
STATES OF JERSEY



PROCEDURES FOR ALLOCATIONS FROM THE RESERVE: MINISTERIAL STATEMENT

**Presented to the States on 14th April 2021
by the Minister for Treasury and Resources**

STATES GREFFE

REPORT

Policy for allocations from the Reserve

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 (capital programme);
- the Central Planning Reserve;
- the Reserve for Centrally Held Items; and
- the General Reserve.

as set out in the Government Plan, which collectively make up the Reserve.

For the avoidance of doubt, this statement replaces and supersedes the policy previously published as R.80/2020. It contains the following sections:-

1. Allocations into the Reserve
2. Categories of the Reserve
3. Allocations from the Reserve
4. Drawdown of approved funding
5. Monitoring
6. Unspent balances in the Reserve
7. Reports to the States Assembly

1. 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 income is in excess of expectations e.g. departmental income and the department concerned has not been given permission to spend that excess income, or from capital receipts or a transfer from a Fund.

2. CATEGORIES OF THE RESERVE

Within the Reserve, the Government Plan identifies four heads of expenditure. These are:

- the Reserve for Central Risk and Inflation Funding;
- the Central Planning Reserve;
- 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.

2.1 Reserve for Central Risk and Inflation Funding

The Reserve for Central Risk and Inflation is a provision for risk and inflation in relation to the capital programme. The purpose of the reserve is to provide funding to meet inflation related to capital projects and provide central budget capacity to compensate for risks inherent in the delivery of capital projects. It is expected that risk and inflation provisions for all projects in the capital programme will be held in this reserve.

2.2 Central Planning Reserve

The Central Planning Reserve (CPR) has been established in recognition that projects may require access to funding to conduct initial exploratory work that will gather the necessary data and understanding to support the development of a robust and comprehensive business case.

The CPR is a source of one-off funding intended to support future capital projects e.g. for pre-feasibility studies.

2.3 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.
Pension and Social Security Increases	Centrally held increases to meet pension and social security increased costs.
Non-pay net inflation	From 2021 onwards funding is held in reserve for the forecast net non-pay inflation requirements across government.
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. In years where expenditure is higher than income funding can be withdrawn from this reserve.
Independent Jersey Care Inquiry	Centrally held provision for costs associated with the Independent Jersey Care Inquiry and its recommendations.
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.

2.4 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.

The General Reserve consists of several sub-components as outlined in the table below.

