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# STATES OF JERSEY



## CONTINGENCY ALLOCATION: POLICY

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**Presented to the States on 30th January 2012  
by the Minister for Treasury and Resources**

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**STATES GREFFE**

## REPORT

### Introduction

The Allocation to Contingency is a fundamental part of the Medium Term Financial Plan, 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).

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

- Amounts set as part of the Medium Term Financial Plan.
- 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 approved the transfer).
- Allocations from revenue heads of expenditure under-spends that are not carried forward.
- Allocations from departmental income that are in excess of expectations.

There is a clear requirement to set out a policy to be considered alongside the submission of the Medium Term Financial Plan. In advance of this, it is useful to set out how the new policy might be constructed by the Minister for Treasury and Resources.

### What types of expenditure can come out of the Allocation to Contingency?

Contingency is set aside for unforeseen expenditure. It is proposed that 3 types of expenditure will come out of Contingency.

- **Permanent and Non-Repayable** – expenditure that is due to a change in circumstances or service requirements. The submissions for these allocations can be unlimited but cannot exceed the current balance of Contingency.
- **Short Term and Repayable** – expenditure that arises from departmental opportunities for ‘Invest to Save’ initiatives that arise outside of the Medium Term Financial Plan and which cannot be funded within departmental cash limits. Limits may be set in the MTFP on the individual and total values of this type of expenditure.
- **Variations in Expenditure that have a ‘Net Nil’ impact** – expenditure that may require variation between heads of expenditure (other than the need to comply with Generally Accepted Accounting Principles). These will have no overall impact on the Contingency balance, but will be reported publicly as part of reporting on all transfers to and from Contingency as required by the Law.

### **Proposed Allocation Process**

A **Department** must present a case to the Treasurer of the States which explains –

- The nature of the expenditure and the reason it has arisen.
- Whether the expenditure is likely to recur and how future years will be funded.
- Why the expenditure cannot be absorbed within current limits – this should refer to the most recent in-year financial monitoring report, including current forecasts to out-turn and whether departmental contingencies have been used or why other services can't be reprioritised.

The role of the **Treasurer of the States** will be to challenge the request, ensure a solution to its ongoing funding has been considered and that due process has been followed. This will then be considered by the Minister for Treasury and Resources, and a report will be submitted to the Council of Ministers with a recommendation.

**The Council of Ministers** will consider the request, taking into account the Department's submission and the Treasurer of the States' and Minister for Treasury and Resources' recommendation.

#### **Minister for Treasury and Resources approval:**

- The Minister will take into account the comments of the Council of Ministers.
- 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.

All relevant papers will be used to support the decision, including the Council of Ministers' recommendation and the Ministerial Decision of the requesting department.

- All approved requests will be published by the Minister for Treasury and Resources and presented to the States on a 6 monthly basis.