle.

Financial planning

The financial implications of implementing the Strategic Plan are covered more fully in the States of Jersey Medium Term Financial Plan as amended (MTFP) and Budget Statement.

The States approved changes to the Law in July 2011 to introduce longer term financial planning and the approval of a 3-year MTFP from 2013.

The MTFP 2016–2019 now extends the States budgeting period to 4 years, and fits with the existing political cycle, where each Council of Ministers is elected for a 4 year term.

The key changes are:

- States income targets for the period
- States overall spending limits will be set for the length of a CoM term of office.
- Minimum department spending limits will be set for the same time period.
- There will be central allocations created for growth and contingency spend.

The States agreed for the MTFP 2016–2019 to be presented in two parts to allow time for the extensive public sector reform proposals to be developed by departments.

The States agreed Medium Term Financial Plan 2016 to 2019 'part 1' (as amended) in October 2015 which:

- supports the priorities agreed in the States of Jersey Strategic Plan 2015 to 2018;
- agreed the total annual income targets and total expenditure limits for 2016 to 2019 and
- agreed the detailed department expenditure limits for 2016 and also the central allocations for 2016

The MTFP 'part 2' referred to as the MTFP Addition 2017–2019 was debated and agreed in September 2016. The MTFP Addition (as amended) agreed:

- detailed departmental limits for 2017 to 2019 and central allocations for 2017–2019.

- The detailed expenditure allocations were agreed within the total expenditure limits agreed in the MTFP 2016–2019 Part 1.

The MTFP encourages longer term planning horizons, gives greater certainty and flexibility for departments to plan ahead and delivers improved value for money within an overall States spending limit.

An allocation for growth, as part of central allocations, allows the States to be responsive to changing needs without exceeding the agreed limits, and Allocations of Contingency funding, also within central allocations, provide confidence that unforeseen events can be managed without additional unplanned calls on the public purse.

The Annual Budget continues to propose tax and funding measures as well as the detailed allocations to heads of expenditure from the amounts set aside for growth and capital expenditure. All the Annual Budget expenditure allocations are variations within overall limits.

The MTFP 2016–2019 Part 1 authorised Near-Cash Net Revenue Expenditure of £740,317,300 for 2016. During the financial year, budgets can be varied in certain circumstances and these revised amounts will be used for monitoring purposes:

- Carry forward of unspent revenue expenditure budgets voted in the previous year, approved by the Minister for Treasury and Resources.
- Amounts allocated from the Allocations of Contingency.
- Amounts transferred between capital and revenue budgets, approved by the Minister for Treasury and Resources.
- Service transfers across departments, although the overall total will not vary.

Each department has set out its core responsibilities, staffing levels and change projects in the Annex to the MTFP 2016–2019, and these will be managed by the departments. The have been aligned to the Council of Ministers strategic priorities and strategic goals as set out in the States Strategic Plan

A technological solution for monitoring corporate projects is being implemented to measure progress against these objectives and the States Strategic Plan and will be used to inform the planning and decision making processes.

The Treasury have developed Long Term Capital Planning (LTCP), in conjunction with all States departments, identifying the priorities for capital allocations over the next 25 years, on which the detailed 4 year programme for the MTFP was based. Extending planning horizons is a recurrent theme within the States with work underway with Accounting Officers on sustainable long term planning and the development of longer term revenue planning for up to 20 years ahead as part of the Long Term Vision.

The Council of Ministers (CoM) has also published an updated Fiscal Framework to sit alongside the Finance Law and Financial Directions and providing a framework within which decisions will be taken for the MTFP 2016–2019 period and beyond. The framework covers;

- Fiscal guidelines
- Rules for the key Funds
- The role of the Fiscal Policy Panel
- The Medium and Long Term budgetary framework
- Ways to improve the budgetary framework in relation to information provided within the MTFP and annual Budgets.

Performance management

Performance reports that cover both revenue and capital are taken to the CoM on a quarterly basis. The increase in information provided has been well received by the CoM and allows Ministers an opportunity to ask questions that they may have around key service pressures. Information is also presented to the Corporate Management Board (CMB) on a monthly basis. In addition to this, a report is taken to the States Assembly every 6 months to inform them of any budget movements approved in accordance with the Law and Ministerial Delegations.

There continues to be considerable effort made to continue to improve financial management across the States of Jersey by means of training and development offered to both finance staff and budget holders, including Managing Finance workshops for primary and lower level budget holders. Budget holders have access to the financial reporting system which provides them with reports on actuals, budgets and variances in order for them to effectively manage their area(s). Regular meetings are held between departments and Treasury which allows departmental financial positions to be understood in-year and gives the Treasury the overall position for the States which is reported to CMB and CoM.

Roles and Responsibilities

The States Assembly

The States Assembly is the highest decision-making authority of the Island and makes decisions about new laws or major policy changes. The principal functions of the States Assembly are:

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

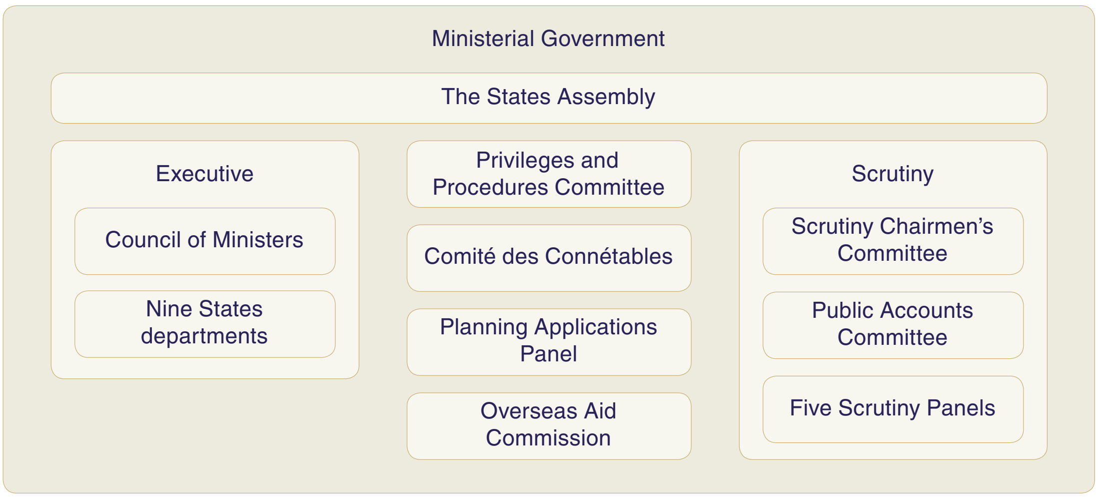
Thus the States Assembly exhibits all the usual characteristics of a parliament – legislature and debating chamber – while at the same time taking executive decisions on a wide range of issues.

The constitution of the States, and all general provisions governing procedure, are set out in the States of Jersey Law 2005, and in the Standing Orders of the States of Jersey made under that law. The present composition of the States, as determined by the States of Jersey Law 2005, is shown in Table 15.

Only the Elected Members have voting rights.

TABLE 11 – COMPOSITION OF THE STATES

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



Ministerial Government

Jersey's government comprises the Chief Minister and ten Ministers, who as the CoM are collectively responsible.

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

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

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

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

The Assembly's presiding officer is the Bailiff, and in his absence, sequentially, the Deputy Bailiff, the Greffier of the States, and the Deputy Greffier of the States.

The Council of Ministers

Each Minister is legally and politically accountable for the discharge of their functions, which are outlined at the outset of each CoM. However, the CoM is bound by collective responsibility, save where explicitly set aside by the Chief Minister.

Collective responsibility requires that Ministers should be able to express views frankly and freely in private, while maintaining a united position when decisions have been reached. In furtherance of this, all matters that affect more than one Minister, or more generally are considered of sufficient importance, are brought to the CoM for consideration. Ministers are then accountable to the States Assembly, and the public of the Island.

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

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

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

In 2016, there were 9 Ministerial Departments, reduced from 10 in 2015. This means that in some cases, a number of Ministers are supported by a single Department, to enhance effectiveness and efficiency, including the co-ordination of ministerial functions.

In addition, there are a number of Non-Ministerial Departments discharging functions in support of the Assembly.

The 11 Ministers during 2016 are shown in Table 16.

TABLE 12 – MINISTERS DURING 2016

Department	Minister	Appointment Date
Chief Minister's	Senator Ian Gorst	14/11/2011
Economic Development, Tourism, Sport and Culture	Senator Lyndon Farnham	06/11/2014
Education	Deputy Rod Bryans	07/11/2014
Department of the Environment	Deputy Steve Luce	07/11/2014
External Relations	Senator Sir Philip Bailhache	06/11/2015
Community and Constitutional Affairs	Deputy Kristina Moore	06/11/2014
Health and Social Services	Senator Andrew Green	06/11/2014
Housing[1]	Deputy Anne Pryke	07/11/2014
Social Security	Deputy Susie Pinel	07/11/2014
Department for Infrastructure	Deputy Eddie Noel	06/11/2014
Treasury and Resources	Senator Alan Maclean	06/11/2014

Notes

1. From 1 July 2014 Housing is no longer classified as a department of the States of Jersey.

The Corporate Management Board and States Funded Bodies

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

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

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

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

Accounting Officers

The following individuals held the post of Accounting Officer for all or part of 2016:

States Body/Fund	Position	Accounting Officer	Appointment Date
Ministerial Departments			
Chief Minister's Department (includes Legislation Advisory Board, Human Resources and Information Services, but excludes International Affairs; Included Jersey Innovation Fund from 17/11/2016)	Chief Executive	John Richardson	18/05/2011
Chief Minister's Department (International Affairs)	Director International Affairs	David Walwyn Kate Nutt	01/05/2015 to 13/05/2016 13/05/16
Chief Minister's Department (Financial Services Industry)	Director of Financial Services Chief Executive	Joe Moynihan John Richardson	01/01/2013 to 01/10/2016 01/10/2016
Economic Development, Tourism, Sport & Culture (excludes Financial Services Industry. Included Jersey innovation Fund until 17/11/16)	Chief Officer	Mike King John Richardson	01/01/2006 to 23/12/2016 23/12/2016
Department for Education	Chief Officer	Justin Donovan	01/09/2014
Department of the Environment	Chief Officer	Andrew Scate	26/08/2008
Health and Social Services	Chief Officer	Julie Garbutt	01/06/2010
Department for Community and Constitutional Affairs (excluding States of Jersey Police)	Chief Officer	Tom Walker	01/05/2015
States of Jersey Police	Chief Officer	Michael Bowron	01/01/2012
Social Security	Chief Officer	Ian Burns	01/04/2015
Department for Infrastructure (Includes Property Holdings)	Chief Officer	John Rogers	17/04/2009
Treasury Department (including Treasury, Taxes Office and Procurement)	Treasurer of the States	Richard Bell	15/01/2015

States Body/Fund	Position	Accounting Officer	Appointment Date
Non Ministerial Departments			
Bailiff's Chambers	Chief Officer	David Filipponi	02/10/2006
Law Officers' Department	Practice Manager and Director of Administration	Alec Le Sueur	01/12/2014
Judicial Greffe	Judicial Greffier	Paul Mathews	01/05/2015
Viscount's Department	Viscount	Elaine Miller	06/07/2015
Official Analyst	Official Analyst	Nick Hubbard	01/01/2006
Office of the Lieutenant Governor	Secretary and Aide de Camp	Justin Oldridge	17/10/2014
Data Protection Commission	Data Protection Registrar	Emma Martins	01/01/2006
Probation and After-Care Service	Chief Probation Officer	Brian Heath	01/01/2006
States Assembly (including States Greffe, Scrutiny panels and Public Accounts Committee)	Greffier of the States	Dr Mark Egan	19/12/2015
Trading Operations			
Jersey Car Parking	Chief Officer – DFI	John Rogers	17/04/2009
Jersey Fleet Management	Chief Officer – DFI	John Rogers	17/04/2009

States Body/Fund	Position	Accounting Officer	Appointment Date
Special Funds			
Strategic Reserve	Treasurer of the States	Richard Bell	15/01/2015
Stabilisation Fund	Treasurer of the States	Richard Bell	15/01/2015
Jersey Currency Fund	Treasurer of the States	Richard Bell	15/01/2015
Insurance Fund	Treasurer of the States	Richard Bell	15/01/2015
Agricultural Loans Fund	Treasurer of the States	Richard Bell	15/01/2015
Dwelling House Loan Fund	Treasurer of the States	Richard Bell	15/01/2015
Assisted House Purchase Scheme	Treasurer of the States	Richard Bell	15/01/2015
Housing Development Fund	Treasurer of the States	Richard Bell	15/01/2015
99 Year Leaseholders Fund	Treasurer of the States	Richard Bell	15/01/2015
Criminal Offences Confiscation Fund	Treasurer of the States	Richard Bell	15/01/2015
Civil Asset Recovery Fund	Treasurer of the States	Richard Bell	15/01/2015
Social Security (Reserve) Fund	Treasurer of the States	Richard Bell	15/01/2015
Social Security Fund	Chief Officer – SSD	Ian Burns	11/08/2014
Health Insurance Fund	Chief Officer – SSD	Ian Burns	11/08/2014
Long Term Care Fund	Chief Officer – SSD	Ian Burns	11/08/2014
Tourism Development Fund	Chief Officer – EDTSC	Mike King John Richardson	01/01/2006 – 23/12/2016 23/12/2016
Channel Islands Lottery (Jersey) Fund	Chief Officer – EDTSC	Mike King John Richardson	01/01/2006 – 23/12/2016 23/12/2016
Jersey Innovation Fund	Chief Officer – EDTSC	Mike King John Richardson	01/01/2006 – 17/11/2016 17/11/2016

Notes

1. Jersey Airport and Jersey Harbours were merged into an incorporated body Ports of Jersey Limited on 1 October 2015 which is wholly owned by the States of Jersey.
2. Karen McConnell was re-appointed as Comptroller and Auditor General with effect from 1 May 2015 and until 31 December 2019 (P.99/2014). The C&AG is accountable for the budget and spending decisions of the Jersey Audit Office.

Jersey's Fiscal Policy Panel Annual Report

The Fiscal Policy Panel (FPP) makes recommendations in its Annual Report to the Minister for Treasury and Resources and the States on Jersey's fiscal policy and on additions to or subtractions from the Stabilisation Fund and the Strategic Reserve. The FPP provides an important independent safeguard for the planning of States finances.

Standards of Conduct

Legal Framework

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

- The States of Jersey Law 2005, and underlying Standing Orders, set out the constitution, composition, powers and procedures of the States Assembly and its Committees and Panels, and of the CoM. The purpose of the Law, noting this, is to recognise Jersey's autonomous capacity in domestic affairs, the increasing need for Jersey to participate in international affairs, and the need to enhance and promote democratic, accountable and responsible government which implements fair, effective and efficient policies in accordance with international principles. The Law also includes the requirement to issue codes of conduct for States Members, Ministers, and Panels and Committees.
- The Public Finances (Jersey) Law 2005 provides for the administration of public finances, including financial planning and budgeting, establishing the medium term financial plans and budget, taxation plans, trading operations, the creation of funds, administration, including the duties of the Treasurer and Chief Internal Auditor, and of employees, and the establishment of a FPP.
- The Employment of States of Jersey Employees (Jersey) Law, 2005, sets out matters relating to the employment of States Employees, including the establishment of the States of Jersey Employment Board as the employer, its powers, including as to employment policies, terms and conditions, recruitment procedures, and generally, to ensure the efficiency and effectiveness of the public service and the health, safety and well-being of States' employees. It also establishes the Appointments Commission to oversee the appointment of persons to significant public positions and to determine appointment procedures, and the position of Chief Executive of the States of Jersey.

Financial Directions

Financial Directions help ensure the proper stewardship and administration of the Law and of the public finances of Jersey. Accounting Officers are required to comply with the Financial Directions and other key controls, including departmental risk management measures, and resource management policies issued by Corporate Human Resources and, where appropriate, the Information Services Department.

Following recommendations from the PAC and C&AG, a review of the existing Financial Directions was carried out and a collaborative approach has been taken to re-writing the Financial Directions together with an over-arching framework. The Chief Internal Auditor has been consulted on the re-issue of all Financial Directions and regular meetings continue to ensure that relevant points or matters arising from Internal Audit reviews are addressed. The new Financial Directions are currently in draft form and will be issued during 2017.

Codes of Conduct

The Code of Conduct for States of Jersey employees also exists to provide guidance as to how employees should behave in their day-to-day work.

Register of Interests

Under the Standing Orders of the States of Jersey, States Members are required to declare their interests in the Register of Members' Interests at the States Greffe. Details of significant interests of members of the CoM, and their Assistant Ministers, are therefore available publicly as part of this register. The Register of Interests is used to identify parties related to the States of Jersey through senior management for the purpose of preparing disclosure of related party transactions in the States of Jersey Financial Report and Accounts (FR&A).

The Chief Executive Officer is required to maintain a Register of Accounting Officers' Interests in which all interests within or outside of Jersey should be declared. The Register of Interests is monitored as part of the year-end process to identify significant interests of senior management and related party transactions.

Gifts and Hospitality Register

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

Internal Audit Service

The conduct of work by Internal Audit is governed by the Public Sector Internal Audit Standards (PSIAS) issued by HM Treasury in the UK. The PSIAS provide guidance and a benchmark against which the quality of Internal Audit in the UK public sector is assessed. The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) and International Professional Practices Framework (IPPF). As required by the PSIAS, the Internal Audit function reviews the quality of its work on an ongoing basis and maintains an Internal Audit Quality Assurance Improvement Programme (QAIP). The QAIP provides a stepped timetable to drive towards compliance and embedment with the PSIAS and is subject to regular independent assessment. The Internal Audit function's structure, policies and procedures have been established with the objective to be in accordance with PSIAS requirements and the function will continue to deliver on the QAIP in 2017 in driving towards compliance by the end of 2017.

Scrutiny and Risk Management

Audit Committee

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

For 2016 membership of the Audit Committee comprised an independent Chairman, and at least 3 other independent members. A minimum of 2 independent members need to be present for a meeting to be deemed quorate.

The membership of the Committee throughout 2016 comprised

Name	Position	Date of appointment
Alex Ohlsson	*Chairman Independent Member*	17 March 2009
Daragh McDermott	*Independent Member*	28 November 2011
Philip Taylor	*Independent Member*	23 January 2012–11 October 2016
Steven Austin-Vautier	*Independent Member*	14 December 2015
Ian Wright	*Independent Member*	14 December 2015

In accordance with the Audit Committee terms of reference, members are initially appointed for a period of 4 years and may be re-appointed for a further 4 years.

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

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

The key four roles of the Audit Committee are to;

- Consider and discuss the International Standard on Auditing (ISA) 260 Report and matters relating to the annual Financial Report and Accounts and provide advice to the minister for Treasury and Resources as requested.
- Receive and comment on the Internal Audit Plan, monitor performance against the Plan and consider the findings of Internal Audit work including management responses to the findings and recommendations.
- Review and consider the States of Jersey Governance Statement, including the robustness of assurance processes that underpin its preparation and the principles and elements of the governance framework on which it is based.
- Review and challenge the States of Jersey risk management framework and key corporate risks, to gain assurance that the policies and procedures for the management of key risks are embedded across the States.

The Audit Committee met five times in 2016 and Committee activity addressed the key roles above. Specific agenda items included:

- Receipt of the work plans for External Audit and review of the States of Jersey's draft audited Financial Report and Accounts for 2015. Consideration of the External Audit annual report on control issues arising from their audit of the 2015 Financial Report and Accounts (ISA 260 Report)
- Review of the work plan for the States of Jersey Internal Audit Service, regular updates on the outcome of audits, and oversight of the performance and quality of Internal Audit. Consideration of action taken by management to implement significant Internal Audit recommendations.
- Regular reports on instances of alleged fraud and reported serious concerns, and oversight of whistleblowing and anti-fraud arrangements.
- Oversight of the States of Jersey's corporate risk management framework and regular review of the Corporate Risk Register.
- Receipt of reports issued by the Comptroller and Auditor General, including the Regularity Report relating to the 2016 Financial Statements.
- Annual review of the Jersey Financial Reporting Manual (JFReM).
- Oversight of the development of the States of Jersey Financial Governance Framework and the revision of Financial Directions;
- Presentations on significant corporate matters, for example the development of MTFPII, the Taxes Improvement Programme, the Future Hospital project, the States of Jersey Procurement Strategy and data security.

Internal Audit

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

The States of Jersey Internal Audit service is provided by means of a co-sourced service, led by the Chief Internal Auditor. The internal resource consists of the Chief Internal Auditor, an Audit Manager, an Assistant Audit Manager, a Senior Internal Auditor, an Internal Audit Associate and an Administrator. External resources for the delivery of internal audit work include a contract with an external provider, BDO, and contracts with individual affiliates such as the Internal Audit and Risk Contractor.

The services provided by external suppliers remain key to the successful delivery of an effective and efficient Internal Audit function. The Chief Internal Auditor monitors the performance of external firms and contractors to ensure that their services are of an acceptable quality standard. During 2016, the Chief Internal Auditor market tested both the main co-sourcing internal audit contract and the affiliate contracts, to ensure that the States continues to receive value for money from these arrangements.

Internal Audit reviews both key financial and non-financial policies and operations. To determine the scope and extent of Internal Audit's work, the Chief Internal Auditor uses a risk-based methodology to draw up an Internal Audit Plan. The Chief Internal Auditor assesses operations, activities and significant projects across the States of Jersey, together with associated entities as provided for in relevant business agreements, memoranda of understanding or contracts. The risk associated with these entities and activities is assessed to determine the required scope and frequency of Internal Audit coverage.

The 2017 Internal Audit Plan was presented to the Audit Committee in October 2016 for scrutiny prior to approval by the Treasurer and CEO in accordance with the Public Finances (Jersey) Law 2005. Internal Audit continues to present a quarterly report to the Audit Committee, the Treasurer and the Chief Executive setting out progress made in completing the Internal Audit Plan, and key control issues arising from Internal Audit work.

Scrutiny

The Scrutiny function is an integral part of the States system and ensures democratic accountability and rigorous questioning of proposals at an early stage. In short, the Executive makes decisions about and on behalf of Jersey. Scrutiny works to ensure that the decisions taken are the best of the possible options.

Scrutiny is made up of the following elements:

- **The Chairmen's Committee** – co-ordinates Scrutiny and ensures that it is effective and well run. It maintains regular contact with the CoM and acts as the link between Scrutiny and the Executive. The Committee is formed by the Chairmen of the Scrutiny Panels and the PAC Chairman.
- **The Public Accounts Committee** – reviews all public expenditure. The role of PAC is to consider reports

prepared by the C&AG, to assess whether public funds have been applied for the purposes intended by the States and to assess whether extravagance and waste are being eradicated and sound financial practices applied throughout the administration of the States. PAC liaise with the C&AG in order to do so. Membership includes non-States Members.

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

The remits of the 5 Scrutiny Panels are shown in Table 17.

The PAC and the 5 Scrutiny Panels have extensive powers to require witnesses to give evidence or to supply relevant documents. These powers ensure that Scrutiny can operate effectively.

TABLE 13 – REMIT OF THE SCRUNITY PANELS

Panel	Remit – looks at:
Corporate Services	Corporate services, corporate policies, external relations and property holdings.
Environment, Housing and Infrastructure	Environment, Housing and Transport and Infrastructure, including waste public transport
Economic Affairs	Economic affairs and development.
Education and Home Affairs	Education including the Youth Service, and Home Affairs which includes Fire and Police services, Customs and Immigration and Registrar.
Health, Social Security	Health and Social Services, Social Security

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

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

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

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

- General corporate governance arrangements;
- Economy, efficiency and effectiveness in the way resources are used i.e. value for money; and
- Effectiveness of internal controls.

Under the leadership of the C&AG the JAO team provide specialist knowledge and experience where required. The team's programme is formalised in an Audit Plan, which provides both an annual audit timetable as well as an indicative audit plan for the next 3 years.

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

External Auditor

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

The external auditors provide an opinion which states whether the accounts give a true and fair view, in accordance with the Public Finances (Jersey) Law 2005, of the state of the States of Jersey's affairs as at 31 December 2016, and whether the accounts have been properly prepared in accordance with International

Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted for the States of Jersey by the Jersey Financial Reporting Manual.

They also make recommendations for improvement based on their annual audit of the States of Jersey FR&A. The agreed actions are then reported in a communication to the Minister for Treasury and Resources. Progress against implementation is monitored and routinely reported to the Audit Committee. Any outstanding recommendations are picked up by the external auditors as part of the audit for the following year. Reference can be made to the Auditors' Report in the 2016 FR&A for further information on the responsibilities of the external auditors.

In 2015 The C&AG re-tendered for the appointment of External Auditors and PriceWaterhouseCoopers LLP were reappointed for 5 years with an option to extend for a further year.

Management of risk

Capacity to handle risk

The CMB Risk Sub-Group supports the Board in their responsibilities for monitoring and reviewing risk management, processes and good governance within the States funded bodies and advises them on the adequacy and effectiveness of risk management arrangements. The Sub-Group members include the Chief of Police, the Chief Fire Officer, the Treasurer (or delegate), the Deputy Chief of Police, the States of Jersey Enterprise Risk Manager/ alternate the Senior Accountant – Insurance Management; in addition the Chief Internal Auditor attends all meetings. The Executive Support Officer is responsible for developing the administration of the risk management framework.

The States of Jersey approach to risk management is currently set out in the Financial Direction 2.7; however, following a series of recommendations from the C&AG and the PAC the Treasury and Resources Department is undertaking a fundamental review of Financial Directions. The review identified that a number of subject areas currently covered by Financial Directions would be better addressed in other ways. These include:

- an overarching Financial Governance Framework;
- HR Codes of Practice; and
- a Corporate Governance and Risk Framework.

Financial Directions will continue to be issued by the Treasurer to Accounting Officers; however, under the Employment of States of Jersey Employees (Jersey) Law 2005 the Chief Executive Officer is responsible for issuing codes of practice.

Codes of practice have been issued by the Chief Executive Officer in respect of a number of employment and risk matters

- Risk Management.
- Business Continuity Management.
- Information Management.
- Records Management.

The codes of practice are principle-based, and supported by related policies and guidance documentation.

As with Financial Direction 2.7 the Codes of Practice on Risk Management require departments to

- develop a risk management strategy
- identify, evaluate and assess risks
- identify appropriate responses to risks
- establish processes for the ongoing monitoring and review of risks;and
- regularly review their risk strategy.

Corporate Governance and Risk Framework

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

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

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

The risk management framework has two separate considerations;

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

Assurance Framework

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

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

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

It also provides a structure for acquiring and examining the evidence to support this Governance Statement. The framework will in turn, allow for more effective performance management.

The obligation is for Accounting Officers to sign an annual Governance Statement and this heightens the need for the CMB to be able to demonstrate that they have been properly informed about the totality of their risks, whether in the provision of public services or public safety or in organisational matters. To do this they need to be able to show – to give 'assurance' – that they have systematically identified their objectives, managed the principal risks to achieving them and identified any significant weaknesses that need to be overcome. It is the responsibility of the Accounting Officer to ensure adequate risk management systems and controls.

Oversight of Risk

Action owners are identified on both Corporate and Departmental Risk Registers. The CMB Risk Sub-Group and the departmental Risk Management Group are chaired by the Chief of Police and the Chief Fire Officer respectively; in addition the Chief Fire officer oversees the Community Risk Register. The Corporate and Community Risk Registers are reviewed by CMB every quarter, reviewed by CoM every 6 months and passed to Audit Committee Review under the Audit Committee terms of reference every 6 months.

Risk Management Objectives

CMB has continued to put significant emphasis on health and safety in 2016. Progress continues to be made on risk management processes through workshops and training and the development of risk management guidance.

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

The objectives for 2017 are to continue to embed enterprise risk management activities through the evolving corporate and departmental risk management frameworks and to ensure that risk management processes continue to:

- identify risks (and opportunities);
- evaluate and prioritise the significant risks (and opportunities);
- manage the significant risks.

Business continuity

The Business Continuity Officer is now known as the Enterprise Risk Manager, retaining responsibility for corporate processes and good practice in business continuity. The Enterprise Risk Manager has developed guidance and good practice for departments, and has carried out a series of workshops and presentations for departments and management groups to raise awareness of what needs to be done to manage the risk of service disruption. The Enterprise Risk Manager continues to work closely with managers across the States to develop and embed Business Continuity Management (BCM) in departments.

Emergency planning

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

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

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

Insurance arrangements

Insurance arrangements which were formalised and established in law in 2014 are administered centrally through the Insurance Fund (IF), a ring-fenced allocation of money providing insurance arrangements to States departments and other participating bodies.

The participants in the IF are recharged a premium as calculated by Treasury and Resources, the IF in turn pays insurance premiums to the States Insurer. Counterparty risk, the risk the insurance counterparty is unable to meet insurance claims as they fall due, is managed centrally by the IF. Other insurance risk, such as the risk that insufficient insurance coverage is managed at a departmental level; insurance declarations are made annually to ensure adequate coverage by the States Insurance Provider. Adequacy of ongoing coverage is monitored through controls such as those operating over asset registers.

Health and Safety

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

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

Anti-Fraud and Corruption Policy

The Audit Committee approved the Anti-Fraud and Corruption Policy in November 2013 and this was subsequently presented to the Chairman and members of PAC in December 2013 for consultation. This has been rolled out to the States of Jersey replacing the existing policy and is included as part of the corporate induction programme all new employees attend. The States of Jersey's commitment to the prevention, detection and investigation of fraud and corruption is set out within the new policy. Fraud, theft and corruption within the States of Jersey are deemed as unacceptable, and all States of Jersey staff are expected to act honestly and with integrity at all times and to safeguard the public resources for which they are responsible. This is also in line with the States of Jersey Code of Conduct for Civil Servants.

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

Serious concerns (Whistleblowing)

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

Anti-Money Laundering

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

Capacity of Officers

Building on the foundations of leadership development implemented with the onset of the public sector reform in 2013, managers from across the States have successfully completed further programmes designed to improve our capability to deliver change and drive performance.

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

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

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

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

Learning is available at an introductory and more in-depth level. With both levels, the training is linked to completion of improvement projects back in the workplace, so that practical benefits can be realised from the outset.

Alongside the focus of building capability to drive change through leadership development programmes, staff and departments are being encouraged to identify their specific development needs and to source the most appropriate provider, be it through formal learning events or other opportunities.

Engaging with stakeholders

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

The Communications Unit is responsible for setting and monitoring the standards governing public consultation. It has developed a public consultation area on www.gov.je on which all written States consultations must be published. It also holds a register of people and organisations that have asked to be consulted on items of interest.

All States of Jersey consultations should follow this guide and conform to the Code of Practice on Consultation.

5.4 Review of Effectiveness

All Accounting Officers have confirmed in their Governance Statements that, to their knowledge, governance arrangements operated adequately in their area(s) of responsibility during 2016 and/or steps are being taken to address known areas of weakness. In addition the review of effectiveness is informed by the work of Internal Audit, Scrutiny, the C&AG, the PAC and External Audit.

Internal Audit

The role of Internal Audit is to provide assurance based on a risk-based audit plan rather than providing absolute assurance. It is the responsibility of Accounting Officers to maintain adequate systems and controls and comply with the relevant legislation, Financial Directions and policies.

During 2016, the Chief Internal Auditor continued to strengthen the Internal Audit Governance Framework in order to deliver a more efficient and effective Internal Audit service. Under Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor should maintain a Quality Assurance Improvement Programme (QAIP). An independent review was done of the QAIP in February 2015 in which a positive report was given. A further review is scheduled in 2017 in line with procedures.

Internal Audit exceptions on assurance of financial and non-financial systems and controls have been tabled at Audit Committee as well as the Treasurer and Chief Executive Officer being informed. In addition, the Chief Internal Auditor raised exceptions in regards to certain departments and functions to the Chief Executive, Treasurer and Chairman of the Audit Committee. These exceptions are being monitored by the Chief Executive and Internal Audit will continue to do a formal follow up in 2017.

Following the reviews, all report recipients are asked whether they agree with the recommendations made and to complete an action plan showing how they plan to implement them within agreed timescales. Each recommendation is classified as high, medium or low risk which assists management in focusing their attention on priority actions.

Management is responsible for implementing Internal Audit recommendations within agreed timescales and in a number of departments this is achieved by senior management teams monitoring and considering outstanding recommendations routinely at their meetings.

Accounting Officers have been asked to confirm any outstanding Internal Audit recommendations in their 2016 Governance Statement.

In 2017 there will be a focus by Internal Audit to continue to follow up on recommendations and feedback to departments when policies or procedures are not fit for purpose to consider amending the policy or procedure to ensure it mitigates the risk but with lean management principles. In addition, Internal Audit will continue to drive the programme towards PSIAS compliance.

Currently there is a high level of capital expenditure, notably the new hospital, sewage treatment works and IT investment, and it is vital that Internal Audit is involved in these projects to provide independent assurance on compliance with policies and procedures. Grants continue to be an area of focus for Internal Audit and will be reviewed in 2017 in addition to key new systems such as payroll.

The 2017 Audit Plan has been done on a risk-based assessment and all reports will continue to be issued to the departments, the C&AG, external audit and the Chairman of the Audit Committee; in addition, any high level recommendations are also provided to the Treasurer and the Chief Executive.

Scrutiny Panels

The role of the Scrutiny Panels is to protect the public interest by examining policy decisions. Scrutiny reports acknowledge good practice and, where necessary, recommend change and improvement to services or government policies. A summary of 2016 Scrutiny Panel publications is shown in Table 18. Scrutiny reports are followed up by the relevant panel to establish whether recommendations have been implemented.

Departments continue to build productive working relationships with the Scrutiny Panels over the course of 2016. A number of hearings and briefings took place between the Corporate Services Scrutiny Panel (CSSP) and Treasury and Resources during the year, the details of which are summarised in Table 19.

TABLE 14 – SCRUTINY PANEL PUBLICATIONS DURING 2016

Scrutiny Panel	Review date and title
Corporate Services	MTFP Addition for 2017–19 – Report, 23 September 2016 Impact Assessment Framework – Report, 6 June 2016.
Economic Affairs	No reports in 2016
Education and Home Affairs	Nursery Education Fund – Report, 14 June 2016
Environment	No reports in 2016
Health, Social Security and Housing	Future Hospital Project – Report, 24 November 2016 Future Hospital Project-Interim Report – Report, 3 November 2016 Living on Low Income – Report, 7 September 2016 Zero-Hour Contracts – Report, 11 July 2016 Staff Recruitment and Retention – Report, 21 March 2016
Chairmen's Committee	No reports in 2016

Comments Presented by Scrutiny Panel in 2016

Corporate Services:

- MTFP Addition 2017–19 – Ministerial Response, 9 November 2016
- Draft Budget 2016 – Ministerial Response, 2 March 2016
- Jersey International Finance Centre – Ministerial Response, 13 January 2016

Economic Affairs:

- MTFP Addition – Comments (2), 23 September 2016
- Draft Dormant Bank Accounts (Jersey) Law 201- – Comments, 24 June 2016
- Draft Telecommunications (Amendment No.3) and Crime (Miscellaneous Provisions) (Jersey) Law 201- – Comments, 10 June 2016

Education and Home Affairs:

- MTFP Addition – Comments, 27 September 2016
- Nursery Education Fund – Ministerial Response, 2 August 2016
- Education Minister to be questioned about cuts to Nursery Education Fund – 6 April 2016
- Prison Board of Visitors – Ministerial Response, 18 January 2016

Environment, Housing and Infrastructure:

- MTFP Addition – Comments, 20 September 2016
- Draft Sea Fisheries Regulations – Comments, 28 June 2016
- Draft Removal of Vehicles (Private Land) (Jersey) Regulations – Comments, 10 June 2016

Health and Social Security

- Zero-Hours Contracts – Comments, 3 November 2016
- Living on Low Income – Ministerial Response, 21 October 2016
- MTFP Addition – Comments, 23 September 2016
- Zero-Hour Contracts – Ministerial Response, 24 August 2016
- Staff Recruitment and Retention at the Hospital – Ministerial Response, 11 May 2016.

