
STATES OF JERSEY



PROCEDURES FOR ALLOCATIONS FROM THE RESERVE: REVISED POLICY MARCH 2020

Presented to the States on 18th March 2020
by the Minister for Treasury and Resources

STATES GREFFE

REPORT

The Reserve is an important component of the Government Plan, as it provides a degree of flexibility to respond to unforeseen needs for expenditure that may emerge during the year.

Article 15(3) of the [Public Finances \(Jersey\) Law 2019](#) (“the Law”) grants the Minister for Treasury and Resources the power to direct how an appropriation for a reserve head of expenditure may be spent. Article 30(2)(a) of the Law requires the Minister to issue a written statement to the States setting out –

- “(i) the Minister’s procedures for directing, under Article 15(3), how an approved appropriation for a reserve head of expenditure in a government plan may be spent, and
- (ii) the expected purposes or subjects on which the Minister may direct that such appropriations be spent”.

This statement is therefore issued in accordance with Article 30(2)(a), and should be read in conjunction with the information in the [Government Plan](#). This statement applies to the General Reserve, the Reserve for Central Risk and Inflation Funding, and Reserve for Centrally Held Items as set out in the Government Plan 2020–2023, which collectively make up the Reserve.

For the avoidance of doubt, this statement replaces and supersedes the policy previously published as [R.38/2019](#).

Allocations into the Reserve

There are a number of different routes by which funding can be allocated to the Reserve, as set out below:

- amounts as set out in the Government Plan;
- transfers under Article 18 of the Law from a head of expenditure to enable an allocation to be made within the same financial year;
- transfers under Article 19 of the Law from a head of expenditure to allow an allocation to be made within the next financial year; and
- allocations under Article 21 of the Law where departmental income is in excess of expectations and the department concerned has not been given permission to spend that excess income.

Allocations out of the Reserve

Within the Reserve, the Government Plan 2020–2023 identifies 3 heads of expenditure. These are the Reserve for Centrally Held Items, the Reserve for Central Risk and Inflation Funding, and the General Reserve.

The Reserve for Central Risk and Inflation Funding provides funding to meet inflation related to capital projects, and provides central budget capacity to compensate for risks inherent in the delivery of capital projects.

The Reserve for Centrally Held Items is a centrally held provision intended to fund items such as inflation. It provides budget to meet costs that are automatically driven by factors such as inflation or agreed pay awards.

The Reserve for Centrally Held Items consists of several sub-components as outlined in the table below.

Sub-components	Purpose
Pay award inflation	Provision for the forecast costs of future inflationary pay awards including associated social security and pension requirements.
Non-pay net inflation	From 2021 onwards, funding is held in reserve for the forecast net non-pay inflation requirements across government. The efficiency saving for non-pay inflation in the Efficiencies Plan, R.130/2019 , is held against this component.
Revenue consequences of capital schemes	Centrally reserve for the revenue consequences of capital initiatives, which will be released once projects in the capital programme have reached the point of incurring associated revenue costs. Funding is held in the reserve due to the inevitable variability involved in the timescales for capital projects, which are subject to assumptions and estimation.
Court and Case Costs smoothing reserve	Departments involved in civil and criminal judicial proceedings hold annual budgets for court and case costs. Expenditure on court and case costs is highly variable and driven by demand that is largely outside of the control of departments. The court and case costs smoothing reserve provides a source of funding to meet peaks in demand. In years where court and case costs are lower than budgeted, surpluses are allocated to the smoothing reserve in order to build capacity for the future.
Markets smoothing reserve	Income from market traders is used to run and maintain the Island's public markets. When income from the public markets exceeds expenditure, the surplus is transferred to the markets smoothing reserve to build capacity for future expenditure such as maintenance or refurbishment needs.
Independent Jersey Care Inquiry	Centrally held provision for costs associated with the Independent Jersey Care Inquiry and its recommendations.

