
STATES OF JERSEY



PROCEDURES FOR ALLOCATIONS FROM THE RESERVE: MINISTERIAL STATEMENT

Presented to the States on 31st July 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 Reserve for Central Risk and Inflation Funding;
- Reserve for Centrally Held Items; and
- the General Reserve.

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.23/2020](#). It contains the following sections:

- Allocations into the Reserve
- Categories of the Reserve
- Allocations from the Reserve
- Drawdown of approved funding
- Monitoring
- Unspent balances in the Reserve
- Reports to the States Assembly

Allocations into the Reserve

There are a number of different ways in 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.

Covid-19

In addition to the above the States Assembly adopted P.28/2020 Public Finances (Amendment of Law) (Jersey) Regulations 202- which approved the following additional ways of increasing the amount available in the General Reserve (or any other head of expenditure):

- transfer from the Stabilisation Fund to the Consolidated Fund and subsequent authorisation to spend (for any head of expenditure); and
- increase in the amount available to be authorised for emergency expenditure from £10 million (previously available in the Public Finances Law) to £100 million.

[P.28/2020](#) also approved a number of ways in which the Minister could increase available funding (including borrowing and transfer from the Strategic Reserve Fund), which could be available for subsequent transfer from the Stabilisation Fund to the Consolidated Fund and subsequent authorisation to spend (for any head of expenditure). The additional powers made available to the Minister by P.28/2020 were initially time-limited to 30th September 2020, and were brought into effect by the Minister deciding that there existed “an immediate threat to the health or safety of any of the inhabitants of Jersey and to the stability of the economy in Jersey”. The Minister made this decision in MD-TR-2020-0029 on 27th March 2020.

Categories of the Reserve

Within the Reserve, the Government Plan 2020-2023 identifies three heads of expenditure. These are:

- the Reserve for Central Risk and Inflation Funding;
- the Reserve for Centrally Held Items; and
- the General Reserve.

All allocations **must only be used for the purpose allocated by the Minister**, with any excess funds being returned to the Reserve from which they were allocated. The Minister is able to approve a repurposing of funding she has allocated if she considers the request from the receiving department is justified.

Reserve for Central Risk and Inflation Funding

This 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.

Reserve for Centrally Held Items

This 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.
Revenue consequences of capital schemes	Centrally held 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.

General Reserve

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 require proactive decision making and will be subject to investment appraisal.

Covid-19

Within the General Reserve, funds arising from the Minister's emergency powers approved by P.28/2020 to fund Covid-19 impacts on the health or safety of any of the inhabitants of Jersey and to the stability of the economy in Jersey will be held centrally for the sole purpose of meeting the direct and indirect costs or impacts on income arising from the crisis.

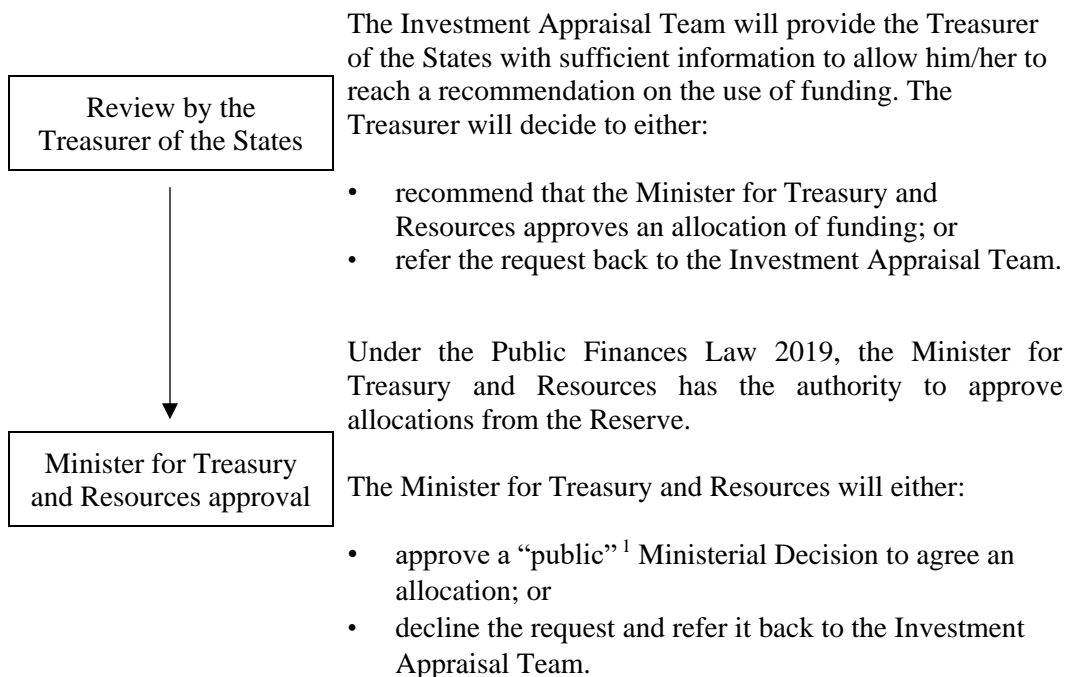
In addition to the Covid-19 related funding, held separately within the General Reserve, that Reserve has three separate sub-components as outlined in the table below.

