
STATES OF JERSEY



COVID-19: FINANCIAL POLICY OF THE MINISTER FOR TREASURY AND RESOURCES

Presented to the States on 15th September 2020
by the Minister for Treasury and Resources

STATES GREFFE

REPORT

Purpose

The purpose of this report is to document and inform the States Assembly of the Policy followed to date by the Minister for Treasury and Resources (the “Minister”) on funding and meeting the expenditure requirements of the COVID-19 pandemic and to set out the Policy which will be followed to 31st December 2020.

Background

Government, emergency and critical services, private and third sector partners have been working together in a coordinated and proactive way to anticipate and, as far as possible, mitigate the health and non-health impacts of COVID-19. This has included the impact on travel, the economy, the education system and the vulnerable. The strategic aims have been to:

- Minimise the risk to life and harm of islanders and those visiting;
- Maximise the application of advice from the Medical Officer of Health to flatten the curve and spread of the virus;
- Maximise care by organising and adapting the core and wider health sectors to manage anticipated demand;
- Maintain emergency, critical and essential services;
- Minimise the impact on businesses and the local economy by offering advice and appropriate support;
- Maintain public confidence;
- Maintain law and order; and
- Plan and prepare for recovery and return to a new normality.

To achieve these objectives the Minister was required to assess public finances and decide an appropriate set of measures to meet the expected cost of tackling COVID-19. On 24th March 2020 the States Assembly approved [P.28/2020](#) which agreed additional powers for the Minister for a 6-month period:

- (a) Allow the Minister to transfer an amount from the Stabilisation Fund to the Consolidated Fund or any other States Fund and authorise that amount to be spent;
- (b) Enable the Minister to agree that further funds be transferred into the Stabilisation Fund from other States Funds and direct that these funds be spent from the Stabilisation Fund. The money held within the Stabilisation Fund can be lent; or a bank overdraft or financing can be secured to support expenditure from that Fund;
- (c) Enable the Minister to transfer up to £400 million from the Strategic Reserve to the Stabilisation Fund;
- (d) Ensure that the Minister is able to re-allocate between heads of expenditure in good time without giving at least 4 weeks’ notice to the States;
- (e) Increase from £10 million to £100 million the amount which may be appropriated from the Consolidated Fund without amending the Government Plan;
- (f) Increase the limit on financing that the Minister may arrange in a financial year from £3 million to £500 million, and the limit on total outstanding financing from £20 million to £500 million;

- (g) Increase the limit on loans that the Minister may make in a financial year from £3 million to £100 million, and the limit on total outstanding loans from £20 million to £100 million;
- (h) Increase the limit on guarantees and indemnities that the Minister may provide in a financial year from £3 million to £100 million, and the limit on the total outstanding guarantees from £20 million to £100 million.

In line with Articles 24(1) and (3) of the [Public Finances \(Jersey\) Law 2019](#) the Minister brought these amended powers into effect on 27th March 2020 (MD-TR-2020-0029) when she determined, in her view, that the Pandemic provided an immediate threat to the health or safety of any of the inhabitants of Jersey, to the stability of the economy in Jersey or to the environment. The Minister maintains the view that this situation will exist until at least the 31st of December 2020. Beyond that date funding provision may be made in the Government Plan 2021-2024.

Summary of funding approved by the Minister for COVID-19

Under the extended powers granted to her under P28/2020 (detailed above) the Minister has agreed the following as a means of funding the estimated additional expenditure requirements of COVID-19.

- Approval of an additional £99.99 million of approvals from the Consolidated Fund (MD-TR-2020-0047);
- Approval of Revolving Credit Facility of £500 million (MD-TR-2020-0051);
- Transfer of £28 million from the Stabilisation Fund to the Consolidated Fund and approval of spending from the General Reserve (MD-TR-2020-0055);
- Transfer of £50 million from the Stabilisation Fund to the Consolidated Fund and approval of spending from the General Reserve.

The Minister's strategy has been to make additional transfers from the Stabilisation Fund in order to preserve as much as possible of the £99.99 million expenditure approvals created under MD-TR-2020-0047 so that she can continue to make approvals to support the economy against the effects of the pandemic once the P.28 powers have fallen away after 30th September.

In addition to the approvals under her extended powers, the Minister made an extra £65.3 million available in the General Reserve. This was made possible by the decision of the States Assembly to cancel the supplementation grant to the Social Security Fund in 2020.

The Minister is grateful for the support provided by the Assembly in approving these extended powers. The Minister has carefully assessed the various options available to her and at this time has decided that, due to the nature of the investments held in the Strategic Reserve Fund and to protect the value of the Strategic Reserve Fund, she will not draw down funds from the Strategic Reserve Fund in 2020 for the current Pandemic.