CSSP HEARINGS AND BRIEFINGS WITH TREASURY AND RESOURCES DURING 2016

Hearings and briefings	Topic areas covered
Briefing (21/01/2016)	JT/Airtel Merger
Hearing (22/02/2016)	Quarterly Hearing
Meeting 17/03/2016)	Discuss Ministerial Response to report on JIFC
Meeting (11/04/2016)	JT/Airtel Merger
Hearing (23/05/2016)	Quarterly Hearing
Briefing (23/05/2016)	Financial outturns
Hearing (15/07/2016)	MTFP Addition
Meeting (25/07/2016)	MTFP Addition
Briefing (24/08/2016)	College Gardens
Hearing (02/09/2016)	MTFP Addition
Briefing (26/09/2016)	MTFP Addition
Meeting (02/11/2016)	JIFC Building 5
Hearing (07/11/2016)	Quarterly Hearing
Hearing (05/12/2016)	Quarterly Hearing

Public Accounts Committee

Reports published by the PAC in 2016 include;

- Financial Management – Report, 10 August 2016
- Travel and Accommodation Expenses Review – Report, 10 November 2016
- Financial Management – Report, 10 August 2016

Comptroller and Auditor General – Jersey Audit Office

In addition to the 2016/17 Audit Plan, reports published by the C&AG in 2016 include;

- Use of Consultants – 13 October 2016
- Management Information in Education – 22 September 2016)
- eGovernment – 19 May 2016
- Follow up of the Utilisation of Compromise Agreements – 5 May 2016
- Arrangements for Freedom of Information – 17 March 2016
- Review of Financial Management – Part 2, 25 February 2016

Departmental processes

Accounting Officers also rely on mechanisms implemented at departmental level to gain comfort over the effectiveness of governance arrangements within their department, for example compliance/sample testing, internal reviews by senior management teams, external reviews, dedicated compliance teams and the completion of Assurance Statements by key budget holders.

5.5 Significant Governance issues

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

The significant issues that have arisen in 2016 are shown in Table 20 below.

TABLE 15 – SIGNIFICANT ISSUES IDENTIFIED IN 2016

Issue	Potential risk	Action
Supply Jersey: initial set up Supply Jersey is an online ordering system designed to increase efficiency and streamline the States buying process. During the initial roll out, it was identified that authorisation triggers were not being applied by the system as anticipated. This was not identified during the testing phase and resulted in issues at the secondary approval level as orders were escalated through approval routes.	*Purchase of goods and services without full approval or not approved in accordance with Scheme of Delegation.*	Once identified, the necessary changes were applied to the system to ensure the approval routes were followed in full. The total value of impacted approvals was £1.9 million. Treasury supplied a list of all orders relevant and departments obtained retrospective approval for all items.
Compliance with updated SEB Codes of Practice In September 2016 updated SEB Codes of Practice were issued covering employment matters, risk management, business continuity and information management. These Codes of Practice now make it a legal requirement to comply. Departments had insufficient time to assess compliance with the codes before the year end.	*Inability to demonstrate or document compliance with codes of practice.*	Although the majority of requirements are likely to be met by existing controls, demonstration of full compliance requires a full mapping exercise to ensure procedures meet all new obligations. Internal audit will then review compliance with the updated codes of practice on a sample basis.
Jersey Innovation Fund In the Governance Statement for 2015, it was reported that concerns had been raised through an Internal Audit as to the sufficiency of due diligence that was undertaken. Further Internal Audit work identified further concerns and in particular the report of the Comptroller and Auditor General identified inadequacies in the arrangements for the Fund and deficiencies in its operation.	*The Comptroller and Auditor General concluded that the States could not demonstrate that good governance or good internal control was in place and therefore there is a risk that value for money and protection of public money was not achieved.*	An internal audit report was issued on the 27 of January 2016 and a second report issued on the 25 April 2016. Further oversight was implemented from February 2016. On the 17 November the Chief Executive of Chief Minister's Department was appointed as Accounting Officer for the Fund in place of Chief Officer for Economic Development, Tourism, Sport and Culture. The Jersey Innovation Fund board was formally wound up in December 2016. The C&AG issued a formal report on the Jersey Innovation Fund on the 12 January 2017. Recommendations in the C&AG report were accepted and a plan implemented.

Progress made against the significant issues identified in the 2015 Governance Statement, the 2014 Governance Statement and any items highlighted before those dates that were still ongoing in 2016 are shown in Tables 21, 22 and 23 below.

TABLE 16 – PROGRESS ON SIGNIFICANT ISSUES IDENTIFIED IN 2015

Issue	Potential Risk	Action(s)
Serious case reviews		
Between 2010 and 2015, 15 serious case reviews (SCRs) were commissioned in total and 12 of them related to children. The first serious case review produced in 2010 resulted in a substantial civil liability quantified in 2015 for many millions of pounds by States of Jersey insurers. The outcome of the Independent Jersey Care Inquiry is likely to lead to changes in the systems and procedures to safeguard and protect vulnerable children, including potential legislative and other changes. In 2016, two further SCR's were commissioned in relation to two sibling groups of children. They are due to be completed in 2017. The Independent Jersey Care Inquiry (IJCI) began hearing evidence in 2014 and concluded in 2016. It is due to report in early 2017.	*There is a risk that the States of Jersey has not had appropriate systems and resources in place in the past when dealing with children and vulnerable adults.* *There is a risk of significant cost to the States of Jersey both financially and in terms of resources to deal with these cases. In addition there is a reputational risk both to the States of Jersey and the Island as a whole.*	The implementation of SCR recommendations are reported upon by the Safeguarding Partnership Boards and overseen by the Child and Vulnerable Adult (CAVA) Officer Group. The report is expected to be issued in early 2017, although the contents of the report are unknown plans are in place to receive the reports expected findings. The States Assembly has already agreed £4.95 million additional funding in the MTFP 2016–2019 from Contingency for the years 2017–2019 for Initiatives to support vulnerable children. On 9 November 2016 the Council allocated £2.25 million of this funding to priority projects. Once the recommendations of the Panel are known relevant departments will need to discuss and recommend to the Council of Ministers whether they will be accepted and implemented. Any funding beyond the £4.95 million for the years 2017–2019 which cannot be absorbed will need to be identified. The Council will receive a further report at a future meeting to request additional funding from Contingency, if required. By definition, these potential costs are unknown at the date of this report. As a result of improved financial management by States departments and the Panel the revised forecasts expect £0.9 million of the £23 million made available will remain once all expenditure properly attributable to the Inquiry has been charged. In accordance with P.76/2015 (Strategic Reserve Fund: funding for Independent Jersey Care Inquiry and transfers from and to the Consolidated Fund) this amount will be returned to the Strategic Reserve.

Issue	Potential Risk	Action(s)
Information Security		
Information must be held securely because it can be sensitive, commercially confidential or subject to legal constraints.	*There are increased and new threats as organisations and individuals seek to access data for criminal or malicious reasons.*	The approach to information security has been discussed at Council of Ministers, Corporate Management Board and departmental Senior Management Team meetings. Security policies have been strengthened and future action plans put in place. Due to the dynamic nature of these threats the organisation has put in place a roadmap to strengthen information security and data protection capability, as well as continuously review and improve on this approach. Approval for funding to the value of £1.9 million has been approved at Council of Ministers and the issue has been highlighted at Corporate Management Board and departmental Senior Management Team meetings. Further activity is planned to meet the requirements of General Data Protection Regulation. The release of the Jersey Cyber Security Strategy is planned for 2017 which will further enhance the ability for Jersey to counter threats across industry sectors, government agencies and citizens.
Jersey Innovation Fund (JIF)		
Due diligence An Internal Audit report, commissioned by the Chief Officer, was not able to confirm that appropriate or sufficient due diligence had been carried out on loans that had been proposed to the Minister and subsequently made to third parties	*The Minister is not being fully informed prior to approving a loan.*	The Minister is not being fully informed prior to approving a loan. The item has been fully updated in the 2016 point on the Jersey Innovation Fund

Issue	Potential Risk	Action(s)
Travel and accommodation		
An Internal Audit review undertaken revealed the approved corporate travel provider was not always used in booking flights and accommodation. In a number of cases exemption from Financial Directions had been obtained. Concerns were raised in public over the level and cost of travel and accommodation in 2016 and a review is being carried out.	*Inefficient use of staff time in booking own flights and accommodation and potential increase in costs.* *Travel costs are high relative to the benefit gained.*	A firm direction has been made to ensure that Hogg Robinson Group, a web-based travel booking system, is used for all travel and accommodation. Improvements around the management of travel and subsistence have been made, for example the number of HRG users able to book travel has been rationalised and training provided in December 2015 on the use of the system. A review of travel and accommodation expenditure has been undertaken in the first quarter of 2016 and recommendations to strengthen procedures will be made. Good progress has been recognised with reductions in overall travel costs achieved in quarter 3 and quarter 4 of 2016. Improvements around the management of travel and subsistence that were commenced in 2015 have been embedded and strengthened upon. An internal review and a review by PAC were published in 2016. There has been a reduction in the number of people authorised to book travel, training has been provided and pre-approval for travel has been emphasised, this is now supported by an electronic form. A new Financial Direction was published and effective from March 2017. In 2017 all transactions relating to travel and accommodation that are in excess of £500 will be published quarterly. The current contract with the supplier is due to end 30th June 2017. An independent review of travel options available to States of Jersey including the option to bring the service in house will be undertaken in first quarter 2017.
SEB approval process		
Interim staff whose annual cost exceeded £100,000 were appointed without following the prescribed recruitment process including the requirement for SEB approval.	*Inappropriate interim appointments may have been made.*	The Director of Human Resources has conducted a review of the issue and actions have been taken to ensure retrospective approval and to ensure staff members are aware of requirements before appointments are made. Processes will be monitored in 2016. Health & Social Services Department declared a similar breach in 2016 in this area. Despite the review and reminders to staff of the relevant procedural requirements during 2016. Accordingly, the Director Human Resources States of Jersey will commission a full redraft of the policy/procedure which will include a Recruitment and Payroll control to provide assurance that such appointments are reviewed before implementation.

Issue	Potential Risk	Action(s)
Overpayment of Investment Manager's fees An Investment Manager to the Common Investment Fund (CIF), informed the States of an error regarding the calculation of their performance fee. The CIF had been over charged by £1,566,233 over a four year period. This is only in relation to one investment manager and was not systemic across all investment portfolios. This had not been identified in the previous independent external audit control reports.	*Investment management fees could be over paid (or under accrued).*	In 2015 the overpayment was repaid in full by the investment manager (including compensation). Internal audit completed a review of the processes around paying such fees across the CIF and the PECRS. Audit recommendation have been implemented and controls have been enhanced. No further instances of overpayment have been noted. No further action.
The current General Hospital As previously reported in 2012 Financial Report and Accounts the current General Hospital is no longer fit for purpose or capable of sustaining the general and acute care requirements for the population and one that is embedded in the proposed new system for health and social care. Proposition P.82 / 2012, as approved by the States, makes clear that a new hospital would be required within the 10 years' time frame to 2021.	*Updated in Table 23 – 'Progress on significant issues identified before 2013'*	
Grants approval process A comprehensive review of the grant awarding process by Internal audit revealed the governance process applied to the management of grants is still not appropriately robust. Common audit findings identified included the need to improve due diligence over potential grant recipients, clearer confirmation of eligibility for grants, more specific agreed outcomes for grants and more rigorous and challenging assurance that these outcomes have been achieved. In 2014, a grant had been approved even though the recipient had cash balances in excess of £1 million.	*The governance process applied to the management of grants is not sufficiently robust.* *Grants are awarded to recipients that do not need the funds or do not use the funds in the agreed manner or purpose.*	In January 2016 Internal Audit issued recommendations to the Audit Committee, Chief Executive, and Treasurer including closer monitoring of the grant approval process. Corporate Management Board have been briefed on these recommendations. In 2015, the applicant with cash balances in excess of £1 million applied for a further grant and this request was declined. Over the course of 2016 the States of Jersey has continued to monitor the effectiveness of the grants process and the Chief Executive Officer has commissioned specific reports in this area. The governance structure relating to the oversight of grants will be updated following completion of reviews due to be completed over 2017.

TABLE 17 – PROGRESS ON SIGNIFICANT ISSUES IDENTIFIED IN 2014

Issue	Potential Risk	Action(s)
The Historical Abuse Committee of Inquiry Costs The Committee of Inquiry into Historical Abuse (known as the 'Independent Jersey Care Inquiry' [IJCI]) was established with an original budget of £6 million, subsequently augmented by an additional £3 million for Contingency, approved by the Council of Ministers. The Accounting Officer for the Panel for the Inquiry is the Greffier of the States. The totally independent nature of the Inquiry from the States meant that the Greffier's ability, as Accounting Officer, to control expenditure is extremely limited as the Panel must make its own decisions on spending without interference from the States. It was nevertheless clear as 2014 progressed that the Panel would not be able to complete its work in the manner it had structured the Inquiry and support team within the total budget allocated by the States. The Greffier raised his concerns on a number of occasions with the Chairman and members of the inquiry and wrote to the Minister for Treasury and Resources on 15 December 2014 to draw his concerns to his attention formally. In addition, the relevant States Departments who provide information for the Committee of Inquiry had been allocated a total of £2.6 million (from the additional £3 million) as follows; Chief Minister's £1.5 million Education, Sport and Culture £300,000 Health and Social Services £209,000 Home Affairs – States of Jersey Police £322,000 Law Officers £275,000 The Chief Executive Officer has expressed his concerns, by letter to the C&AG, about the escalating costs of the Panel and the Inquiry.	*That expenditure on the Inquiry continues to escalate without an identified source of funding.*	On 25 March 2015 the States Assembly adopted P.20/2015 Committee of Inquiry: Historical Child Abuse – additional funding. This required the Minister for Treasury and Resources to bring a further proposition identifying up to £14 million of additional funding, from the Strategic Reserve if necessary. This action accommodates the forecast expenditure as at the end of March 2015. P.20/2015 was implemented on 8 October 2015 when the States approved: P.76/2015 Strategic Reserve Fund: funding for Independent Jersey Care Inquiry and transfers from and to the Consolidated Fund (as amended) and P.75/2015 Strategic Reserve Fund: funding for Independent Jersey Care Inquiry and transfers from and to the Consolidated Fund (as amended). These propositions made available up to an additional £10 million to the IJCI in 2015 and up to an initial £4 million in 2016 for the same purpose (the latter being included within the MTFP 2016–2019) from the Strategic Reserve. These funds were to be held in the Allocation for Contingency (Contingency) pending their need to meet actual expenditure. On 8 October 2015, the Minister for Treasury and Resources published R.114/2015 Independent Jersey Care Inquiry: Memorandum of Understanding and Directions. This set out how costs for the Inquiry, incurred both by the Panel and States departments, would be managed. Monthly forward spending forecasts are to be provided to the Treasurer and costs monitored more closely in 2016. Expenditure was monitored and published on a monthly basis during 2016. Forecasts were provided to the Treasury on a regular basis during the year. The Inquiry is now drawing to a conclusion with the Panel's final report expected in 2017. Total expenditure at the date of preparation of this document was forecast to be around £900,000 under the revised budget of £23 million set in 2015, these monies will be returned to the Strategic Reserve. The risk is no longer considered to be active.

Issue	Potential Risk	Action(s)
Grants		
Concerns were raised over the issue of grants and any other non-compliance matters are being proactively addressed by the Chief Executive with the relevant Accounting Officers. Both Internal Audit and PAC raised governance concerns in 2013 in regards to the issue of Canbedone film grant. The audited accounts of Canbedone are still to be received.	*The governance process applied to the management of grants is not appropriately robust.*	A comprehensive review of the Grant awarding process was undertaken in 2015 by Internal Audit and recommendations made. Closer monitoring of the grant approval process to be implemented in 2016. Due to the financial costs involved in the preparation of audited accounts, and as the receipt of audited accounts was not a pre-condition of awarding the grant, the Economic Development Department has agreed to accept unaudited accounts for Canbedone Limited. With respect to the Canbedone grant as detailed above an audit was completed and recommendations made. A new Financial Direction relating to Grants is in the process of being finalised. Further consideration with regards to the ongoing grants process is detailed in the 'Grants approval process' item in table 21.

Issue	Potential Risk	Action(s)
States of Jersey Utilities Shareholdings:		
A number of governance-related issues have been identified during a 2014 review by the Comptroller and Auditor General and Internal Audit on the States of Jersey governance over the utilities as a shareholder. Although the reviews were in regard to specific Utility companies, the points raised are relevant to the overall Shareholding function. The reviews also considered action taken to implement the recommendations made in Deloitte's 2010 report. Key recommendations arising from the reviews include: – review and revision of individual Memoranda of Understanding (MoU) for relevance and to strengthen governance generally; keeping the objectives of ownership under review to ensure that they remain relevant and are being achieved; – ensuring that management information includes KPIs that link directly to ownership objectives; and, consider the resourcing of the shareholder function given the increasing complexity of the function to undertake proper due diligence and governance. The Deloitte report was tabled to the Treasurer and a number of points have been implemented.	*Some MoUs are out of date and may not be fit for purpose; shareholding objectives are not relevant and their achievement is not monitored; and, there is insufficient resource within the shareholder function to deal with the additional work that the function needs to do.*	During 2015, significant work was undertaken with the Economic Affairs Scrutiny Panel on the development of the Memorandum of Understanding and Articles of Association for Ports of Jersey Limited, prior to its incorporation on 1 October 2015. This built on similar work in respect of Andium Homes Limited in 2014. The aim was to give sufficient comfort that these were robust, appropriate and also in line with the Deloitte and Comptroller and Auditor General's recommendations. This demonstrated that the existing MOUs with other utilities were generally appropriate and robust, but could be improved. Each will be reviewed with the respective Board's during 2016. Restructuring within the Department will ensure that the function receives the appropriate level of senior oversight. In addition, a budget of £200,000 was approved for 2016 in the 2016–2019 MTFP, to provide additional support as required. During 2016, an independent Treasury Advisory Panel will be created specifically for these strategic shareholdings. This combines the advantages of building a more intelligent shareholder function with the advantages of a 'Board of Boards' option identified by Deloitte in their 2010 report, by providing non-executive and commercially experienced assistance in managing the relationship with setting the objectives and evaluating the performance of the strategic investments. The approach mirrors the existing Treasury Advisory Panel to advise on overall financial investment strategy, policy and performance. Work to strengthen the Shareholder function has continued over 2016 with core policy objectives developed. To achieve these objectives staffing has been enhanced alongside approval of specific additional annual budget. A presentation was made to all wholly-owned entities in November setting out how the Shareholder intends to engage with the Companies and Boards moving forward. This included details of the changes required to existing documentation (such as memorandum of understanding) and the level of information sharing that is expected in the future. The introduction of a Treasury Shareholding Advisory Panel (formed of four independent members with specific industry expertise) has been delayed until early 2017, this Panel will provide ongoing advice to the Treasury and Resources Minister on all shareholding matters. The Treasury Shareholder function will work with this panel and the appropriate States departments to develop policies and ownership objectives for all States-owned entities during 2017.

Issue	Potential Risk	Action(s)
Jersey Overseas Aid Commission		
There are some ambiguities regarding the legal structure of the Jersey Overseas Aid Commission (JOAC). In addition there have been concerns raised over the adequacy of governance and diligence processes.	*There is a risk that the JOAC is operating without an appropriate and robust governance structure in place.*	The JOAC has recognised that there are legal and governance issues that need to be addressed and the Commission is working with officers to resolve these matters. Internal Audit did a review in 2015 and planned to follow up in 2016. The follow up review, carried out at the request of the Treasurer and Chief Executive Officer, was completed in 2016 and highlighted a number of concerns surrounding the governance and due diligence process. A Director was appointed in September 2016 who is addressing these issues, a follow up audit is scheduled for 2017 to review points raised. Initial indications are that there is a strong direction of travel.

TABLE 18 – PROGRESS ON SIGNIFICANT ISSUES IDENTIFIED BEFORE 2013

Issue	Action
Implementation of Gigabit Jersey In November 2012, JT made commitments for the implementation of Gigabit Jersey. However, there have been some issues with delivery.	Progress on the delivery of this project has continued to be monitored during 2015. This has included an update on the revised delivery plan and costings, following the exit of the contractor and JT taking this work back 'in house'. *JT Global have advised that the Gigabit programme is now performing well and is ahead of the forecast connection rate for 2016, despite some issues with maintaining peak engineer resource volumes due to attrition rates. This is not a risk to the overall budget but may see spend to secure more resource increase for the remainder of the programme. Since the commencement of the project JT has also seen an approximate 10% increase in new property construction which could lead to completion of the project being extended into early 2018.*
Storage of asbestos Asbestos removed from the Island's buildings is stored above ground in steel containers at La Collette.	Following the imposition of conditions on the planning permission received in 2014, the Department continued to research alternative means of disposal of the legacy asbestos waste stored at La Collette. A Duly Reasoned Request to export the legacy waste for treatment and disposal was rejected by the UK in late 2015. A contract to transfer the legacy containerised asbestos to engineered cells at La Collette was tendered in 2016. A new asbestos reception site was constructed at La Collette during 2015 to receive and store new waste arising. Work continued to agree the way forward for non-licenced asbestos with the regulator. *During 2016 agreement on a long term storage solution was reached with the regulator and work commenced on transferring the legacy asbestos to pits at La Collette in early 2017.*
Discharge from the current sewage treatment plant Has failed to meet the regulatory requirements in terms of nitrogen levels dispersed into the Bay.	In May 2014 the States adopted P.39/2014 "Waste Water Strategy" which set out the long term strategy for treatment of waste water in the Island. It included proposals to replace the current Sewage Treatment Works at Bellozanne using a phased approach which would allow the provision of sufficient expansion capacity for further treatment should this prove necessary in the long term. A contractor was engaged during 2015 to work with the department to further develop the outline plans and tender process for the construction works to commence during 2016. *The replacement of the existing Bellozanne Sewage Treatment Works is programmed to be completed in phases to ensure continuity of service and should be operational by early 2021 with final completion in mid-2022.*

Issue	Action
International focus on the exchange of tax information Following the confirmation by the G20 in 2013 of a new global standard for the automatic exchange of information for tax purposes, in 2015 Jersey commenced automatically exchanging information with the US under FATCA. In 2016, automatic exchange of tax information will commence with the UK (under the UK intergovernmental agreement) and in 2017, automatic exchange of information will commence in accordance with the Common Reporting Standard (CRS) with the signatories to the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters and the associated Multi-lateral Competent Authority Agreement. Jersey also needs to continue to comply with its obligations in respect of exchange of tax information on request, responding to requests received from partner jurisdictions. Failure to comply with these obligations would have negative implications for Jersey's reputation as a quality international finance centre, with repercussions for Jersey's financial services industry.	During 2015, Jersey has continued to take steps to comply with the developing international standards regarding exchange of tax information, including: • Launch of the online automatic exchange of information portal, for the collection of data from financial institutions and onward transmission in accordance with Jersey's obligations under its international agreements. Together with the publication of associated guidance notes regarding how to utilise the portal. • Completion of the first tranche of automatic exchange of tax information with the US under FATCA. Continued development of the guidance notes produced, together with the Isle of Man and Guernsey, to assist financial institutions with compliance with the intergovernmental agreements with the UK and the US. • Adoption of the Taxation (Implementation) (International Tax Compliance) (Common Reporting Standard) (Jersey) Regulations 2015, putting in place the legislative framework for compliance with CRS. • Completion of agreements for the automatic exchange of tax information between the Crown Dependencies. • Development of guidance notes, together with the Isle of Man and Guernsey, to assist financial institutions with compliance with the CRS. • During 2015, Jersey continued as a vice-chair of the Global Forum Working Group which, at the request of the G20, will monitor the implementation of the Common Reporting Standard. • Jersey is giving its support to the OECD Action Plans on Base Erosion and Profit Shifting (BEPS). Jersey has joined with the G20 in seeking to ensure that law enforcement and tax authorities have timely access to adequate, accurate and up-to-date information on the beneficial ownership of companies. The following actions have been undertaken in relation to the automatic exchange of tax information since the previous update: • Completion of the first tranche of reporting to the UK under the UK/Jersey Intergovernmental Agreement for automatic exchange of information and the second tranche of reporting to the US under FATCA. • Preparation for the first round of reporting under the Common Reporting Standard in 2017 through development of the automatic exchange of information portal. • Signature of competent authority agreements with the UK to allow for automatic exchange of information under the IGA and the CRS with them. The Chief Ministers Department and the Treasury and Resources Department work in partnership to monitor and respond to international tax developments, including, in particular, continuing developments in relation to the exchange of tax information. This work is ongoing and will continue in 2017 and later years. As at the end of 2016 [the States/ Government] is not aware of any significant governance issues arising from its international tax commitments. Therefore unless circumstances change during 2017, it is proposed that further updates will not be prepared.
Legal action by Harcourt Developments Legal action is being taken against the States of Jersey Development Company by Harcourt Developments in relation to their claim that terms within a Development Agreement were not negotiated in good faith and with due diligence.	Following the legal action taken by Harcourt the States of Jersey Development Company filed an application to strike out the claim. *During 2016, the States of Jersey Development Company was successful in having the majority of Harcourt's claim, including the entirety of the contractual claim, struck out and the Court ordered Harcourt to properly plead those parts of the unjust enrichment claim that were not struck out within a certain time period. Harcourt failed to meet the Court's deadline and the remaining parts of the claim have also been struck out.* *Subsequent to the year end, Harcourt has now appealed against this decision and the Court has yet to determine whether the appeal will be allowed.*

Issue	Action
The Current General Hospital	
The current General Hospital is no longer fit for purpose or capable of sustaining the general and acute care requirements for the population and one that is embedded in the proposed new system for health and social care. Proposition P.82/2012, as approved by the States, makes clear that a new hospital will be required within the 10 years time frame to 2021.	The States Assembly allocated feasibility funding to the Future Hospital Project in Budget 2014 and Budget 2015. In 2015, the feasibility studies into the previously preferred Dual Site Option identified in Budget 2014 were deferred in response to Ministerial requests to review 4 short-listed sites on a like for like basis against the Dual Site. This work progressed into 2016 and resulted in a public engagement on the 5 sites. Previous States approvals for work on transitional ward capacity and Overdale relocation works also continued in 2015 to provide resilience against the risk of a major infection outbreak and to relocate Health and Social Services from Overdale. *Following Public engagement regarding the hospital site, and political scrutiny, a Report and Proposition (P.110/2016) was approved by the States on 1 December 2016. Following approval by the States Assembly on the site, design development, outline planning applications and initial relocation works are now in development with a view to detailed proposals and a funding strategy being brought before the States in Autumn 2017.*

5.6 Closing Statement

To the best of my knowledge, the governance arrangements in place during 2016 have been effective, with the exception of the governance issues identified above and in individual departmental 2016 Governance Statements.

Signed:

John Richardson
CHIEF EXECUTIVE OFFICER
Date: 26th May 2017

Richard Bell
TREASURER OF THE STATES
Date: 26th May 2017

6 Introduction to the Accounts

6.1 Changes in Accounting Standards

Accounting Standards evolve over time, and the Minister for Treasury and Resources therefore decided to update the accounting standards adopted by the States on an annual basis. The JFReM is based on the UK version of the same document, which is prepared by HM Treasury and is subject to scrutiny by an independent board, the Financial Reporting and Advisory Board. Since 2012, the JFReM has followed standards adopted by the UK Government with a one year delay.

There were a number of changes to accounting standards introduced in the JFReM 2016 but there has not been a material impact on the presentation of the Accounts.

Future Developments

The Minister's policy is to follow the standards adopted by the UK Government with a one-year delay. On that basis, the 2017 JFReM will be based on UK FReM for the year ending 31 March 2016. Note 9.1 Accounting Policies provides further comment on the expected impact on the Accounts of the changes to be made in the 2017 JFReM.

6.2 Explanation of the contents of the Accounts

The main statements included in the accounts are explained below along with an explanation of their purpose.

Consolidated Statement of Comprehensive Net Expenditure (SoCNE) (previously the Operating Cost Statement (OCS) and Statement of Total Recognised Gains and Losses (STRGL))

The SoCNE provides an informative analysis of the States income and expenditure, highlighting income raised by the States of Jersey, such as taxation and States expenditure on social benefits, staff costs, grants and subsidies and other expenditure.

It encompasses all the entities that comprise the States of Jersey, and income and expenditure are shown net of amounts resulting from charges within the States of Jersey.

This statement also provides a summary of financial gains and losses which are not recorded in Income and Expenditure under the heading 'Other Comprehensive Income'. These are generally unrealised gains and losses, such as those resulting from the revaluation of Property, Plant and Equipment, Investments or Pension Liabilities.

Consolidated Statement of Financial Position (SoFP) (previously the Balance Sheet)

The SoFP provides a snapshot of the States of Jersey's financial position as at 31 December. It sets out what the States owns, what the States owes and what is owed to the States at that point in time. The figures shown exclude any amounts due between entities included in the States of Jersey.

Consolidated Statement of Cash Flows (SoCF)

Both the SoCNE and SoFP are prepared in accordance with the Jersey Financial Reporting Manual (which interprets IFRS for the States of Jersey), and are therefore prepared on an 'accruals' basis, whereby income and expenditure are matched to the period to which they relate, not the period in which a movement of cash occurs.

In contrast the SoCF summarises the actual movements in cash balances that have occurred in the year.

Consolidated Statement of Changes in Taxpayers' Equity (SoCiTE) (previously the Reserves Note)

The SoCiTE gives details of the movements in 'Taxpayers' Equity', which represents the taxpayers' interest in the States of Jersey, and 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.

Notes to the Accounts

The accounts also include a set of notes that provide further analysis of the figures contained within the main statements.

Note 9.1 sets out the Accounting Policy used by the States when preparing the Accounts, and Note 9.2 details any key assumptions made when making estimates and the effect of uncertainty in these estimates.

Note 9.3 gives a Segmental Analysis of both the SoCNE and SoFP, giving further details of how these numbers are made up.

Notes 9.4 to 9.12 give further information about the figures included in the SoCNE; and Notes 9.13 to 9.30, the SoFP.

The remaining notes give additional disclosures and information about various items included in the Accounts.

Statement of Outturn against Approvals (SoOaA)

The SoOaA is the States' accountability statement. It shows a comparison of outturn against the approval for each head of expenditure for both net revenue expenditure and capital expenditure, a reconciliation of the revenue outturn to net revenue expenditure disclosed in the SoCNE and a statement showing the unallocated consolidated fund balance at the end of the financial year.

Unaudited Annex to the Accounts

The Unaudited Annex to the Accounts primarily gives further information about the entities included within the States of Jersey Accounts. This includes a SoCNE, a SoFP and other information about the performance of Departments, Trading Operations, Reserves and Special Funds. Additional information about General Revenue Income received is also included.

It also provides further information about the changes from the MTFP which were agreed by the States or by Ministerial Decision, and gives details of all grants paid to organisations (other than those included in Note 9.11).
A Glossary is also included which provides an explanation of the terminology used in this report and accounts.

The Annex to the Accounts is not audited.

7 Auditor's Report

7.1 Independent Auditors' Report to the Minister for Treasury and Resources of the States of Jersey

Report on the annual financial statement in respect of the accounts of the States of Jersey

Our opinion

In our opinion the accounts, defined below:

- give a true and fair view, in accordance with the Public Finances (Jersey) Law 2005, of the state of the States of Jersey's affairs as at 31 December 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted for the States of Jersey by the Jersey Financial Reporting Manual;
- properly represent the activities of the States of Jersey; and
- have been prepared in accordance with the requirements of the Public Finances (Jersey) Law 2005.

What we have audited

The annual financial statement in respect of the accounts (the "accounts"), which is prepared by the States of Jersey, comprises:

- the States of Jersey Consolidated Statement of Comprehensive Net Expenditure (Operating Cost Statement) for the year ended 31 December 2016;
- the States of Jersey Consolidated Statement of Financial Position (Balance Sheet) as at 31 December 2016;
- the States of Jersey Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 December 2016;
- the States of Jersey Consolidated Statement of Cash Flows for the year ended 31 December 2016; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union, as interpreted for the States of Jersey by the Jersey Financial Reporting Manual.

In applying the financial reporting framework, the Treasurer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, the Treasurer has made assumptions and considered future events.

Opinion on other matter

In our opinion, the information given in the Minister's Report, the Treasurer's Report, the Remuneration Report and the Governance Statement for the financial year for which the accounts are prepared is consistent with the accounts.

Other matters on which we have agreed to report by exception

Propriety of accounting records and information and explanations received and adherence to law

We have nothing to report in respect of the following matters where the Comptroller and Auditor General requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the States of Jersey; or
- we have not received all the information and explanations we require for our audit.

Responsibilities for the accounts and the audit

Our responsibilities and those of the Treasurer

As explained more fully in the Statement of Responsibilities for the Financial Report and Accounts set out on page 45, the Treasurer is responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Minister for Treasury and Resources in accordance with section 47(1) of the Public Finances (Jersey) Law 2005 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the States of Jersey's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Treasurer; and
- the overall presentation of the accounts.

We primarily focus our work in these areas by assessing the Treasurer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Anna Blackman

Anna Blackman
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
Date: 30th May 2017

(a) The maintenance and integrity of the States of Jersey website is the responsibility of the States of Jersey; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website.

(b) Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

7.2 Report of the Comptroller and Auditor General to the States Assembly

In accordance with Article 12(1) of the Comptroller and Auditor General (Jersey) Law 2014, I have ensured that an audit of the financial statements of the States for the year ended 31 December 2016 has been completed. I have no matters to which I wish to draw the States' attention in accordance with Article 12(3) of the Comptroller and Auditor General (Jersey) Law 2014.