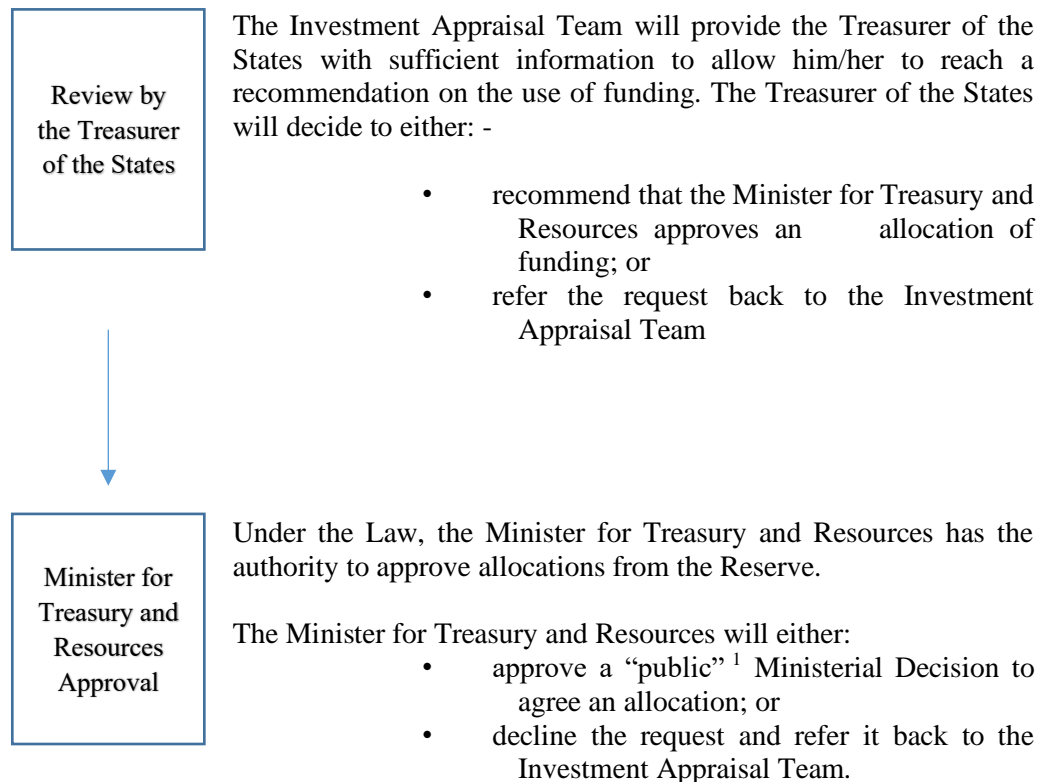
Sub-components	Purpose
Restructuring Reserve	Centrally held provision to assist in the process of restructuring and modernisation. This includes redundancy provisions, and initiatives to improve the quality and/or efficiency of public services, such as a zero-based budgeting programme.
Annually Managed 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.
COVID contingency	Within the General Reserve, funds have been allocated as part of Government Plan to provide further funding for Covid-19 impacts on the health or safety of any of the inhabitants of Jersey and to the stability of the economy in Jersey, in recognition that there are still significant uncertainties around the timing and quantum of need for such funding.
Brexit contingency	Funding held centrally for urgent and unforeseen, short-term funding needs relating to Brexit consequences that cannot be met from existing heads of expenditure.

3. ALLOCATIONS FROM THE RESERVES

This policy for allocations from the Reserve includes the requirement for the Treasurer of the States to make recommendations for approval of additional funding allocations to the Minister. In certain limited circumstances the Treasurer of the States may consider that he has a conflict of interest and should not be part of the process to make recommendations. In the event of those limited circumstances applying, the Treasurer of the States has delegated his role to Group Director, Strategic Finance. The Treasurer of the States has also delegated his role where the amount recommended for approval are for £500,000 or below. (Treasurer's Decision reference TR-2020-TD051)

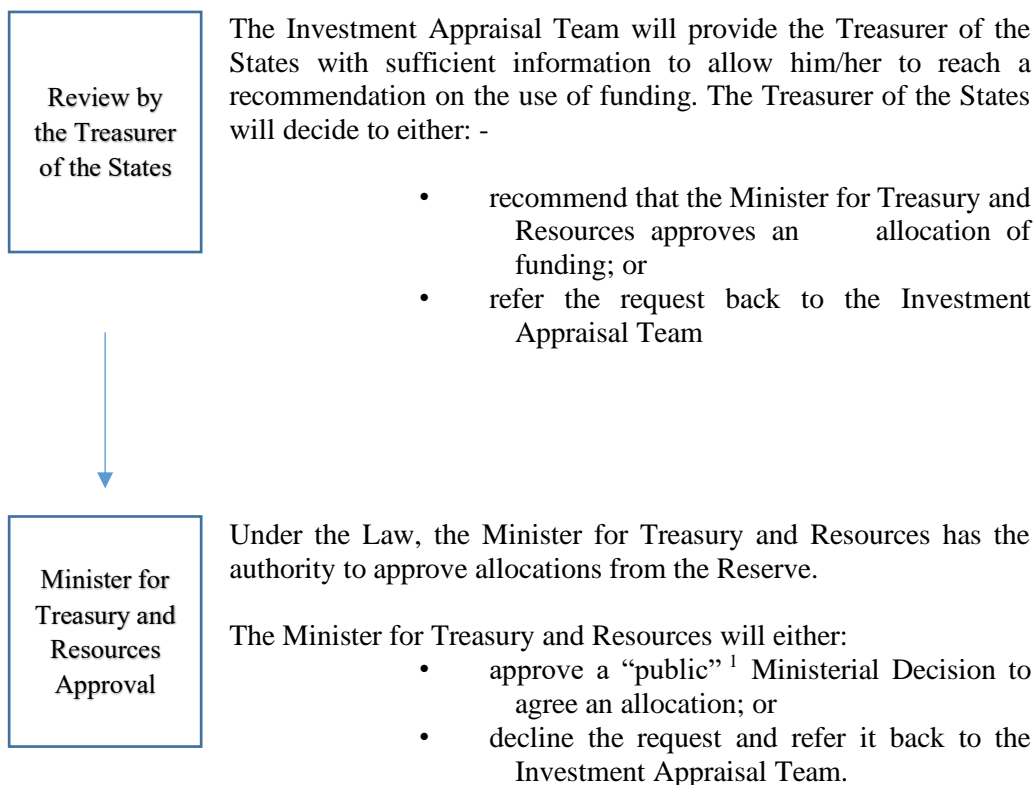
3.1 Process for allocations out of the Reserve for Central Risk and Inflation Funding

