
STATES OF JERSEY



CONTINGENCY ALLOCATION: REVISED POLICY

**Presented to the States on 15th September 2017
by the Minister for Treasury and Resources**

STATES GREFFE

REPORT

Purpose of this report

The Allocation to Contingency is a fundamental part of the Medium Term Financial Plan, as it gives the States a degree of flexibility in managing its finances over a longer time period. The use of Contingency expenditure is set out in the [Public Finances \(Jersey\) Law 2005](#) (“the Public Finances Law”) (Article 17).

Article 8(5)(c) of the Public Finances Law states that the report accompanying a draft Medium Term Financial Plan must contain: “the Minister’s statement of the expected purposes for which the Minister will approve transfers from the amount appropriated for contingency expenditure for each financial year to which the plan relates;”. The most recent such statement is included as section 8 of the Medium Term Financial Plan Addition for 2017 – 2019 (“MTFP Addition”) ([P.68/2017](#)).

Article 17(4) of the Public Finances Law states that –

- “(4) The Minister must, in accordance with Article 8(5)(c) and from time to time, present to the States a statement of –
- (a) the Minister’s procedures for the approval of transfers; and
 - (b) the expected purposes for which the Minister will approve transfers.”.

This statement, therefore, is issued in accordance with Article 17(4)(a), and should be read in conjunction with the information in the MTFP Addition.

Payments into the Allocation to Contingency

There are a number of different ways the Allocation to Contingency can be made, as set out below –

- Amounts set as part of the Medium Term Financial Plan.
- Allocations from growth expenditure, as approved by the States as part of the annual budgeting process.
- Transfers from a head of expenditure within or after a financial year, if approved by the Minister for Treasury and Resources (and if the Minister responsible for the head of expenditure has approved the transfer).
- Allocations from revenue heads of expenditure underspends that are not carried forward.
- Allocations from departmental income that are in excess of expectations.
- Allocations from the Insurance Fund via the Consolidated Fund.

Types of expenditure that can come out of the Allocation to Contingency

Contingency is set aside for unforeseen expenditure. In the MTFP Addition, the main contingency allocations are for urgent and unforeseen items of expenditure and to provide provision for unpredicted fluctuations in benefits expenditure which are difficult to forecast.

The States also agreed contingency provisions within the overall allocation to support one-off expenditure for specific programmes like Public Sector Reform, Pay, Pensions, Workforce Modernisation, the Economic and Productivity Growth Provision, and initiatives to support vulnerable children.

Unspent Contingency

By its very nature, the Allocation to Contingency may remain unspent and can be returned to the Consolidated Fund at the end of a financial year and/or MTFP period depending on the financial position. If contingency is unspent it can also be carried forward to provide greater flexibility in the following year, including at the end of an MTFP period.

Allocation process

The Accounting Officer or Finance Director of a **Department** must present a written case to the Treasurer of the States which explains –

- The nature of the expenditure and the reason it has arisen.
- Whether the expenditure is likely to recur and how future years will be funded.
- Why the expenditure cannot be absorbed within current limits – this should refer to the most recent in-year financial monitoring report, including current forecasts to out-turn and whether departmental contingencies have been used or why other services can't be reprioritised.

Requests for less than £100,000 in total can be approved directly by the Minister for Treasury and Resources on the recommendation of the Treasurer of the States. Requests for £100,000 or more must be considered by the Council of Ministers following examination by the Treasurer of the States and Minister for Treasury and Resources.

The role of the **Treasurer of the States** will be to challenge the request, and to ensure that a solution to its ongoing funding has been considered and that due process has been followed. This will then be considered by the Minister for Treasury and Resources, and a report submitted by the requesting department to the Council of Ministers (if the request is for £100,000 or more in total).

The Treasurer and the Minister for Treasury and Resources will consider a number of factors, including –

- whether the expenditure is absolutely necessary and the operational need could not be met in some other way;
- whether the expenditure would imply or commit a permanent and recurring need for expenditure;
- whether the expenditure could be met from underspends in the requesting (or any other) department; and
- whether the estimates of cost have been subject to sufficient scrutiny, for example by the requesting department's Director of Finance.

The Council of Ministers will consider the request, taking into account the department's submission and the Treasurer's and Minister for Treasury and Resources' recommendation, to be given at the Council of Ministers' meeting. The Council of Ministers will then either request the Minister for Treasury and Resources to approve the allocation or reject the request. The final approval always rests with the Minister for Treasury and Resources.

Where the Council of Ministers has recommended a request for approval by the Minister for Treasury and Resources, the minuted recommendation will be deemed to constitute the approval of the receiving department(s) for the sums proposed to be allocated.

For some Contingency expenditure **the Council of Ministers** has delegated its role of recommending approval (or otherwise) to other groups or individuals as follows:

Public Sector Reform ("PSR")

The Council of Ministers has approved the delegation of its role described above to the Minister for Treasury and Resources to consider and, if appropriate, approve restructuring provision funding bids under £500,000 during the MTFP Addition period (2017 – 2019). The Council of Ministers will, however, continue to be updated on all approved restructuring provision bids regardless of their funding level.

Voluntary Redundancy ("VR") and Compulsory Redundancy ("CR")

The Council of Ministers has agreed that recommendations to the Minister for the funding of VR and CR applications are delegated to a Central Panel, comprising the Chief Executive Officer, the Treasurer of the States and the Director of Human Resources. Once this approval is given, the transaction is processed. The role of the Minister for Treasury and Resources is then to approve the allocation of funding from the Allocation to Contingency to the department(s) making the payment(s).

Economic and Productivity Growth Draw-down Provision ("EPGDP")

The Council of Ministers approved the delegation for the review and recommendation of business cases to the EPGDP Officer Group and subsequently the Economic Policy Political Oversight Group for final recommendation for approval to the Minister for Treasury and Resources.

Minister for Treasury and Resources' approval

The Minister will take into account the comments of the Council of Ministers or its delegates.

The Minister for Treasury and Resources will either –

- refer unsuccessful requests back to the originating Department; or
- approve a public Ministerial Decision for successful requests.

Article 17(3) of the Public Finances Law allows the Minister to specify the use to which the amount transferred from Contingency is to be put.

All approved requests will be published by the Minister for Treasury and Resources to the States on a 6-monthly basis.

Drawdown of approved funding

If a request is approved by the Minister, the sum approved will be transferred to the revenue head of expenditure of the requesting department, when requested by the department, for the year(s) for which the transfer was approved. That or those amounts will be able to be carried forward to a subsequent year if agreed by the Minister for Treasury and Resources. Where an approval is given by the Minister in one year for an amount in a subsequent year, the responsibility lies with the receiving department to either request drawdown of up to the approved amount (and confirming that they still require the full amount), or notifying the Treasury that they no longer require any or all of the approved amount.

Monitoring

Departments receiving funding from contingency will be required to confirm to Treasury officers as and when requested –

- the amount of the allocated funding spent to the date of the request for information;
- the forecast total expenditure from the contingency funding allocated; and
- that the funding has been spent for the purposes approved.