Karen McConnell
COMPTROLLER AND AUDITOR GENERAL

Jersey Audit Office
Lincoln Chambers (1st Floor)
31 Broad Street
St Helier, Jersey
JE2 3RR

Date: 30th May 2017

8 Primary Statements

8.1 States of Jersey Consolidated Statement of Comprehensive Net Expenditure (Operating Cost Statement) for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Revenue			
Levied by the States of Jersey			
Taxation Revenue	4	(573,359)	(544,252)
Social Security Contributions	4	(204,992)	(190,839)
Island Rates, Duties, Fees, Fines and Penalties	4	(112,087)	(105,742)
Total Revenue Levied by the States of Jersey		**(890,438)**	**(840,833)**
Earned through Operations			
Sales of Goods and Services	4	(165,967)	(162,934)
Investment Income	4	(424,801)	(93,943)
Other Revenue	4	(21,116)	(12,786)
Total Revenue Earned through Operations		**(611,884)**	**(269,663)**
Total Revenue		**(1,502,322)**	**(1,110,496)**
Expenditure			
Social Benefit Payments	5, 9	371,506	362,687
Staff Costs	5, 10	365,305	370,633
Other Operating Expenses	5	251,685	240,199
Grants and Subsidies Payments	5, 11	43,496	43,009
Depreciation and Amortisation	5	65,380	68,241
Impairments	5	28,549	39,781
Losses on Disposal of Non-Current Assets	5	3,040	12,874
Finance Costs	5, 12	23,182	24,895
Net Foreign-Exchange (Gains)/Losses	5	555	349
Movement in Pension Liability	5, 29, 30	41,957	(10,315)
Total Expenditure		**1,194,655**	**1,152,353**
Net Revenue Expenditure/(Income)		**(307,667)**	**41,857**
Other Comprehensive Income			
Items that will not be reclassified to Net Revenue Expenditure			
Revaluation of Property, Plant and Equipment		(62,154)	(160,504)
Actuarial Gain in Respect of Defined Benefit Pension Schemes		113	(136)
Items that may be reclassified subsequently to Net Revenue Expenditure			
Gain on Revaluation of Strategic Investments During the Year		(3,000)	(45,200)
Reclassification Adjustments for Gains Included in Net Revenue Expenditure		–	–
Gain on Revaluation of Other AFS Investments During the Year		(313)	(1,221)
Reclassification Adjustments for Gains Included in Net Revenue Expenditure		78	9
Total Other Comprehensive Income		**(65,276)**	**(207,052)**
Total Comprehensive Income		**(372,943)**	**(165,195)**

Notes

i. The Notes in section 9 of this report form part of the financial statements

8.2 States of Jersey Consolidated Statement of Financial Position (Balance Sheet) as at 31 December 2016

	Notes	31 Dec 2016 £'000	31 Dec 2015 £'000
Non-Current Assets			
Property, Plant and Equipment	13	3,424,029	3,403,454
Intangible Assets	14	7,054	7,684
Loans and Advances	16	6,958	8,782
Strategic Investments	17	365,900	362,900
Other Available for Sale investments	17	19,286	19,067
Infrastructure Investments	18	11,430	10,750
Investments held at Fair Value through Profit or Loss	19	2,548,104	2,165,927
Trade and Other Receivables	21	3,300	3,544
Total Non-Current Assets		**6,386,061**	**5,982,108**
Current Assets			
Other Non-Current Assets classified as held for sale	15	5,450	1,005
Inventories	20	75,938	51,921
Loans and Advances	16	1,424	1,555
Investments held at Fair Value through Profit or Loss	19	256,734	293,155
Trade and Other Receivables	21	185,309	181,023
Cash and Cash Equivalents	22	281,332	219,113
Total Current Assets		**806,187**	**747,772**
Total Assets		**7,192,248**	**6,729,880**
Current Liabilities			
Trade and Other Payables	23	(121,780)	(126,327)
External Borrowings	24	(2,500)	–
Currency in Circulation	25	(111,616)	(109,588)
Finance Lease Obligations	26	(1,275)	(1,185)
Provisions for liabilities and charges	27	(622)	(989)
Derivative Financial Instruments expiring within one year	28	(4,204)	(233)
Total Current Liabilities		**(241,997)**	**(238,322)**
Total Assets Less Current Liabilities		**6,950,251**	**6,491,558**
Non-Current Liabilities			
Trade and Other Payables	23	(5,110)	(47)
External Borrowings	24	(266,526)	(243,112)
Finance Lease Obligations	26	(2,238)	(3,513)
Provisions for liabilities and charges	27	(23,185)	(12,288)
PECRS Pre-1987 Past Service Liability	29	(290,127)	(246,359)
Provision for JTSF Past Service Liability	29	(111,874)	(108,062)
Defined Benefit Pension Schemes Net Liability	30	(6,645)	(6,731)
Total Non-Current Liabilities		**(705,705)**	**(620,112)**
Assets Less Liabilities		**6,244,546**	**5,871,446**
Taxpayers' Equity			
Accumulated Revenue and Other Reserves		4,912,922	4,602,738
Revaluation Reserve		1,032,927	973,246
Investment Reserve		298,697	295,462
Total Taxpayers' Equity		**6,244,546**	**5,871,446**

Senator Alan Maclean
Date: 26th May 017

Richard Bell
TREASURER OF THE STATES
Date: 26th May 2017

Notes

i. The Notes in section 9 of this report form part of the financial statements

8.3 States of Jersey Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 December 2016

	Notes	Accumulated Revenue and Other Reserves £'000	Revaluation Reserve £'000	Investment Reserve £'000	Total £'000
Balance 1 January 2015 (Restated)		**4,626,647**	**830,069**	**249,050**	**5,705,766**
Net Revenue Expenditure		(41,857)	–	–	**(41,857)**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	13	–	160,504	–	**160,504**
Gain on Revaluation of Strategic Investments during the year	17	–	–	45,200	**45,200**
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	17	–	–	–	**–**
Gain on Revaluation of Other AFS Investments during the year	17	–	–	1,221	**1,221**
Reclassification adjustments for gains included in Net Revenue Expenditure	17	–	–	(9)	**(9)**
Actuarial Loss in respect of Defined Benefit Pension Schemes	30	136	–	–	**136**
Other Movements					
Release of Revaluation Reserve on Disposal		17,327	(17,327)	–	**–**
Other Movements		485	–	–	**485**
Balance 31 December 2015		**4,602,738**	**973,246**	**295,462**	**5,871,446**
Net Revenue Income		307,667	–	–	**307,667**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	13	–	62,154	–	**62,154**
Gain on Revaluation of Strategic Investments during the year	17	–	–	3,000	**3,000**
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	17	–	–	–	**–**
Gain on Revaluation of Other AFS Investments during the year	17	–	–	313	**313**
Reclassification adjustments for gains included in Net Revenue Expenditure	17	–	–	(78)	**(78)**
Actuarial Gain in respect of Defined Benefit Pension Schemes	30	(113)	–	–	**(113)**
Other Movements					
Release of Revaluation Reserve on Disposal		2,473	(2,473)	–	**–**
Other Movements		157	–	–	**157**
Balance 31 December 2016		**4,912,922**	**1,032,927**	**298,697**	**6,244,546**

Notes

i. The Notes in section 9 of this report form part of the financial statements

8.4 States of Jersey Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash Flows from Operating Activities			
Net Revenue Income	SoCNE	307,667	(41,857)
Adjustments for non-operating activities			
Investment Income	7	(53,449)	(58,804)
Gains on Financial Assets	8	(371,352)	(35,139)
Interest Expense	12	22,817	24,563
Adjustments for non-cash transactions			
Depreciation of Property, plant and equipment	6	63,062	65,982
Amortisation of Intangible Assets	6	2,318	2,259
Impairments of Non-Current Assets	6	25,995	36,842
Loss on disposal of Non-Current Assets	6	3,040	12,874
Donations of Assets	6	(98)	(153)
Movement in Pension Liabilities	29	47,383	(23,291)
Interest on Past Service Liabilities	12	(13,084)	(13,733)
Movement in Other Liabilities			
Increase in Provisions	27	10,530	1,919
Increase in Currency in Circulation	25	2,028	5,829
Operating Cash Flows before movements in Working Capital		**46,857**	**(22,709)**
Adjustments for movements in Working Capital			
Decrease/(Increase) in Inventories	20	(24,017)	(11,989)
Decrease/(Increase) in Trade and Other Receivables		(4,053)	(8,870)
(Decrease)/Increase in Trade and Other Payables		2,047	12,694
Net Cash Inflow/(Outflow) from Operating Activities		**20,834**	**(30,874)**
Cash Flows from Investing Activities			
Purchase of Property, plant and equipment		(59,333)	(88,819)
Purchase of Intangible assets		(1,688)	(407)
Proceeds on disposal of Property, plant and equipment		2,729	3,172
Proceeds on Assets Held for Sale		4,060	4,604
Interest received		7,275	11,285
Dividends received	7	46,185	46,982
Loans and Advances made		–	(1,247)
Loans and Advances repaid	16	1,955	2,223
Proceeds on Available for Sale Financial Assets		907	434
Proceeds on settlement of Derivatives		–	21
Proceeds on redemption of Strategic Investment	17	–	–
Issue of Infrastructure Investment	18	(680)	(750)
Purchases of Financial Assets held at Fair Value through Profit or Loss		(1,012,383)	(3,625,381)
Proceeds on disposal of Financial Assets held at Fair Value through Profit or Loss		1,037,373	3,720,626
Net Cash (Outflow)/Inflow from Investing Activities		**26,400**	**72,743**
Cash Flows from Financing Activities			
Proceeds from Borrowings		25,828	
Bond Interest Paid		(9,376)	(9,376)
Capital Element of Finance Lease Rental Payments	26	(1,185)	(2,242)
Interest Element of Finance Lease Payments	12	(64)	(1,323)
Other Interest Paid	12	(208)	(49)
Net Cash Inflow/(Outflow) from Financing Activities		**14,995**	**(12,990)**
Net (Decrease)/Increase in Cash and Cash Equivalents		**62,229**	**28,879**
Cash and cash equivalents at the beginning of the year	22	219,113	190,238
Gains/(losses) on Cash and Cash Equivalents	8	(10)	(4)
Cash and cash equivalents at the end of the year	**23**	**281,332**	**219,113**

Notes

i. The Notes in section 9 of this report form part of the financial statements.

9 Notes to the Accounts

9.1 Significant Accounting Policies

1 Introduction

1.1 These accounts have been prepared in accordance with the States of Jersey Financial Reporting Manual (JFReM) issued by the Treasurer of the States in order to meet the requirements of the Public Finances (Jersey) Law 2005. The accounting policies contained in the JFReM apply EU adopted International Financial Reporting Standards (IFRS) in place as at 1 January 2014 as adapted or interpreted for the Public Sector in Jersey. These accounts are prepared on a going concern basis.

1.2 The JFReM applicable to the 2016 financial year (including comparators) is based on the UK Financial Reporting Manual for the UK financial year ending 31 March 2015 which is prepared by HM Treasury following consultation with the Financial Reporting Advisory Board (FRAB).

1.3 Where the JFReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the States of Jersey for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.4 The Accounting Policies applied in the preparation of these Accounts differ in places from those used for the 2015 accounts but there have not been any changes material enough to warrant a restatement of prior period comparatives.

2 IFRS in issue but not yet effective

2.1 A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 following the approach of the relevant UK FReM. These standards have not been applied in preparing these consolidated financial statements. The impact of the standards below will be assessed fully prior to implementation, however the current view is that these will have a limited impact of the financial statements of the group.

2.2 IFRS 13 'Fair Value Measurement' (IASB effective from 1 January 2013) has been adopted by the EU and will also be adopted by the JFReM from 1 January 2017. IFRS 13 defines fair value and provides guidance on fair value measurement techniques and disclosure requirements. Once adopted in the JFReM, IFRS 13 will affect the valuation and disclosure of some non-current assets in the Financial Statements. IAS 16 and IAS 38 have been adapted and interpreted for the public sector context but the principles of IFRS 13 are still applied where deemed appropriate to do so.

2.3 IFRS 9 'Financial Instruments' as issued in July 2014, effective from periods beginning on or after 1 January 2018, was endorsed by the EU in November 2016 but it has not been adopted in the JFReM as yet. IFRS 9 is being introduced to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The objective of the new Standard is to provide users with more useful information about an entity's expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date. IFRS 9 applies a single classification and measurement approach to all types of financial assets: at amortised cost or at fair value through either Consolidated Statement of Comprehensive Expenditure or residually through Consolidated Statement of Revenue and Expenditure. IFRS 9 carries forward unchanged almost all of the accounting requirements in IAS 39 for financial liabilities. IFRS 9 requires a forward-looking 'expected-loss' impairment model applicable to all financial instruments that are subject to impairment accounting. This will result in earlier and more timely recognition of expected credit losses. The new model also requires that an impairment allowance be raised even where no evidence of deterioration is present. IFRS 9 introduces a reformed model for hedge accounting which principally aligns the accounting treatment with risk management activities.

2.4 IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014, effective for periods beginning on or after 1 January 2018. It was endorsed by the EU in October 2016 but has not been adopted by the JFReM as yet. IFRS 15 will replace IAS 18 'Revenue Recognition'. The disclosure objective of the new standard is to establish the application principles required for entities to report useful information to the users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The disclosure requirements under the new standard are more extensive than the current requirements included within IAS 18. The full impact of IFRS 15 has not yet been assessed.

2.5 IFRS 16 'Leases' was issued in January 2016, effective for periods beginning on or after 1 January 2019. IFRS 16 will replace IAS 17 'Leases'. IFRS 16 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. The full impact of IFRS 16 has not yet been assessed.

2.6 IAS 1 'Disclosure Initiative' (amendment), effective 1 January 2016 was endorsed by the EU in December 2015. These amendments encourage professional judgement to be used in determining what information to disclose in financial statements and where and in what order information is presented in the financial disclosures. The amendment is expected to be adopted in the 2018 JFReM. The amendment may affect the presentation of disclosures within the Financial Report and Accounts in future years.

2.7 IAS 16 ('Property, Plant and Equipment') and IAS 38 ('Intangible Assets') amendment to both standards, 'Clarification of acceptable methods of depreciation and amortisation', effective 1 January 2016, was endorsed by the EU in December 2015. This amendment prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets. The amendment is expected to be adopted in the 2018 JFReM. It is not expected to have a material impact on the Financial Report and Accounts.

2.8 IAS 27 'Equity Method in Separate Financial Statements' (amendment), effective 1 January 2016, was endorsed by the EU in December 2015. This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is expected to be adopted in the 2018 JFReM. It is not expected to have a material impact on the Financial Report and Accounts.

2.9 IAS 36 'Impairment of assets on recoverable amount disclosures' (amendment), effective from 1 January 2014 has been endorsed by the EU and is to be adopted by the JFReM from 1 January 2017. This amendment, which seeks to address the implications of references to IFRS 13 'Fair Value Measurement', modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. It is not expected to have a material impact on the Financial Report and Accounts.

2.10 The detailed impact of these new and amended standards will be considered as part of the implementation of the version of the JFReM that adopts them.

2.11 There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Accounts.

3 Accounting Convention

3.1 These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of Property, Plant and Equipment, Intangible Assets and Available-for-Sale Financial Assets and Financial Assets and Financial Liabilities (including derivative instruments) at fair value through profit or loss. A summary of the more important accounting policies is set out below.

4 Basis of Consolidation

4.1 These accounts comprise the consolidation of all entities within the States of Jersey consolidation boundary (the 'accounting boundary') as set out in the JFReM. The accounting boundary is defined with reference to applicable accounting standards except that the inclusion or exclusion of an entity is based on direct control which would normally be evidenced by the States, Council of Ministers or a Minister exercising in year control over operating practices, income, expenditure, assets or liabilities of the entity.

4.2 The principles of IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28 and IAS 31 for the determination of whether entities are subsidiary undertakings, associated undertakings or joint ventures are restricted to the first principle of direct control. Where this principle is not met and an entity within the accounting boundary has an investment in an entity outside the accounting boundary, this holding is treated as an investment in the group accounts.

4.3 For clarity, the relationships with JT Group Limited, Jersey Post International Limited, Jersey Electricity plc and Jersey New Waterworks Company Limited do not meet the first principle of direct control and therefore these are accounted for as strategic investments in these accounts.

4.4 The Housing Department and Jersey Airport and Harbours were incorporated into the separate legal entities Andium Homes Limited and Ports of Jersey Limited following States Assembly approval in 2014 and 2015 respectively. An assessment of whether the States had direct control over the newly formed companies was carried out and concluded that direct control still exists.

4.5 On that basis, Andium Homes Limited and Ports of Jersey Limited are inside the group boundary and therefore consolidated into the States Accounts rather than being treated as Strategic Investments. The States of Jersey Development Company is also consolidated as a wholly owned States of Jersey subsidiary company.

4.6 Entities that fall within the accounting boundary, but which are immaterial to the accounts as a whole, have not been consolidated where to do so would result in excessive time or cost to the States. Entities that fall within the accounting boundary but which have not been consolidated are listed in Note 9.40.

4.7 Material transactions and balances between entities that fall within the accounting boundary have been eliminated as part of the consolidation process.

5 Non-Current Assets: Property, Plant and Equipment

5.1 Property, Plant and Equipment are initially recognised at cost. The States of Jersey capitalisation threshold is £10,000 for an initial purchase. There is no threshold for the capitalisation of subsequent expenditure on an asset. On completion, Assets Under Course of Construction are transferred into the appropriate asset category.

5.2 Property, Plant and Equipment are subsequently measured at fair value, as interpreted by the JFReM. More details of the basis for valuation are given in Accounting Policy 7.

5.3 Finance costs incurred during the construction of tangible fixed assets are not capitalised.

Components of Assets

5.4 Components of an asset are separated where their value is significant in relation to the total value of the asset (at least 20%) and where those components have different useful lives to the remainder of the asset. Assets with a gross book value over £750,000 are reviewed to identify whether they comprise significant components with different useful lives.

5.5 Land and Buildings are always identified as separate components.

5.6 Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component added.

Networked Assets

5.7 Networked assets represent the road network, the foul and surface water network and the Island's sea defence network.

- The road network consists of carriageways, including earthworks; tunnelling and road pavements; roadside communications and land within the perimeter of highways. Non-network assets include bridges and other structures.
- The foul and surface water network consists of foul sewers, surface water sewers, combined sewers and rising mains. Non-network assets include pumping stations and associated land and plant/ machinery, and the Bellozanne and Bonne Nuit Sewage Treatment Works.
- The Sea Defences network consists of walls, slipways and outfalls. Non-network assets include harbours and quays.

5.8 Non-network assets are accounted for under their respective asset categories.

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

IT Software

5.10 Operating software, without which the related hardware cannot be operated, is capitalised, with the value of the related hardware, as Property, Plant and Equipment. Application software, which is not an integral part of the related hardware, is capitalised separately as an intangible asset (see Accounting Policy 6).

Heritage Assets

5.11 Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Non-operational assets are those held primarily for this purpose. Operational heritage assets are those that are also used for other activities or to provide other services.

5.12 Operational Heritage Assets are accounted for within the principal asset category to which they relate.

5.13 Non-operational assets (including for example works of art and antiques), have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or level of costs of valuation greatly exceed the additional benefits derived by users of the accounts. In these cases, no value is reported for these assets in the Statement of Financial Position.

5.14 Information about the Non-operational Heritage Assets held by the States is included in Note 9.13.

Donated Assets

5.15 Donated assets are capitalised at their fair valuation on receipt and are revalued/depreciated on the same basis as purchased assets. The amount capitalised is credited to Income.

Disposal

5.16 On disposal of an item of Property, Plant and Equipment, the surplus or deficit of proceeds over carrying value is included in Net Revenue Expenditure/Income.

6 Non-Current Assets: Intangible Assets

6.1 Purchased computer application software licences are capitalised as intangible assets.

6.2 Internally produced intangible assets, such as application software or databases, are capitalised if it meets the criteria specified in IAS 38. The criteria are that completion is technically feasible; that there is an intention to complete and then use or sell the asset; that the States is able to use or sell the asset; that the asset will generate future probable benefits; that there are sufficient resources to complete the development and to use or sell the asset; and that it is possible to measure the expenditure attributable to the asset during the development phase reliably. Expenditure on research is not capitalised. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

7 Valuation of Non-Current Assets other than Financial Instruments

7.1 Property, Plant and Equipment and Intangible Assets are expressed at their current value through the application of the Modified Historical Cost Accounting Convention (MHCA). In accordance with the JFReM, historical cost carrying amounts are not disclosed. The valuation of all Property, Plant and Equipment should be at fair value, which is the lower of replacement cost and recoverable amount, which is the higher of net realisable value and value in use. Where value in use cannot be measured in terms of income it is assumed to be at least equal to the cost of replacing the service potential provided by the asset. In certain circumstances depreciated historical cost is used as a proxy for current value such as where the assets have short useful lives (i.e. less than 10 years) or low values (i.e. less than £250,000).

7.2 Property assets are valued in accordance with IAS 16. An external valuation is performed by a RICS qualified valuer every 5 years. Interim valuations are performed after 3 years. The most appropriate basis of valuation has been determined by the valuers, and includes Existing Use Value (EUV), Existing Use Value – Social Housing (EUV-SH) and Depreciated Replacement Cost (DRC).

7.3 Assets under course of construction are valued at cost and are not revalued until completion and transferred into the appropriate asset category.

7.4 Networked assets, which are intended to be maintained at a specific level of service potential by continuing replacement and refurbishment, are valued at depreciated replacement cost. Annual valuations of networked assets are performed by professional valuers.

7.5 Operational heritage assets are valued in the same way as other assets of that general type. Non-operational heritage assets are valued as follows:

- Where purchased within the accounting period, at cost;
- Where there is a market in assets of that type, at the lower of depreciated replacement cost and net realisable value; or
- Where there is no market, at depreciated replacement cost unless the asset could not or would not be physically reconstructed or replaced in which case at nil.

7.6 There are some instances where valuation of non-operational heritage assets may not be practicable. In these cases the asset is carried at a value of nil.

7.7 Other non-current assets are carried at historical cost less accumulated depreciation or amortisation. This is a suitable proxy for fair value and is allowable per the JFReM for those assets with short useful lives or low values. This includes assets held as fixtures and fittings, IT equipment and intangible non-current assets.

7.8 Revaluation gains are recorded in the revaluation reserve and presented in Other Comprehensive Income. Downward revaluations are recorded in the revaluation reserve to the extent that they reverse previous upward revaluations. Downward revaluations below the historic cost of the asset are recorded in Net Revenue Expenditure/Income.

8 Depreciation and Amortisation

8.1 Depreciation for Property, Plant and Equipment, other than networked assets is provided on a straight line basis over the anticipated useful lives of the assets. The principal asset categories and their range of useful economic lives are outlined below:

Asset Category	Life
Land	Not depreciated
Buildings	Up to 75 years
Social Housing	Up to 80 years
Other Structures	Up to 100 years
Plant, Machinery and Fittings	3 to 50 years
Transport Equipment	2 to 20 years
IT equipment and software	3 to 10 years
Networked assets	*See Para 8.3*

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

8.3 The annual depreciation charge for networked assets is the value of the service potential replaced through the maintenance programme, adjusted for any change in condition as identified by a condition survey. The value of the maintenance work undertaken is used as an indication of the value of the replaced part.

8.4 Intangible assets are amortised over their useful lives, which are typically between three to ten years, on a straight-line basis. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

8.5 Where an asset consists of several components which are significant in relation to the overall cost of the asset and with different useful economic lives, these will be componentised.

9 Impairments of Non-Current Assets

9.1 Impairments are permanent diminutions in the service potential of non-current assets. All assets are assessed annually for indications of impairment, and where indications exist an impairment test is carried out by comparing their carrying value with their recoverable amount, this being the higher of the value in use and the fair value less costs to sell.

9.2 Impairment losses due to a loss in economic value or reduction in service potential are recognised in Net Revenue Expenditure. Other impairments (for example due to movements in market conditions) are recognised in Net Revenue Expenditure to the extent that it cannot be offset against the Revaluation Reserve. Any reversal of impairment charges are recognised in Net Revenue Expenditure to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in Net Revenue Expenditure. The remaining amount is recognised in the revaluation reserve.

10 Non-Current Assets: Assets held for Sale

10.1 Assets held for sale are items of Property, Plant and Equipment, which are available for immediate sale in their present condition and are being actively marketed for sale with the sale expected to happen within one year, are valued at the lower of carrying amount and fair value less costs to sell and are not depreciated.

11 Investment Properties

11.1 The States of Jersey does not, in general, hold assets only for the purpose of earning rentals or for capital appreciation or both. Where the States does have assets which could be considered as being held primarily for investment purposes, these shall be accounted for as Property, Plant and Equipment.

12 Investments and other Financial Instruments

12.1 The States of Jersey recognises, measures and discloses financial instruments following the guidance in the JFReM.

Definitions

12.2 Financial Instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity instrument in another.

12.3 A financial asset is any asset that is: cash; an equity instrument of another entity; a contractual right to receive cash or another financial asset from another entity; or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

12.4 A financial liability is any liability that is; a contractual obligation to deliver cash or another financial asset to another entity; or a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavourable.

12.5 An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Categories of financial instruments

12.6 The States of Jersey's financial instruments have been classified into the following categories:

- Loans and Receivables
- Strategic Investments
- Other Available-For-Sale Investments
- Infrastructure Investments
- Investments held at Fair Value through Profit or Loss
- Derivative Financial Instruments
- Other Financial Liabilities

Loans and Receivables

12.7 Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the entity intends to sell immediately or in the short term, which are classified as Held-For-Trading, and those that the entity upon initial recognition designates as at Fair Value through Profit or Loss;
- Those that the entity upon initial recognition designates as Available-For-Sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

12.8 For the States of Jersey, these include:

- Loans issued by Housing Funds
- Loans issued through the Agricultural Loans Fund
- Miscellaneous Loans made through the Consolidated Fund
- Debtors arising within the normal course of operations

Strategic Investments

12.9 Strategic Investments are companies outside the accounting boundary in which the States of Jersey has a controlling interest.

12.10 Strategic Investments are accounted for as 'Available-For-Sale' financial assets, although it should be noted that this does not indicate an intention to dispose of the States' interest.

12.11 Specifically, the States of Jersey recognises its investments in the following companies as Strategic Investments:

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

Other Available-For-Sale Investments

12.12 Available-For-Sale investments are non-derivative financial assets that are either designated in this category or not classified in any other categories and are intended to be held for an indefinite period of time (but may in some cases be sold in response to policy decisions).

12.13 For the States of Jersey, other Available-For-Sale Investments include:

- Housing Property Bonds issued under either the Social Housing Property Plan 2007–2016 (SHPP) or the Homebuyer scheme
- Infrastructure Investments

12.14 Infrastructure Investments involve taking an ownership interest in an infrastructure business (commonly defined as providing an essential service to the community). Most infrastructure assets are either bought from a government, a private equity firm, or are part of a listed company that is sold off. This is a long-term investment option providing higher returns than Cash investments while generating positive externalities for the Island. Infrastructure investments can be split into two main categories, Economic (e.g. Transport, Communications or other Utilities) or Social (e.g. Schools, Hospitals, Housing etc.).

Investments held at Fair Value through Profit or Loss

12.15 This category has two sub-categories:

- Financial assets Held-For-Trading; and

- Those designated at Fair Value through Profit or Loss at inception.

12.16 A financial asset or liability is classified as Held-For-Trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as Held-For-Trading unless they are designated as hedging instruments.

12.17 Financial assets and financial liabilities are designated at Fair Value through Profit or Loss when:

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as Held-For-Trading and the underlying financial instruments were carried at amortised cost such as loans and advances to customers or banks and debt securities in issue;
- a group of financial assets, financial liabilities or both is managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy;
- financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at Fair Value through Profit or Loss.

12.18 Investments held in the Common Investment Fund or with the States' Cash Manager are managed as a portfolio reported at Fair Value, and so the States has designated these investments at Fair Value through Profit or Loss. Individual Participants' investments in units in the Common Investment Fund are also designated as at Fair Value through Profit or Loss for the same reasons.

Derivative Financial Instruments

12.19 A derivative is a financial instrument or other contract within the scope of IAS 32 with all three of the following characteristics:

- its value changes in response to the change in an underlying variable (e.g. interest rates, equity share prices, exchange rates etc.);
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

12.20 Derivative instruments held as part of a managed portfolio held at Fair Value through Profit or Loss are included in the relevant investment line, unless they are material.

12.21 Other derivative instruments held by the States of Jersey include:

- Letters of Comfort issued by the Housing Development Fund to various housing associations, which are in effect interest rate caps
- Forward contracts in foreign currency to mitigate the risk of fluctuations in foreign exchange rates.

12.22 The States does not designate any derivatives as part of hedging arrangements.

Other Financial Liabilities

12.23 Other Financial Liabilities include Financial Guarantee Contracts. These are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payments when due, in accordance with the terms of a debt instrument.

Initial measurement of financial instruments

12.24 Financial assets carried at Fair Value through Profit or Loss are initially recognised at Fair Value, and transaction costs are expensed in Net Revenue Expenditure.

12.25 Financial assets and liabilities not carried at Fair Value through Profit or Loss are initially recognised at Fair Value plus transaction costs.

Subsequent measurement of financial instruments

12.26 Loans and Receivables are subsequently measured at amortised cost using the effective interest method.

12.27 Strategic Investments are subsequently measured at Fair Value, with movements taken to equity through Other Comprehensive Income.

12.28 Other Available-For-Sale Investments are subsequently measured at Fair Value, with movements taken to equity through Other Comprehensive Income.

12.29 Infrastructure Investments can take a range of legal forms, and are accounted for using the measurement rules set out in IAS 39. Details of measurement bases for individual assets are given in Note 9.18.

12.30 Investments held at Fair Value through Profit or Loss are subsequently measured at Fair Value, with movements taken to Net Revenue Expenditure.

12.31 Derivative Financial Instruments are subsequently measured at Fair Value, with movements taken to Net Revenue Expenditure.

12.32 Other Financial Liabilities are measured at the higher of:

- the initial measurement, less amortisation calculated to recognise in Net Revenue Expenditure the fee income earned as the service is provided; and
- the best estimate of the probable expenditure required to settle any financial obligation arising at the reporting date, in line with the definitions of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

12.33 Any increase in the liability is taken to Net Revenue Expenditure. Where cash flows differ significantly from those used in the initial fair value calculation a revised calculation will be performed, and any movement taken to Net Revenue Expenditure.

Fair Value Estimation

12.34 The fair value of loans, receivables and non-derivative financial liabilities with a maturity of less than one year is judged to be approximate to their book values.

12.35 The fair value of loans, receivables and non-derivative financial liabilities with a maturity of greater than one year are estimated by discounting the future determinable cash flows at the higher of the discount rate set by the Treasurer and the intrinsic rate in the underlying financial instrument in accordance with the JFReM.

12.36 The fair value of investments designated at Fair Value through Profit or Loss, Strategic Investments, Other Available-For-Sale Investments and derivatives is estimated using observable market data. Where no observable market exists, the fair value has been determined using valuation techniques.

Impairment of Financial Assets

12.37 At each reporting date an assessment of whether there is objective evidence that a financial asset is impaired is carried out.

Assets carried at Amortised Cost

12.38 A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

12.39 The criteria that the States uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- breach of loan covenants or conditions; and
- deterioration in the value of collateral.

12.40 The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account in the Statement of Financial Position and the amount of the loss is recognised in Net Revenue Expenditure. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

12.41 When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

12.42 If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account in the Statement of Financial Position and the amount of the reversal is recognised in Net Revenue Expenditure.

Assets classified as Available-For-Sale

12.43 In the case of equity investments classified as Available-For-Sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

12.44 If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Net Revenue Expenditure – is removed from equity and recognised in Net Revenue Expenditure. Impairment losses recognised in Net Revenue Expenditure on equity instruments are not reversed through Net Revenue Expenditure.

12.45 If, in a subsequent period, the fair value of an equity instrument classified as Available-For-Sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Net Revenue Expenditure, the impairment loss is reversed through Net Revenue Expenditure.

De-recognition of Financial Instruments

12.46 Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where the States has transferred substantially all risks and rewards of ownership.

12.47 Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

13 Accounting for investments held in the Common Investment Fund

13.1 Investments held in the Common Investment Fund (CIF) and associated transactions and balances are consolidated to the extent that they relate to members of the States of Jersey group, based on relative holdings in each investment pool.

13.2 Individual participants in the CIF account for their holding in the CIF as an investment in CIF units.

14 Inventory

14.1 Inventory is held at the lower of cost and net realisable value (NRV).

14.2 Inventory includes land and other property that is to be sold to developers or developed with a view to sale within SoJDC.

14.3 Inventory held for distribution at no/nominal charge and inventory held for consumption in the production process of goods to be distributed at no/nominal charge are valued at the lower of cost and current replacement cost.

14.4 Where a reduction in the carrying value of inventory held is identified, the value of the inventory is written down and the cost charged to Net Revenue Expenditure/Income.

14.5 Currency not issued is accounted for as inventory at the lower of cost and net realisable value.

15 Cash and Cash Equivalents

15.1 Cash comprises cash in hand, current balances with banks and similar institutions and amounts on deposits that are immediately available without penalty.

15.2 Overdrafts are shown separately in the accounts except where there exists a legal right of offset, and the States intends to settle on a net basis.

15.3 Cash Equivalents are short-term, highly liquid investments that are:

- readily convertible to known amounts of cash;
- subject to an insignificant risk of changes in value; and
- are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

15.4 For the States, this includes amounts held by the States Cash Manager.

15.5 Investments held in the Common Investment Fund may have short maturity, but are held in line with the individual funds' Investment Strategies rather than to meet cash requirements, and so are not accounted for as cash equivalents.

16 Currency in Circulation

16.1 Currency in circulation is accounted for at face value.

17 Pensions

17.1 The States of Jersey operates two principal pension schemes for certain employees: Public Employees' Pension Fund (PEPF) and Jersey Teachers' Superannuation Fund (JTSF).

17.2 The Public Employees Pension Fund comprises of a final-salary section known as the Public Employees Contributory Retirement Scheme (PECRS) and a career average revalued earnings (CARE) section known as the Public Employees' Pension Scheme (PEPS).

17.3 In addition three further pension schemes exist, the Jersey Post Office Pension Fund (JPOPF); the Discretionary Pension Scheme (DPS); and the Civil Service Scheme (CSS).

PEPF and JTSF

17.4 The PECRS and JTSF, whilst final salary schemes, are not conventional defined benefit schemes as the employer is not responsible for meeting any ongoing deficiency in the schemes. The PEPS is a career average revalued earnings scheme, but is not a conventional defined benefit scheme as the employer is not responsible for meeting any past service deficiency in the scheme. The pension funds are therefore accounted for as defined contribution schemes.

17.5 Employer contributions to the schemes are charged to Net Revenue Expenditure in the year they are incurred.

17.6 Whilst the PEPF and JTSF are not included as defined benefit schemes in the States Accounts, additional disclosures required under IAS 19 for defined benefit schemes are included for the information of the users of the accounts in the Annual Report.

Pensions Increases Liability (PIL)

17.7 It has been agreed that PECRS will pay all future increases to pensions and deferred pensions effective on or after 1 January 2015 in line with the annual increase in the Jersey Cost of Living Index, with no reduction.

Other Schemes

17.8 The JPOPF is a funded scheme which relates to Jersey Post International Limited (a wholly owned strategic investment), and is closed to new members. The last active member left service during 2009.

17.9 The DPS has only one member and is not open to new members.

17.10 The JPOPF and the DPS are accounted for as conventional defined benefit schemes in accordance with IAS 19, and scheme assets are held in separate funds.

17.11 The CSS relates to a non-contributory scheme that existed before the formation of PEPF in 1967, and as such is closed to new members. This is a non-funded scheme, and is accounted for as conventional defined benefit schemes in accordance with IAS 19. There are no active members remaining in service.

17.12 For the JPOPF and DPS pension scheme assets are measured using market values.

17.13 For the JPOPF, DPS and CSS scheme liabilities are measured using the projected unit credit method, discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

17.14 Where appropriate, as detailed in the preceding paragraphs, actuarial gains and losses arising in the year from the difference between the actual and expected returns on pension scheme assets, experience gains and losses on pension scheme liabilities and the effects of changes in demographics and financial assumptions are included in the Statement of Comprehensive Net Expenditure only in so far as they belong to the States.