Allocations from the Reserve for Central Risk and inflation Funding will be subject to the process outlined below. The relevant form to be completed and forwarded to the Investment Appraisal Team for review.



3.2 Process for allocations out of the Central Planning Reserve and the Reserve for Centrally Held Items

Allocations from the Central Planning Reserve and the Reserve for Centrally Held Items will be subject to the process outlined below. The relevant business justification case to be completed and forwarded to the Investment Appraisal Team for review.



3.3 Process for allocations out of the General Reserve

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 (or Accountable Officer where only Non-Ministerial Departments are involved) 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.

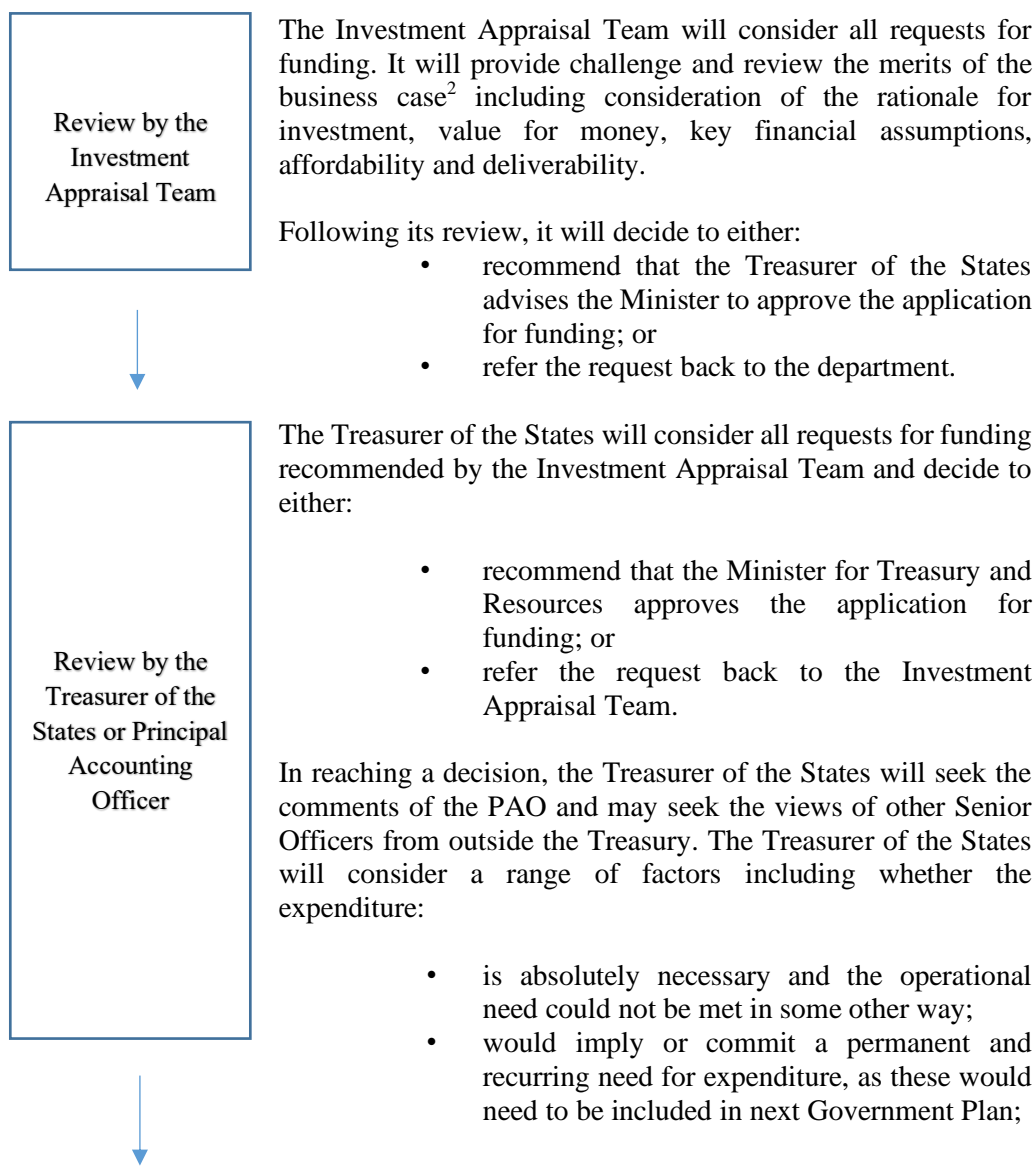
Funding requests will generally be set out in a business case that will provide:

