STATES OF JERSEY

CONTINGENCY ALLOCATION: REVISED POLICY – AUGUST 2018

Presented to the States on 24th August 2018
by the Minister for Treasury and Resources

STATES GREFFE

REPORT

Purpose of this report

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 (“the Public Finances Law”) (Article 17).

Article 8(5)(c) of the Public Finances Law states that the report accompanying a draft Medium Term Financial Plan must contain “the Minister’s statement of the expected purposes for which the Minister will approve transfers from the amount appropriated for contingency expenditure for each financial year to which the plan relates;”. The most recent such statement is included as section 8 of the Medium Term Financial Plan Addition for 2017 – 2019 (“MTFP Addition”) (P.68/2016).

Article 17(4) of the Public Finances Law states that –

> “(4) The Minister must, in accordance with Article 8(5)(c) and from time to time, present to the States a statement of –
>
> (a) the Minister’s procedures for the approval of transfers; and
>
> (b) the expected purposes for which the Minister will approve transfers.”.

This statement is issued in accordance with Article 17(4)(a) and should be read in conjunction with the information in the MTFP Addition. It replaces and supersedes the statement previously published as R.110/2017.

Payments into the allocation to contingency

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 underspends that are not carried forward.
- Allocations from departmental income that are in excess of expectations.
- Allocations from the Insurance Fund via the Consolidated Fund.

Types of expenditure that can come out of the allocation to contingency

Contingency is set aside for unforeseen expenditure. In the MTFP Addition, the main contingency allocations are for urgent and unforeseen items of expenditure, and to make provision for unpredicted fluctuations in benefits expenditure which are difficult to forecast.

The States also agreed contingency provisions within the overall allocation to support one-off expenditure for specific programmes like Public Sector Reform, Pay, Pensions, Workforce Modernisation, the Economic and Productivity Growth Provision, and initiatives to support vulnerable children.

Unspent contingency

By its very nature the allocation to contingency may remain unspent and can be returned to the Consolidated Fund at the end of a financial year and/or MTFP period depending on the financial position. If contingency is unspent it can also be carried forward to provide greater flexibility in the following year, including at the end of an MTFP period.

Allocation process

This process replaces all other processes and applies to all elements of contingency allocated in the MTFP, including Public Sector Reform, Pay, Pensions, Workforce Modernisation and the Economic and Productivity Growth Provision.

The Accountable Officer of a **Department** must present a written case to the Investment Appraisal Board 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.

Requests for less than £50,000 in total can be approved directly by the Minister for Treasury and Resources on the recommendation of the States Treasurer. Requests for £50,000 or more must be considered by –

- the Investment Appraisal Board; and
- the Principal Accountable Officer (the Chief Executive Officer of the States); and
- the States Treasurer.

The role of the **Investment Appraisal Board** will be to challenge the request and ensure that a solution to its ongoing funding has been considered, and that due process has been followed. Their recommendation, for approval or otherwise, will then be considered by the Principal Accountable Officer and States Treasurer.

The Board, States Treasurer, Principal Accountable Officer and Minister for Treasury and Resources will consider a number of factors, including –

- whether the expenditure is absolutely necessary and the operational need could not be met in some other way;
- whether the expenditure would imply or commit a permanent and recurring need for expenditure;

- whether the expenditure could be met from underspends in the requesting (or any other) Department; and
- whether the estimates of cost have been subject to sufficient scrutiny, for example by the requesting Department's Director of Finance/Senior Business Partner.

The final recommendation for approval or rejection of a request will be made to the Minister from the States Treasurer.

Minister for Treasury and Resources approval

The Minister will take into account the recommendation of the States Treasurer and the comments of the Investment Appraisal Board and Principal Accountable Officer. The Minister can reject the recommendation of the States Treasurer, but must document his or her reasons for doing so.

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.

Article 17(3) of the Public Finances Law allows the Minister to specify the use to which the amount transferred from contingency is to be put.

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

Drawdown of approved funding

If a request is approved by the Minister, the sum approved will be transferred to the revenue head of expenditure of the requesting Department, when requested by the Department, for the year(s) for which the transfer was approved. That or those amounts can be carried forward to a subsequent year if agreed by the Minister for Treasury and Resources. Where an approval is given by the Minister in one year for an amount in a subsequent year, the responsibility lies with the receiving Department to either request drawdown of up to the approved amount (and confirming that they still require the full amount), or notifying the States Treasury and Exchequer that they no longer require any or all of the approved amount.

Monitoring

Departments receiving funding from contingency will be required to confirm to the States Treasury and Exchequer officers as and when requested –

- the amount of the allocated funding spent to the date of the request for information;
- the forecast total expenditure from the contingency funding allocated; and
- that the funding has been spent for the purposes approved.