Other Liabilities relating to Pensions

17.15 In agreeing P.190/2005 the States agreed a 10-point agreement, the text of which is reproduced below:

1. The States confirms responsibility for the Pre1987 Debt of £192.1 million as at 31 December 2001 and for its servicing and repayment with effect from that date on the basis that neither the existence of any part of the outstanding Debt nor the agreed method of servicing and repayment shall adversely affect the benefits or contribution rates of any person who has at any time become a member of the Scheme.

2. At the start of the servicing and repayment period, calculated to be 82 years with effect from 1 January 2002, the Employers' Contribution rate will be increased by 0.44% to the equivalent of 15.6%. These contributions will be split into 2 parts, namely a contribution rate of 13.6% of annual pensionable salary and an annual debt repayment. The Employer's Contribution rate will revert to 15.16% after repayment in full of the Debt.

3. During the repayment period the annual Debt repayment will comprise a sum initially equivalent to 2% of the Employers' total pensionable payroll, re-expressed as a cash amount and increasing each year in line with the average pay increase of Scheme members.

4. A statement of the outstanding debt as certified by the Actuary to the Scheme is to be included each year as a note in the States Accounts.

5. In the event of any proposed discontinuance of the Scheme, repayment and servicing of the outstanding Debt shall first be rescheduled by the parties on the advice of the Actuary to ensure that paragraph (1) above ("Point 1") continues to be fulfilled.

6. For each valuation the States Auditor shall confirm the ability of the States to pay off the Debt outstanding at that date.

7. If any decision or event causes the Actuary at the time of a valuation to be unable to continue acceptance of such servicing and repayment of the Debt as an asset of the Scheme, there shall be renegotiation in order to restore such acceptability.

8. In the event of a surplus being revealed by an Actuarial Valuation, negotiations for its disposal shall include consideration of using the employers' share to reduce or pay off the Debt.

9. As and when the financial position of the States improves there shall be consideration of accelerating or completing repayment of the Debt.

10. The recent capital payment by JTL of £14.3 million (plus interest) reduced the £192.1 million total referred to in (1) by £14.3 million and if any other capital payments are similarly made by other Admitted Bodies these shall similarly be taken into account.

17.16 The Public Employees (Pension Scheme) (Funding and Valuation)(Jersey) Regulations 2015 agreed by the States in November 2015 brought forward the debt repayment date to 29 September 2053. This followed additional Pre-1987 Debt repayments agreed in MTFP 2013–15. The liability is recognised in the accounts based on the present value of future cash payments, with details given in Note 9.29.

17.17 The Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme mirrors PECRS. A provision for past service liability, similar to the PECRS pre-87 past service liability, has been recognised, although this has not yet been agreed with the Scheme's Management Board, the dialogue is continuing.

18 Leases

18.1 Leases are agreements whereby the lessor conveys the right to use an asset for an agreed period in return for payments. At their inception, leases are classified as operating or finance leases.

18.2 Leases in which substantially all of the risks and rewards of ownership are transferred to the lessor are classified as finance leases, other leases are classified as operating leases. Where a lease covers the right to use both land and buildings, the risks and rewards of the land and the buildings are considered separately. Land is generally assumed to be held under an operating lease unless the title transfers to the Department at the end of the lease.

18.3 Arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease. Transactions involving the legal form of a lease, such as sale and leaseback arrangements, are accounted for according to their economic substance.

The States as Lessee

18.4 Assets held under finance leases are capitalised in the appropriate category of non-current assets and depreciated over the shorter of the lease term or their estimated useful economic lives.

18.5 Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to Net Revenue

Expenditure/Income over the period of the lease at a constant periodic rate in relation to the balance outstanding.

18.6 Operating leases are charged to Net Revenue Expenditure/Income on a straight-line basis over the term of the lease. Where the arrangement includes incentives, such as rent-free periods, the value is recognised on a straight-line basis over the lease term.

The States as Lessor

18.7 Where the States of Jersey is the lessor under an operating lease, leased assets are recorded as assets and depreciated over their useful economic lives in accordance with the relevant accounting policy. Rental income from operating leases is recognised on a straight line basis over the period of the lease.

19 Provisions

19.1 A provision is recognised when the following three criteria are met, in line with the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

19.2 The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

19.3 No discounts are applied to provisions unless the impact of the time value of money is material. Where a discount is applied this is stated in the notes to the accounts together with the discount rate applied. The discount rate is set by the Treasurer of the States.

20 Contingent Liabilities and Contingent Assets

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

20.2 A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future events or it is a present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably estimated.

20.3 A contingent asset is a possible asset whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the States.

20.4 Where the time value of money is material, the contingent liabilities and assets are stated at discounted amounts.

21 Taxpayers' Equity

21.1 Taxpayers' Equity represents the taxpayers' interest in the States of Jersey, which equates to both the total value of Net Assets held by the States, and an accumulation of net income and other gains and losses over the years. Reserves are split based on how the interest has arisen (as explained below).

Accumulated Revenue and Other Reserves

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

Revaluation Reserve

21.3 The revaluation reserve reflects the unrealised balance of cumulative revaluation adjustments to Property, Plant and Equipment and Intangible Non-Current Assets other than donated assets. Details of the basis of valuation are set out in Accounting Policy 7. When an asset is disposed any balance in the revaluation reserve is transferred to the Accumulated Revenue and Other Reserves.

Investment Reserve

21.4 The investment reserve reflects the unrealised balance of cumulative revaluation adjustments to the States' Strategic Investments, Housing Bonds, and other Financial Assets for which gains and losses are not recognised in Net Revenue Expenditure during the year.

22 Revenue Recognition

22.1 Revenue is divided into two main categories – revenue levied by the States of Jersey and revenue earned through operations.

Revenue earned through operations

22.2 Revenue earned through operations is accounted for in line with IAS 18, which requires specifically that:

- income from the sale of goods should be recognised on transfer of the risks and rewards of ownership in those goods;
- income from the performance of services should be recognised on the degree of performance;
- interest income should be recognised using the effective interest method;
- dividends receivable should be recognised when the Department becomes entitled to them; and
- income from permitting others to use the Department's assets should be recognised on an accruals basis in accordance with the terms of the contract.

Revenue levied by the States of Jersey

22.3 Revenue levied by the States of Jersey is measured at the value of the consideration received or receivable net of:

- Repayments; and
- Adjustments following appeals (in the case of Income Tax).

22.4 Revenue is recognised when: a taxable or other relevant event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable or other event will flow to the States of Jersey. The 'tax gap', which is defined as the difference between the hypothetical amount of revenues due based on data on economic activity and revenues receivable, is not measured or recognised.

22.5 Taxable or other relevant events for the material income streams are as follows:

- Income Tax: when a final assessment is raised for Prior Year Basis taxpayers and when a final provisional assessment is raised for Current Year Basis taxpayers;
- Goods and Services Tax (GST): when a taxable activity is undertaken during the taxation period by the taxpayer. Fees payable by International Service Entities are recognised on an accruals basis and are included in total GST receipts in Net Revenue Expenditure;
- Social Security Contributions: on an accruals basis, in the same period as the earnings to which they relate;
- Long Term Care Contributions: in the year the assessed income is earned. Estimates are made based on provisional assessments of income;
- Impôts Duties: when the goods are landed in Jersey;
- Stamp Duty: when the stamps are sold.
- Fees and Fines: when the fee or fine is imposed;
- Seizure of assets: when the court order is made; and
- Island rates: when the assessment is raised. Island Rates are charged on a calendar year basis and assessments are raised in the second half of the calendar year. Income is recognised in the period for which the rates are charged.

23 Staff

23.1 Staff Costs include expenditure relating to States Staff, Non-States staff and other expenditure relating to the employment of Staff.

23.2 States Staff are defined as: Persons employed under an employment contract directly with the States of Jersey, Persons holding an office or appointment in the States (by crown appointment or otherwise), and States Members.

23.3 Non-States Staff are defined as: Persons who do not qualify as States Staff (defined above), but are acting as employees of the States of Jersey.

24 Employee benefits

24.1 The States accrues for the cost of accumulated compensated absences, for example, untaken leave entitlement. This is accounted for when an employee renders services that increase their entitlement to future compensated absences. It is calculated based on salary and allowances.

25 Grants

25.1 Grants received and made are recognised in Net Revenue Expenditure/Income so as to match the underlying event or activity that gives rise to a liability.

26 Accounting for Goods and Services Tax (GST)

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

27 Foreign Exchange

27.1 Both the functional and presentation currency is Sterling.

27.2 Transactions that are denominated in a foreign currency are translated into Sterling at the rate ruling at the date of each transaction.

27.3 Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate applicable at the reporting date or on the date of settlement. Exchange differences are reported in Net Revenue Expenditure.

28 Third Party Assets

28.1 The States of Jersey holds certain monies and other assets on behalf of third parties. These are not recognised in the accounts where the States of Jersey does not have a direct beneficial interest in them.

28.2 Where assets have been seized following a court order, these are held within the Criminal Offences Confiscation Fund or the Civil Assets Recovery Fund which are consolidated into the group results of the States of Jersey.

29 Losses and Special Payments

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

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

29.3 Losses and Special Payments are accounted for net of any directly recoverable amounts, but gross of insurance claims.

30 Related Party Transactions

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

9.2 Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the States' accounting policies, which are described in this note, it is necessary to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of Assets (Uncertainty)

In determining the value of property assets under IAS 16 'Property, Plant and Equipment', there is a degree of uncertainty and judgement involved. The Statement of Comprehensive Net Expenditure, and Statement of Financial Position items relating to the States' accounting for valuation of properties under IAS 16 are based on external professional valuations. The level of uncertainty is primarily determined by the prevailing market conditions.

In determining the value of Social Housing assets, the appointed external professional valuers have adopted an existing use value using a discount rate for income of 5.75% per annum.

Investments, other than those held for strategic purposes, are accounted for at fair value. If a market value cannot be readily ascertained, the investment is valued in line with the applicable standards, using methods determined by the Treasurer of the States, to be appropriate in the circumstances. Market value is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with quoted prices will have a lesser degree of judgement used in measuring fair value. Fair values determined through the use of models or other valuation methodologies will have a higher degree of judgement due to the assumptions used in the valuation.

Whilst not yet adopted in the JFReM, the principle of using valuation techniques which maximise the use of relevant observable inputs and minimise the use of unobservable inputs as defined in IFRS 13 'Fair Value Measurement' have been applied when valuing financial assets.

Valuation of Pensions and Past Service Debt (Judgement)

Public Employees Pension Fund (PEPF)

The PEPF comprises a final-salary section known as the Public Employees Contributory Retirement Scheme (PECRS) and a career average revalued earnings (CARE) section known as the Public Employees' Pension Scheme (PEPS). The schemes are recognised as defined contribution schemes in accordance with the definition provided in IAS 19 (paragraph 28) which states defined contribution plans are post- employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The PECRS and PEPS schemes meets the definition of a defined contribution scheme as the States contribution rates are defined and any future deficits are paid for by the employees, whether by reduced benefits or increased payments. To arrive at this conclusion, consideration has been given to:

FIXED CONTRIBUTIONS

The employer contributions rate into PECRS is fixed at 13.6% for all existing scheme members in accordance with the ten point agreement (detailed in Note 9.1) so the States of Jersey cannot legally be required to make additional contributions.

LEGAL OR CONSTRUCTIVE OBLIGATIONS

The Public Employees Contributory Retirement Scheme Regulations provide no legal obligation on the States to increase the employer contribution rate to fund a past service deficit and the Public Employees Pension Law 2015 introduced a cost cap in Law for the maximum the States of Jersey will pay towards future service costs of the public service pension. The funding and risk sharing arrangements require any past service funding deficits to be recovered from changes to benefits.

This position was tested in 2010 when future annual increases were restricted to 0.3% below the RPI to address an actuarial deficit in the scheme. This demonstrated that the States could determine to reduce benefits and not have an obligation to increase employer contributions to offset any such reduction. The 0.3% reduction was levied in 2011 and 2012, and again, the States were not obligated to fund it, other than for the cost of a small number of 1967 members who were protected in legislation from suffering a reduction in benefits and so recorded in the accounts under IAS 19 as the "Pension Increase Liability".

Scheme member communication materials for both PEPF and JTSF clearly inform scheme members that a pension increase in line with Jersey RPI is not guaranteed and is dependent on the performance of the Funds.

IAS 37 (paragraph 10) defines a constructive obligation as an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities. The past practice of the States in respect of how scheme deficits have been dealt with in addition to the clear position outlined in communication with scheme members is proof that there is no constructive obligation for the scheme.

PECRS Pre 87 Debt (Judgement)

The ten point agreement referenced above and detailed in Note 9.1 formed the basis of establishing the Pre-1987 debt in Regulations. The debt repayments are made in accordance with this agreement and subject only to inflationary increases, for a stated period of time and limited to payments to the fund as an additional element of an already fixed contribution rate. Contrary to the specific "Pension Increase Liability" relating to 1967 members which was recognised under IAS 19, the States is not responsible for any ongoing deficit in the scheme for pre 1987 debts. On that basis the payments do not trigger a requirement for the scheme as a whole to be reflected as a defined benefit scheme.

The PECRS Pre-1987 debt has been designated as a financial instrument measured at fair value through profit and loss and the JFReM interpretation of IAS 39 'Financial Instruments: Recognition and Measurement' has been applied to enable the future cash flows to be discounted to fair value. Only finance expenses in relation to unwinding of the debt are recognised with no actuarial losses or gains recognised.

IAS 32 'Financial Instruments: Presentation', which is applied as written in the JFReM, defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A contract exists in the form of the 10 point agreement. Accordingly, it is considered appropriate to measure the Pre-1987 debt liability as a financial instrument in accordance with IAS 39.

The JFReM interpretation of IAS 39 states:

> "Where future cash flows are discounted to measure fair value, entities should use the higher of the rate intrinsic to the financial instrument and the real discount rate set by the Treasurer of the States as applied to the flows expressed in current prices."

Looking further across the Standards, IAS 36 provides specific instruction in respect of selecting and applying discount rates. It states:

The discount rate (rates) shall be a pre-tax rate (rates) that reflect(s) current market assessments of:

(a) the time value of money; and

(b) the risks specific to the asset for which the future cash flow estimates have not been adjusted.

IFRS 13, which does not apply in the current JFReM, provides greater detail on fair value measurement with the key principle being to maximise external, observable inputs and minimise unobservable inputs to recognise conditions specific to the asset or liability.

Applying the accounting standards framework through both the JFReM and the underlying details within the IFRS, the discount rate provided by the actuary is taken to be the 'intrinsic' rate specific to the liability.

The accounting standards expect discount rates to reflect current market assessments of risk relevant to the entity and instrument. In this instance, States of Jersey issued a £250 million Bond in 2014 with a coupon rate of 3.75% and a final maturity of 40 years. The actuarial discount rate applied in the valuation of the PECRS Pre-1987 debt applies a rate of 3.7% for a 'return on bond-like assets' alongside other assumptions specific to the arrangements defined within the 10 point agreement. This approach arrives at a blended or 'weighted average' discount rate for debt repayments of 5.16%.

Appendix A to IAS 36 outlines a methodology for calculating a weighted average PV of future cashflows.

Based on the above and the very specific arrangements agreed in the ten point agreement, the PECRS Pre-1987 debt is accounted for as a financial instrument held at fair value through the profit and loss with the actuarial valuation of the liability used as the most appropriate valuation of that debt.

Jersey Teachers Superannuation Fund (JTSF)

The Jersey Teacher Superannuation Fund shares many attributes with the PECRS scheme and has been recognised as a defined contribution scheme accordingly. The employer contribution into JTSF is fixed at 16.4% and defined in the Teachers' Superannuation (New Members) (Jersey) Order 2007 which was introduced at the point in time the Pension Increase Debt was established. There is no facility in Regulations for employers to pay a different amount other than to fund ill-health or early retirement of scheme members.

There is no established pattern of past practice, published policies or a sufficiently specific current statement that the States has indicated to the JTSF that it will accept responsibilities beyond the repayment of the pre-2007 debt. The States has done nothing to create a valid expectation on behalf of JTSF that it will pay further contributions if JTSF does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

JTSF Past Service Debt Provision

The JTSF was restructured in April 2007 and now mirrors PEPF. The payments towards the pre 2007 debt have been taken to create a valid constructive obligation in accordance with IAS 37 and a provision has been recognised for past service liability, similar to the PECRS Pre 1987 past service liability, although this has not yet been agreed with the Fund's Management Board pending further discussion.

Similarly to the PECRS Pre-1987 debt, the provision will be extinguished by payments linked solely to a percentage of the employees' salary – other assumptions required by IAS 19 such as mortality rates are not applicable.

Sensitivity analysis carried out to validate the provision identified a range of potential discount rates (from an indicative bond yield of 3.75% to the 6.5% advised by the JTSF scheme actuary in its last scheme valuation) and projected time horizons of payments (from 2043 to 2070) for the discharge of the £112 million provision. The valuation provided by the Scheme actuary, which reflects the best estimate of the expenditure required to settle the present obligation as at 31 December 2016, is considered the most appropriate basis for measuring the provision.

Current Year Basis Income Tax Recognition

The recognition policy for income tax attributable to Current Year Basis (CYB) taxpayers was changed in 2015 to recognise the tax income in the year of assessment based on a provisional assessment of taxpayer liability. The methodology to provide a reliable estimate is based upon a combination of IT IS payments actually made in the year, relating to the Year of Assessment (YOA) and deducted from actual income, and prior year actual assessments. This methodology has been proven to be a reliable estimate of earned income liabilities for CYB taxpayers and therefore determined an appropriate basis for recognising the income in the year the payments are received.

Strategic Investments

The States hold a number of strategic investments (see Accounting Policy 12 for details).

For Jersey Electricity plc the value has been determined by using the market value of the shares. Variations in the share price (for example as a result of market and investor sentiment as a result of significant events/press releases) will directly affect the valuation of the States' Investment in the company. A comparable company methodology has been used for the valuation of the equity share elements of the other Strategic investments. The most recent earnings before interest, taxes, depreciation and amortisation (EBITDA) have obtained from the companies. Comparable companies have been reviewed from the market and their multiple obtained. Additionally industry multiples have been obtained and included to calculate an estimation of the value of the company.

	JT Group Limited	Jersey New Waterworks Company Limited	Jersey Post International Limited
Multiple	7.7	10.1	6.0

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique. Therefore, the values presented herein may not be indicative of the amount which the States could realise on sale of its holdings. An analysis of the impact of a change in the key assumptions used is also included below.

	JT Group Limited	Jersey New Waterworks Company Limited	Jersey Post International Limited
Multiple *An increase/ decrease of 1 in the multiple would lead to an approximate decrease/increase in the value of:*	£33.7 million	£5.4 million	£3.1 million
EBITDA *An increase/ decrease in forecast EBITDA of 5% would lead to an approximate decrease/increase in the value of:*	£12.9 million	£2.8 million	£0.9 million

Preference Shares have been valued using a Dividend Valuation Model, which applies discounted cash flow methodologies to the dividends expected to be received in relation to the shares. The discount rate applied is the higher of the intrinsic rate of the instrument (based on market information on comparable instruments), and the discount rate set by the Treasurer of the States (currently 6.1%).

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9.3 Segmental Analysis

The Corporate Management Board receive financial reports quarterly that include information on General Revenue Income Streams, Ministerial Departments, Non-Ministerial Departments (in aggregate) and Trading Operations, and these are therefore considered to be the operating segments of the States of Jersey. This split is based on lines of accountability within the organisation. Amounts charged and paid to other entities within the Accounting Boundary are not eliminated in these reports.

The Accounts and accompanying Unaudited Annex include a large amount of detailed information on these segments (and other entities in the Accounting Boundary, such as Separately Constituted (Special) funds).

In particular, the Treasurers report includes tables showing Net Revenue Income/Expenditure for each income stream and department compared to prior years results.

Statements of Comprehensive Net Expenditure and Statements of Financial Position for individual departments are also included in the Unaudited Annex to the Accounts. These pages also include information about the income streams comprising each departments revenue.

The tables overleaf reconcile amounts included in these statements to that included in the Consolidated Statements.

9.3a Segmental Analysis – Statement of Comprehensive Net Expenditure for the year ended 31 December 2016

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited	Ports of Jersey Limited[1]	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Revenue	738,040	91,237	3,346	1,713	**834,336**	11,515	144,028	588,265	3,010	48,794	43,365	**1,673,313**
Less: Intra/Inter-Segment Revenue	(44,623)	(27,468)	(824)	(1,675)	**(74,590)**	(4,364)	293,262	(382,831)	(1,029)	(195)	(1,244)	**(170,991)**
Revenue	**693,417**	**63,769**	**2,522**	**38**	**759,746**	**7,151**	**437,290**	**205,434**	**1,981**	**48,599**	**42,121**	**1,502,322**
Gross Expenditure	8,455	812,456	40,990	47,984	**909,885**	11,121	39,988	301,416	2,545	63,440	43,879	**1,372,274**
Less: Intra/Inter-Segment Expenditure	(7,342)	(135,238)	(3,008)	–	**(145,588)**	(4,623)	17,091	(8,181)	(186)	(31,472)	(4,660)	**(177,619)**
Expenditure	**1,113**	**677,218**	**37,982**	**47,984**	**764,297**	**6,498**	**57,079**	**293,235**	**2,359**	**31,968**	**39,219**	**1,194,655**
Net Revenue Expenditure/(Income)												
Before Consolidation Adjustments	(729,585)	721,219	37,644	46,271	**75,549**	(394)	(104,040)	(286,849)	(465)	14,646	514	**(301,039)**
Less: Intra/Inter-Segment Income and Expenditure	37,281	(107,770)	(2,184)	1,675	**(70,998)**	(259)	(276,171)	374,650	843	(31,277)	(3,416)	**(6,628)**
Net Revenue Expenditure/ (Income)	**(692,304)**	**613,449**	**35,460**	**47,946**	**4,551**	**(653)**	**(380,211)**	**87,801**	**378**	**(16,631)**	**(2,902)**	**(307,667)**
Other Comprehensive Income	(3,000)	10,026	–	113	**7,139**	–	–	–	(1,569)	(70,937)	91	**(65,276)**
Total Comprehensive Expenditure/(Income)	**(695,304)**	**623,475**	**35,460**	**48,059**	**11,690**	**(653)**	**(380,211)**	**87,801**	**(1,191)**	**(87,568)**	**(2,811)**	**(372,943)**

9.3b Segmental Analysis – Statement of Financial Position as at 31 December 2016

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited	Ports of Jersey Limitedi	Total before Consolidation Adjustments	Consolidation Adjustments	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Current Assets	478,255	2,879,522	687	–	**3,358,464**	50,665	1,151,761	1,675,101	11,034	836,618	349,753	**7,433,396**	(1,047,335)	**6,386,061**
Current Assets	222,098	35,222	1,276	3,338	**261,934**	780	52,341	90,633	74,401	22,259	31,964	**534,312**	271,875	**806,187**
Interfund Balances	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	**–**
Current Liabilities	(39,953)	(47,815)	(2,795)	(15,729)	**(106,292)**	(706)	(115,872)	(3,106)	(4,727)	(11,868)	(5,551)	**(248,122)**	6,125	**(241,997)**
Non-Current Liabilities	–	(3,826)	–	(412,316)	**(416,142)**	–	(261,125)	–	(29,938)	(67,486)	–	**(774,691)**	68,986	**(705,705)**
Net Assets	**660,400**	**2,863,103**	**(832)**	**(424,707)**	**3,097,964**	**50,739**	**827,105**	**1,762,628**	**50,770**	**779,523**	**376,166**	**6,944,895**	**(700,349)**	**6,244,546**
Reserves	9,061,788	(5,859,218)	(458,192)	353,586	**3,097,964**	50,739	827,105	1,762,628	50,770	779,523	376,166	**6,944,895**	(700,349)	**6,244,546**
Intrafund Balances	(8,401,388)	8,722,321	457,360	(778,293)	**–**	–	–	–	–	–	–	**–**	–	**–**
Net Reserves	**660,400**	**2,863,103**	**(832)**	**(424,707)**	**3,097,964**	**50,739**	**827,105**	**1,762,628**	**50,770**	**779,523**	**376,166**	**6,944,895**	**(700,349)**	**6,244,546**

9.3c Segmental Analysis – Statement of Comprehensive Net Expenditure for the year ended 31 December 2015

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations (excluding Jersey Airport and Jersey Harbours)	Jersey Airport and Jersey Harbours[i]	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited	Ports of Jersey Limitedi	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Revenue	695,002	95,357	3,582	1,883	**795,824**	11,273	33,577	44,535	339,880	2,390	45,977	11,114	**1,284,570**
Less: Intra/Inter-Segment Revenue	(33,978)	(30,463)	(647)	(1,811)	**(66,899)**	(4,386)	(3,202)	43,827	(142,226)	(973)	(97)	(118)	**(174,074)**
Revenue	**661,024**	**64,894**	**2,935**	**72**	**728,925**	**6,887**	**30,375**	**88,362**	**197,654**	**1,417**	**45,880**	**10,996**	**1,110,496**
Gross Expenditure	11,117	830,500	48,902	(22,902)	**867,617**	10,157	53,512	27,826	293,932	3,144	61,325	16,065	**1,333,578**
Less: Intra/Inter-Segment Expenditure	(9,073)	(129,720)	(2,895)	–	**(141,688)**	(3,608)	(3,922)	12,325	(10,902)	(1,068)	(30,891)	(1,471)	**(181,225)**
Expenditure	**2,044**	**700,780**	**46,007**	**(22,902)**	**725,929**	**6,549**	**49,590**	**40,151**	**283,030**	**2,076**	**30,434**	**14,594**	**1,152,353**
Net Revenue (Income)/ Expenditure													
Before Consolidation Adjustments	(683,885)	735,143	45,320	(24,785)	**71,793**	(1,116)	19,935	(16,709)	(45,948)	754	15,348	4,951	**49,008**
Less: Intra/Inter-Segment Income and Expenditure	24,905	(99,257)	(2,248)	1,811	**(74,789)**	778	(720)	(31,502)	131,324	(95)	(30,794)	(1,353)	**(7,151)**
Net Revenue (Income)/ Expenditure	**(658,980)**	**635,886**	**43,072**	**(22,974)**	**(2,996)**	**(338)**	**19,215**	**(48,211)**	**85,376**	**659**	**(15,446)**	**3,598**	**41,857**
Other Comprehensive Income	(45,200)	(91,263)	–	(136)	**(136,599)**	138,268	30,222	–	(884)	(651)	(48,113)	(189,295)	**(207,052)**
Total Comprehensive (Income)/Expenditure	**(704,180)**	**544,623**	**43,072**	**(23,110)**	**(139,595)**	**137,930**	**49,437**	**(48,211)**	**84,492**	**8**	**(63,559)**	**(185,697)**	**(165,195)**

9.3d Segmental Analysis – Statement of Financial Position as at 31 December 2015

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations (excluding Jersey Airport and Jersey Harbours)	Jersey Airport and Jersey Harbours[i]	Special Funds and the CIF	Social Security Funds	SOJDC	Andium Homes Limited	Ports of Jersey Limited[i]	Total before Consolidation Adjustments	Consolidation Adjustments	Total SOJ
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Current Assets	484,177	2,912,860	662	-	**3,397,699**	51,099	1	1,103,462	1,370,101	15,004	774,311	352,026	**7,063,703**	(1,081,595)	**5,982,108**
Current Assets	145,493	31,193	759	4,543	**181,988**	693	-	52,100	103,843	43,252	29,564	32,627	**444,067**	303,705	**747,772**
Interfund Balances	-	-	-	(4,829)	**(4,829)**	17,308	216,867	1,755	(5,973)	-	3	(225,131)	**-**	-	**-**
Current Liabilities	(34,483)	(49,696)	(4,701)	(13,730)	**(102,610)**	(627)	(14)	(113,398)	(4,291)	(7,822)	(12,101)	(5,533)	**(246,396)**	8,074	**(238,322)**
Non-Current Liabilities	-	(3,380)	-	(366,560)	**(369,940)**	-	-	(249,975)	-	(1,697)	(68,633)	-	**(690,245)**	70,133	**(620,112)**
Net Assets	**595,187**	**2,890,977**	**(3,280)**	**(380,576)**	**3,102,308**	**68,473**	**216,854**	**793,944**	**1,463,680**	**48,737**	**723,144**	**153,989**	**6,571,129**	**(699,683)**	**5,871,446**
Reserves	8,266,483	(5,130,266)	(420,548)	386,639	**3,102,308**	68,473	216,854	793,944	1,463,680	48,737	723,144	153,989	**6,571,129**	(699,683)	**5,871,446**
Intrafund Balances	(7,671,296)	8,021,243	417,268	(767,215)	**-**	-	-	-	-	-	-	-	**-**	-	**-**
Net Reserves	**595,187**	**2,890,977**	**(3,280)**	**(380,576)**	**3,102,308**	**68,473**	**216,854**	**793,944**	**1,463,680**	**48,737**	**723,144**	**153,989**	**6,571,129**	**(699,683)**	**5,871,446**

Notes

i. Jersey Airport and Jersey Harbours were incorporated as Ports of Jersey Limited on 1 October 2015. The trading operations prior to incorporation have been shown separate from other Trading Operations to aid comparability.

9.4 Revenue

	Notes	2016 £'000	2015 £'000
Levied by the States of Jersey			
Taxation Revenue			
Personal Income Tax		398,076	370,811
Companies		90,699	89,456
GST		84,584	83,985
Taxation Revenue		**573,359**	**544,252**
Social Security Contributions		**204,992**	**190,839**
Island rates, duties, fees, fines and penalties			
Impôts Duty – Spirits		5,326	4,529
Impôts Duty – Wines		8,225	7,637
Impôts Duty – Beer and Cider		6,801	6,081
Impôts Duty – Tobacco		14,609	13,606
Impôts Duty – Fuel		21,855	21,406
Impôts Duty – Goods (Customs)		176	144
Impôts Duty – Vehicle Emissions Duty		1,420	743
Stamp Duty and Land Transfer Tax		30,305	29,032
Island Rates		12,141	11,928
Other Fees and Fines		11,229	10,636
Island rates, duties, fees, fines and penalties		**112,087**	**105,742**
Earned through Operations			
Sales of goods and services		**165,967**	**162,934**
Investment Income			
Investment Income	8	53,449	58,804
Gains on financial assets	9	371,352	35,139
Investment Income		**424,801**	**93,943**
Other Revenue			
Financial Returns		4,056	3,896
Other Income	i	17,060	8,890
Other Revenue		**21,116**	**12,786**
Total Revenue		**1,502,322**	**1,110,496**

Notes

i. Other income includes: European Union Savings Tax Directive Income, Recovered costs, Criminal Offences Confiscations Fund grants received, coverage payments and other income that does not fall into any other category.

9.5 Expenditure

	Notes	2016 £'000	2015 £'000
Social Benefit Payments			
Social Benefits	10	371,506	362,687
Total Social Benefit Payments		**371,506**	**362,687**
Staff costs			
States Members Remuneration	11	2,362	2,360
States Staff Salaries and Wages	11	290,780	306,554
States Staff Pension Costs	11	38,303	39,794
Non-States Staff Costs	11	12,116	11,082
Other Staff Costs	11	22,353	14,164
Charges of Staff to Capital Projects	11	(2,643)	(3,321)
1% Pay Award	11	2,034	–
Total Staff Costs		**365,305**	**370,633**
Other Operating Expenses		**251,685**	**240,199**
Grants and Subsidies Payments	**12**	**43,496**	**43,009**
Depreciation and Amortisation			
Property, Plant and Equipment	7	63,062	65,982
Intangible Assets	7	2,318	2,259
Total Depreciation and Amortisation		**65,380**	**68,241**
Impairments			
Property, Plant and Equipment	7	25,995	36,842
Trade Receivables	7	2,554	2,939
Total Impairments		**28,549**	**39,781**
Losses on Disposal of Non-Current Assets			
Losses on disposal of Property, Plant and Equipment		3,041	12,874
Gains on disposal of assets classified as held for sale		(1)	–
Total Losses on Disposal of Non-Current Assets		**3,040**	**12,874**
Finance Costs	**13**	**23,182**	**24,895**
Net Foreign-Exchange (Gains)/Losses		**555**	**349**
Movement in Pension Liability	**30, 31**	**41,957**	**(10,315)**
Total Expenditure		**1,194,655**	**1,152,353**

9.6 Non-Cash Items and other Significant Items included in Net Revenue Expenditure

Net Revenue Expenditure/(Income) for the year is stated after charging/(crediting) the following Non-Cash and significant items:

	Notes	2016 £'000	2015 £'000
Non Cash Items			
Depreciation of Property, Plant and Equipment	i	63,062	65,982
Impairments of Property, Plant and Equipment and Non-Current Assets Held for Sale		25,995	36,842
Amortisation of Intangible Assets		2,318	2,259
Donations of Assets		(98)	(153)
Impairment loss recognised on Trade and Other Receivables		2,554	2,939
Impairment loss recognised on Available for Sale Financial Assets		–	–
Increase in Provisions		10,530	1,919
Other Significant Items			
Loss on Disposal of Property, Plant and Equipment		3,041	12,874
Gain on Disposal of Non Current Assets held for Sale		(1)	–
Gain on Investments	9	(371,352)	(35,139)
Auditors' Remuneration			
Audit Fees	ii	357	358
Lease Rental Income: States as Lessor			
Rentals under Operating Leases		(49,775)	(47,954)
Lease Rental Expense: States as Lessee			
Land and Buildings		619	974
Plant and Machinery		–	5
Other		180	229
Total Lease Rental Expense		**799**	**1,208**

Notes

i. Depreciation includes £1,274,852 of depreciation relating to assets funded by Finance Leases (2015: £1,185,587).
Depreciation includes £99,396 of depreciation relating to donated assets (2015: £105,898).

ii. Other fees of £51,500 were payable to the external auditor in 2016 (2015: £65,725) for non-audit services.

9.7 Investment Income

	2016 £'000	2015 £'000
Interest Income		
Investments held at Fair Value through Profit or Loss	5,679	10,283
Infrastructure Investments	271	263
Loans and Receivables	449	521
Cash and Cash Equivalents	655	648
Other	210	107
Total Interest Income	**7,264**	**11,822**
Dividends		
Strategic Investments	12,568	13,023
Investments held at Fair Value through Profit or Loss	33,617	33,959
Total Dividends	**46,185**	**46,982**
Total Investment Income	**53,449**	**58,804**

9.8 Gains and Losses on Financial Assets

	Notes	2016 £'000	2015 £'000
Change in Fair Value of Financial Assets held at Fair Value through Profit or Loss	i	375,142	35,196
Gain on Available for Sale Investments		201	165
Loss on Cash Equivalents		(10)	(4)
Change in Fair Value of Derivative Financial Instruments		(3,981)	(218)
Total Gains and Losses		**371,352**	**35,139**

Notes

i. Changes in Fair Value of Financial Assets held at Fair Value through Profit or Loss include £119.5 million of realised gains (2015: £144.6 million of realised gains).