- 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)

3.3.1 Allocation process from the General Reserve: Restructuring Reserve, AME and DEL

Where a request is made for £100,000 or less, with a de minimis of £50,000, 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 only with the recommendation of the Treasurer of the States, however the Minister can still refuse an application but all reasons will be documented. All other requests will be subject to the following process.



- could be met from underspends in the requesting department or elsewhere within government.

Minister for
Treasury and
Resources

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

Under the Law, 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 for information 5 working days before it is signed.


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

²The exception to submitting the Business Case template is when applying for allocations from Annually Managed Expenditure (AME) contingency or where there is an outside legal obligation and is unavoidable. A Business Justification Case is required.

3.3.2 Allocation process from the General Reserve: COVID-19 contingency

Where a request is made for £100,000 or less, with a de minimis of £50,000, 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 only with the recommendation of the Treasurer of the States, however the Minister can still refuse an application but all reasons will be documented. All other requests will be subject to the following process.

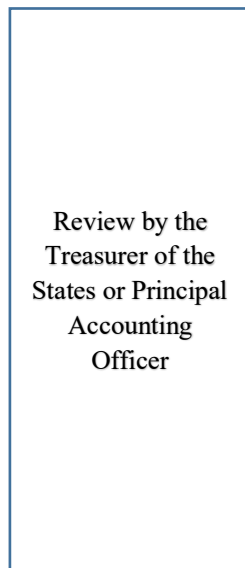
Review by the
Investment
Appraisal Team



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.

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

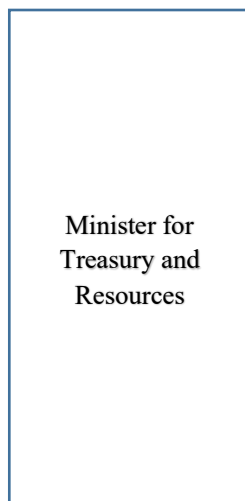
- recommend that the Minister for Treasury and Resources approves the application for funding and refer the request for information to either the Council of Ministers or the relevant Competent Authorities Ministers; or
- refer the request back to the Investment Appraisal Team.

