
STATES OF JERSEY



ALLOCATION TO CONTINGENCY: REVISED POLICY – MARCH 2019

Presented to the States on 3rd April 2019
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 (“MTFP”) 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](#) (Article 17).

Article 8(5)(c) of the Public Finances Law states that the report accompanying a draft MTFP 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](#).

Article 17(4) of the Public Finances Law states that the Minister for Treasury and Resources must –

- ‘(4) ... 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 is therefore issued in accordance with Article 17(4)(a), and should be read in conjunction with the information in the MTFP Addition for 2017 – 2019. It replaces and supersedes the statement previously published as [R.112/2018](#).

Payments into the Allocation to Contingency

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

- amounts as set out in the MTFP;
- 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 been consulted on the transfer);
- allocations from revenue heads of expenditure underspends that are not carried forward;
- allocations from departmental income that are in excess of expectations; and
- 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 Medium Term Financial Plan Addition for 2017 – 2019, the main Contingency allocations are for urgent and unforeseen items of expenditure and to make 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.

Allocation process

This process replaces all other processes and applies to all elements of Contingency allocated in the MTFP excluding Pay, Pensions and Voluntary Redundancy.

The Accountable Officer of a Department must submit a written business case to the Treasury and Exchequer Department which sets out –

- the nature of the expenditure and the reason it has arisen;
- the rationale for investment (the Strategic Case);
- the options that have been considered, and an assessment of benefits and economic impact (the Economic Case);
- the financial analysis of key assumptions and funding, including a consideration of why the expenditure cannot be met from existing budgets (the Financial Case); and
- the critical risks, milestones, procurement and commercial matters (the Management and Commercial Case).

The Treasury and Exchequer Department will ensure that all business cases are subject to a robust and consistent investment appraisal process through an Investment Appraisal Board, before they are considered by the States Treasurer.

A business case will not be subject to investment appraisal unless there is written confirmation from the relevant Minister and Accountable Officer to support the case. If a business case has implications for another Department, this should be detailed in the business case, with confirmation of consultation and support from the relevant Minister and Accountable Officer.

The Investment Appraisal Board (“IAB”) will review and challenge all business case submissions to ensure that there is sufficient supporting evidence to support investment decisions by Ministers. The Board will consider the rationale for investment, value for money, key financial assumptions, affordability and deliverability.

The Treasurer will consider all business cases once they have undergone the rigorous investment appraisal, and will make a recommendation to the Minister for Treasury and Resources.

The IAB and States Treasurer will also 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/Senior Business Partner.

The States Treasurer will seek comments from the PAO in respect of all requests.

Requests for less than £100,000 can be approved directly by the Minister for Treasury and Resources on the recommendation of the States Treasurer.

For requests over £100,000, the Minister will provide the One Government Political Oversight Group ("OneGovPOG") with a schedule of all funding decisions she is minded to make before making a final decision, seeking that Group's comments.

The Minister for Treasury and Resources will receive a schedule of all business cases (recommended for approval and not) on a monthly basis. The Minister can challenge the States Treasurer on any business case that is not recommended for funding. Additional work or evidence may be requested.

In the event that the States Treasurer or OneGovPOG does not support a case for funding, this will be communicated to the Accountable Officer and relevant Minister. The relevant Minister can request that the business case is (re)considered by the States Treasurer and/or Minister for Treasury and Resources.

Minister for Treasury and Resources' approval

As part of the decision-making process, the Minister for Treasury and Resources will take into account the recommendation of the States Treasurer and the comments from the investment appraisal process, as well as the feedback from the comments of the OneGovPOG. The Minister can reject the recommendation of the States Treasurer, but must document his or her reasons for doing so.

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.

If the Minister is minded to approve a funding allocation, the draft Ministerial Decision will be circulated to the Council of Ministers 5 working days before a Ministerial Decision is signed and published. If the relevant lead Minister does not wish to accept the proposed funding, then a Ministerial Decision will not be approved. Reasons for doing so will be documented, and a course of action agreed as part of the investment appraisal process.

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 presented to the States by the Minister for Treasury and Resources on a 6-monthly basis.

Draw-down 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.

Monitoring

Departments receiving funding from Contingency will be required to confirm to Treasury and Exchequer 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 funding has been spent for the purposes approved.

Where relevant, further information with regard to performance management, KPIs and outcomes will be established at the outset.

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, excluding at the end of an MTFP period.