9.9 Social Benefit Payments

	2016 £'000	2015 £'000
Social Benefits		
Social Security: Income Support		
Weekly Benefit	70,468	73,027
Special Payments	741	1,196
Residential Care	(10)	(137)
Winter Fuel	562	398
Transitional Relief	221	344
Youth Incentive Payment	–	17
Social Security Department Other Benefits	3,388	4,549
Social Security Fund Benefits		
Pensions and survivors' benefits	177,408	171,297
Short term incapacity allowance	13,401	12,315
Long term incapacity allowance	15,756	15,515
Invalidity benefit	6,631	7,289
Maternity allowance	2,751	2,340
Maternity grant	572	618
Death grant	606	539
Health Insurance Fund Benefits		
Medical benefit	8,136	8,221
Pharmaceutical benefit	20,191	20,166
Gluten free food vouchers	393	329
Long Term Care Fund Benefits		
Long Term Care Benefit	26,523	13,665
Long Term Care Support	15,751	22,268
Education, Sport and Culture: Student Grants	6,943	7,719
Health and Social Services: Allowances	1,074	1,012
Total Social Benefits	**371,506**	**362,687**

Notes

The States Contribution to the Social Security Fund (also known as the States Grant), was £65.3 million in 2016 (2015: £65.3 million). The amount of the Grant is governed by a formula and was set for the period of the MTFP, bringing certainty to the level of contribution made to the Social Security Fund. The formula is based on past amounts needed to supplement contributions for those earning between the lower earnings threshold and the standard earnings limit, reduced by contributions received above the standards earnings limit. The actual amount of Supplementation in 2016 was £79.3 million (2015: £77.0 million).

A contribution of £34.3 million was made to the Long Term Care Fund in 2016. This includes £28.2 million from the Social Security Department and Health and Social Services Department in line with P.140/2013 from 1 July 2014, and a further amount of £6.1 million funded from underspends within the Social Security Department (2015: £28.0 million).

As the Social Security Funds are included within the Accounting Boundary, these transactions are eliminated in preparing the consolidated statements.

9.10 Staff Costs

2016

Year End FTE	Department[i]	Notes	Salaries and Wages £'000	Pension[ii] £'000	Social Security £'000	Total £'000
199.9	Chief Minister's Department		11,788	1,513	628	13,929
106.4	Economic Development, Tourism, Sport and Culture		5,332	651	317	6,300
1,552.9	Education		71,894	10,623	4,368	86,885
111.7	Department of the Environment		6,069	812	348	7,229
2,322.0	Health and Social Services		112,094	13,661	6,555	132,310
645.5	Community and Constitutional Affairs		33,726	4,362	2,015	40,103
229.6	Social Security		9,147	1,225	567	10,939
369.0	Department for Infrastructure		17,643	2,207	1,064	20,914
182.7	Treasury and Resources		8,736	1,142	507	10,385
26.9	States Assembly (excluding States Members)		1,199	160	71	1,430
188.1	Non Ministerial States Funded Bodies		11,674	1,757	608	14,039
5,934.7	**Department Total**		**289,302**	**38,113**	**17,048**	**344,463**
19.0	Jersey Car Parking		610	83	39	732
22.0	Jersey Fleet Management		868	107	55	1,030
41.0	**Trading Operations Total**		**1,478**	**190**	**94**	**1,762**
5,975.7	**Total**		**290,780**	**38,303**	**17,142**	**346,225**
	SOJDC	iii	890	99	34	1,023
	Andium Homes Limited	iv	2,890	346	150	3,386
	Ports of Jersey Limited	v	13,269	1,597	753	15,619
	Non-States staff costs	vii				12,116
	Other staff costs	vii				2,464
	States Members remuneration					2,362
	Staff costs charged to capital					(2,643)
	1% Pay Award	viii	2,034	258	132	2,424
	Total Staff Costs					**382,976**
	Elimination of Social Security Contributions	ix				(18,211)
	Other Eliminations					540
	Total Consolidated Staff Costs					**365,305**

2015

Year End FTE	Department[i]	Notes	Salaries and Wages £'000	Pension[ii] £'000	Social Security £'000	Total £'000
222.1	Chief Minister's Department		13,902	1,737	757	16,396
29.6	Economic Development		2,323	305	124	2,752
1,655.3	Education, Sport and Culture		74,959	10,877	4,548	90,384
107.2	Department of the Environment		5,970	795	336	7,101
2,373.2	Health and Social Services		114,192	13,743	6,709	134,644
640.1	Home Affairs		33,523	4,303	1,951	39,777
236.8	Social Security		9,219	1,232	587	11,038
419.5	Transport and Technical Services		17,037	2,118	1,044	20,199
233.3	Treasury and Resources		11,483	1,514	643	13,640
25.3	States Assembly (excluding States Members)		1,236	163	72	1,471
192.4	Non Ministerial States Funded Bodies		11,651	1,674	597	13,922
6,134.8	**Department Total**		**295,495**	**38,461**	**17,368**	**351,324**
0.0	Jersey Airport		6,964	846	386	8,196
0.0	Jersey Harbours		2,624	297	146	3,067
16.0	Jersey Car Parking		578	78	37	693
26.0	Jersey Fleet Management		893	112	57	1,062
42.0	**Trading Operations Total**		**11,059**	**1,333**	**626**	**13,018**
6,176.8	**Total**		**306,554**	**39,794**	**17,994**	**364,342**
	SOJDC	iii	779	88	30	897
	Andium Homes Limited	iv	2,658	337	146	3,141
	Ports of Jersey Limited	v	3,463	215	101	3,779
	Non-States staff costs	vii				11,082
	Other staff costs	vii				6,544
	States Members remuneration					2,360
	Staff costs charged to capital					(3,321)
	Total Staff Costs					**388,824**
	Elimination of Social Security Contributions	viii				(18,271)
	Other Eliminations					80
	Total Consolidated Staff Costs					**370,633**

Notes

i. 2016 department names have been updated to reflect the transfer of functions. Further information on the transfer of functions can be found in Note 9.40 Group Boundary

ii. Figures exclude costs associated with the PECRS pre-87 liability.

iii. Further details can be found in the separately published SOJDC accounts.

iv. Further details can be found in the separately published Andium accounts.

v. Further details can be found in the separately published Ports of Jersey accounts.

vi. Non-States staff costs includes the costs of individuals who do not hold an employment contract with the States, but who are acting as States Employees.

vii. Other staff costs include redundancy, voluntary redundancy, severance payments and adjustments for the cost of accumulated compensated absences.

viii. 1% consolidated pay rise for all pay groups effective from 1 January 2016, which will increase pay scales (except uniformed members of the Fire and Rescue Service, Doctors, Consultants and all other individuals with pay arrangements aligned to UK rates, who are subject to separate arrangements).

ix. Social Security Contributions paid by States Entities to the Social Security Fund and Health Insurance Fund are internal to the States Accounts, and so eliminated on consolidation. This note has been drafted to show the full cost of Staff as well as the consolidated position.

Analysis of Staff Costs by Type

Type of Payment	2016 £'000	2015 £'000
Basic Pay	272,175	286,387
Shift Allowances	7,792	8,246
Overtime	6,042	6,529
Standby Payments	1,290	1,582
Other Time Payments	338	394
Skill Related Payments	494	531
Business Expenses	81	81
Relocation Expenses	463	240
Ad Hoc Payments/Supplements	7,393	9,304
Benefits	614	679
Sickness Offsets from Social Security	(1,374)	(1,417)
Amounts shown in Other Staff Costs	(4,060)	(6,090)
Other Accounting Adjustments	(468)	88
Total Salaries and Wages	**290,780**	**306,554**
Pension	38,303	39,794
Social Security	17,142	17,994
Total	**346,225**	**364,342**

Analysis of Staff Costs by Pay Group

Pay Group	2016 £'000	2015 £'000
Civil Servants (including A Grades)	119,727	127,041
Manual Workers	27,421	30,113
EfW Operations	1,243	1,229
Doctors and Consultants	17,720	17,231
Nurses and Midwives	44,771	45,937
Other Health Pay Groups	4,999	5,439
Uniformed Services	21,781	21,776
Heads and Deputy Heads, Highlands Managers	5,855	6,139
Teachers and Lecturers	42,200	44,701
Youth Service	1,037	1,091
Other Ports of Jersey Pay Groups	–	3,607
Chief Officers, Judicial Greffe, Crown Appointments, Law Draftsmen and Other Personal Contract Holders	5,787	5,320
Law Officers	2,767	2,932
Amounts shown in Other Staff Costs	(4,060)	(6,090)
Other Accounting Adjustments	(468)	88
Total Salaries and Wages	**290,780**	**306,554**
Pension	38,303	39,794
Social Security	17,142	17,994
Total	**346,225**	**364,342**

9.11 Grants

Significant Grants made during 2016

The note below summarises grants of £75,000 and over made by the States of Jersey in 2016. Some organisations below may have also received grants below £75,000. Full details of grants below £75,000 are given in Appendix A of the Annex to the Accounts.

Issuing Dept	Grantee	2016 Grant £	Reason for Grant (Strategic Priority)
CMD	Digital Jersey	1,227,166	To market and promote the Digital sector on/off-Island and provide technical assistance to Government (4)
CMD	Jersey Competition Regulatory Authority	493,000	Work with the JCRA to create a more competitive commercial environment through the application of the Competition (Jersey) Law (1, 4)
CMD	Government of Jersey London Office	484,981	Grant for the operation of the Government of Jersey London Office (4)
CMD	Channel Islands Brussels Office	340,800	Grant for the operation of the Channel Islands Brussels Office (4)
CMD	Jersey Financial Services Commission	248,965	Assist with the costs of the Anti Money Laundering Unit (4)
CMD	Association Bureau des Iles Anglo-Normandes (formerly Bureau de Jersey)	135,078	Development of Jersey/France relations – promoting French language and culture (3)
EDTSC[i]	Visit Jersey Limited	5,100,000	To market and promote Jersey for inbound tourism purposes in overseas markets and provide policy advice to Government (4)
EDTSC[i]	Jersey Finance Limited	5,060,600	Market and promote the Finance Industry and provide technical assistance to Government (4)
EDTSC[i]	Jersey Heritage Trust	2,733,400	To support the Trust in its operation of more than 20 historic sites in Jersey made available to the public (3)
EDTSC[i]	Jersey Business Limited	821,154	To provide wide ranging business support, advice and guidance to local Jersey businesses on behalf of Government (4)
EDTSC[i]	Jersey Arts Trust	572,000	To repay the Opera House refurbishment loan (3)
EDTSC[i]	Serco (Jersey) Limited	499,973	Subsidy in respect of the operation of the Waterfront Pool (2)
EDTSC[i]	The Jersey Opera House	463,600	To operate the Opera House as a public resource for the Island; and to deliver the specific objective contained in the Opera House's annual business plan as agreed with the Minister for Education (3)
EDTSC[i]	Jersey Arts Centre Association	456,805	To support the operation of the Jersey Arts Centre – comprising theatre, gallery and activity rooms – to enable it to offer a wide range of professional events (3)
EDTSC[i]	Le Don Balleine Trust	210,912	To support the teaching of Jèrriais and Jersey Studies in schools, adult Jèrriais classes and a range of language promotion, including the support of cultural events which use the Jèrriais language (3)
EDTSC[i]	The Jersey Royal Company	194,287	Area Payments support to underpin a base level of farming activity in the countryside (2, 4)
EDTSC[i]	Royal Jersey Agricultural and Horticultural Society	188,000	Services to support the dairy industry, e.g. bull proving and artificial insemination (4)

Issuing Dept	Grantee	2016 Grant £	Reason for Grant (Strategic Priority)
EDTSC[i]	Jersey Arts Trust	158,400	To support a programme of arts development including grants to local artists, events which engage with Island artists and help support their work, and connect them with artists from other places to increase the standard and variety of creative practice in the Island (3)
EDTSC[i]	Battle of Flowers Association	130,000	Battle of Flowers – Event grant (4, 5)
EDTSC[i]	Jersey Consumer Council	97,885	To provide wide ranging consumer advice and support to local citizens (4)
EDU	Beaulieu School	2,060,120	Support the operation of Beaulieu School in delivering the Jersey Curriculum to its students (3)
EDU	De La Salle College	1,805,814	Support the operation of De La Salle College in delivering the Jersey Curriculum to its students (3)
EDU	FCJ Primary School	383,092	Support the operation of Convent FCJ School in delivering the Jersey Curriculum to its students (3)
EDU	Jersey Childcare Trust	178,800	To support the Jersey Childcare Trust (JCCT) in the provision of its core services, staff, accommodation and resources (2, 3)
H&SS	Citizen's Advice Bureau	224,132	Provide information and advice to members of the public (2, 3)
JOAC	Overseas Aid Grants	10,147,127	Humanitarian aid provided in response to sustainable grant projects, disaster and emergency relief and community work project initiatives (N/A)
SSD	The Jersey Employment Trust	1,107,400	Assist people with disabilities by providing sheltered work and additional training and development for the most severely disabled (4)
SSD	The Jersey Employment Trust	870,100	To provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (4)
SSD	Jersey Advisory and Conciliation Service	378,100	Provide a free employment relations service to help employers, employees and trade unions work together for the prosperity of Jersey business and the benefit of employees (4)
CILF	Association of Jersey Charities	1,250,482	Grant aid to various registered Jersey Charities (2)
TDF	Jersey Heritage Trust	75,930	Ice Age Project (4)
Ports	Jersey International Air Display	90,000	Jersey International Air Display – event grant (2)
Total significant grants awarded		**38,188,103**	

Note

i. This grant was previously made by the Education, Sport and Culture Department. This has now transferred to the Economic Development, Tourism, Sport and Culture Department. Further information on the transfer of functions can be found in Note 9.40 Group Boundary

Payments made under Significant Grant Schemes during 2016

The note below summarises payments under States of Jersey Grant Schemes where total payments exceeded £25,000 in 2016. Full details of these grants, and any grants are given in Appendix A of the Annex to the Accounts. Details of grants under £25,000 awarded under States of Jersey Grants Schemes are also given in Appendix A of the Annex to the Accounts.

Issuing Dept	Name of Scheme	2016 Grant £	Reason for Grant (Strategic Priority)
DFI	Car2Cycle Scheme	100,840	Funding mechanism that enables local retailers within the private sector to deliver the States of Jersey Electric Bike Fund ("EBF") (5)
DoE	Countryside Enhancement Scheme	162,939	Environmental financial support to land owners for the benefit of the Island's population (2)
DoE	Energy Efficiency Service	77,913	Initiative to assist low-income and vulnerable households reduce their energy bills and keep warmer through the winter (2)
EDTSC[i]	Area Payments to Individuals	500,199	Support to underpin a base level of farming activity in the countryside (2, 4)
EDTSC[i]	Support for travel to participate in sports events	473,128	To support individuals, clubs and associations in travel to participate in sports events (2)
EDTSC[i]	Support for travel to participate in sports events	(57,795)	Return of 2015 Underspend (2)
EDTSC[i]	Quality Milk Payments to Individuals	391,028	Transitional support to allow the industry to implement their Dairy Industry Recovery Programme (4)
EDTSC[i]	Rural Initiative Scheme	223,771	Provides support for innovation and business diversification (4)
EDU	Nursery Education Fund	2,057,367	Provide pre-school learning through the Nursery Education Fund (3)
EDU	Grants to individuals (Jersey College for Girls)	141,010	To assist students in the payment of fees (3)
EDU	Grants to individuals (Victoria College)	61,800	To assist students in the payment of fees (3)
SSD	Various employment schemes	454,503	Additional employment opportunities for the unemployed – includes Back to Work, Enhanced Workzone, Advance Plus (4)
Total significant grants awarded under States of Jersey Grant Schemes		**4,586,703**	
Total other Grants and Subsidies – see Appendix A		**720,931**	
Grand Total – Grants and Subsidies awarded		**43,495,737**	

Note

i. This grant was previously made by the Education, Sport and Culture Department. This has now transferred to the Economic Development, Tourism, Sport and Culture Department. Further information on the transfer of functions can be found in Note 9.40 Group Boundary

Notes on Strategic Priorities

Information on which of the States of Jersey Strategic Priorities are supported in awarding each grant is provided in the table above.

The Priorities were set out in the Strategic Plan 2015 as follows:

1. Sustainable Public Finances
2. Improving Health and Wellbeing
3. Improving Education
4. Optimising Economic Growth
5. Improving St Helier

9.12 Finance Costs

	2016 £'000	2015 £'000
Interest Expense		
PECRS Pre-1987 Debt Expense	13,084	13,733
Bond Interest	9,461	9,458
Finance Lease Interest	64	1,323
Other Interest	208	49
Total Interest Expense	**22,817**	**24,563**
Finance Charges		
Bank and Other Charges	365	332
Total Finance Charges	**365**	**332**
Total Finance Costs	**23,182**	**24,895**

9.13 Property, Plant and Equipment

2016

	Land	Buildings	Social Housing (inc Land)	Networked Assets (inc Land)	Other Structures	Transport Equipment	Plant and Machinery, Furniture and Fittings	Information Technology Equipment	Antiques and Works of Art	Assets Under Course of Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation											
At 1 January 2016	**370,446**	**784,727**	**798,188**	**1,226,568**	**335,097**	**19,636**	**211,121**	**5,256**	**822**	**79,932**	**3,831,793**
Additions	20	(4,275)	3,546	1	(1)	29	76	–	–	59,092	58,488
Disposals	(3,103)	(3,398)	(518)	–	(884)	(941)	(2,270)	(312)	–	–	(11,426)
Transfers	2,510	11,308	8,950	7,150	5,096	507	19,003	468	–	(60,253)	(5,261)
Revaluations	18	1,599	59,156	13,685	–	–	–	–	–	–	74,458
Impairments	–	(4,806)	(8,061)	(21,721)	(304)	–	–	–	–	–	(34,892)
Impairment Reversals											–
At 31 December 2016	**369,891**	**785,155**	**861,261**	**1,225,683**	**339,004**	**19,231**	**227,930**	**5,412**	**822**	**78,771**	**3,913,160**
Accumulated Depreciation											
At 1 January 2016	**(63,285)**	**(135,593)**	**(61,815)**	**(8,141)**	**(51,549)**	**(9,715)**	**(94,286)**	**(3,924)**	**(31)**	**–**	**(428,339)**
Depreciation charge	–	(23,310)	(11,326)	(5,017)	(7,575)	(1,685)	(13,689)	(455)	(5)	–	(63,062)
Disposals	400	695	518	–	884	704	2,143	312	–	–	5,656
Transfers	–	–	–	–	2	–	(2)	–	–	–	–
Revaluations	(12)	23	12,573	3,061	23	–	–	–	–	–	15,668
Impairments	–	(17,495)	(214)	(1,829)	–	–	–	–	–	–	(19,538)
Impairment Reversals	(4)	4	484	–	–	–	–	–	–	–	484
At 31 December 2016	**(62,901)**	**(175,676)**	**(59,780)**	**(11,926)**	**(58,215)**	**(10,696)**	**(105,834)**	**(4,067)**	**(36)**	**–**	**(489,131)**
Net Book Value: 31 December 2016	**306,990**	**609,479**	**801,481**	**1,213,757**	**280,789**	**8,535**	**122,096**	**1,345**	**786**	**78,771**	**3,424,029**
Net Book Value: 1 January 2016	**307,161**	**649,134**	**736,373**	**1,218,427**	**283,548**	**9,921**	**116,835**	**1,332**	**791**	**79,932**	**3,403,454**
Asset Financing											
Purchased	266,963	580,273	800,295	1,213,756	274,073	8,462	121,861	1,345	62	78,771	3,345,861
Donated	30,617	185	–	1	–	73	235	–	724	–	31,835
Leased	9,410	29,021	1,186	–	6,716	–	–	–	–	–	46,333
Net Book Value: 31 December 2016	**306,990**	**609,479**	**801,481**	**1,213,757**	**280,789**	**8,535**	**122,096**	**1,345**	**786**	**78,771**	**3,424,029**

2015

	Land	Buildings	Social Housing (inc Land)	Networked Assets (inc Land)	Other Structures	Transport Equipment	Plant and Machinery, Furniture and Fittings	Information Technology Equipment	Antiques and Works of Art	Assets Under Course of Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation											
At 1 January 2015	**381,247**	**769,060**	**740,462**	**1,168,171**	**315,309**	**18,630**	**199,382**	**4,695**	**732**	**71,429**	**3,669,117**
Additions	–	132	3,198	–	10	74	42	(152)	90	84,272	**87,666**
Disposals	(15,978)	(7,005)	(24)	–	–	(750)	(719)	–	–	–	**(24,476)**
Transfers	(336)	18,665	18,888	12,765	5,509	1,682	12,416	713	–	(75,769)	**(5,467)**
Revaluations	8,433	58,528	35,664	45,632	26,758	–	–	–	–	–	**175,015**
Impairments	(2,920)	(55,135)	–	–	(12,489)	–	–	–	–	–	**(70,544)**
Impairment Reversals	–	482	–	–	–	–	–	–	–	–	**482**
At 31 December 2015	**370,446**	**784,727**	**798,188**	**1,226,568**	**335,097**	**19,636**	**211,121**	**5,256**	**822**	**79,932**	**3,831,793**
Accumulated Depreciation											
At 1 January 2015	**(67,338)**	**(103,928)**	**(56,057)**	**(17,929)**	**(52,963)**	**(8,574)**	**(79,288)**	**(3,548)**	**(26)**	**–**	**(389,651)**
Depreciation charge	–	(24,165)	(10,529)	(6,605)	(6,758)	(1,751)	(15,629)	(540)	(5)	–	**(65,982)**
Disposals	6,389	726	24	–	–	610	681	–	–	–	**8,430**
Transfers	–	50	–	–	–	–	(50)	164	–	–	**164**
Revaluations	1,412	19,718	10,782	16,169	8,943	–	–	–	–	–	**57,024**
Impairments	(4,867)	(36,702)	(6,542)	(140)	(771)	–	–	–	–	–	**(49,022)**
Impairment Reversals	1,119	8,708	507	364	–	–	–	–	–	–	**10,698**
At 31 December 2015	**(63,285)**	**(135,593)**	**(61,815)**	**(8,141)**	**(51,549)**	**(9,715)**	**(94,286)**	**(3,924)**	**(31)**	**–**	**(428,339)**
Net Book Value: 31 December 2015	**307,161**	**649,134**	**736,373**	**1,218,427**	**283,548**	**9,921**	**116,835**	**1,332**	**791**	**79,932**	**3,403,454**
Net Book Value: 1 January 2015	**313,909**	**665,132**	**684,405**	**1,150,242**	**262,346**	**10,056**	**120,094**	**1,147**	**706**	**71,429**	**3,279,466**
Asset Financing											
Purchased	267,134	618,881	735,181	1,218,427	276,622	9,850	116,598	1,332	67	79,932	**3,324,024**
Donated	30,617	183	–	–	–	71	237	–	724	–	**31,832**
Leased	9,410	30,070	1,192	–	6,926	–	–	–	–	–	**47,598**
Net Book Value: 31 December 2015	**307,161**	**649,134**	**736,373**	**1,218,427**	**283,548**	**9,921**	**116,835**	**1,332**	**791**	**79,932**	**3,403,454**

During the year ended 31 December 2016 the States of Jersey undertook the interim valuation of the Infrastructure assets. The impact of this interim desk top exercise on the value of the assets held by the States was a net decrease of £7.1 million to the Networked Assets. Andium Homes conducted a desktop exercise which increased the value of Social Housing by £63.9 million. Excluding the revaluations there was an overall decrease in the asset base of £15.6 million, due to additions of £41.8 million less depreciation of £57.4 million.

Valuations

Infrastructure assets – During the Interim valuation exercise the external valuers established that there had been an increase of 5.5% in the Tender Price Indices for Building works from December 2015 to December 2016. This was in contrast to the land values that have remained static since the last review.

During the financial year there was an update published by CIPFA, 'Code of Practice on the Highways Asset'; known as the 'Highways Code' which was published in August 2016. This changed the valuation approach for infrastructure assets from depreciated replacement cost based upon service potential as in 2015 to a depreciated replacement cost basis, based upon useful remaining life.

The effect of this change in valuation method is a decrease to the Net Value of the Infrastructure asset base of £7.1 million.

Land and Buildings – There was an overall decrease in the portfolio, of £39.8 million. During 2016 four land and building sites were identified as potentially having indicators of impairments due to events that happened in the year. These properties are the existing General Hospital site, the existing Les Quennevais School, the Limes Care Home, and the Police Headquarters at Rouge Bouillon. They were all reviewed in line with the States of Jersey Capital Accounting Manual (CAM) and Jersey Financial Reporting Manual (JFReM), this resulted in an impairment of £22.3 million.

Investment Properties

Whilst the States does not generally hold assets solely for investment purposes, assets valuing £0.3 million are held primarily for income generation and are included within Property, Plant and Equipment.

Procedures for Revaluations

All Property Assets with the exception of Assets Under Construction, are subject to a quinquennial revaluation (QQR), with an Interim Valuation after 3 years. A full property valuation was under taken by District Valuer Service (part of the Valuation Office Agency) during 2012, and an interim desktop valuation was carried out during 2015 and the next full valuation will be undertaken in 2017.

Property Valuations are undertaken in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and are completed on the basis of the existing use value to the Department. Where valuation is made on a "Value in Use" basis, there is no significant difference between Open Market Value and Value in Use.

Social Housing is valued on an Existing Use Value for Social Housing (EUV-SH), prepared using a discounted cash flow of future rental streams. Jones Lang LaSalle (JLL) have carried out the valuation inclusive of discounting the net income stream at an appropriate rate reflecting their judgment of the overall level of risk associated with long term income. The discount rate applied on income by JLL was 7.0% for High-rise stock and 5.75% per annum for all other properties.

A full valuation of Infrastructure Assets is undertaken every 5 years with annual 'desktop' valuations conducted by independent external valuers. The last full valuation was carried out in 2013 by the District Valuer Services (part of the Valuation Office Agency) with the next full valuation to be undertaken in 2018.

Other non-property assets are valued in accordance with IAS 16 as adapted by the JFReM. This may include valuations by employees of the States of Jersey.

Heritage Assets

The States of Jersey owns a number of assets which are held because of their cultural, environmental or historical associations, rather than for operational purposes. These assets have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or level of costs of valuation greatly exceed the additional benefits derived by users of the accounts, and in these cases, no value is reported for these assets in the Statement of Financial Position.

There were no significant acquisitions or disposals of States' heritage assets during 2016.

The principle advisor to the States in matters relating to public heritage assets is the Jersey Heritage Trust. The Trust is an independent body incorporated in 1983, and receives an annual grant from the States of Jersey to support its running costs.

Heritage Properties

The States owns a number of Heritage Properties, including Elizabeth Castle, Mont Orgueil Castle, 11 forts and towers, 6 ruins, the Opera House and St James Concert Hall.

The Jersey Heritage Trust has been granted by deed of gift the usufruct of both Castles, and as such has responsibility for these properties, although the States retains legal ownership, and as such they would not be recognised as an asset of the States.

Some of the towers and forts are occupied, either by the States or by external organisations, but any rental amounts received are not reflective of the value of the structure. As any use is not the principle reason for retaining the properties, these are considered to be non-operational heritage assets. For example, St Aubin's Fort is retained due to its historic and cultural relevance, not as a residential facility. These properties are not valued due to the difficulty in obtaining a reliable estimate of value, and the costs that would be involved in valuation.

The Opera House and St James Concert Hall are both leased to the Jersey Arts Trust, although the States retains the responsibility for maintenance of these properties. These are both treated as operational heritage assets, and are valued and included within the Land and Building asset class on the Statement of Financial Position.

Paintings, sculptures, and other works of art

The States of Jersey owns a number of pieces of Art, including paintings, sculptures, statues, fountains, and other pieces of art in public places. Where a reliable valuation is available these assets have been included on the balance sheet under the Antiques and Works of Art asset class. However, in a number of cases no valuation is available, and the cost of obtaining one would exceed the benefits, and in these cases no asset is recognised. 31 pieces of art have been identified but not recognised on the Statement of Financial Position, including 6 paintings and 20 sculptures in public places.

Other Heritage Assets

Other heritage assets held by the States of Jersey include:

- Rare books at Jersey Library (with an estimated value of £265,000)
- Antique Cannon at Fort Regent (no reliable estimate of value available)
- Various organs and pianos (recognised only where a reliable estimate exists)[i]
- The Bailiff's Mace and the Royal Seal (no reliable estimate of value available)
- Honours Boards, Memorials, Clocks, etc (recognised only where a reliable estimate exists)

Note

i In particular, The Chapel Organ at Highlands has been awarded a certificate Grade I by The British Institute of Organ Studies in recognition of it being a rare example of instrument by Mutin/Cavaille-Coll 1913, in original condition. Whilst the value of the organ has been approximated at £600,000, the cost of obtaining a formal valuation is considered to outweigh the benefits that would be obtained.

9.14 Intangible Assets

	Information Technology Software £000	Assets Under Course of Construction £000	Total £000
Cost or Valuation			
At 1 January 2016	**33,650**	**812**	**34,462**
Additions	–	1,252	**1,252**
Disposals	–	–	**–**
Transfers from Property, Plant and Equipment	1,145	(709)	**436**
At 31 December 2016	**34,795**	**1,355**	**36,150**
Accumulated Amortisation			
At 1 January 2016	**(26,778)**	**–**	**(26,778)**
Amortisation charge	(2,318)	–	**(2,318)**
Disposals	–	–	**–**
Transfers	–	–	**–**
At 31 December 2016	**(29,096)**	**–**	**(29,096)**
Net Book Value: 31 December 2016	**5,699**	**1,355**	**7,054**
Net Book Value: 1 January 2016	**6,872**	**812**	**7,684**

	Information Technology Software £000	Assets Under Course of Construction £000	Total £000
Cost or Valuation			
At 1 January 2015	**32,431**	**1,480**	**33,911**
Additions	394	130	**524**
Disposals	(20)	–	**(20)**
Transfers	845	(798)	**47**
At 31 December 2015	**33,650**	**812**	**34,462**
Accumulated Amortisation			
At 1 January 2015	**(24,373)**	**–**	**(24,373)**
Amortisation charge	(2,258)	–	**(2,258)**
Disposals	17	–	**17**
Transfers	(164)	–	**(164)**
At 31 December 2015	**(26,778)**	**–**	**(26,778)**
Net Book Value: 31 December 2015	**6,872**	**812**	**7,684**
Net Book Value: 1 January 2015	**8,058**	**1,480**	**9,538**

All Intangible Assets were purchased by the States of Jersey. There are no leased or donated Intangible Assets.

9.15 Non-Current Assets Held for Sale

	2016 £000	2015 £000
Cost or Valuation		
At 1 January	**1,095**	**1,474**
Additions	4,370	–
Transfers from Property, Plant and Equipment	4,825	5,420
Disposals	(4,750)	(5,809)
Revaluations	–	10
Impairments	–	–
At 31 December	**5,540**	**1,095**
Accumulated Depreciation		
At 1 January	**(90)**	**(90)**
Disposals	–	–
Revaluations	–	–
Impairments	–	–
Impairment Reversal	–	–
At 31 December	**(90)**	**(90)**
Net Book Value: 31 December	**5,450**	**1,005**
Net Book Value: 1 January	**1,005**	**1,384**

All Non-Current Assets Held for Sale were purchased by the States of Jersey. There are no leased or donated Non-Current Assets Held for Sale.

9.16 Loans and Advances

ANALYSED BY FUND

		31 Dec 2016 £'000	31 Dec 2015 £'000
Consolidated Fund		3,094	3,679
Dwelling Houses Loan Fund		2,406	2,970
99 Year Leaseholders Account		125	133
Assisted House Purchase Scheme		847	1,279
Agricultural Loans Fund		313	378
Jersey Innovation Fund		1,597	1,898
Total Loans and Advances		**8,382**	**10,337**

MATURITY ANALYSIS

		31 Dec 2016 £'000	31 Dec 2015 £'000
Receivable within one year		1,424	1,555
Receivable over one year		6,958	8,782
Total Loans and Advances		**8,382**	**10,337**

CHANGES TO LOANS AND ADVANCES

		31 Dec 2016 £'000	31 Dec 2015 £'000
Opening Balance		10,337	11,313
Additional Advances made		–	1,247
Repayments		(1,955)	(2,223)
Write Offs			–
Closing Balance		**8,382**	**10,337**

PROVISIONS FOR LOANS AND ADVANCES

		31 Dec 2016 £'000	31 Dec 2015 £'000
Opening Balance		690	–
Increase in Provision		1,383	690
Release of Provision		–	–
Closing Balance		**2,073**	**690**

Investments in Leases

The States of Jersey does not act as Lessor in any Finance Lease arrangements.

9.17 Available For Sale Financial Assets

Available for Sale investments are non-derivative financial assets that are either designated in this category or not classified in any other categories and are intended to be held for an indefinite period of time. In 2016 the States started a piece of work to assess the holdings in these investments and confirm the Government's intentions.

		31 Dec 2016 £'000	31 Dec 2015 £'000
Strategic Investments: Equity Shares			
Jersey Electricity plc		78,600	97,700
Jersey New Waterworks Company Limited		38,600	36,100
JT Group Limited		212,000	192,900
Jersey Post International Limited		29,300	28,800
Total: Equity Shares		**358,500**	**355,500**
Strategic Investments: Irredeemable Preference Shares			
Jersey New Waterworks Company Limited		7,400	7,400
Total: Preference Shares		**7,400**	**7,400**
Total Strategic Investments		**365,900**	**362,900**
Other Available for Sale Investments held at Fair Value			
Housing Property Bonds		18,954	18,741
Other		332	326
Total Other Available for Sale Investments		**19,286**	**19,067**

Strategic Investment Holdings:

Jersey Electricity plc

The States of Jersey holds all the ordinary shares in Jersey Electricity plc which represents approximately 62% of the Company's total issued share capital as at 31 December 2016 (86.4% of the total voting rights). Jersey Electricity plc also has "A" shares in issue which are listed on the London Stock Exchange, and two classes of preference shares, which hold 3% of the voting rights.

Jersey New Waterworks Company Limited

The States of Jersey hold 100% of the issued 'A' Ordinary shares, 50% of the issued Ordinary shares and 100% of the 7.5%–10% cumulative 5th Preference shares in the Jersey New Waterworks Company Limited as at 31 December 2016.

In addition, Jersey New Waterworks Company Limited has 6 other classes of preference shares issued and fully paid.

Each ordinary share carries one vote. Whilst 'A' ordinary shares are in the ownership of the States of Jersey, the total number of votes carried by these shares is twice the number of votes cast in respect of all other shares.

Every holder of a preference share holds one vote, irrespective of the number and class of such preference shares.

States of Jersey Investment Limited

The States of Jersey owns 100% of the share capital of States of Jersey Investments Limited (SOJIL), a company used to hold the investments in JT Group Limited and Jersey Post International Limited. Due to its nature as a holding company, SOJIL is consolidated in full and included inside the Consolidated Fund. This has the effect of treating the investments in JT and Jersey Post as part of the Consolidated Fund.

JT GROUP LIMITED

SOJIL holds all the Ordinary shares in the JT Group Limited.

JERSEY POST INTERNATIONAL LIMITED

SOJIL holds all the Ordinary shares in Jersey Post International Limited.