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.

Allocations from the Reserve

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

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

General

Allocations from 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. All 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. Ideally requests for funding will be approved by the appropriate Political Oversight Board.

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 from the General Reserve: Covid-19 impacts on the health or safety of any of the inhabitants of Jersey or to the stability of the economy in Jersey

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.

1. **Investment Appraisal**

The Investment Appraisal Team will consider all requests for funding. It will provide challenge and review the merits of the business case including consideration of the rationale for investment, value for money, key financial assumptions, affordability and deliverability.

Following its review, it will decide to either:

- recommend that the Treasurer of the States advises the Minister to approve the application for funding; or
- refer the request back to the department.

2. Treasurer or PAO review

The Treasurer of the States will consider all requests for funding recommended by the Investment Appraisal Team and decide to either:

- recommend that the Minister for Treasury and Resources approves the application for funding and refer the request for review by either the Council of Ministers or the relevant Competent Authorities Ministers; or
- refer the request back to the Investment Appraisal Team.

In reaching a decision, the Treasurer will seek the comments of the PAO, where possible and may seek the views of the Strategic Co-ordination Group Chair and will consider a range of factors including whether the expenditure:

- is absolutely necessary and the operational need could not be met in some other way;
- would imply or commit a permanent and recurring need for expenditure, as these would need to be included in next Government Plan;
- could be met from underspends in the requesting department or elsewhere within government.

Where a request for funding is made by Treasury and Exchequer, the Treasurer will declare a conflict of interest and this stage in the process will be undertaken by the PAO.

3. Ministerial approval

Under the Public Finances Law 2019, the Minister for Treasury and Resources has authority to approve allocations from the Reserve.