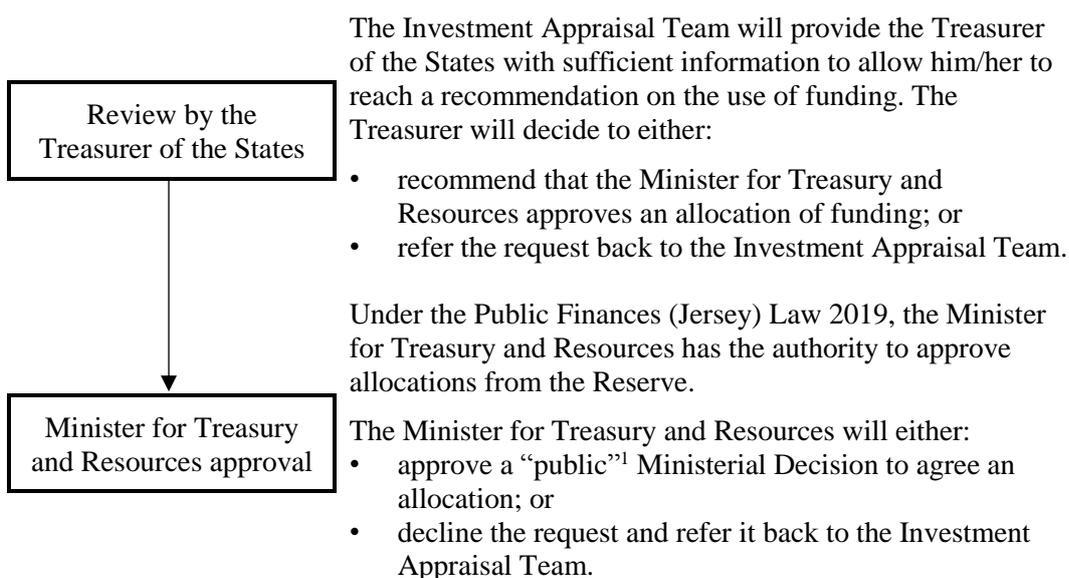
The General Reserve is intended to meet unforeseen pressures or advance funding for urgent expenditure in the public interest. Unlike allocations from the Reserve for Centrally Held Items (which are triggered by other events), transfers of funding from the General Reserve will be subject to investment appraisal.

The General Reserve has 4 separate sub-components as outlined in the table below.

Sub-components	Purpose
Restructuring Reserve	Centrally held provision to assist in the process of restructuring and modernisation. This includes redundancy provisions, and initiatives to improve the quality and/or efficiency of public services, such as a zero-based budgeting programme.
Annually Managed Expenditure (“AME”) contingency	Annually Managed Expenditure is centrally held funding to provide contingency for specific types of expenditure that can be significantly affected by wider conditions and where influences on expenditure are not predictable, such as changes in wider economic conditions, or other major unexpected events. This is currently held for benefit spend and higher education costs.
Departmental Expenditure Limit (DEL) contingency	A centrally held fund for all other urgent and unforeseen, short-term funding needs that cannot be met from existing heads of expenditure.
Provision for Pilot Schemes	Centrally held funding for unforeseen projects identified during the year that may require upfront resources to justify future requests, or to allow an opportunity that presents itself ahead of funding for future years.

Process for allocations out of the Reserve for Centrally Held Items and the Reserve for Central Risk and Inflation Funding

Allocations from the Reserve for Centrally Held Items and the Reserve for Central Risk and Inflation Funding will be subject to the process outlined below.



Process for allocations out of the General Reserve

The Government Plan indicated that an initial £1 million would be set aside to fund new ideas and solutions to be developed across government. Innovation requires an ability to move at pace, and an associated source of funding that is capable of being deployed in an appropriately rigorous and agile way. Accordingly, the Minister intends to allocate the £1 million Provision for Pilot Schemes in the General Reserve to the Office of the Chief Executive to be used for the above purpose, and for other priorities as determined by the Chief Minister, under the direction and good governance of the Chief Minister.