States of Jersey Development Company Limited

The States of Jersey holds 100% of the issued share capital for the States of Jersey Development Company Limited. This is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Andium Homes Limited

The States of Jersey holds direct control over Andium Homes Limited as the guarantor for the company. This is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Ports of Jersey Limited

The States of Jersey holds direct control over Ports of Jersey Limited. This is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Basis of Valuation of Strategic Investments

Strategic Investments are valued in line with the JFReM, IAS 39 and the Accounting Policies specified in Note 9.1.Specifically, the following methodologies have been used to value Ordinary Share Capital:

Jersey Electricity plc	*Market Value of "A" Shares*
Jersey New Waterworks Company Limited	*Comparable Company Multiple*
JT Group Limited	*Comparable Company Multiple*
Jersey Post International Limited	*Comparable Company Multiple*

These valuations are intended to represent the accounting fair value in respect of these companies and are prepared solely for inclusion in the accounts. Such valuations do not indicate the value that might be sought or received from a full or partial sale of any holding. The States' investments in these companies are held on a long term basis; there is no States decision to sell any of the States holdings at the present time.

Preference Shares are valued using the Dividend Valuation Model. Due to the method of valuation, increases in the value of preference shares will reduce the value of the equity shares.

Results of the 2016 Valuation

Overall the value of Strategic Investments increased by £3.0 million. The investment in Jersey Electricity decreased in value by £19.1 million, reflecting the decrease in the traded share price at the 2016 year end compared to 2015 and the removal of a net 10% voting rights premium in light of further consideration of accounting standards.

The investment in Jersey Water increased by £2.5 million, this was due to improved results of the company and an increase in the multiple used in calculating the valuation. The increase in this year's valuation has also been supported by a number of other methodologies.

The valuation of Jersey Post has increased by £0.5 million. The enterprise value has increased due to the improved results of the company. The increase in value has been partially offset by the reduction in the cash held in by the company and a reduction in the multiple used in calculating the valuation.

The valuation of JT increased by £19.1 million, this was due to improved results of the company and an increase in the multiple used in calculating the valuation. The increase in this year's valuation has also been supported by a number of other methodologies.

Other Available for Sale investments held at Fair Value

These investments are bonds that arise from the sale of properties to States tenants as part of the Social Housing Property Plan 2007–2016 (SHPP), sales to first time buyers qualifying under the Homebuy scheme and other similar arrangements.

The purchasers of properties under these two schemes are required to pay a proportion of the market value in cash on purchase and also enter into an agreement (bond) relating to the remaining value of the property. During the year new bonds with a value of £691,500 (2015: £1,205,551) were issued.

Upon the next sale and/or transfer of the property, the greater of the bond value and a proportion (as stated in the bond agreement) of the market value is paid to Andium. During 2016, £784,410 of bonds were redeemed (2015: £277,914), with a gain of £201,333 being recognised.

Some variants of the bond scheme in the SHPP include an element where the percentage of the bond value reduces. It is not expected that these bonds will be redeemed before the amount has reduced to a minimum, and therefore the value of these bonds is calculated based on this assumption.

There is no history of default rates within the scheme. Where the likelihood of recovering the bond amount is in doubt, an impairment review is carried out, and the value of the bond adjusted accordingly. Where a mortgage exists the mortgagor will have first call upon that property.

The Bonds are valued to reflect:

- the increase, and expected future increases, in the market value of the relevant property (calculated with reference to the Jersey HPI)
- the time value of money (using the States nominal discount rate of 6.1%)
- any indication of impairment of the bonds.

MOVEMENT IN OTHER AVAILABLE FOR SALE INVESTMENTS

		2016 £'000	2015 £'000
Opening		**19,067**	**16,922**
Issue of New Bonds		691	1,205
Redemption of bonds		(784)	(278)
Movement in Fair Value		313	1,221
Other Movements		(1)	(3)
Closing		**19,286**	**19,067**

As bonds mature on the sale of the underlying property, which is outside of the States control, no Housing Bonds have been classified as Current Assets.

9.18 Infrastructure Investments

	31 Dec 2016 £'000	31 Dec 2015 £'000
Currency Fund: JT – Gigabit Jersey	10,000	10,000
Currency Fund: Parish of Trinity 2	750	750
Currency Fund: Parish of Trinity 3	680	–
Total Infrastructure Investments	**11,430**	**10,750**

JT Group – Gigabit Jersey

A £10 million investment was approved in 2011 to provide support to JT for the financing of the Gigabit Jersey project. The Currency Fund carried out an Infrastructure Investment in JT Group Limited (JT) in line with its current Investment Strategy. The Infrastructure investment has taken the form of a 2.5% Redeemable Preference Share instrument. During 2012 all of the £10 million 2.5% Redeemable Preference shares were issued (3 tranches of £4 million in April, £3 million in June and £3 million in September).

Parish of Trinity

The £6 million investment from the Currency Fund to the Parish of Trinity's phase one project was repaid in full during 2014. On 24 July 2014 up to a further £1 million investment to the Parish of Trinity for phase two project was approved from the Currency Fund. This is to construct 5 over 55's bungalows. During 2015 £750,000 of the approved £1 million was paid to the Parish of Trinity for the financing of phase two of a building project on Field No. 578. No further drawdowns were made in 2016 nor are expected for phase 2 of the project, the Investment is due to be repaid before the end of 2018. During 2016, up to £3.5 million was approved as an infrastructure investment in phase three of the Parish of Trinity building project on Field No. 578, the project is to build 14 first time buyer properties. The project is structured differently from the existing infrastructure investments and is held through the Common Investment Fund as an Infrastructure Investment asset. By the end of 2016 £680,000 had been drawn; the investment is to be repaid before the end of 2018.

States of Jersey – Sewage Treatment Works

In line with the Waste Water Strategy (P.39/2014) which was approved by the States, the Currency Fund is committed to issue an Investment to provide partial funding for the construction of the new Sewage Treatment Works at a fair interest rate. The Medium Term Financial Plan (2016–19) allocated £25.5 million of the Fund portfolio for investment in the Sewage Treatment Works; as at the year end the investment had not yet been drawn down.

9.19 Investments held at Fair Value through Profit or Loss

Investments held in the Common Investment Fund are managed as a portfolio reported at Fair Value, and so the States has designated these investments at Fair Value through Profit or Loss (FVTPL). A small proportion of investment holdings are maintained outside the CIF within funds passively managed by Legal and General. Investments held with the States' Cash Manager are classified as Cash Equivalents, and included in Note 9.22.

		31 Dec 2016 £'000	31 Dec 2015 £'000
Equity Class		1,653,426	1,355,665
Government Bond Class		140,782	149,442
Corporate Bond Class		69,278	92,584
Absolute Return Bond Class		364,075	346,527
Cash Class		170,187	234,364
Property Class		92,885	90,295
Absolute Return Class		314,205	190,205
Total Investments at FVTPL		**2,804,838**	**2,459,082**

Investments are carried at market value in the accounts, which is not materially different from fair value.

MATURITY ANALYSIS

		31 Dec 2016 £'000	31 Dec 2015 £'000
Less than one year		256,734	293,155
Between one and two years		27,028	58,134
Between two and five years		7,829	23,637
More than five years		19,378	15,835
Pooled vehicles and assets without a maturity date (ie equity)		2,493,869	2,068,321
Total Investments at FVTPL		**2,804,838**	**2,459,082**

9.20 Inventories

ANALYSED BY FUND

	31 Dec 2016 £'000	31 Dec 2015 £'000
Consolidated Fund	8,012	7,970
Jersey Currency Fund	1,173	1,240
Jersey Fleet Management	59	31
States of Jersey Development Company Limited	66,354	42,316
Ports of Jersey Limited	340	364
Total Inventories	**75,938**	**51,921**

ANALYSED BY TYPE

	31 Dec 2016 £'000	31 Dec 2015 £'000
Raw Materials, Consumables, Work in Progress and Finished Goods	9,589	9,651
Development Property Inventories	66,349	42,270
Total Inventories	**75,938**	**51,921**

During the year the following amounts relating to Inventory were recognised as expenditure.

	2016 £'000	2015 £'000
Inventory used during the year	24,663	25,244
Inventory written off	223	100
Reversals of previous write offs	–	(5)
Total Expense	**24,886**	**25,339**

9.21 Trade and Other Receivables

AMOUNTS FALLING WITHIN ONE YEAR

		31 Dec 2016 £'000	31 Dec 2015 £'000
Taxation Receivables: Amounts falling due within one year			
Income Tax Receivables		64,958	51,297
Income Tax Accrued Income		2,120	5,785
GST Receivables		5,738	5,316
GST Accrued Income		19,912	19,755
Provision for Taxation Receivables		(12,128)	(13,142)
Total Taxation Receivables		**80,600**	**69,011**
Non-Taxation Receivables: Amounts falling due within one year			
Trade Receivables		46,195	43,885
Prepayments and Accrued income		57,274	65,795
Other Receivables		4,915	5,072
Provision for Non-Taxation Receivables		(3,675)	(2,740)
Total Non-Taxation Receivables		**104,709**	**112,012**
Total Receivables due within one year		**185,309**	**181,023**
Amounts falling due after more than one year			
Trade and Other Receivables		3,300	3,544
Total Receivables due after more than one year		**3,300**	**3,544**
Total Receivables		**188,609**	**184,567**

Taxation Receivables

The Taxes Office actively monitors taxation receivables, and provides for doubtful debts based on the whole portfolio of receivables.

The provision is established as follows: receivables in excess of a defined threshold are reviewed individually to identify cases where there is a significant risk of non-collection – a specific provision is then made for these receivables. The remainder of the receivables are stratified by age, based on the year of assessment, and a set percentage provision is applied to each age category. The percentage provision increases with the age of the receivable, and is based on past experience.

The balance of taxation receivables after the provision for doubtful debts is therefore representative of the amount that is expected to be recovered for taxation receivables as a whole, and takes into account the risks of non-collection.

Non-Taxation Receivables

Included in the non-taxation receivables balance are receivables with a carrying value of approximately £16.5 million (2015: £12.5 million) which are past due at the reporting date for which the States has not provided as there has not been a significant change in credit quality and amounts, and are still considered recoverable.

AGEING OF PAST DUE BUT NOT IMPAIRED RECEIVABLES

	2016 £'000	2015 £'000
30–60 days	2,087	1,370
61–90 days	1,524	1,674
91–120 days	1,651	1,707
more than 120 days	11,244	7,780
Total past due but not impaired receivables	**16,506**	**12,531**

MOVEMENT IN THE ALLOWANCE FOR NON-TAXATION DEBTS

	2016 £'000	2015 £'000
Balance at the beginning of the year	2,740	2,181
Impairment losses recognised	1,232	1,059
Amounts written off as uncollectible	(141)	(386)
Impairment losses reversed	(253)	(59)
Other Adjustments	97	(55)
Balance at the end of the year	**3,675**	**2,740**

In determining the recoverability of a receivable any change in the credit quality of the receivable from the date credit was originally granted is considered.

The concentration of credit risk is limited due to the receivable base being large and unrelated.

AGEING OF IMPAIRED RECEIVABLES

	2016 £'000	2015 £'000
30–60 days	4	63
61–90 days	38	47
91–120 days	71	88
more than 120 days	3,562	2,542
Total Impaired receivables	**3,675**	**2,740**

The States considers that the carrying amount of Trade and Other Receivables is approximately equal to their fair value.

9.22 Cash and Cash Equivalents

	Notes	31 Dec 2016 £'000	31 Dec 2015 £'000
Bank deposit accounts		112,656	113,384
Bank current accounts		9,866	(7,100)
Cash in hand and in transit		405	384
Cash Equivalents	i	158,405	112,445
Total Cash and Cash Equivalents		**281,332**	**219,113**

Note:

i. Cash Equivalents include highly liquid investments held by the States Cash Manager.

9.23 Trade and Other Payables

	31 Dec 2016 £'000	31 Dec 2015 £'000
Amounts falling due within one year		
Trade Payables	43,879	43,972
Current Portion of PECRS Past Service Liability	7,208	7,206
Income Tax Payables and Receipts in Advance	32,633	26,660
Accruals and deferred income	29,631	40,189
Receipts in advance	8,429	8,300
Total Payables due within one year	**121,780**	**126,327**
Amounts falling due after more than one year		
Trade Payables	788	–
Receipts in advance	4,322	47
Total Payables due after more than one year	**5,110**	**47**
Total Payables	**126,890**	**126,374**

The average credit period taken for purchases in 2016 was 33 days (2015: 30 days).
The States considers that the carrying value of trade payables approximates to their fair value.

Note:

The 2015 Trade Payables number includes £6,954,986 of external borrowing by the States of Jersey Development Company that was incorrectly recorded in the States of Jersey Accounts.

This has been corrected in 2016 in the Statement of Financial Position with the total external borrowing now included in Note 9.24 'External Borrowings'.

9.24 External Borrowings

		31 Dec 2016 £'000	31 Dec 2015 £'000
Amounts falling due within one year			
SoJDC Bank borrowings		2,500	–
Total borrowings due within one year		**2,500**	**–**
Amounts falling due after more than one year			
SoJDC Bank borrowings		23,328	
External Bond due		243,198	243,112
Total borrowings due after more than one year		**266,526**	**243,112**
Total Borrowings Due		**269,026**	**243,112**

A Bond was issued in June 2014, the proceeds of which are to be used to fund a programme of affordable housing through providers such as the newly established Andium Homes Limited (formerly the Housing Department).

The unsecured Bond was issued at £243,772,500 (nominal amount of £250,000,000, issued at a discount) with a coupon rate of 3.75%, and a final maturity of 40 years, with the final instalment due to be repaid in 2054.

No hedging has been undertaken for this Bond as the interest rate is fixed with bi-annual coupon payments.

Note:

The 2016 position includes external borrowing by the States of Jersey Development Company. The equivalent number of £6,954,986 was incorrectly accounted for as a Trade Payable (Note 9.24) in the 2015 Accounts. 2015 has not been restated in the 2016 Accounts as it is not material but the accounting has been corrected in 2016.

9.25 Currency in Circulation

		31 Dec 2016 £'000	31 Dec 2015 £'000
Jersey Notes issued		109,092	107,635
Less: Jersey Notes held		(6,783)	(6,989)
Total Jersey Notes in Circulation		**102,309**	**100,646**
Jersey Coinage issued		10,195	9,695
Less: Jersey Coinage held		(888)	(753)
Total Jersey Coinage in Circulation		**9,307**	**8,942**
Total Currency in Circulation		**111,616**	**109,588**

Under the Currency Notes (Jersey) Law 1959 the States produce and issue bank notes and coins. These are accounted for, at cost, as stock until they are formally issued by the Treasury and Resources Department. They are then accounted for as issued currency. At the end of their useful life they are removed from circulation and destroyed, at which time they are removed from the issued currency account. Issued currency is either held at the Treasury or in circulation. The liability in the accounts reflects the value of currency in circulation.

9.26 Finance Lease Obligations

The States of Jersey have entered into finance lease and sale and lease back arrangements to finance the development of capital projects, Morier House and Maritime House. At 31 December 2016, the States had commitments to make the following payments under these arrangements.

		Minimum Lease Payments	
		31 Dec 2016 £'000	31 Dec 2015 £'000
Within one year		1,558	1,558
In the second to fifth years inclusive		2,569	4,127
Gross Minimum Lease Payments		**4,127**	**5,685**
Less: future Finance charges		(614)	(987)
Total Finance Lease Obligations		**3,513**	**4,698**

		Present Value of Minimum Lease Payments	
		31 Dec 2016 £'000	31 Dec 2015 £'000
Within one year		1,275	1,185
In the second to fifth years inclusive		2,238	3,513
Total Finance Lease Obligations		**3,513**	**4,698**

9.27 Provisions

Provisions as at 31 December were made up of:

	31 Dec 2016 £'000	31 Dec 2015 £'000
Self insurance claims	3,785	2,864
Other provisions – to be used within one year	622	989
Other provisions – to be used after one year	19,400	9,424
Total Provisions	**23,807**	**13,277**

Movement in Provisions were:

	2016 £'000	2015 £'000
Balance 1 January	13,277	11,358
Increase in Provisions	12,142	3,190
Use in Year	(1,012)	(835)
Other movements	(600)	(436)
Balance 31 December	**23,807**	**13,277**

Material amounts included in "Other Provisions" include:

	Notes	31 Dec 2016 £'000	31 Dec 2015 £'000
Decommissioning – New EfW	i	2,080	2,080
Asset Sharing Agreement – Other	ii	12,070	3,308
Jersey Arts Trust Loan	iii	1,894	2,329

Notes

i. Provision for new Energy from Waste decommissioning in accordance with IAS 37. Approval for this expenditure will not be sought until closer to the end of the plant's useful life.

ii. Relating to seizures of assets that may become payable to other jurisdictions depending on the outcome of Court decisions. The assets are included in the States accounts in full.

iii. Provision for a guarantee to Barclays Bank Plc for amounts outstanding in respect of a loan to the Jersey Arts Trust in connection with the renovation of the Opera House. The States pay funding to the Trust to cover loan payments, however if this funding were not in place, the States would become liable under the guarantee.

9.28 Derivative Financial Instruments

		31 Dec 2016 £'000	31 Dec 2015 £'000
Derivative Liabilities			
Other Financial Derivatives		461,163	233
Total Derivative Liabilities		**461,163**	**233**
Derivative Assets			
Other Financial Derivatives		(456,959)	–
Total Derivative Assets		**(456,959)**	**–**
Total Derivative Net Liabilities		**4,204**	**233**

Special Hedging Arrangement

Following the result of the EU referendum, Sterling suffered a significant devaluation against all major foreign currencies resulting in a substantial rise in the value of foreign denominated assets within the Common Investment Fund.

The most material holding of US Dollar was through the States Equity portfolio. Under the advice of the Treasury Advisory Panel a special hedging arrangement was entered into to protect some of these gains from a sudden recovery in Sterling.

The hedging arrangement implemented a stepped profile whereby a greater proportion of the CIF's US Dollar exposure was hedged as the exchange rate fell. By the year end 60% of the CIF's US Dollar exposure was hedged. By February 2017 this had risen to 80%.

Whilst these instruments hedge foreign exchange risk, they have not been designated as hedging instruments and are accounted for at Fair Value through the Operating Cost Statement. More details on the management of Foreign Exchange risk is given in Note 9.33.

Details of Gains and Losses recognised on these instruments are given in Note 9.8.

Housing Trusts Letters of Comfort

The Treasury and Resources Department have agreed to provide financial support to various Housing Trusts in respect of bank loans. To this end, the department has issued a total of 32 Letters of Comfort to 4 Housing Trusts, covering loans totalling £105.5 million as at 31 December 2016 (2015: £110.5 million). These loans do not constitute guarantees, but provide a cap on interest rates – if rates exceed an agreed threshold the States will provide a subsidy (through the Housing Development Fund) equal to the excess. Due to low interest rates, no subsidies have been paid since 2009. The letters cover a range of periods, with the last exposure currently expiring in 2035.

Valuation

The value of the liability that these letters represent has been determined using Discounted Cash Flow methods, using estimations of future interest rates to project subsidy payments.

Sensitivity

The values of interest rate caps are dependent on several factors, including year end loan balances, commercial expectations of future interest rates, and changes in the markets' expectations. Changes in these factors could lead to changes in the future value of the liability recognised, to reflect expected changes in the subsidies that are expected to be paid.

Whilst latest market indications are that interest rates are not expected to increase to levels that will trigger the payment of a subsidy for the full period of exposure, the table below shows what the approximate level of subsidy payments would be in 2018 if rates were at various levels for the year.

Interest Rate (LIBOR)	Value of Subsidies (2018) £'000
3%	–
4%	474
5%	1,056
6%	1,682
7%	2,318
8%	2,955

Other Financial Derivatives

The Governments of the UK and France enter into an agreement with the States of Jersey to delegate authority for air traffic control over the 'Channel Islands Control Zone'. The contract agrees a fixed sum of Euros, paid quarterly, over a three year period to cover the cost of this operation. This compensation is transferred to the Ports of Jersey Limited to meet the costs of provision of the air traffic control services. The States has entered into a number of forward contracts to sell the Euro receipts at a fixed rate in order to provide a guaranteed sterling amount to Ports of Jersey Limited over the life of the contract.

Whilst these instruments hedge foreign exchange risk, they have not been designated as hedging instruments and are accounted for at Fair Value through the Operating Cost Statement. More details on the management of Foreign Exchange risk is given in Note 9.33.

Details of Gains and Losses recognised on these instruments are given in Note 9.8.

Other derivatives may be held on a short term basis where this is appropriate for the management of the States investments. No such instruments were held at the year end. As gains and losses are small and relate directly to investments held at Fair Value through the Profit or Loss, any gains and losses on these derivatives are included within gains and losses on these investments.

9.29 Past Service Liabilities

PECRS pre-1987 debt

The framework for dealing with the pre-87 debt is outlined in the Public Employees (Pension Scheme) (Funding and Valuation) (Jersey) Regulations 2015. Under the Regulations, annual repayments are due to be paid until September 2053. The amount payable increases each year in line with the average pay increase of Scheme members who are States employees. This means that the repayment of the debt is weighted towards the end of the loan period.

Due to the relative size of the annual payment the States does not consider that this liability leads to any significant liquidity risk.

The debt is valued as a salary-like bond and the long term nature of this arrangement means that the level of the debt is sensitive to changes in the market conditions that are used to value the debt. It is possible for the level of the debt to increase or decrease over the course of a financial year due to changes in market conditions. During 2016 the value of the pre-87 debt increased by £43.7 million. This was mainly due to a reduction in the discount rate over the last year.

Changes in these assumptions can affect the value of the liability included in the Accounts. For example, an increase of 0.1% in the Discount Rate, or a decrease of 0.1% in the staff increase assumption, would result in a decrease in the liability of approximately £5 million. Conversely, a decrease of 0.1% in the Discount Rate, or an increase of 0.1% in the staff increase assumption would lead to an increase of approximately £5 million. Such movements in the liability amount are recognised within the "Movement in Pension Liabilities" line in the SoCNE.

	2016 £'000	2015 £'000
Balance at 1 January	**253,565**	**280,268**
Finance Charge	13,084	13,733
Payment in Year	(7,217)	(26,270)
Movement in Liability Amount	37,903	(14,166)
Balance at 31 December	**297,335**	**253,565**

AMOUNTS FALLING DUE

	31 Dec 2016 £'000	31 Dec 2015 £'000
Within one year	7,208	7,206
After one year	290,127	246,359
Total	**297,335**	**253,565**

The calculation of the Closing Liability amount uses the following assumptions:

	2016 %	2015 %
Average future increase in Staff Expenditure	4.95	4.90
Discount Rate	4.31	5.16

JTSF Past Service Liabilities

The Teachers' Superannuation Scheme was restructured in April 2007 and as a result a provision for past service liability, similar to the PECRS pre-87 past service liability, was recognised. In 2012 the Scheme's Management Board made a proposal to the States on the treatment of the pension increase debt.

On the basis of the Management Board proposal the Scheme Actuary has calculated the value of this past service debt at the actuarial valuation date and an updated value as at 31 December 2016. As a result the provision has increased from £108.1 million to £111.8 million, with the movement being recognised within the "Movement in Pension Liabilities" line in the SoCNE.

This represents the expected amount that will be required to settle the liability, based on the latest information available in the Management Board proposal.

	2016 £'000	2015 £'000
Balance at 1 January	**108,062**	**104,452**
Net Movement in Liability Amount	3,812	3,610
Balance at 31 December	**111,874**	**108,062**

The liability had not been formally agreed as at 31 December 2016, but it is planned that this will be completed following a review of the Jersey Teachers Superannuation Fund. This will lead to a proposition being taken to the States to amend the relevant orders to formally recognise the liability. In subsequent years the liability would then be valued in a similar way to the PECRS Pre-1987 Debt.

Actuarial Gains and Losses on both scheme assets and liabilities are recognised through Other Comprehensive Income.

9.30 Defined Benefit Pension Schemes Recognised on the Statement of Financial Position

The States of Jersey operates three defined benefit pension schemes which are not open to new members and all current members are receiving pension benefit: the Jersey Post Office Pension Fund (JPOPF), the Discretionary Pension Scheme (DPS) and the Civil Service Scheme (CSS). In addition, the States also has responsibility for the unfunded Pensions Increase Liability (PIL). The States also operates a further two schemes which are not recognised on the Statement of Financial Position, details of which are given in the Treasurer's Report.

Assumptions

The main financial assumptions made by the actuary where applicable were:

	2016 % p.a.	2015 % p.a.
Jersey Price Inflation	3.25	3.00
Rate of general long-term increase in salaries	4.25	4.00
Rate of increase to pensions in payment	3.25	3.00
Rate of increase to pensions in payment payable by PECRS	3.25	3.00
Discount rate for scheme liabilities	2.70	3.70

Demographic Assumptions for each scheme are made by the Actuary, as are assumptions about the long term returns on various asset classes.

Scheme Assets and Liabilities

		31 Dec 2016			31 Dec 2015
	Notes	Asset £'000	Liability £'000	Net (Asset) / Liability £'000	Net (Asset) / Liability £'000
Jersey Post Office Pension Fund	i	(7,518)	8,567	**1,049**	1,011
Discretionary Pension Scheme		(249)	626	**377**	323
Jersey Civil Service Scheme (pre-67)		–	5,219	**5,219**	5,397
Total Defined Benefit Pension Schemes Net (Asset)/ Liability		**(7,767)**	**14,412**	**6,645**	**6,731**

The JPOPF holds assets in several classes, with the majority being Gilts. The DPS has a single asset, in the form of a Secured Pension.

Notes

i. The JPOPF had previously reported a small surplus for a number of years, but this is not recognised as an asset due to the restrictions of paragraph 58 of IAS 19.

Amounts recognised in Net Revenue Expenditure

The difference between expected returns on scheme assets and interest on scheme liabilities is recognised in Net Revenue Expenditure.

	2016 £'000	2015 £'000
Jersey Post Office Pension Fund	38	37
Discretionary Pension Scheme	12	12
Jersey Civil Service Scheme (pre-67)	192	192
Total Defined Benefit Pension Schemes Expenditure	**242**	**241**

The PECRS fund has taken on the responsibility for paying off the PIL.

Amounts recognised in Other Comprehensive Income

Actuarial Gains and Losses on both scheme assets and liabilities are recognised through Other Comprehensive Income.

	31 Dec 2016 £'000	31 Dec 2015 £'000
Jersey Post Office Pension Fund	–	58
Discretionary Pension Scheme	54	17
Jersey Civil Service Scheme (pre-67)	59	61
Total Actuarial Gains recognised in Other Comprehensive Income	**113**	**136**

9.31 Capital Commitments

At the balance sheet date the States had authorised capital expenditure of £105.3 million (2015: £121.6 million) from the consolidated fund which had not yet been incurred. A further £14.8 million was authorised from the Trading Funds, but not incurred (2015: £12.9 million). This amount includes the following amounts which are committed via a contractual arrangement, but not yet incurred/provided for.

	2016 £'000	2015 £'000
CMD: Enterprise Systems Development	384	–
HSS: Equipment Replacement	614	394
HSS: Replacement MRI Scanner	–	16
HSS: Replacement RIS/PACS	137	265
DFI: Liquid Waste Strategy	3,176	140
DFI: Sludge Thickener Project	109	630
DFI: Replacement Assets	695	–
DFI: EFW Replacement Assets	695	–
DFI: Infrastructure Rolling Vote	–	851
DFI: New Recycling Centre	–	720
DOE: Equipment maintenance and Minor	117	–
DFI: Police Relocation (Phase 1)	794	11,662
DFI: Future Hospital	2,339	660
DFI: Main theatre	–	3,099
DFI: Add. Primary School Accommodation	725	2,567
DFI: Les Quennevais Replacement School	229	–
T&R: Tax Transformation Prog & IT	142	142
T&R: ITAX Development – Taxes Office	20	20
CCA: Biometric Passports	108	332
CCA: Minor Capital	1,984	2,196
CCA: Tetra Radio Replacement	285	321
CCA: Prison Control Room	32	91
CCA: Security Measures	66	66
CCA: Prison Cell call system	89	99
Non Mins: Minor Capital	–	290
Jersey Fleet Management: Vehicle and Plant Replacement	895	108
Jersey Car Parks: Car Park Maint & Refurbishment	91	–
Total Capital Commitments	**13,726**	**24,669**

9.32 Commitments under Operating Leases

The States as Lessee

Total Minimum lease payments under operating leases are given below:

		2016 £'000	2015 £'000
Land and Buildings			
Within one year		433	741
In the second to fifth years inclusive		1,070	2,657
After five years		241	797
Total Land and Buildings		**1,744**	**4,195**
Other Operating Leases			
Within one year		180	185
In the second to fifth years inclusive		–	–
After five years		–	–
Total Other Operating Leases		**180**	**185**
Total Operating Lease Commitments		**1,924**	**4,380**

The States as Lessor

The States acts as lessor in a number of operating lease arrangements.

Included in Property, Plant and Equipment are assets held for use in operating leases:

		2016 £'000	2015 £'000
Cost		1,607,235	897,756
Accumulated Depreciation		(30,878)	(37,478)
Net book Value		**1,576,357**	**860,278**

At the balance sheet date, the States had contracted with tenants for the following minimum lease payments:

		2016 £'000	2015 £'000
Within one year		49,560	48,996
In the second to fifth years inclusive		231,034	220,297
After five years		61,610	66,855
Total		**342,204**	**336,148**

9.33 Risk Profile and Financial Instruments

The States of Jersey is exposed to risk through its holdings of financial instruments both through its operational activities and through its investment portfolios.

This note provides information about financial instruments which are material in the context of the accounts as a whole. The States hold financial instruments for a variety of purposes however by far the most material concentration are held within the States Investment Portfolio which is invested through the Common investment Fund. Other material financial instruments include a £2m investment in Absolute Return Bond class assets managed by Ports of Jersey, this is incorporated into the assets held at Fair Value through Profit and Loss detailed in note 9.19, a £250 million unsecured bond issued by the States, detailed in note 9.24, and short term deposits utilised in the management of the States operational cash requirements, detailed in note 9.22.

Key risks are defined below:

MARKET RISK
Market risk is the risk of loss from fluctuations in asset prices. Market risk is inherent in all asset classes but is considered to be higher in the more volatile asset classes such as equity.

Market risk can be split into the following components:

- **Price Risk**
  Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from credit, interest rate risk or currency risk).
- **Credit Risk**
  Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.
- **Interest Rate Risk**
  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with changes in market interest rates.
- **Currency Risk**
  Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

Quantification of risk exposure:

The following 'market risk' table summarises the most significant risks financial instruments are exposed to by asset class:

CIF asset Class	Market Risk				2016 Value	2015 Value
	Price	Credit	Interest Rate	Currency	Value (£m)	Value (£m)
Equities	✓			✓	**1,653.4**	**1,355.7**
UK Government Bonds		✓	✓		140.8	149.4
UK Corporate Bonds		✓	✓		69.3	85.6
Absolute Return Bonds		✓	✓	✓	362.1	346.6
Fixed Income		✓	✓		572.2	581.6
Cash		✓	✓		**170.2**	**241.4**
Absolute Return	✓	✓	✓	✓	314.2	**190.2**
UK Property	✓	✓	✓		92.9	**90.3**
Infrastructure		✓			0.7**	**0**
Alternative	✓	✓	✓		**407.8**	280.5

*The CIF holds non financial instruments including broker cash, debtor and creditors to the value £24.4m which is not included in the above table.

** Further details of the Infrastructure Investment can be found in note 18.

Approach to risk

The Common Investment Fund (CIF) was establishment on 1 July 2010 as an arrangement to allow States Funds and other Funds managed by the States to pool their assets for investment purposes. The CIF is an aggregation of the holdings of the underlying participating Funds ('Participants'). Risk is monitored at both this Participant level and at the aggregate CIF level.

The primary long-term risk of the CIF is that Participants fail to meet their investment objectives. Investment objectives of Participants are defined in the published States Investment Strategy document. The Minister for Treasury and Resources presented the latest investment strategy in December 2016 setting out the strategy for each Fund including strategic aims and investment limits.

The objective of the Fund's risk management strategy is to identify, manage and control its risk exposure within acceptable parameters, whilst optimising the return on risk. The exposure to risk of individual Funds is considered within their investment strategy and is managed at a strategic level through their asset allocation as published within the States of Jersey Investment Strategy Document. Investment strategy is considered over a long term investment horizon and diversifies risk across managers and assets. Investment strategy is overseen by the Treasury Advisory Panel ('TAP') under the advice of the States Investment Advisor, Aon Hewitt.

The States approach to the individual components of Market risk are considered in turn in the following section.

Price Risk

Price risk is managed via asset allocation at the strategic level but also managed by Investment Managers at the operational level through tools such as diversification and selection of individual securities. The operational controls employed by the managers are included within their investment management agreements, scheme rules or equivalent. Reliance on managers is further considered in the manager risk section of this note.

Interest Rate Risk

The states are exposed to interest rate risk through holdings in interest bearing assets held both directly or indirectly through Fund structures. Asset classes exposed to interest rate risk includes the Cash, UK Government Bonds, UK Corporate Bonds and Absolute Return Bonds.

UK Government Bonds are held directly within the Short Term Government Bond and Index Linked Government Bond Pool of the CIF. These pools are passively managed and interest rate risk is managed through limiting the duration of the States holdings. Cash, UK Corporate Bond and Absolute Return Bond class assets are actively managed by external managers. The Fund's investment managers are responsible for the management of interest risk. Some managers may utilise derivative instruments such as futures, options and swap agreements to modify duration, subject to restrictions.

Currency Risk

The States of Jersey maintains investments that may be denominated in currencies other than Sterling. Where the States is exposed to the risk posed from foreign currencies, the following policy in the published Investment Strategy Document applies:

Global equities are not, under normal circumstances, hedged back to Sterling. Bonds within the CIF may be hedged but this is typically dealt with within the fund structure and no further consideration is taken. The majority of the foreign currency risk within the CIF's Absolute Return Pool is hedged within the Funds. Where this is not possible due to lack of a sterling share class, 95% of the exposure will be hedged within the pool. Under advice from the Treasury Advisory Panel further hedging arrangements, in addition to those described above, may be entered into to protect the States Investments from movements in exchange rates to which they would be exposed, this includes (but is not limited to) the use of currency derivatives.

Special hedging arrangement – Equity Exposure

Following the result of the EU referendum, Sterling suffered a significant devaluation against all major foreign currencies resulting in a substantial rise in the value of foreign denominated assets within the CIF. The most material holding of USD was through the States Equity portfolio. Under advice of the TAP a special hedging arrangement was entered into to protect some of these gains from a sudden recovery in Sterling.

The hedging arrangement implemented a stepped profile whereby a greater proportion of the CIFs USD exposure was hedged as the exchange rate fell. By the year end 60% of the CIFs USD exposure was hedged. By February 2017 this had risen to 80%.

Credit risk

The main exposure to credit risk to which the States is exposed arises from investment in Gilts, UK Corporate Bonds, Absolute Return Bond and Cash class assets. UK Gilts are held within the Short Term Government Bond Pool and Index Linked Gilt Pool and are dependent on the solvency of the UK Government. The credit rating of the UK Government is AA; this rating is monitored by the investment advisor who reports on the holding within the UK gilts pools both quarterly to the TAP and by exception. UK Corporate bonds and absolute return bonds are held through collective investment vehicles. Credit risk within the vehicles is managed through diversification and selection of securities/counterparty which is delegated to the manager. Cash is held for operational and investment purposes. The States minimises holdings of operational cash with the States Banker, HSBC, transferring cash in excess of short term requirements to the States Cash Manager, Royal London Asset Management (RLAM) on a daily basis. Again, credit risk is managed through diversification and selection of securities/counterparty which is delegated to the manager.