In reaching a decision, the Treasurer of the States will seek the comments of the PAO 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 of the States will declare a conflict of interest and this stage in the process will be undertaken by the PAO.



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

The Minister for Treasury and Resources will either:

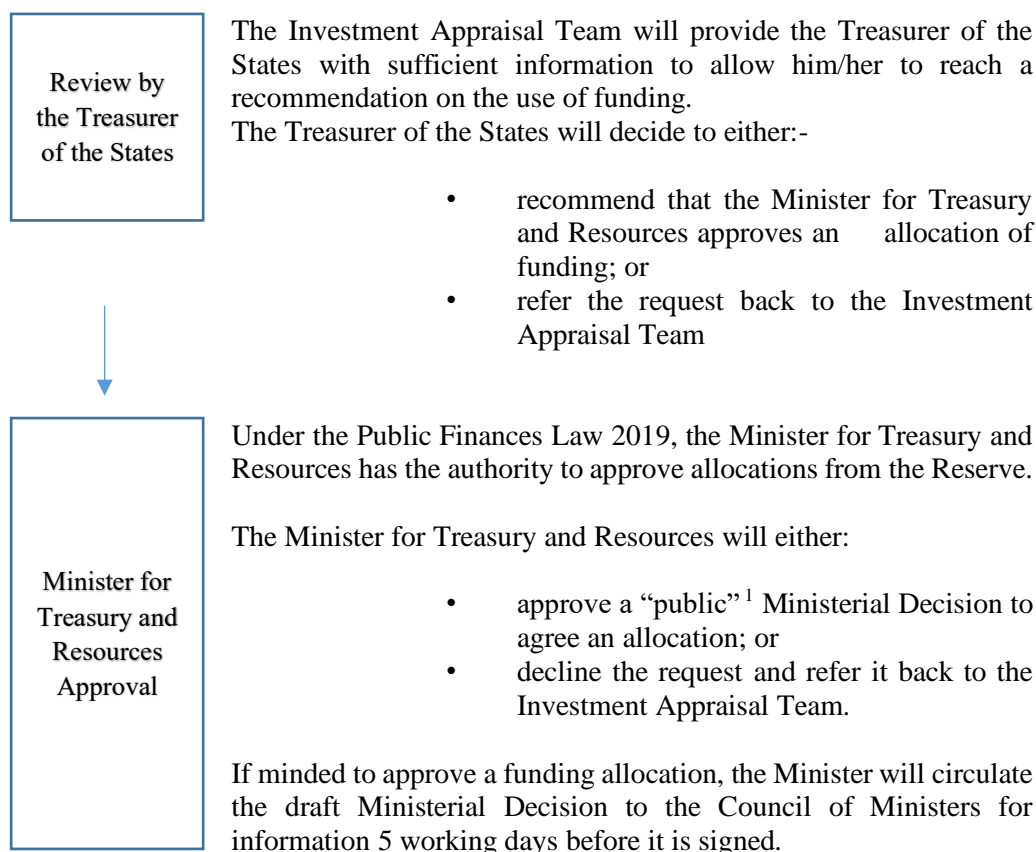
- approve a “public” Ministerial Decision for successful requests; or
- refer unsuccessful requests back to the Investment Appraisal Team with the reasons that the bid was not approved and an agreed course of action.

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

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

3.2.3 Allocation process from the General Reserve: Brexit contingency

Allocations from the General Reserve Brexit Contingency will be subject to the process outlined below. The relevant business justification case to be completed and forwarded to the Investment Appraisal Team for review. This must have support from External Relations team.



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

4. 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. Once funding has been transferred it becomes the responsibility of the Accountable Officer with responsibility for the relevant head of expenditure.

During the approval process, the Minister may have requested certain funding conditions are included in the Ministerial Decision. The allocations to the relevant head of expenditure will only occur once these funding conditions have been met.

Where funding has been drawn down and is unspent at the end of the financial year, it will return to the Reserve. *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.

5. 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.

6. 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 the following financial year.

7. 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.