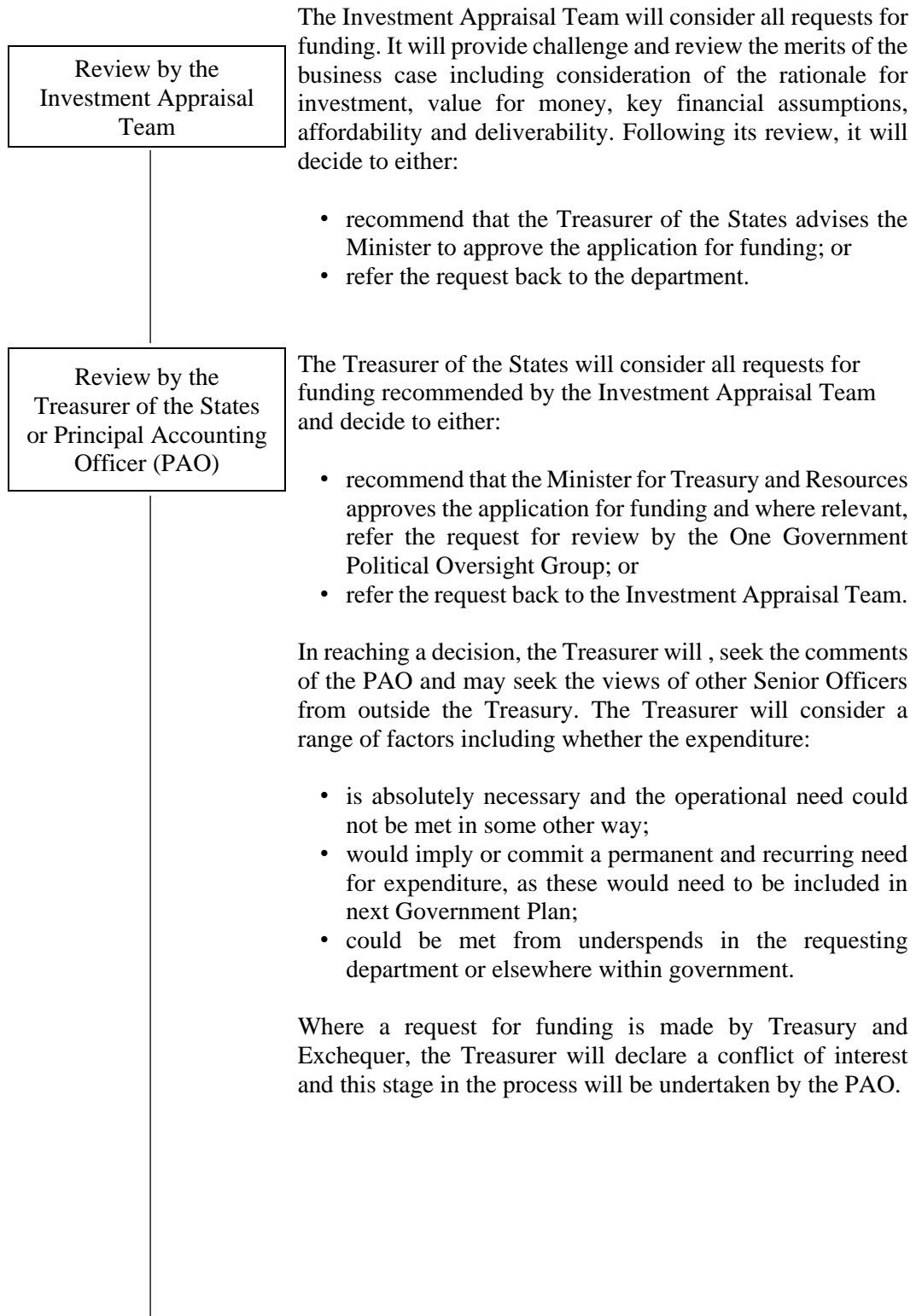
The Minister for Treasury and Resources will either:

- approve a “public” Ministerial Decision for successful requests; or
- refer unsuccessful requests back to the Investment Appraisal Team with the reasons that the bid was not approved and an agreed course of action.

In reaching a decision, the Minister will consider the recommendation of the Treasurer and the comments from the appraisal process. The Minister can reject the recommendation of the Treasurer but must document their reasons for doing so.

Allocation process from the General Reserve: 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



Minister for Treasury
and Resources approval

Under the Public Finances Law 2019, the Minister for Treasury and Resources has authority to approve allocations from the Reserve.

The Minister for Treasury and Resources will either:

- approve a “public”¹ Ministerial Decision for successful requests; or
- refer unsuccessful requests back to the Investment Appraisal Team with the reasons that the bid was not approved and an agreed course of action.

If minded to approve a funding allocation the Minister will circulate the draft Ministerial Decision to the Council of Ministers 5 working days before it is signed.

In reaching a decision, the Minister will consider the recommendation of the Treasurer and the comments from the appraisal process. The Minister can reject the recommendation of the Treasurer but must document his/her reasons for doing so.

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 reissue 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;
- the way funding has been spent and that this is consistent with the purposes approved; and
- performance management.

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.

All requests for funding provided to the Minister, whether successful or otherwise will be reported to the Corporate Services Scrutiny Panel on a monthly basis.

END NOTES

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