As at the date of this report the Minister had approved 25 additional funding requests totalling £177 million to deal with costs associated with COVID-19. The Minister intends to continue to use the balance of the additional funds approved by the States Assembly in 2020 to meet the on-going costs associated with the COVID-19 Pandemic.

What qualifies for a bid for additional expenditure approval relating to COVID-19

The Minister maintains the view that all Accountable Officers should be working with the Treasurer to review existing heads of expenditure before submitting additional request for any additional funding for COVID-19 related expenditure. Where there is no alternate funding available a bid for additional expenditure approval may be submitted in line with the procedures set in this Policy.

During the initial period of the pandemic there were clear associations between required expenditure and the link to COVID-19 because of the nature of the initiatives. The impact of COVID-19 has been far reaching and has impacted in many aspects of Island life. Bids for COVID-19 funding moving forward need to continue to have a demonstrable link to the pandemic and this framework needs to be applied to all business cases before being submitted for COVID-19 funding bid approval.

Question	Answer	Approval process
Is there a direct and urgent requirement for funding clearly related to COVID-19 that will occur only in 2020?	Yes	<ul style="list-style-type: none"> Reserve funding - COVID-19 business case
Is there a direct and urgent requirement for funding clearly related to COVID-19 that has expenditure in 2020 and recurring expenditure thereafter?	Yes	<ul style="list-style-type: none"> Reserve funding - COVID-19 business case for 2020 expenditure Recurring expenditure to be submitted as part of Government Plan submission
Is there a direct requirement for funding related to COVID-19 that will occur after 2021?	Yes	<ul style="list-style-type: none"> Government Plan submission
Is there a requirement related to COVID-19 that is indirect that will only occur in 2020?	Yes	<ul style="list-style-type: none"> Reserve funding business case
Is there a requirement related to COVID-19 that is indirect that will occur in 2020 and recurring expenditure thereafter?	Yes	<ul style="list-style-type: none"> Reserve funding business case Recurring expenditure to be submitted as part of Government Plan submission
Is there an indirect requirement for funding related to COVID-19 that will occur after 2021?	Yes	<ul style="list-style-type: none"> Government Plan submission

The key part of the process is to understand what constitutes a direct and indirect relationship as this can be a matter of judgement for the submitting party. The following framework should be applied when assessing whether there is a direct relationship to COVID-19:

Direct

- Services - health and mental wellbeing of Islanders and visitors;
- Services - flattening the curve and spread of the virus;
- Services - maintaining emergency, critical and essential services;
- Services - advice and support to businesses related to the impact of COVID-19; and
- Services - support of education and skills related to the impact of COVID-19;
- Services - Financial support for Islanders whose income has been directly impacted by COVID-19.

Indirect relationships to COVID-19 could arise in a number of ways and there will need to be a clear rationale within the business case to justify the submission for approval for additional expenditure relating to COVID-19. In particular, departments should ensure the following:

- There is a timely relationship between the expenditure and COVID-19;
- There is a clear relationship between the need for the expenditure and its relationship to COVID-19; and
- There is a clear link between the reduction in departmental income and the effects of COVID-19.

The approval for the COVID-19 funding does not introduce significant ongoing expenditure that cannot be accommodated within the Government Plan.

Process for bids for additional expenditure approval relating to COVID-19

Developing an emerging financial governance framework during COVID-19 has been challenging due to the emerging nature of the situation and the uncertainty about fiscal requirements. The framework of decision-making for approvals has been developed in line with the principles set out by the World Bank (Appendix 1) and the specific advice for Jersey set in the Comptroller and Auditor General's letter on the same matter (Appendix 2).

The Minister has approved a revised Policy for the use of Reserves which clearly sets out how she intends to deal with the allocation of funding for COVID-19.

Process Step	Team	Requirements
Initial Business Case completed by submitting party	Investment Appraisal Team – Treasury and Exchequer	<ul style="list-style-type: none"> • Business cases must still be completed where the estimated cost is over £100,000; • The business case must be related to COVID-19 in line with the requirements set out in this policy; • Procurement arrangements must be agreed with Commercial Services in accordance with the Public Finances Manual, which has details of the procedure and