Allocations from the remaining elements of the General Reserve require a request for funding to be made to Treasury and Exchequer by the Accountable Officer of a Department or, for initiatives spanning multiple departments, the project Senior Responsible Owner. Requests must be accompanied by documented confirmation that the lead Minister is supportive, as well as evidence that any other Ministers or Accountable Officers impacted have been consulted and have given their assent to the proposal.

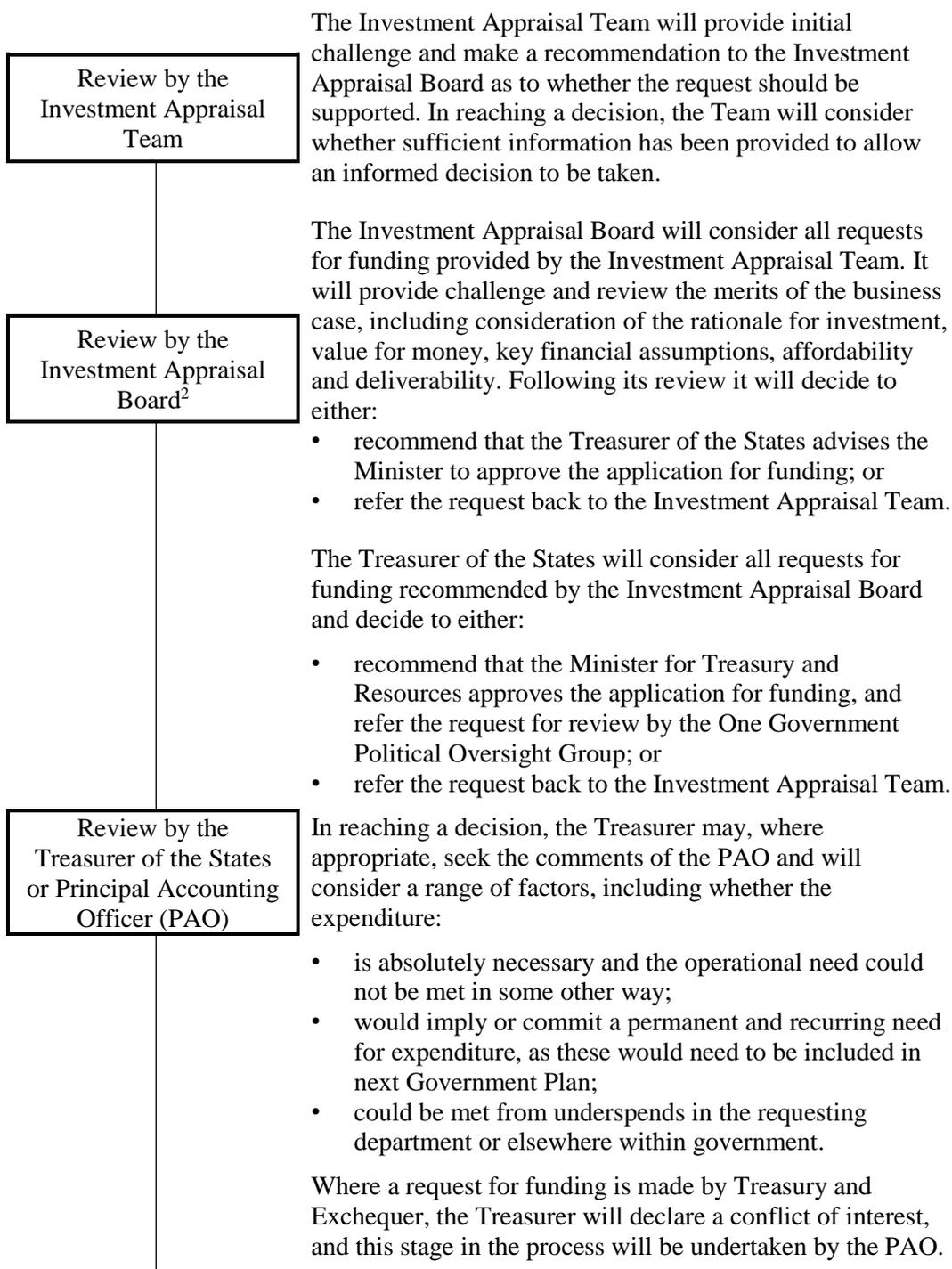
Requests for funding will be submitted to the Investment Appraisal Team within the Treasury and Exchequer, which will ensure that all requests are subject to a consistent and robust investment appraisal process. The appraisal process will be focused on ensuring there is sufficient information and supporting evidence captured in a request for funding to enable the Minister for Treasury and Resources to take an informed decision.

