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Deputy Helen Miles  
Chair of the Corporate Services Scrutiny Panel  
Morier House  
St Helier  
JE1 1DD

10 April 2024

Dear Deputy Miles

**Corporate Services Scrutiny Panel**

**Teacher Pay Award: Allocation of Reserve Funding for 2024**

Thank you for your letter dated the 2<sup>nd</sup> April 2024.

I am pleased to clarify questions the Panel may have about how we manage reserve funding approved by the Assembly in the Government Plan. Reserves are essential in allowing us to respond to uncertainty and meet expenditure that is contingent on events that occur after the Government Plan has been lodged.

In this case, there may have been a misunderstanding as to how MD-TR-2021-217 made funding available for the 2024 pay award for teachers.

Your letter quotes from a part of the narrative surrounding the Central Reserve in the Government Plan. However, that is not the only purpose of the Central Reserve. As the preceding paragraph explains, from 2024 onwards the Government Plan created the term 'Central Reserve' by combining the General Reserve and Reserve for Centrally Held Items. In previous Government Plans, these were separate Heads of Expenditure.

The Reserve for Centrally Held Items holds the provision for any pay awards that are agreed by the States Employment Board. As pay negotiations are concluded after the Government Plan is lodged, and are often based on rates of inflation that are not known at the time of lodging, it is necessary to make a central provision for the anticipated costs. This funding is then released from the reserve to departments to meet the costs of the pay agreements that are reached.

Accordingly, it was a routine matter to transfer funding from the Central Reserve to Children, Education, Young People and Skills to meet the costs associated with the 2024 pay award for teachers. There has been no departure from the normal process for meeting the costs of public sector pay agreements and this transfer has not reduced provisions that exist to meet unforeseen financial pressures that might arise this year.

I hope that addresses the main purpose of your letter. However, I will take the opportunity to provide further information about the reserves in line with the questions your letter raises.

**Who was involved in the decision-making process and how it was recorded.**

**The criteria used for justifying the allocation of funds from the Central Reserve for the circumstances as outlined in the MD.**

**The policy for allocating funds from the Central Reserve and the governance process in that regard.**

Under the Public Finances (Jersey) Law 2019, I am responsible for the policy for surrounding the release of funding from reserves. The Procedures for Allocations for the Reserve (R.76/2022) sets out the current governance and approval route for the use of funding held in the reserves. This is currently being reviewed and I anticipate reissuing a simplified version of the policy in due course.

The transfer of funds for the teachers' pay award was made from the Reserve for Centrally Held Items component of the Central Reserve. This reserve holds funding that has already been approved for a specific purpose. In the current Government Plan, it holds funding to meet the costs of inflation, parental leave and for the implementation the School Meals Project. Accordingly, the Reserve for Centrally Held Items has a simpler approval route than the General Reserve, which holds funding to meet unforeseen pressures that emerge during the year and therefore require greater justification.

I approve allocations from the Reserve for Centrally Held Items on the basis of a recommendation from the Treasurer and either a business justification case or, in the case of more technical transfers such as those for pay awards, on the basis of a financial summary. Both my approval and the recommendation of the Treasurer are documented in the published Ministerial Decision.

**When the decision to allocate the funds from the Central Reserve was taken and by whom**

I took the decision to allocate funds on 20 March in line with the decision of the States Assembly to provide a provision for pay awards in the Central Reserve (Reserve for Centrally Held Items). **The balance of the Central Reserve prior to the allocation being made as well as the current balance of the Fund.**

Prior to the allocation being made the balance on the Central Reserve was £100.2 million (please note that the Central Reserve is a head of expenditure, rather than a "fund"). This includes both the funding allocated to the Central Reserve in the Government Plan and additional funding allocation through the End of Year Flexibility Process.

After the allocation the balance on the Central Reserve was £92.6 million. A total of £73.9 million of this was ringfenced for specific purposes such as pay awards, the First Step Assisted Home Ownership Scheme and the on-going response to recent major incidents.

Yours sincerely



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Enclosure: Procedures for Allocations from the Reserve (R.76/2022)



r.76-2022.pdf