Reliance on managers is further considered in the manager risk section of this note.

Cash held for investment purposes is quantified in the market risk table within this note.

Cash held for operational purposes is summarised within the Cash and Cash Equivalents note 9.22.

Manager Risk

Manager risk is the broad risk which encompasses losses arising from the mistakes, negligence and underperformance of the managers in the discharge of their responsibilities in the management of a financial portfolio.

In assessment of manager risk we have differentiated between performance risk, the risk that the manager underperforms their relative benchmark, and operational risk, the risk that the manager fails to adequately discharge their responsibilities.

Performance risk is managed through initial selection of managers, ongoing monitoring of performance. Appointment and dismissal of Investment Managers is subject to the recommendation of TAP following appropriate scrutiny supported by the States Investment Advisor. Ongoing performance of managers is monitored on a monthly basis by the investment advisor and reported and scrutinised by the TAP on a quarterly basis.

To manage operational risk the States investment advisor conducts a continuous monitoring program over the managers and reports both by exception and at the quarterly meetings of the TAP. Operational due diligence is carried out by an experienced team at Aon Hewitts and includes both on site visits and examination of internal control reports, where produced. Limits are placed to ensure assets do not become overly concentrated with a single manager or strategy.

Fair value disclosures

All financial instruments measured at fair value must be classified by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Level 1

- (CIF) Index Linked Bonds
- (CIF) Short Term Government Bonds
- (CIF) Long Term Cash and Cash Equivalents
- (CIF) UK Active Equity
- (CIF) Global Passive Equities

Level 2

- (CIF) Derivative Forward Contracts (see Note 9.28)
- (CIF) Global Active Equity (a combination of level 1 & 2 assets)
- (CIF) Pooled Emerging Market Equity Pool
- (CIF) Pooled Special Equity Pool
- (CIF) UK Corporate Bond Pool

Level 3

- (CIF) Absolute Return Bond Pool
- (CIF) Absolute Return Pool
- (CIF) Infrastructure Investments
- (CIF) Pooled Property I Pool
- (CIF) Pooled Property II Pool

Strategic Investments (see Note 9.17)

Derivative Letters of Comfort (see Note 9.28)

9.34 Summary of Key Funds Held by SoJ

The tables below provide an explanation of the purpose of the Funds held by the States and the net asset balances as at the end of 2016.

SPECIAL FUNDS NAMED IN THE LAW

Special Fund	2016 £'000	2015 £'000	Function
Strategic Reserve Fund	819,584	771,382	Established under the Public Finances (Jersey) Law 2005, this is permanent reserve. The policy for the Reserve was agreed by the States under P.133/2006, stating that it is to be used only in exceptional circumstances to insulate the Island's economy from severe structural decline (such as the sudden collapse of a major Island industry) or from major natural disaster. The States have subsequently approved P.84/2009 which proposed that this policy is varied to enable the Strategic Reserve to be used, if necessary, for the purposes of providing funding up to £100 million for a Bank Depositors Compensation Scheme and P.122/2013 which agreed to the drawdown of approximately £297 million to fund the new hospital services over a period of years.
Stabilisation Fund	6	6	Established under the Public Finances (Jersey) Law 2005, the purpose of this Fund is to provide a reserve which can be used to make Jersey's fiscal policy more countercyclical in order to create a more stable economic environment. The Fund receives cash allocations in more buoyant economic conditions and makes payments at times of anticipated economic downturn.
Currency Fund	6,108	1,764	Established under the Public Finances (Jersey) Law 2005, the Currency Notes (Jersey) Law 1959, and the Decimal Currency (Jersey) Law 1971, the fund holds assets that match the value of Jersey currency notes and coinage in circulation, such that the holder of Jersey currency could be repaid on request. It also produces and issues currency notes and coins, and administers the currency in issue.
Insurance Fund	5,682	5,865	Established under the Public Finances (Jersey) Law 2005 (as amended under P.73/2013), the fund facilitates the provision of mutual insurance arrangements for States funded bodies and other participating bodies.

SPECIAL FUNDS FOR SPECIFIED PURPOSES

Special Fund	2016 £'000	2015 £'000	Function
Dwelling Houses Loans Fund	4,723	4,527	Established under the Building Loans (Jersey) Law 1950, to establish a building loans scheme to enable residentially qualified first-time buyers,who have never owned residential freehold property in Jersey, to purchase their first home. No new loans were made in 2015.
Assisted House Purchase Scheme	2,213	2,191	Established in 1977, the purpose of this fund was to aid the recruitment of staff from the UK, by facilitating the purchase of suitable properties by the States on behalf of the employee. It is no longer making new loans.
99 Year Leaseholders Fund	830	830	Established by the former Housing Committee under the general powers of the Building Loans (Jersey) Law 1950, this fund allowed the Committee to lend to individuals offering leasehold property as security (at a time when there was no share transfer or flying freehold legislation). It is no longer making new loans.
Agricultural Loans Fund	534	520	Established under the Agriculture (Loans and Guarantees) (Jersey) Regulations 1974, the fund makes loans to individuals engaged in work of an agricultural nature in Jersey for the purpose of furthering their agricultural business. It is no longer making new loans.

Special Fund	2016 £'000	2015 £'000	Function
Tourism Development Fund	420	655	Established under P.170/2001 to replace the Tourism Investment Fund, this fund makes grants to the tourism industry in order to improve Jersey's competitiveness and sustain the industry as an important pillar of the economy.
Channel Islands Lottery (Jersey) Fund	100	100	Established by the Gambling (Channel Islands Lottery) (Jersey) Regulations 1975, the fund promotes and conducts public lotteries, the draws for which may be held in Jersey or Guernsey.
Jersey Innovation Fund	2,918	4,995	Established under P.124/2012, the fund was set up to make investments in private and public sector projects to drive greater innovation in Jersey and improve competitive advantage. Approval of new loans has been suspended.
Housing Development Fund	(6,032)	(1,469)	Established under P.74/99 and P.84/99, the fund assists in meeting the requirements for the development of social rented and first-time buyer homes by providing development and interest subsidies. The terms of the Fund were extended in the Budget 2014 to allow for commercial borrowing through the Fund and lending to Housing Trusts/ Associations/Companies or bodies with the same purpose registered in Jersey. The negative balance represents a net liability position on the Fund. More details can be found in the unaudited Annex to the Accounts.
Criminal Offences Confiscation Fund	3,863	3,019	These funds are established under the Proceeds of Crime (Jersey) Law 1999 and Civil Asset Recovery (International Co-operation) (Jersey) Law 2007 respectively. These funds hold amounts confiscated under law. Funds are then distributed in accordance with the relevant legislation.
Civil Asset Recovery Fund	248	209	
Ecology Fund	441	386	Established in 1991, the purpose of this fund was to support local environmental projects.

SOCIAL SECURITY FUNDS

Special Fund	2016 £'000	2015 £'000	Function
Social Security Fund	72,155	88,472	Established under the Social Security (Jersey) Law 1974, the fund receives all contributions payable under the Law, and pays out benefits such as the old age pension and incapacity benefit and expenditure related to the administration of these benefits.
Social Security (Reserve) Fund	1,572,038	1,288,338	Established under the Social Security (Jersey) Law 1974, the fund sets aside funds for the future provision of pension benefits for those in employment so as to reduce the impact of pensions in future generations, as well as to smooth contributions for Social Security benefits over time.
Health Insurance Fund	86,341	75,680	Established under the Health Insurance (Jersey) Law 1967, the fund receives allocations from Social Security Contributions for the purpose of paying claims for medical benefits and pharmaceutical benefit as defined in the law.
Long-Term Care Fund	19,985	11,185	Established under the Long Term Care (Jersey) Law 2013, the fund receives allocations under the Social Security Law, for the purpose of paying out benefits and expenditure relating to longterm care.
Jersey Dental Scheme	7	5	The Jersey Dental Benefit Scheme was established under the Jersey Dental Care Subsidy Scheme Act of June 1991 with the objective of providing a professional service of regular dental care to maintain the dental fitness of the members of the Scheme and to maintain a system of peer review of dental services provided to members under the scheme.

9.35 Contingent Assets and Liabilities

Contingent Assets

There are no Contingent Assets as at 31 December 2016 (2015: Nil).

Guarantees not recognised as Financial Liabilities

Jersey New Waterworks Company

The States of Jersey have provided a guarantee to HSBC Plc up to a maximum of £16.2 million (2015: £16.2 million) for amounts outstanding in respect of a loan to the Jersey New Waterworks Company Limited. As at the year end the amount guaranteed was £14.9 million (2015: £14.9 million). This guarantee was first provided in its current form in 1999, and historically no amounts have been drawn down in relation to it. Due to the stability of the company and the resulting low likelihood of default, the current value of total expected outflows under this guarantee will be very low and so no amount is recognised on the Statement of Financial Position.

Student Loan Guarantees

Faced with increasing tuition fees and increased numbers of local young people seeking entry to higher education, the Education Department has worked with local banks to offer a loan facility valued at up to £1,500 per year to all students attending programmes of higher education in the UK. The introduction of this facility helps to spread the costs of tuition by enabling the student to take responsibility for part of the costs. The interest rate is set at 1% above base rate and young people taking up the offer commence repayments one year after graduation.

The States of Jersey has given guarantees against these loans to the banks. As at the year end the value of the loans amounted to £2.7 million (2015: £2.7 million).

There is no experience of default in the Jersey Scheme, and the equivalent scheme in the UK experiences defaults on approximately 1% of the total balance each year. Using a simplified analysis of the guarantees this would suggest that the current value of total expected outflows under the scheme will be very low (less than £50,000) and so no amount is recognised on the balance sheet for these guarantees.

Other Contingent Liabilities

There are several cases where a possible obligation may exist (as a result of past events), and where the existence of the liability will be confirmed only by future events outside of the States control.

Civil claims against the States of Jersey still continue to be a present obligation that arises from past events with regards to the Independent Jersey Care Inquiry. Although the quantum has been estimated within the banding set by a UK specialist counsel based on a sample of claims, there is a substantial process to be undergone before the matter can be finalised. A provision for this liability cannot be made in the Accounts because the amount of the obligation cannot be measured with sufficient accuracy.

Junior doctors work in Jersey as part of a rotation with the NHS, with pay set by the NHS. Currently pay for junior doctors in the NHS is under dispute. There is a potential liability with regards to the pay award for 2015, however no provision can be made as the amount of the obligation is currently unknown.

The UK passed legislation in 2015 requiring the NHS to charge overseas visitors 150% of the standard cost based tariff for hospital services. The legislation, set out in Regulations, is ambiguous about its intended impact on Jersey patients, and therefore it is unclear whether this charge will impact Jersey patients. As such, the certainty is unknown as a provision cannot made for this amount.

A number of other potential liabilities may exist, but details are not included in these accounts as they may prejudice the outcome of the actions in question.

These include potential claims in the following areas:

- Health and Safety
- Employment issues
- Contract Terms
- Medical Claims
- Public Liability Claims

9.36 Losses and Special Payments

	2016 £'000	2015 £'000
Losses		
Losses of cash		
Overpayment of Social Benefits	100	73
Bookkeeping Adjustments	27	(562)
Other Losses of cash	2	
Total losses of cash	**129**	**(489)**
Fruitless Payments		
Fruitless Payments	–	193
Total Fruitless Payments	**–**	**193**
Bad debts and claims abandoned		
Uncollectible Tax	1,848	2,147
Other Tax Receivables written off	305	929
Other claims abandoned	363	590
Total bad debts and claims abandoned	**2,516**	**3,666**
Damage or loss of inventory		
Write off of expired stock	(15)	82
Other inventory write offs	71	112
Total damage or loss of inventory	**56**	**194**
Other losses		
Other losses	–	–
Total other losses	**–**	**–**
Total Losses	**2,701**	**3,564**
Special Payments		
Total compensation payments	100	123
Total ex gratia and extra contractual payments	25	370
Total Severance Payments	3,970	5,938
Total Regulatory Payments	(30)	25
Total Special Payments	**4,065**	**6,456**
Total Losses and Special Payments	**6,766**	**10,020**

9.37 Gifts

A gift is defined as something voluntarily donated, with no preconditions and without the expectation of any return. Transfers of assets between States entities, grants, social benefits, retirement gifts and long service awards are specifically not classified as gifts. As per the JFReM, only gifts over £10,000 in value are to be disclosed. No gifts were made in 2016 (2015: nil).

9.38 Related Party Transactions

Transactions between entities within the States of Jersey Group have been eliminated on consolidation and are not disclosed in this note.

Transactions with utility companies and government departments that are a result of their role as such are excluded in line with accounting standards. This includes:

- Electricity provided by Jersey Electricity
- Water provided by Jersey Water
- Postage services provided by Jersey Post
- Telephone charges from JT

Transactions relating to salaries and statutory amounts such as taxes are excluded.

All transactions are at arm's length and undertaken in the ordinary course of business unless otherwise stated.

Where the party is related through a Minister or Assistant Minister, only transactions occurring whilst they were in office are included.

2016

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Directly Controlled Entities – Strategic Investments					
Jersey Electricity plc	1,219	1,333	162	44	
Jersey Post International Limited	442	161	–	3	
JT Group Limited	664	538	7	10	
The Jersey New Waterworks Company Limited	150	182	–	4	
Directly Controlled Entities – Minor Entities					
Government of Jersey London Office	–	538	–	–	M King, former Chief Officer of Economic Development, is a Director. Expenditure includes grants of £495k.
Directly Controlled Entities – Other					
Jersey College for Girls School Fund	–	13	–	–	

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Jersey College for Girls PTA Trust Fund	5	–	–	–	
Le Rocquier School Fund	–	2	–	–	
Les Landes School Fund	–	16	–	–	
Les Quennevais School Fund	–	2	–	–	
Victoria College School Fund	3	48	–	–	Expenditure includes grants of £34k.
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Limited	–	92	–	–	Subsidiary of JEC.
Jersey Energy	–	46	–	–	Subsidiary of JEC.
JE Building Services	–	196	–	–	Subsidiary of JEC.
Retirement Schemes					
PECRS	906	–	–	322	Income related to services provided by the Treasury Department.
JTSF	309	–	–	15	Income related to services provided by the Treasury Department.
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Francaise de Jersey	13	89	–	–	P Ozouf, Chief Minister's Assistant Minister, is Vice Chair. Expenditure includes grants of £10k.
Association Bureau des Iles Anglo-Normandes (formerly Bureau de Jersey)	–	110	–	25	A Maclean, Treasury and Resources Minister, is a Board member. Expenditure includes grants of £135k.
Channel Islands Brussels Office	2	341	4	–	M King, former Chief Officer of Economic Development Tourism, Sport and Culture, is a Director. Expenditure is grants of £341k.
Digital Jersey	–	1,228	–	–	M King, former Chief Officer of Economic Development Tourism, Sport and Culture, is a non-executive Director. Expenditure includes grants of £1227k.
Governing Body of Institute of Law	1	93	–	–	Sir P Bailhache, External Relations Minister, is the Chairman. Expenditure includes grants of £30k.
Jersey and Guernsey Law Review Limited	–	10	–	–	Sir P Bailhache, External Relations Minister, is the Chairman.
Jersey Employment Trust	13	2,028	–	–	R Bryans, Education Minister, and P McLinton, Health and Social Services Assistant Minister, are Members of the Board. Expenditure includes grants of £1,977k.
Jersey Finance Ltd	1	4,982	–	89	M King, former Chief Officer of Economic Development Tourism, Sport and Culture, is a Member of the Board. Expenditure is grants of £5,060k.
Jersey Milk Marketing Board (Jersey Dairy)	–	183	–	–	M King, former Chief Officer of Economic Development Tourism, Sport and Culture, is a Member of the Board.

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Jersey Table Tennis Association	3	16	–	–	P Routier, Chief Minister's Assistant Minister, is Vice-President. Expenditure includes grants of £13k. Amounts due relate to a loan from the States. This loan was repaid in March 2016.
Les Amis Incorporated	27	300	–	–	E Noel, Infrastructure Minister, and P Routier, Chief Minister's Assistant Minister, are Trustees.
Parish of St Lawrence	18	17	–	–	D Mezbourian, Home Affairs Assistant Minister, is Connétable of St Lawrence.
Parish of St Brelade	29	33	–	–	S Pallett, Economic Development Tourism, Sport and Culture and Environment Assistant Minister, is Connétable of St Brelade.
Parish of St Peter	37	36	–	–	J Refault, Housing and Health and Social Services Assistant Minister, is Connétable of St Peter.
The Yacht Hotel Limited	–	10	–	–	L Farnham, Economic Development Tourism, Sport and Culture Minister, is a Director.
Trinity Youth Club	10	–	–	–	A Pryke, Housing Minister, is President.
Victim Support Jersey	–	30	–	–	B Heath, Chief Probation Officer, is the Vice Chairman. Expenditure includes grants of £30k.
Visit Jersey	385	5,214	–	–	D Bannister, Chief Executive Officer, Ports of Jersey, is a Member of the Board. Expenditure includes grants of £5,100k.

2015

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Directly Controlled Entities – Strategic Investments					
Jersey Electricity plc	1,304	1,501	180	8	
Jersey Post International Limited	430	56	38	10	
JT Group Limited	574	427	7	–	
The Jersey New Waterworks Company Limited	150	291	–	–	
Directly Controlled Entities – Minor Entities					
Government of Jersey London Office	–	628	–	–	M King, Chief Officer of Economic Development is a Director. Expenditure includes grants of £495k.
Jersey Legal Information Board	4	6	–	–	A Maclean, Treasury and Resources Minister, is a Board Member.

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Directly Controlled Entities – Other					
Jersey College for Girls School Fund	–	17	–	–	
Jersey College for Girls PTA Trust Fund	3	–	–	–	
Le Rocquier School Fund	–	2	–	–	
Les Landes School Fund	–	1	–	–	
Les Quennevais School Fund	–	4	–	–	
Victoria College School Fund	–	40	–	–	Expenditure includes a grant of £34k.
Indirectly Controlled or Influenced Entities – through Strategic Investments					
Jersey Deep Freeze Limited	–	50	–	–	Subsidiary of JEC.
Jersey Energy	–	7	–	–	Subsidiary of JEC.
JE Building Services	–	177	–	–	Subsidiary of JEC.
Retirement Schemes					
PECRS	1,024	–	–	162	Income related to services provided by the Treasury Department.
JTSF	278	–	334	–	Income related to services provided by the Treasury Department.
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Française de Jersey	13	58	–	–	P Ozouf, Chief Minister's Assistant Minister is Vice Chair. Expenditure includes a grant of £10k.
Association Bureau des Iles Anglo-Normandes (formerly Bureau de Jersey)	3	88	–	–	A Maclean, Treasury and Resources Minister, is a Board member. Expenditure includes grants of £88k
Channel Islands Brussels Office	–	361	–	–	M King, Chief Officer of Economic Development is a Director. Expenditure is a grant of £361k.
Digital Jersey	–	838	–	–	M King, Chief Officer of Economic Development, is a non-executive Director. Expenditure includes grants of £838k.
Governing Body of Institute of Law	3	70	–	–	Sir P Bailhache, External Relations Minister, is the Chairman. Expenditure includes grants of £30k.
Jersey and Guernsey Law Review Limited	–	7	–	–	Sir P Bailhache, External Relations Minister, is the Chairman.
Jersey Employment Trust	–	1,843	–	–	R Bryans, Education Minister and P McLinton, Health and Social Services Assistant Minster are Member of the Board. Expenditure includes grants of £1,843k.
Jersey Finance Ltd	–	4,870	–	–	M King, Chief Officer of Economic Development is a Member of the Board. Expenditure is a grant of £4,870k.

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Jersey Milk Marketing Board (Jersey Dairy)	3	67	2	3	M King, Chief Officer of Economic Development is a Member of the Board.
Jersey Scout Association	6	5	–	–	A Green, Health Minister, is a member of the executive.
Jersey Table Tennis Association	5	13	104	–	P Routier, Chief Minister's Assistant Minister, is Vice-President. Expenditure includes grants of £13k. Amounts due relate to a loan from the States. The loan was repaid in March 2016.
Les Amis Incorporated	17	552	–	4	E Noel, Transport and Technical Services Minister, and P Routier, Chief Minister's Assistant Minister, are Trustees.
Parish of St Lawrence	16	5	–	–	D Mezbourian, Home Affairs Assistant Minister, is Connétable of St Lawrence
Parish of St Brelade	28	33	–	–	S Pallett, Economic Development and Planning and Environment Assistant Minister, is Connétable of St Brelade
Parish of St Peter	43	32	8	–	J Refault, Housing and Health and Social Services Assistant Minister, is Connétable of St Peter.
Prince's Trust Jersey Steering Group	–	149	–	–	B Heath, Chief Probation Officer, is the Chairman. Expenditure includes a grant of £146k
The Yacht Hotel Limited	3	17	1	–	L Farnham, Economic Development Minister, is a Director.
Trinity Youth Club	–	3	–	–	A Pryke, Housing Minister, is President.
Victim Support Jersey	–	30	–	–	B Heath, Chief Probation Officer, is the Vice Chairman. Expenditure includes a grant of £30k
Visit Jersey	175	2,585	–	–	D Bannister, Chief Executive Officer, Ports of Jersey is a Member of the Board. Expenditure includes a grant of £2,585k

9.39 Third Party Assets

The States of Jersey, in the course of its normal activities, has reason to hold assets on behalf of third parties.

The Viscount of the Royal Court undertakes a number of activities that give rise to holding assets on behalf of third parties. The majority of these are held as part of the anti-money laundering regime. The main activities that give rise to this are:

- Désastres: assets relating to bankruptcy cases for onward payment to creditors;
- Curatorship: funds held on behalf of those who cannot manage their own affairs;
- Enforcement: judgements and compensation monies for onward payment to creditors and beneficiaries;
- Criminal injuries: funds held on behalf of minors until age of maturity;
- Bail: monies held on behalf of bailors;
- Saisies Judiciaires: assets seized pending investigation and court cases relating to drug trafficking and proceeds of crime. Following a conviction, property adjudged to represent the benefit or proceeds of crime is remitted to the Criminal Offences Confiscations Fund; if a third party is found not guilty, property is returned.

Monies held on behalf of third parties are set out below:

	2016 £'000	2015 £'000
Viscount's	285,840	247,562
Health and Social Services	301	296

In addition to the liquid assets listed above the Viscount's Department holds property and contents with an approximate total value of £17.2 million (2015: £10.5 million).

In addition to monies listed above the Health and Social Services Department holds equipment on trial and various consignment stocks, valued at £0.1 million (2015: £0.1 million).

The States arrangement to pool funds for investment purposes, is known as the 'Common Investment Fund' (CIF) Included within the CIF are monies held on behalf of entities outside of the States of Jersey group boundary, referred to as Out of Group Funds.

9.40 Entities within the Group Boundary

Consolidated Fund Entities

Ministerial Departments

The list below relates to Ministerial Departments as at 31 December 2016. From 1 January 2016 there have been transfers of functions as detailed in P.46/2015 and as such the names and remits of some departments have changed following this.

» Chief Minister's Department
» Community and Constitutional Affairs Department (formerly Home Affairs Department)
» Department of the Environment
» Economic Development, Tourism, Sport and Culture Department (formerly Economic Development Department)
» Education Department (formerly Education, Sport and Culture Department)
» Health and Social Services Department
» Social Security Department
» Department for Infrastructure (formerly Transport and Technical Services Department)
» Treasury and Resources Department

Non-Ministerial Bodies

» Overseas Aid Commission
» Bailiff's Chambers
» Law Officers' Department
» Judicial Greffe
» Viscount's Department
» Official Analyst
» Office of the Lieutenant Governor
» Office of the Dean of Jersey
» Office of the Information Commissioner
» Probation
» Comptroller and Auditor General

The States Assembly and its Services

» [Including Assemblée Parlementaire de la Francophonie – Jersey Branch and Commonwealth Parliamentary Association (Jersey Branch)]

Subsidiary Holding Company

» States of Jersey Investments Limited

States Trading Operations

» Jersey Car Parking
» Jersey Fleet Management

Special Funds named in the Public Finances (Jersey) Law 2005

» Strategic Reserve
» Stabilisation Fund
» Currency Fund (comprising Jersey Currency Notes and Jersey Coinage)
» Insurance Fund

Special Funds for specific purposes

» Dwelling Houses Loan Fund
» Assisted House Purchase Scheme
» 99 Year Leaseholders Fund
» Agricultural Loans Fund
» Tourism Development Fund
» Channel Islands Lottery (Jersey) Fund
» Jersey Innovation Fund
» Housing Development Fund
» Criminal Offences Confiscation Fund
» Civil Asset Recovery Fund
» Ecology Fund
» Fishfarmer Loan Scheme (Dormant)
» ICT Fund (Dormant)

Social Security Funds

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

Subsidiary Companies

» States of Jersey Development Company Limited, including subsidiary companies.
» Andium Homes Limited
» Ports of Jersey Limited

Minor Entities

There are a number of small entities funded by the States that meet the requirements to be part of the States of Jersey Group (i.e. they are directly controlled by the States) but are immaterial to the financial statements as a whole, and have not been consolidated (see Accounting Policy 4.5). These entities are referred to as "Minor Entities" and are generally funded by a grant from a department, which will form part of the cash limit of the department making this grant.

An entity can be classified as a minor body if they meet certain criteria, namely that:

- Gross annual expenditure during the year; and
- Net book value of Property, Plant and Equipment at year end; and
- Level of Net Assets at year end

are all below a designated threshold.

The threshold is calculated as 1% of the lowest of:

- Gross annual expenditure during the year; and
- Net book value of Property, Plant and Equipment at year end; and
- Level of Net Current Assets at year end (excluding Non-Current Assets held for Sale, the current portion of Investments held at Fair Value through Profit or Loss and Currency in Circulation)

for the States of Jersey in the previous financial year.

For 2016, the threshold was therefore £3,249,000 (based on Net Current Assets for 2015).

In all cases the qualitative nature of the entities is also considered, to ensure that exclusion would not distort the true and fair view of the accounts.

Minor Entities are considered to be related parties, and transactions with them are included as part of Related Party Transactions Disclosures

For 2016, the following are considered to be Minor Entities:

- Government of Jersey London Office
- Jersey Legal Information Board

9.41 Social Security Funds Notes

NOTE A: STATEMENTS OF COMPREHENSIVE NET EXPENDITURE

	2016				
	Social Security Fund £'000	Health Insurance Fund £'000	Social Security (Reserve) Fund £'000	Long Term Care Fund £'000	Jersey Dental Scheme £'000
Revenue					
Social Security Contributions	(238,314)	(31,705)	–	(18,008)	–
States Contributions to Social Security Funds	–	–	–	(34,320)	–
Sales of goods and services	(62)	–	–	–	(95)
Investment income	(229)	(11,086)	(253,653)	(116)	–
Other revenue	(532)	(43)	–	–	(99)
Total Revenue	**(239,137)**	**(42,834)**	**(253,653)**	**(52,444)**	**(194)**
Expenditure					
Social Benefit Payments	219,094	28,719	–	42,274	–
Other Operating expenses	5,273	3,246	–	1,370	191
Grants and Subsidies payments	–	–	–	–	–
Depreciation and Amortisation	509	–	–	–	–
Impairments	533	208	–	–	–
Finance costs	–	–	–	–	1
Foreign Exchange Gain	–	–	(2)		
Total Expenditure	**225,409**	**32,173**	**(2)**	**43,644**	**192**
Net Revenue Expenditure/(Income)	**(13,728)**	**(10,661)**	**(253,655)**	**(8,800)**	**(2)**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	–	–	–	–	–
Total Other Comprehensive Income	**–**	**–**	**–**	**–**	**–**
Total Comprehensive Expenditure/(Income)	**(13,728)**	**(10,661)**	**(253,655)**	**(8,800)**	**(2)**

2015 Social Security Fund £'000	Health Insurance Fund £'000	Social Security (Reserve) Fund £'000	Long Term Care Fund £'000	Jersey Dental Scheme £'000
(169,659)	(31,130)	–	(8,443)	–
(65,300)	–	–	(27,981)	–
(130)	(244)	–	–	(98)
(265)	(1,175)	(35,168)	(111)	–
–	(71)	–	–	(105)
(235,354)	**(32,620)**	**(35,168)**	**(36,535)**	**(203)**
211,741	28,717	–	35,993	–
5,153	9,742	–	1,141	207
–	–	–	–	–
564	–	–	–	–
540	97	–	–	–
36	–	–	–	1
–	–	–	–	–
218,034	**38,556**	**–**	**37,134**	**208**
(17,320)	**5,936**	**(35,168)**	**599**	**5**
(884)	–	–	–	–
(884)	**–**	**–**	**–**	**–**
(18,204)	**5,936**	**(35,168)**	**599**	**5**

NOTE B: STATEMENTS OF FINANCIAL POSITION

	31 Dec 2016				
	Social Security Fund £'000	Health Insurance Fund £'000	Social Security (Reserve) Fund £'000	Long Term Care Fund £'000	Jersey Dental Scheme £'000
Non-Current Assets					
Property, Plant and Equipment	6,433	–	–	72	–
Intangible Assets	917	–	–	–	–
Investments held at Fair Value through Profit or Loss	–	84,775	1,572,023	10,057	–
Trade and Other Receivables	–	–	–	823	–
Total Non-Current Assets	**7,350**	**84,775**	**1,572,023**	**10,952**	**–**
Current Assets					
Trade and Other Receivables	37,749	5,216		4,774	7
Amounts due from the Consolidated Fund		–	–	–	–
Cash and Cash Equivalents	38,068	–	15	4,746	58
Total Current Assets	**75,817**	**5,216**	**15**	**9,520**	**65**
Total Assets	**83,167**	**89,991**	**1,572,038**	**20,472**	**65**
Current Liabilities					
Trade and Other Payables	(418)	(2,413)	–	(217)	(58)
Amounts due to the Consolidated Fund	(10,594)	(1,237)	–	(270)	–
Total Current Liabilities	**(11,012)**	**(3,650)**	**–**	**(487)**	**(58)**
Assets Less Liabilities	**72,155**	**86,341**	**1,572,038**	**19,985**	**7**
Taxpayers' Equity					
Accumulated Revenue and Other Reserves	67,965	86,341	1,572,038	19,985	7
Revaluation Reserve	4,190	–	–	–	–
Total Taxpayers' Equity	**72,155**	**86,341**	**1,572,038**	**19,985**	**7**

31 Dec 2015				
Social Security Fund £'000	Health Insurance Fund £'000	Social Security (Reserve) Fund £'000	Long Term Care Fund £'000	Jersey Dental Scheme £'000
6,757	–	–	–	–
625	–	–	–	–
–	73,689	1,288,372	–	–
–	–	–	658	–
7,382	**73,689**	**1,288,372**	**658**	**–**
41,223	5,952	–	8,759	16
15,394	–	–	–	–
24,863	–	11	22,939	81
81,480	**5,952**	**11**	**31,698**	**97**
88,862	**79,641**	**1,288,383**	**32,356**	**97**
(390)	(2,396)	–	(1,414)	(92)
–	(1,565)	(45)	(19,757)	–
(390)	**(3,961)**	**(45)**	**(21,171)**	**(92)**
88,472	**75,680**	**1,288,338**	**11,185**	**5**
84,282	75,680	1,288,338	11,185	5
4,190	–	–	–	–
88,472	**75,680**	**1,288,338**	**11,185**	**5**

9.42 Events after the Reporting Date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Audit Report in section 7.1. There are no significant events after the reporting date requiring disclosure in these financial statements.

9.43 Publication and Distribution of the Financial Report and Accounts

In accordance with the Public Finances (Jersey) Law 2005, the Financial Report and Accounts for the year ended 31 December 2016 have been approved by the Minister for Treasury and Resources and were presented to the States for publication and distribution.

10 Statement of Outturn Against Approvals

10.1 Statement of Outturn against Approvals

STATEMENT OF REVENUE OUTTURN AGAINST APPROVALS

2015 Actual £'000		2016 Budget / MTFP £'000	2016 Final Approved Budget £'000	2016 Actual £'000	Difference from Approval £'000
(691,744)	States Net General Revenue Income	(683,415)	(683,415)	(736,803)	53,388
697,031	Departmental Net Revenue Expenditure – Near Cash	697,377	729,995	696,048	33,947
–	Departmental Pay Award	–	2,406	2,406	–
–	Allocations for Contingencies	42,940	38,030	–	38,030
5,287	**Operating Deficit/(Surplus)**	**56,902**	**87,016**	**(38,349)**	**125,365**
44,676	Departmental Depreciation/Amortisation	43,612	43,612	40,154	3,458
49,963	**Deficit/(Surplus) of General Revenue Expenditure over Income**	**100,514**	**130,628**	**1,805**	**128,823**
38,755	Departmental Net Revenue Expenditure – Other Non Cash	–	–	22,660	(22,660)
18,824	Trading Operations Net Revenue Expenditure	(463)	537	(393)	930
(16,709)	Net Revenue Income of Special Funds			(104,042)	
(45,949)	Net Revenue Income of Social Security Funds			(286,844)	
754	Net Revenue Expenditure of SOJDC			(465)	
15,348	Net Revenue Expenditure of Andium Homes			14,646	
4,948	Net Revenue Expenditure of Ports of Jersey			514	
(24,785)	Other (Income)/Expenditure [1]			46,271	
708	Consolidation Adjustments [2]			(1,819)	
41,857	**Net Revenue Expenditure/(Income) as Reported in the SoCNE**	**100,051**	**131,165**	**(307,667)**	

Notes

1. This includes other Consolidated fund items, including movements in Pension Liabilities, charges relating to Finance Leases and movements in hedging arrangements.

2. Accounting Standards require that all transactions and balances between entities within the States of Jersey group are eliminated in the consolidated accounts.

STATEMENT OF CAPITAL OUTTURN AGAINST APPROVALS

2015 Actual £'000		2016 Expenditure £'000	Total Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
45,609	Capital Expenditure from the Consolidated Fund	40,856	405,022	510,376	105,354
11,081	Capital Expenditure from Trading Funds	2,045	14,635	29,507	14,872
56,690	**Total Capital Expenditure Subject to States Approval**	**42,901**	**422,507**	**542,732**	**120,225**
–	Capital Expenditure from Special Funds	–			
(152)	Capital Expenditure from Social Security Funds	549			
112	Capital Expenditure by SOJDC	(4,353)			
28,660	Capital Expenditure by Andium Homes	13,781			
3,047	Capital Expenditure by Ports of Jersey	5,974			
(167)	Asset Donations and Other Adjustments	850			
88,190	**Total Asset Additions**	**59,702**			
	Asset Additions as per Notes 9.13 and 9.14				
87,666	Property, Plant and Equipment	58,450			
524	Intangible Assets	1,252			
88,190	**Total Asset Additions**	**59,702**			

STATEMENT OF UNALLOCATED CONSOLIDATED FUND BALANCE

Restated 2015 Actual £'000		2016 Actual £'000
105,663	Available Non-Current Financial Assets	96,332
77,007	Net Current Assets	142,312
–	Less: NCA Held for Sale	–
(5,275)	Less: Non-Current Provisions	(5,259)
2,329	Add Back: Provision for Financial Guarantee	1,894
2,080	Add Back: Provision for Decommissioning	2,080
1,185	Add Back: Current Finance Lease Liabilities	1,275
7,206	Add back: Current Pension Liabilities	7,208
3,569	Add back: Accruals for Untaken Leave	2,049
25,494	Add back: Currency Fund Infrastructure Investment	25,494
(3,634)	Adjust for Transfers out of Consolidated Fund	(3,634)
215,624	**Consolidated Fund Balance**	**269,751**
(121,574)	Unspent Capital	(105,354)
(1,593)	Voted amounts to be allocated	(1,479)
(19,073)	Departmental Carry forwards	(33,947)
(10,075)	Carry forward of Contingency	(38,030)
63,309	**Unallocated Consolidated Fund Balance**	**90,941**

10.2 Statement of accounting policies

The Statement of Outturn against Approvals (SoOaA) and supporting notes have been prepared in accordance with the Jersey Financial Reporting Manual (JFReM) 2016 issued by the Treasurer of the States.