		<p>exemptions under Supporting Documents tab;</p> <ul style="list-style-type: none"> • Legal advice must be obtained where it is appropriate; • Measures must be put in place to minimise the risk of fraud; and • Accounting arrangements must be clear.
Evaluation Summary	Investment Appraisal Team – Treasury and Exchequer	<ul style="list-style-type: none"> • Summary of business case prepared for the Treasurer; • To have sufficient detail for the Treasurer to make recommendations to the Minister; and • Funding approvals must be sought from the Minister where additional spending cannot be contained within existing budgets.
Notification to other relevant bodies e.g. Emergency Council/Competent Authority/Council of Ministers or other groupings of relevant Ministers for political approval	Department	<ul style="list-style-type: none"> • Business case presented; • Documentary evidence of support must be obtained and retained by the accountable office; and • Investment and Appraisal team to record the political approval of the bid.
Preparation of Ministerial Decision and Report Summary	Financial Governance Team	<ul style="list-style-type: none"> • Preparation of documentation based on evaluation summary and any other relevant documentation.
Authorisation of Expenditure by Minister for Treasury and Resources	Financial Governance Team	<ul style="list-style-type: none"> • Business case and associated documentation presented to Minister; and • Minister to approve expenditure and release appropriate approvals.
Funding released to departments	Investment Appraisal Team – Treasury and Exchequer	<ul style="list-style-type: none"> • Decision and report summary to be used to populate required departmental budgets.

Accountability

All additional expenditure, no matter how urgent, from a department will be deemed to be subject to the normal ministerial and Accountable Officer responsibilities, which includes following the procurement arrangements set out in the Public Finances Manual. Where this is not clear it will be specified by the Minister and Principal Accountable Officer when additional expenditure is approved. Fundamental requirements of propriety, regularity and value for money remain fully in place.

Loans, Guarantees and Indemnities

Any loans, guarantees and indemnities offered must be subject to approval of the relevant scheme or individual arrangement by the Minister. The relevant Accountable Officer is responsible for developing scheme rules, seeking advice from Treasury and Exchequer and the Law Officers' Department.

Fraud

Arrangements which need to be put in place urgently to address COVID-19 are exposed to higher levels than normal of risk to fraudulent activity, coupled with a reduction in the time normally available to prepare robust arrangements. It is vital that measures are put in place, ideally before introduction of schemes but if not as soon as possible following introduction of those schemes. This is the responsibility of the relevant Accountable Officer. A fraud checklist has been provided to departments and should be used against all schemes with areas of residual risk after measures have been implemented and notified to the Director of Risk and Audit. Internal Audit have proactively advised on controls to mitigate fraud in the schemes to help the economy, and have carried out real-time audits in line with advice from the Comptroller and Auditor General (C&AG).

Accounting and scrutiny

The Treasurer of the States, through the Group Director of Performance, Accounting and Reporting, has issued a letter to all Accountable Officers notifying them of how COVID-19 expenditure must be accounted for. It is vital that all expenditure is documented, separately identified, wherever possible, and capable of justification to auditors and scrutiny functions. The Minister is committed to keeping the Corporate Services Scrutiny Panel, Public Accounts Committee and Comptroller and Auditor General informed of all uses of her temporarily extended powers, before they are exercised wherever possible. The Treasury Minister will also present details of allocations to the States Assembly in her statutory 6 monthly financial update reports.

Expected expenditure to the end of 2020

At the end of July 2020 the Minister had approximately £28 million left and uncommitted of the additional expenditure approvals made available to meet the estimated costs of the current pandemic to the end of December 2020. As stated above, the Minister intends to continue to use the balance of the additional funds approved by the States Assembly in 2020 to meet the on-going costs associated with the Covid-19 Pandemic.

The Minister also intends to ask the States Assembly to approve the creation of a Fiscal Stimulus Fund from borrowing of £50 million within the Revolving Credit Facility. The Minister may take this opportunity to seek the Assembly's approval for additional lending and guarantees up to the end of 2020. Any expenditure, borrowing, lending or guarantees after 1st January 2021 will be put forward in the Government Plan 2021-2024 for the Assembly's approval.

Plan for potential “second wave”

This Policy is aimed at dealing with the current implications of the COVID-19 pandemic to the end of 2020 but the Minister is acutely aware of the possibility of “a second wave” of COVID-19 later in 2020 and onwards. Should she need to, the Minister will draw on the financial knowledge and experience gained which has already supported the Island through the current situation from April to July 2020. The Minister is also mindful that she has approved funding, such as for the field hospital, which could be used to deal with any resurgence. The Minister will continue to work with the Chief Minister and Council of Ministers and will look to manage any resurgence within current funding allocations, but is aware that it may necessary for her to return to the Assembly for additional measures as appropriate.

The 2021 – 2024 Government Plan will include proposals and further financial provisions for dealing with the medium and longer term costs related to COVID-19 including the economic recovery.