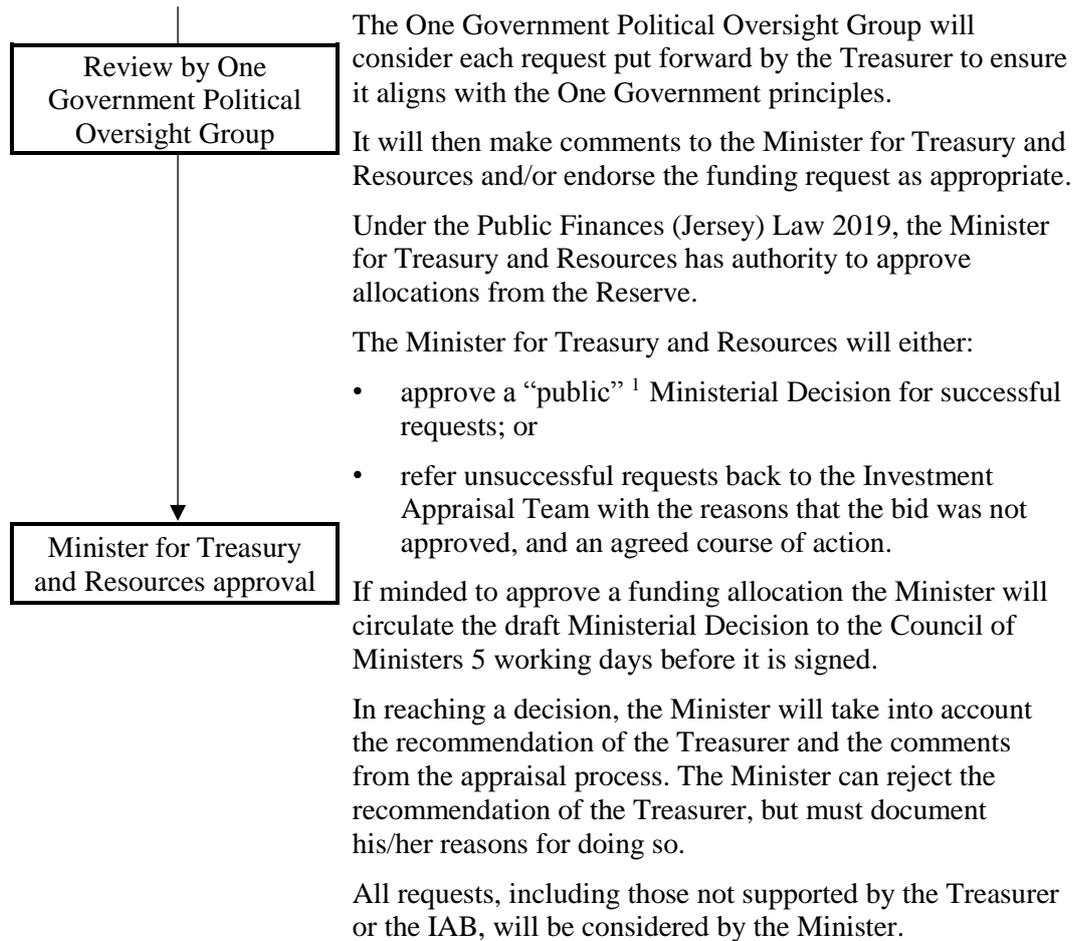
Funding requests will generally be set out in a business case that will provide:

- 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 (the Economic Case);
- a description of any procurement processes required and other commercial matters (the Commercial Case);
- a financial analysis including details of key assumptions and an explanation as to why the expenditure cannot be met from existing budgets (the Financial Case); and
- details of the monitoring arrangements that will be put in place to ensure the project achieves its objectives, a description of the critical risks, and milestones (the Management Case).

Allocation process: Restructuring Reserve, AME and DEL

Where a request is made for £100,000 or less, or where the Minister is satisfied that there is an urgent need to provide funding in the public interest, an allocation may be made by the Minister on the recommendation of the Treasurer. All other requests will be subject to the following process.





Drawdown of approved funding

If a transfer from the Reserve is approved by the Minister for Treasury and Resources, funds approved will be transferred to the relevant head of expenditure upon request by the Accountable Officer, or Senior Responsible Officer, according to an agreed drawdown schedule.

Where funding has been drawn down and is unspent at the end of the financial year, it will return to the Reserve, unless otherwise allocated or repurposed by the Minister. Where unspent balances are required for the same purpose in the following year, the Minister may approve a Ministerial Decision in the subsequent year to re-issue the funding without a need to repeat the funding application and assessment process.

Any amounts drawn down from the General Reserve that remain unspent once work has been completed will be returned to the Reserve, unless otherwise allocated by the Minister.

Monitoring

Periodically, the Accountable Officer, or Senior Responsible Officer, in receipt of funding from the General Reserve, will be required to confirm to the Treasury and Exchequer information related to *inter alia*:

- the amount of the allocated funding spent to the date of the request for information;
- the forecast total expenditure from the reserve funding allocated;
- how funding has been spent and that this is consistent with the purposes approved; and
- performance management, including whether the anticipated benefits have been achieved.

Monitoring of initiatives funded from the General Reserve will be supported by the government-wide performance management arrangements developed and delivered collaboratively by the Chief Operating Office, Department for Strategic Policy, Planning and Performance, and the Treasury and Exchequer.

Unspent balances in the Reserve

By its nature amounts allocated to the Reserve may remain unspent, and can be returned to the Consolidated Fund at the end of a financial year, depending on the financial position. The Minister for Treasury and Resources may approve a Ministerial Decision to allocate unspent balances in the Reserve to be made available in the Reserve in following financial year.

Reports to the States Assembly

All decisions made by the Minister for Treasury and Resources relating to the Reserve will ordinarily be public, and the States will receive updates of all expenditure allocations as part of the six-monthly Budget Management Reports presented by the Minister.

A list of all requests for funding provided to the Minister, including those not recommended to the Minister for approval, will be reported to the Council of Ministers and Corporate Services Scrutiny Panel on a monthly basis.

Endnotes

¹ In some cases, it may be necessary to restrict circulation of Ministerial Decisions, for example when individuals are affected and potentially identifiable.

² The Investment Appraisal Board reviews new requests for funding from the Reserve that exceed 100,000. It was established to provide a rigorous, objective and transparent approach to the appraisal of new requests for investment to ensure that informed decisions could be taken by the Treasurer and the Minister for Treasury and Resources. The Board consists of 4 senior officials, 3 represent relevant corporate functions, and the 4th provides an independent perspective.

The Members of the Board are as follows:

- Chief of Staff – provides a One Government perspective
- Group Director People & Corporate Services – provides a people and organisational development perspective
- Group Director Regulation – provides an independent perspective
- Group Director Strategic Finance – provides a Treasury and Exchequer perspective.