SoOaA 1.1 Accounting convention

The Statement of Outturn against Approvals and related notes are presented consistently with approvals made under the Public Finances (Jersey) Law 2005 in the Medium Term Financial Plan and Annual Budget Statement.

The budgeting system, and the consequential presentation of the SoOaA and related notes, has different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant States approval, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are guided by the Jersey Fiscal Policy Panel.

The Panel's work is guided by five key principles. These are:

1. Economic stability is at the heart of sustainable prosperity;

2. Fiscal policy needs to be focussed on the medium-term;

3. Policy should aim to be predictable, with flexibility to adapt to economic conditions to assist in creating a more stable economic environment;

4. Supply in the economy is as important as demand; and

5. Low inflation is fundamental to the competitive of the economy.

In making its recommendations, the Panel is guided by its understanding of the preferences of Islanders. The Panel feels that Islanders want the States to be prudent and create the conditions for economic growth while respecting the Island's cultural heritage, maintaining the competitiveness of the economy and keeping inflation low.

SoOaA 1.2 Comparison with IFRS-based accounts

Most transactions are treated in the same way in Approvals and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the States' outturn as recorded in the SoOaA compared to the IFRS-based Statement of Comprehensive Net Expenditure is provided in the SoOaA.

SoOaA 1.2a Accounting Boundary and Budgeting Boundary

Approvals by the States include:

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

b) appropriations to revenue heads or capital heads of expenditure approved by the States in the Medium Term Financial Plan or Budget Statement, after any amendments approved in accordance with the Public Finances (Jersey) Law 2005. Under the Public Finances (Jersey) Law 2005, the approval by the States of a revenue or capital head of expenditure authorises the body to withdraw amounts not exceeding that approval from the consolidated fund; and

c) estimates of States Trading Operations approved by the States in the Medium Term Financial Plan or Budget Statement.

Income and Expenditure from Special Funds, the Social Security Funds and Subsidiary Companies are not included.

Other Accounting items in the Consolidated such as movements in Pension Liabilities and Finance Leases are also outside of the budgeting boundary.

SoOaA 1.2b Near Cash and Non-Cash Amounts

In the Medium Term Financial Plan, revenue expenditure is approved on a Near Cash basis, excluding Non-Cash amounts such as:

- depreciation of Property, Plant and Equipment (PPE)
- amortisation of Intangible assets

- impairments of PPE or Intangible assets
- donations of assets
- gains on disposals of assets.

Estimates of these non-cash amounts are included for information, but Accounting Officers are not held accountable for Outturn against these amounts.

Departments may apply to use Proceeds on Disposals of Fixed Assets for Capital or Revenue purposes, which would then form part of a capital or revenue approval.

SoOaA 1.2c Capital Approvals

Under Accounting Standards the cost of Property, Plant and Equipment is recognised over their useful lives through the charge of depreciation to the SoCNE.

Under the Budgeting system, approval must be obtained for the expenditure on a capital project before this expenditure can be incurred. The full cost of the project is therefore considered allocated within the consolidated fund on approval.

Expenditure on Capital may be incurred over a number of years.

Capital Expenditure by Special Funds, the Social Security Funds and Subsidiary Companies are not subject to approval.

SoOaA 1.3 Basis of Consolidated Fund Balance

The Consolidated Fund balance is calculated in a way to represent funds available to be spent in future years, and includes:

- Financial Assets (Advances and Investments held at Fair Value through Profit or Loss);
- Net Current Assets or Liabilities (adjusted for elements of Pension, Finance Lease, and other obligations, which will be included in future expenditure approvals);
- Provisions for liabilities and charges.

The Consolidated Fund excludes:

- Assets which cannot be easily converted into cash (Property, Plant and Equipment, Intangible Assets and Strategic Investments);
- Other Long Term Liabilities – which will be settled from future expenditure approvals.

The balance calculated does not take into account withdrawals from the Consolidated Fund that have already been approved (and so are not available to spend). The balance must be adjusted for these to give the balance available, at the end of the year.

- Capital projects are approved on an allocation basis and so any unspent amounts are removed from the available balance.
- Similarly, amounts approved for specific purposes but that have not yet been allocated to departments, and property receipts that will be used to purchase assets under Article 18(5) of the Law are also removed.
- In 2011 an additional provision for the decommissioning of the new EFW plant at the end of its life was been created in line with accounting standards. Approval for this expenditure will not be sought until closer to the end of the EfW plant's useful life, and so the amount of this provision is added back to the available consolidated fund balance.
- Finally, an adjustment must be made for amounts that will be included in a future revenue head of expenditure through the carry forward process.

With the move to four year planning under the MTFP, elements of this balance may be allocated by the States to fund expenditure in future years. 2017–2019 expenditure limits have already been approved by the States in the MTFP Addition for 2017–2019.

10.3 Revenue Expenditure

A) NET GENERAL REVENUE INCOME AGAINST ESTIMATE

2015 Actual £'000		2016 Budget £'000	2016 Income £'000	2016 Expenditure £'000	2016 Actual £'000	Difference from Budget £'000
	Income Tax					
370,807	Personal Income Tax	368,000	398,157	(4)	398,153	30,153
89,436	Companies	89,000	90,699	(11)	90,688	1,688
(2,660)	Provision for Bad Debts	(2,000)	–	(876)	(876)	1,124
457,583	**Net Income Tax**	**455,000**	**488,856**	**(891)**	**487,965**	**32,965**
85,042	**Goods and Services Tax (GST)**	**83,334**	**84,584**	**214**	**84,798**	**1,464**
	Impôts Duties					
4,529	Spirits	4,828	5,326	–	5,326	498
7,638	Wines	7,785	8,225	–	8,225	440
1,003	Cider	1,206	1,034	–	1,034	(172)
5,078	Beer	5,442	5,766	–	5,766	324
13,606	Tobacco	14,773	14,609	–	14,609	(164)
21,406	Fuel	22,022	21,855	–	21,855	(167)
144	Goods (Customs)	145	177	(2)	175	30
742	Vehicle Emissions Duty	1,449	1,420	–	1,420	(29)
54,146	**Impôts Duties**	**57,650**	**58,412**	**(2)**	**58,410**	**760**
	Stamp Duty					
25,821	Stamp Duty	22,156	24,942	–	24,942	2,786
1,883	Probate	2,500	1,934	–	1,934	(566)
1,328	Land Transactions Tax	1,481	3,429	–	3,429	1,948
29,032	**Stamp Duty**	**26,137**	**30,305**	**–**	**30,305**	**4,168**
	Fines and Other Income					
4,360	Net Investment Income	3,041	15,465	(111)	15,354	12,313
14,023	Dividends and Returns	11,527	12,568	–	12,568	1,041
3,852	Jersey Financial Services Commission Fees	3,795	3,927	–	3,927	132
1,706	Returns from States Trading Operations	1,672	1,672	–	1,672	–
27,483	Return from Andium Homes	27,821	27,856	–	27,856	35
660	EUSD Retention Tax	–	–	26	26	26
1,270	Income Tax Penalties	760	1,723	(474)	1,249	489
658	Miscellaneous Income	430	532	–	532	102
54,012	**Fines and Other Income**	**49,046**	**63,743**	**(559)**	**63,184**	**14,138**
11,928	**Island Rate**	**12,248**	**12,141**	**–**	**12,141**	**(107)**
691,743	**Net General Revenue Income**	**683,415**	**738,041**	**(1,238)**	**736,803**	**53,388**

B) MINISTERIAL AND NON-MINISTERIAL DEPARTMENTS NET REVENUE EXPENDITURE (NEAR CASH) AGAINST APPROVAL

Restated 2015 Actual £'000		MTFP 2016 £'000	Final Approved Budget £'000	2016 Income £'000	2016 Expenditure £'000	2016 Actual £'000	Difference from Final Approved Budget £'000
	Ministerial Departments						
37,206	Chief Minister	28,601	37,913	(2,456)	37,995	35,539	(2,374)
10,425	– Grant to the Overseas Aid Commission	10,338	10,344	2	10,285	10,287	(57)
49,398	Community and Constitutional Affairs	49,271	51,114	(2,780)	52,416	49,636	(1,478)
21,840	Economic Development, Tourism, Sport and Culture	19,144	20,274	(5,225)	24,993	19,768	(506)
102,417	Education	103,660	105,388	(16,342)	117,605	101,263	(4,125)
5,920	Department of the Environment	5,205	6,591	(4,317)	10,425	6,108	(483)
202,733	Health and Social Services	203,777	204,919	(23,135)	221,581	198,446	(6,473)
176,606	Social Security	189,479	195,802	(8,874)	194,498	185,624	(10,178)
35,867	Department for Infrastructure	40,137	44,129	(23,935)	64,714	40,779	(3,350)
19,848	Treasury and Resources	20,977	25,269	(4,075)	27,869	23,794	(1,475)
	Non Ministerial States Funded Bodies and the States Assembly						
2,115	Bailiff's Chambers	1,563	1,643	(72)	1,699	1,627	(16)
8,718	Law Officers' Department	7,798	8,494	(643)	7,856	7,213	(1,281)
6,573	Judicial Greffe	6,616	6,459	(1,016)	6,477	5,461	(998)
940	Viscount's Department	1,321	1,411	(835)	1,859	1,024	(387)
570	Official Analyst	605	619	(68)	602	534	(85)
761	Office of the Lieutenant Governor	738	1,358	(110)	1,411	1,301	(57)
26	Office of the Dean of Jersey	26	26	–	26	26	–
243	Data Protection Commission	267	309	(269)	578	309	–
1,943	Probation Department	1,991	1,991	(211)	2,107	1,896	(95)
757	Comptroller and Auditor General	777	812	(58)	629	571	(241)
							–
12,125	States Assembly and its services	5,086	7,536	(67)	7,315	7,248	(288)
697,031	**Net Revenue Expenditure – Near Cash**	**697,377**	**732,401**	**(94,486)**	**792,940**	**698,454**	**(33,947)**

2015 numbers have been restated to reflect the Transfer of Ministerial Functions (P.46/2015)

C) MINISTERIAL AND NON-MINISTERIAL DEPARTMENTS NET REVENUE EXPENDITURE (NON CASH) AGAINST APPROVAL

Restated 2015 Actual £'000		MTFP 2016 £'000	Final Approved Budget £'000	2016 Income £'000	2016 Expenditure £'000	2016 Actual £'000	Difference from Final Approved Budget £'000
	Ministerial Departments						
1,001	Chief Minister	1,387	1,387	–	936	936	(451)
–	– Jersey Overseas Aid Commission	–	–	–	–	–	–
669	Community and Constitutional Affairs	735	735	–	567	567	(168)
90	Economic Development, Tourism, Sport and Culture	112	112	–	195	195	83
38	Education	310	310	(29)	328	299	(11)
116	Department of the Environment	160	160	–	115	115	(45)
2,708	Health and Social Services	3,557	3,557	(68)	2,716	2,648	(909)
187	Social Security	187	187	–	188	188	1
78,429	Department for Infrastructure	37,002	37,002	(1)	57,651	57,650	20,648
69	Treasury and Resources	1	1	–	69	69	68
	Non Ministerial States Funded Bodies and the States Assembly						
–	Bailiff's Chambers	–	–	–	–	–	–
44	Law Officers' Department	22	22	–	22	22	–
–	Judicial Greffe	6	6	–	–	–	(6)
41	Viscount's Department	57	57	–	21	21	(36)
34	Official Analyst	68	68	–	84	84	16
3	Office of the Lieutenant Governor	–	–	–	–	–	–
–	Office of the Dean of Jersey	–	–	–	–	–	–
–	Data Protection Commission	6	6	–	18	18	12
2	Probation Department	2	2	–	2	2	–
–	Comptroller and Auditor General	–	–	–	–	–	–
							–
–	States Assembly and its services	–	–	–	–	–	–
83,431	**Net Revenue Expenditure – Non Cash**	**43,612**	**43,612**	**(98)**	**62,912**	**62,814**	**19,202**

D) TRADING OPERATIONS NET REVENUE EXPENDITURE AGAINST APPROVAL

2015 Actual £'000		MTFP 2016 £'000	Final Approved Budget £'000	2016 Income £'000	2016 Expenditure £'000	2016 Actual £'000	Difference from Final Approved Budget £'000
14,666	Jersey Airport	–	–	–	–	–	–
5,274	Jersey Harbours	–	–	–	–	–	–
(702)	Jersey Car Parking	(324)	676	(7,185)	7,169	(16)	(692)
(414)	Jersey Fleet Management	(139)	(139)	(4,331)	3,954	(377)	(238)
18,824	**Net Revenue Expenditure/(Income) – Trading Operations**	**(463)**	**537**	**(11,516)**	**11,123**	**(393)**	**(930)**

10.4 Capital Expenditure

A) CAPITAL EXPENDITURE FROM THE CONSOLIDATED FUND

	2016 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Chief Minister's Department				
Upgrade Microsoft Desktop Tech	(1,411)	–	29	29
Web Development	11	837	837	–
Enterprise Systems Development	813	850	2,521	1,671
E Government	1,194	1,763	4,503	2,740
Application Compatibility to Windows 8	(224)	–	4	4
Computer Development Vote	–	736	2,242	1,506
HR Transform (Change Team Trf)	1	1	77	76
T&R JDE System	2	400	772	372
Desktop Upgrades	–	–	477	477
Income/Payment Management System	–	–	379	379
Corporate Web Platform Refresh	101	101	300	199
Web Search Engine Upgrade	28	28	105	77
Content Management System	–	–	105	105
Taxes Office System Renewal	288	288	579	291
Chief Minister's Department Total	**803**	**5,004**	**12,930**	**7,926**
Education				
Victoria College	–	74	237	163
ESC Minor Capital/AUCC	370	875	1,181	306
School ICT	–	–	556	556
Other Capital Projects	24	23,213	23,239	26
Education Total	**394**	**24,162**	**25,213**	**1,051**
Department of the Environment				
Central Environmental Management	–	934	1,038	104
Automatic Weather Station	–	213	265	52
Equipment, Maintenance, Minor	(110)	444	651	207
Met Radar Refurbishment	334	669	722	53
Countryside Infrastructure	(123)	–	65	65
Other Capital Projects	–	734	740	6
Department of the Environment Total	**101**	**2,994**	**3,481**	**487**
Health and Social Services				
Equipment, Maintenance & Minor Capital	1,772	14,818	16,587	1,769
Replacement MRI Scanner	21	23	3,027	3,004
Replacement RIS/PACS IT Assets	140	202	498	296
Other Capital Projects	(6)	871	880	9
Health and Social Services Total	**1,927**	**15,914**	**20,992**	**5,078**
Community and Constitutional Affairs				
Biometric Passports	224	1,075	1,183	108
Prison Security Measures	(76)	800	867	67

	2016 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Prison Cell Call System	(90)	11	99	88
Tetra Radio Replacement	(49)	1,980	2,199	219
Minor Capital	754	3,624	5,609	1,985
Other Capital Projects	(68)	1,784	1,816	32
Community and Constitutional Affairs Total	**695**	**9,274**	**11,773**	**2,499**
Department for Infrastructure				
EFW Plant La Collette	583	118,600	118,774	174
Eastern Cycle Network	26	307	582	275
Liquid Waste Strategy	991	5,315	41,652	36,337
Waste: Ash Pit La Collette	884	3,735	4,224	489
Replacement Assets	2,248	3,139	4,696	1,557
Asbestos Waste Disposal	82	577	1,398	821
Fiscal Stimulus Parish Project	(174)	995	1,169	174
New Public Recycling Centre	3,574	6,454	6,638	184
Scrap Yard Infrastructure	(5)	127	1,025	898
EFW Replacement Assets	129	1,805	2,343	538
Road Safety Improvements	798	1,085	1,823	738
Infrastructure	4,707	49,721	52,835	3,114
Other Capital Projects	838	54,079	54,133	54
On behalf of Education				
St Martin's School	91	7,069	7,732	663
Additional Primary School Accommodation	3,279	9,410	10,322	912
Les Quennevais Replacement School	765	1,081	1,320	239
Victoria College Capital Project	(1)	1,171	1,759	588
Archive Storage Extension	331	343	3,500	3,157
Grainville Phase 5 (including Music)	51	51	175	124
Other Capital Projects	(33)	17,200	17,252	52
On behalf of Health and Social Services				
Oncology Extension & Refurbishment	203	2,789	3,332	543
Intensive Care Unit Upgrade	(1)	2,224	2,300	76
Main Theatre Upgrade	2,536	5,555	6,483	928
Clinique Pinel Upgrade	3	2,773	2,868	95
Limes Upgrade	–	–	1,159	1,159
Future Hospital	1,696	6,128	29,656	23,528
Mental Health Facilities Overdale – Feasibility	–	–	350	350
Relocation Ambulance and Fire – Feasibility	–	5	100	95
Adult Care Homes	4	181	4,000	3,819
Children's Homes	(5)	995	2,075	1,080
Autism Support	(26)	798	976	178
Refurbishment of Sandybrook	2	2	1,699	1,697
Other Capital Projects	(17)	1,054	1,070	16
On behalf of Community and Constitutional Affairs				
Prison Improvement Phase 4	134	9,944	10,007	63
Police Relocation (Phase 1)	12,578	23,963	24,966	1,003
Other projects				
Relocation of Sea Cadets	–	–	107	107
Public Markets Maintenance	135	2,854	3,543	689
Demolition Fort Regent Pool	13	23	750	727

	2016 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Office Modernisation Project	219	219	350	131
Other Capital Projects	76	2,881	2,929	48
Department for Infrastructure Total	**36,714**	**344,652**	**432,072**	**87,420**
Treasury and Resources				
Tax Transformation Prog & IT Systems	50	911	1,245	334
ITAX Development – Taxes Office	–	1,312	1,332	20
Treasury and Resources Total	**50**	**2,223**	**2,577**	**354**
Non Ministerial States Funded				
Non Mins – Minor Capital	172	799	1,338	539
Non Ministerial States Funded Total	**172**	**799**	**1,338**	**539**
Total	**40,856**	**405,022**	**510,376**	**105,354**

B) CAPITAL EXPENDITURE FROM TRADING FUNDS

	2016 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Jersey Car Parking				
Anne Court Car Park	537	877	9,000	8,123
Automated Charging System	(19)	176	1,000	824
Car Park Maint & Refurbishment	1,042	3,630	5,288	1,658
Jersey Car Parking Total	**1,560**	**4,683**	**15,288**	**10,605**
Jersey Fleet Management				
Vehicle & Plant Replacement	485	9,952	14,219	4,267
Jersey Fleet Management Total	**485**	**9,952**	**14,219**	**4,267**
Total	**2,045**	**14,635**	**29,507**	**14,872**

10.5 Reconciliations

A) RECONCILIATION OF FINAL APPROVED BUDGET TO THE MEDIUM TERM FINANCIAL PLAN

Department	MTFP 2016 Total NRE Near Cash £'000	Carry Forward from 2015 £'000	Allocation of Contingency £'000	Transfers between capital and revenue £'000	Departmental Transfers £'000	2016 Final Approved Budget Near Cash £'000	MTFP 2016 Total NRE Non Cash £'000	2016 Final Approved Budget Non Cash £'000	2016 Final Approved Budget £'000
Ministerial Departments									
Chief Minister	28,601	2,004	4,641	2,751	(84)	**37,913**	1,387	**1,387**	**39,300**
– Jersey Overseas Aid Commission	10,338	6	–	–	–	**10,344**	–	**–**	**10,344**
Community and Constitutional Affairs	49,271	697	1,058	(40)	128	**51,114**	735	**735**	**51,849**
Economic Development, Tourism, Sport and Culture	19,144	731	399		–	**20,274**	112	**112**	**20,386**
Education	103,660	1,082	987	(307)	(34)	**105,388**	310	**310**	**105,698**
Department of the Environment	5,205	303	305	117	661	**6,591**	160	**160**	**6,751**
Health and Social Services	203,777	3,189	(534)	(750)	(763)	**204,919**	3,557	**3,557**	**208,476**
Social Security	189,479	6,074	81	–	168	**195,802**	187	**187**	**195,989**
Department for Infrastructure	40,137	2,377	2,312	(805)	108	**44,129**	37,002	**37,002**	**81,131**
Treasury and Resources	20,977	1,615	2,933	–	(256)	**25,269**	1	**1**	**25,270**
Non Ministerial States Funded Bodies									
Bailiff's Chamber	1,563	20	60	–	–	**1,643**	–	**–**	**1,643**
Law Officers' Department	7,798	358	338	–	–	**8,494**	22	**22**	**8,516**
Judicial Greffe	6,616	321	–	–	(478)	**6,459**	6	**6**	**6,465**
Viscount's Department	1,321	90	–	–	–	**1,411**	57	**57**	**1,468**
Official Analyst	605	14	–	–	–	**619**	68	**68**	**687**
Office of the Lieutenant Governor	738	70	–	–	550	**1,358**	–	**–**	**1,358**
Office of the Dean of Jersey	26	–	–	–	–	**26**	–	**–**	**26**
Data Protection Commission	267	42	–	–	–	**309**	6	**6**	**315**
Probation Department	1,991	–	–	–	–	**1,991**	2	**2**	**1,993**
Comptroller and Auditor General	777	35	–	–	–	**812**		**–**	**812**
States Assembly and its services	**5,086**	**45**	**2,405**	**–**	**–**	**7,536**	**–**	**–**	**7,536**
Allocations for Contingencies	**42,940**	**10,075**	**(14,985)**	**–**	**–**	**38,030**	**1,187**	**1,187**	**39,217**
Net Revenue Expenditure	**740,317**	**29,148**	**–**	**966**	**–**	**770,431**	**44,799**	**44,799**	**815,230**

B) RECONCILIATION OF CAPITAL APPROVALS

	Previous Approvals	2016 Allocation	Revenue to Capital transfers	Other Transfers	Total Capital Budget	Previously incurred Expenditure	Total Available Capital Budget	2016 Capital Expenditure	Returns to the Consolidated Fund	Unspent Capital Approvals as at 31 Dec 16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Minister's Department										
Upgrade Microsoft Desktop Tech	1,415	–	(1,386)	–	**29**	1,411	**(1,382)**	(1,411)	–	**29**
Web Development	837	–	–	–	**837**	826	**11**	11	–	**–**
Enterprise Systems Development	1,283	1,238	–	–	**2,521**	37	**2,484**	813	–	**1,671**
E Government	2,712	2,200	(409)	–	**4,503**	569	**3,934**	1,194	–	**2,740**
Application Compatibility to Windows 8	500	–	(496)	–	**4**	224	**(220)**	(224)	–	**4**
Computer Development Vote	858	–	–	1,384	**2,242**	736	**1,506**	–	–	**1,506**
HR Transform (Change Team Trf)	77	–	–	–	**77**	–	**77**	1	–	**76**
T&R JDE System	772	–	–	–	**772**	398	**374**	2	–	**372**
Desktop Upgrades	–	737	(260)		**477**	–	**477**	–		**477**
Income/Payment Management System	–	379			**379**	–	**379**	–		**379**
Corporate Web Platform Refresh	–	300			**300**	–	**300**	101		**199**
Web Search Engine Upgrade	–	105			**105**	–	**105**	28		**77**
Content Management System	–	105			**105**	–	**105**	–		**105**
Hardware Refresh	–	200	(200)		**–**	–	**–**	–		**–**
Taxes Office System Renewal	–	579			**579**	–	**579**	288		**291**
Chief Minister's Department Total	**8,454**	**5,843**	**(2,751)**	**1,384**	**12,930**	**4,201**	**8,729**	**803**	**–**	**7,926**
Education										
Victoria College	400	–	–	(163)	**237**	74	**163**	–	–	**163**
ESC Minor Capital/AUCC	1,078	200	307	(404)	**1,181**	505	**676**	370	–	**306**
School ICT	556	–	–	–	**556**	–	**556**	–	–	**556**
Other Capital Projects	23,239				**23,239**	23,189	**50**	24	–	**26**
Education Total	**25,273**	**200**	**307**	**(567)**	**25,213**	**23,768**	**1,445**	**394**	**–**	**1,051**

B) RECONCILIATION OF CAPITAL APPROVALS (CONTINUED)

	Previous Approvals £'000	2016 Allocation £'000	Revenue to Capital transfers £'000	Other Transfers £'000	Total Capital Budget £'000	Previously incurred Expenditure £'000	Total Available Capital Budget £'000	2016 Capital Expenditure £'000	Returns to the Consolidated Fund £'000	Unspent Capital Approvals as at 31 Dec 16 £'000
Department of the Environment										
Central Environmental Mgmt.	1,038	–	–	–	**1,038**	934	**104**	–	–	**104**
Automatic Weather Station	265	–	–	–	**265**	213	**52**	–	–	**52**
Equipment, Maintenance, Minor	629	–	22	–	**651**	554	**97**	(110)	–	**207**
Met Radar Refurbishment	350	372	–	–	**722**	335	**387**	334	–	**53**
Countryside Infrastructure	192	–	(127)	–	**65**	123	**(58)**	(123)	–	**65**
Other Capital Projects	752		(12)		**740**	734	**6**	–		**6**
Department of the Environment Total	**3,226**	**372**	**(117)**	**–**	**3,481**	**2,893**	**588**	**101**	**–**	**487**
Health and Social Services										
Equipment, Maintenance & Minor Capital	14,792	2,510	–	(715)	**16,587**	13,046	**3,541**	1,772	–	**1,769**
Replacement MRI Scanner	2,277	–	750	–	**3,027**	2	**3,025**	21	–	**3,004**
Replacement RIS/PACS IT Assets	1,167	–	–	(669)	**498**	62	**436**	140	–	**296**
Other Capital Projects	880				**880**	877	**3**	(6)	–	**9**
Health and Social Services Total	**19,116**	**2,510**	**750**	**(1,384)**	**20,992**	**13,987**	**7,005**	**1,927**	**–**	**5,078**
Community and Constitutional Affairs										
Biometric Passports	1,183	–	–	–	**1,183**	851	**332**	224	–	**108**
Prison Security Measures	943	–	(76)	–	**867**	876	**(9)**	(76)	–	**67**
Prison Cell Call System	200	–	(101)	–	**99**	101	**(2)**	(90)	–	**88**
Tetra Radio Replacement	2,349	–	(150)	–	**2,199**	2,029	**170**	(49)	–	**219**
Minor Capital	4,950	300	511	(152)	**5,609**	2,870	**2,739**	754	–	**1,985**
Other Capital Projects	1,960		(144)		**1,816**	1,852	**(36)**	(68)		**32**
Community and Constitutional Affairs Total	**11,585**	**300**	**40**	**(152)**	**11,773**	**8,579**	**3,194**	**695**	**–**	**2,499**
Department for Infrastructure										
EFW Plant La Collette	119,189	–	–	(415)	**118,774**	118,017	**757**	583	–	**174**
Eastern Cycle Network	582	–	–	–	**582**	281	**301**	26	–	**275**
Liquid Waste Strategy	37,152	–	–	4,500	**41,652**	4,324	**37,328**	991	–	**36,337**

B) RECONCILIATION OF CAPITAL APPROVALS (CONTINUED)

	Previous Approvals £'000	2016 Allocation £'000	Revenue to Capital transfers £'000	Other Transfers £'000	Total Capital Budget £'000	Previously incurred Expenditure £'000	Total Available Capital Budget £'000	2016 Capital Expenditure £'000	Returns to the Consolidated Fund £'000	Unspent Capital Approvals as at 31 Dec 16 £'000
Waste: Ash Pit La Collette	3,698	–	526	–	**4,224**	2,851	**1,373**	884	–	**489**
Replacement Assets	2,268	1,661	767	–	**4,696**	891	**3,805**	2,248	–	**1,557**
Asbestos Waste Disposal	648	–	750	–	**1,398**	495	**903**	82	–	**821**
Fiscal Stimulus Parish Project	1,169	–	–	–	**1,169**	1,169	**–**	(174)	–	**174**
New Public Recycling Centre	6,638	–	–	–	**6,638**	2,880	**3,758**	3,574	–	**184**
Scrap Yard Infrastructure	1,025	–	–	–	**1,025**	132	**893**	(5)	–	**898**
EFW Replacement Assets	1,817	–	–	526	**2,343**	1,676	**667**	129	–	**538**
Road Safety Improvements	743	–	1,080	–	**1,823**	287	**1,536**	798	–	**738**
Infrastructure	48,692	8,373	270	(4,500)	**52,835**	45,014	**7,821**	4,707	–	**3,114**
Other Capital Projects	54,133				**54,133**	53,241	**892**	838	–	**54**
On behalf of Education										
St Martin's School	7,732	–	–	–	**7,732**	6,978	**754**	91	–	**663**
Additional Primary School Accomodation	10,322	–	–	–	**10,322**	6,131	**4,191**	3,279	–	**912**
Les Quennevais Replacement School	320	1,000	–	–	**1,320**	316	**1,004**	765	–	**239**
Victoria College Capital Project	1,236	–	(45)	568	**1,759**	1,172	**587**	(1)	–	**588**
Archive Storage Extension	60	3,500	–	(60)	**3,500**	12	**3,488**	331	–	**3,157**
Grainville Phase 5 (including Music)	–			175	**175**	–	**175**	51	–	**124**
Other Capital Projects	17,252				**17,252**	17,233	**19**	(33)	–	**52**
On behalf of Health and Social Services									–	
Oncology Extension & Refurbishment	3,332	–	–	–	**3,332**	2,586	**746**	203	–	**543**
Intensive Care Unit Upgrade	2,300	–	–	–	**2,300**	2,225	**75**	(1)	–	**76**
Main Theatre Upgrade	6,483	–	–	–	**6,483**	3,019	**3,464**	2,536	–	**928**
Clinique Pinel Upgrade	2,868	–	–	–	**2,868**	2,770	**98**	3	–	**95**
Limes Upgrade	1,159	–	–	–	**1,159**	–	**1,159**	–	–	**1,159**
Future Hospital	32,616	–	(2,960)	–	**29,656**	4,432	**25,224**	1,696	–	**23,528**
Ment Health Facilities Overdale – Feasibility	350	–	–	–	**350**	–	**350**	–	–	**350**
Relocation Ambulance and Fire – Feasibility	100	–	–	–	**100**	5	**95**	–	–	**95**
Adult Care Homes	4,000	–	–	–	**4,000**	177	**3,823**	4	–	**3,819**
Children's Homes	2,075	–	–	–	**2,075**	1,000	**1,075**	(5)	–	**1,080**
Autism Support	976	–	–	–	**976**	824	**152**	(26)	–	**178**
Refurbishment of Sandybrook		–	1,699		**1,699**	–	**1,699**	2	–	**1,697**
Other Capital Projects	1,070				**1,070**	1,071	**(1)**	(17)		**16**

B) RECONCILIATION OF CAPITAL APPROVALS (CONTINUED)

	Previous Approvals £'000	2016 Allocation £'000	Revenue to Capital transfers £'000	Other Transfers £'000	Total Capital Budget £'000	Previously incurred Expenditure £'000	Total Available Capital Budget £'000	2016 Capital Expenditure £'000	Returns to the Consolidated Fund £'000	Unspent Capital Approvals as at 31 Dec 16 £'000
On behalf of Community and Constitutional Affairs									–	
Prison Improvement Phase 4	9,881	–	–	126	**10,007**	9,810	**197**	134	–	**63**
Police Relocation (Phase 1)	24,940	–	–	26	**24,966**	11,385	**13,581**	12,578	–	**1,003**
Other Projects									–	
Reloaction of Sea Cadets	107	–	–	–	**107**	–	**107**	–	–	**107**
Public Markets Maintenance	3,476	–	67	–	**3,543**	2,719	**824**	135	–	**689**
Demolition Fort Regent Pool	750	–	–	–	**750**	10	**740**	13	–	**727**
Ofice Modernisation Project	–		350		**350**	–	**350**	219		**131**
Other Capital Projects	2,929				**2,929**	2,805	**124**	76		**48**
Department for Infrastructure	**414,088**	**16,233**	**805**	**946**	**432,072**	**307,938**	**124,134**	**36,714**	**–**	**87,420**
Treasury and Resources										
Tax Transformation Prog & IT Sysems	1,245	–	–	–	**1,245**	861	**384**	50	–	**334**
ITAX Development – Taxes Office	1,332	–	–	–	**1,332**	1,312	**20**	–	–	**20**
Treasury and Resources Total	**2,577**	**–**	**–**	**–**	**2,577**	**2,173**	**404**	**50**	**–**	**354**
Non Ministerial States Funded										
Non Mins – Minor Capital	1,305	33	–	–	**1,338**	627	**711**	172	–	**539**
Non Ministerial States Funded Total	**1,305**	**33**	**–**	**–**	**1,338**	**627**	**711**	**172**	**–**	**539**
Total	**485,624**	**25,491**	**(966)**	**227**	**510,376**	**364,166**	**146,210**	**40,856**	**–**	**105,354**

C) RECONCILIATION OF MOVEMENT IN UNALLOCATED CONSOLIDATED FUND BALANCE

	2016 £'000	Restated 2015 £'000
Opening Balance	**63,309**	**72,366**
Net General Revenue Income	736,803	691,744
Net Revenue Expenditure – Near Cash	(698,454)	(697,031)
Add Back: Carry Forwards from 2015/2014	29,148	22,977
Additional Allocations	(114)	234
Transfers between Capital and Revenue	966	2,360
Approvals Carried Forward:		
Departmental Carry forwards	(33,947)	(19,073)
Carry forward of Contingency	(38,030)	(10,075)
Capital Approval in the Year	(25,491)	(74,844)
Transfer to Jersey Fleet Management for Asset Replacement	(1,200)	(300)
Other Capital Funding Sources		
Funding from the Central Planning Vote	–	1,500
Funding from Strategic Reserve	26,691	22,700
Funding from Currency Fund	–	25,494
JPH Receipts Applied	848	3,015
Transfers from:		
Housing Development Fund	–	6,120
Strategic Reserve	30,000	14,000
Returns to the Consolidated Fund		
COCF Funding previously spent from Consolidated Fund	119	215
Unspent Capital	1	1,627
Other Movements	294	280
Fund Movement	**27,634**	**(9,057)**
Closing Balance	**90,943**	**63,309**

States of Jersey

States of Jersey Treasury

Cyril Le Marquand House
PO Box 353
Jersey, Channel Islands
JE4 8UL

Telephone: +44 (0)1534 440215
Email: treasury@gov.je

www.gov.je