Summary and conclusion

The Minister is pleased to present this Policy Framework, which provides both:

- the details of the funding used to meet the costs associated with the COVID-19 Pandemic; and
- a robust process for the authorised allocation of funding to meet additional expenditure requirements of the pandemic in 2020.

Minister for Treasury and Resources
7th September 2020

APPENDIX 1**World Bank Principles**

1. Funding COVID response should be quick and clear. A reallocation of existing resources may be necessary. Ministries of Finance and Health should work together to ensure that the total funding envelope is appropriately identified and based on quick costing estimates.
2. Controls should be reoriented, not diluted. Some controls related to COVID-19 may need to be reoriented to delegate authority and expedite implementation. The guiding principles of controls need to be reoriented, based on a risk assessment. Wherever ex-ante controls are reduced, these need to be replaced with clear, explicit, and credible expectations of ex-post controls.
3. Efficient cash management is crucial. It may be appropriate for the Ministry of Finance to quickly collect, aggregate, and establish processes to move funds into bank accounts.
4. Efficient and accountable procurement is needed. The COVID-19 response could warrant more use of single-source procurement with known and trusted suppliers to expedite the process. In such situations, it would be prudent for the Ministry of Finance and/or the procurement regulator to issue additional guidance on how to manage this process, including the potential for change orders. Monitoring international and domestic markets for price comparisons and timely actions could be useful. To mitigate the risks of fraud, it is especially important to maintain audit trails and acceptance of goods/services by responsible officials. In some cases, it may be necessary to do away with some standard requirements like bid securities and guarantees, though this needs to be documented with appropriate justification. Whenever possible, pre-existing framework contracts can be used. Posting all procurement information related to COVID-19 on government portals will enhance transparency and trust.
5. Payment management should be optimized. The emergency situation is likely to constrain liquidity. Hence greater emphasis on optimal use of cash float and credit lines is necessary. The normal payment processes of invoicing, goods / services receipts, and payments can be reviewed, to explore how best to use the time frame allowed by creditors in making payments. In other cases, additional or higher advances may be required by contractors or sellers of goods and services, for which limits need to be established.
6. Internal audit could compensate for some ex-ante controls. Internal audits could be used as a compensatory control to establish “concurrent post audit” to compensate for any pre-audit requirements that are modified. The internal audit function could temporarily reduce its role in systems reviews to focus on conducting post audit of transactions, with little time lag.
7. Financial reporting for timely assurance. Where separate budget lines are created for COVID-19 response, they need to follow the standard financial reporting system (IPSAS or national standards). Governments can benefit from more frequent interim reporting on the specific lines for decision-making.

8. The supreme auditing institution (SAI) needs to stand ready. Audit of emergency transactions by a government's SAI provides broader reassurance on the value for money spent during emergency operations and helps identifies actions to strengthen systems for the future. SAI auditors need to independently decide on the nature, scope, and approach to COVID-19; and they should conduct their audit with minimal time lag after restoration of normalcy. To be able to conduct it, SAI needs to keep abreast of the modifications done to PFM systems and identify potential risk areas.

APPENDIX 2**Areas for focus raised by the Comptroller and Auditor General in her letter of 26th March 2020**

- there should be a clear, shared and documented understanding of the respective roles of different individuals and groups in the decision-making process. In this respect clarification of the respective roles of the Council of Ministers and Competent Authorities Group is vital;
- there should be appropriate representation on key groups to ensure that due regard is given to the financial consequences of decisions at the time the decisions are being taken;
- all decision makers and decision making bodies should have access to relevant financial, legal and procurement advice as a matter of routine;
- documentation should be maintained, within the time and resource constraints to which you are operating, of the reasons for decisions made, including the assessment of alternatives considered. The timely recording and publication of Ministerial Decisions remains crucial;
- before commitments are made there should be explicit consideration of the financial implications and clear identification of the source of funding for the commitment. This applies to all decisions made, both individually and in aggregate;
- there should be co-ordinated, consistent internal and external communication so that decisions are communicated only through official channels and only when all decision-making and governance requirements have been met;
- all decisions should be taken within the boundaries of properly delegated authorities and within the documented system of internal control;
- procurement processes should operate in an efficient and accountable way. I recognise the situation may generate the need to use single source procurement but clear documentation of and audit trails for procurement decisions, including exemptions from normal procurement requirements, should be maintained;
- the design and implementation of new schemes should include an explicit risk assessment of the risk of fraud and error occurring. Where possible, controls should be put in place to mitigate against these risks;
- there should be effective management of cash, liquidity and payments at this time. The emergency situation will place a constraint on liquidity and cash flow forecasting mechanisms will need to be robust; and
- there should be transparent and timely reporting to the States Assembly of commitments to and expenditure on the Government's Covid-19 response.