

Treasury and Exchequer Ministerial Decision Report



END OF YEAR REPORT

1. Purpose of Report

This report sets out the movements recommended and the reasons for those requests. The transfers being proposed include:

- Allocations from Reserves to heads of expenditure in 2020.
- The transfer of departmental underspends in 2020 to the Reserve in 2021 with some identified as provisions against future court and case costs and maintenance costs of the Public Markets.
- Transfer of the Reserve balance from 2020 in to 2021.
- Release the balance of the £99.9 million approved for COVID related expenditure back to the Consolidated Fund to be used to minimise the borrowing requirement from the revolving credit facility.
- Transfers from capital heads of expenditure to Reserves in 2021 arising from a review of unspent sums and commitments.
- Allocation of Reserves in 2021 to capital heads of expenditure in 2021.

2. Background

Transfers from Reserves to Department Heads of Expenditure

Throughout the year expenditure variances against budget have been monitored and discussed with the Minister with the intention of managing total departmental expenditure within the total departmental budgets available and requiring adjustments between at the year end, once the precise position is understood.

The final total outturn expenditure for the Comptroller & Auditor General (C&AG) is more than available budget by £15,177. During the year the Treasurer of the States wrote to the C&AG to confirm that, should there be an overspend caused by increased Audit costs in 2020, the shortfall would be funded from other departments or the Reserves.

The final total outturn expenditure for Treasurer & Exchequer (T&E) is more than available budget by £88,000 which relates to increased costs of insurance premiums. Earlier during the year £2,194,000 was approved and allocated. At that point the Minister for Treasury & Resources confirmed that if T&E were unable to fund any additional increases from the departmental budget, then this could be funded from the Reserves. Although T&E are showing an underspend position, this relates to funding from the Climate Emergency Fund and can therefore not be used for this purpose. This transfer will cover the increased costs of the first quarter of the 20/21 premium increases.

The current Policy for Allocations from the Reserve agreed by the Minister for Treasury and Resources (published as R.80/2020) states: "Where a request is made for £100,000 or less, 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 on the recommendation of the Treasurer." The Treasurer has recommended this allocation and in relation to the Treasury & Exchequer request, the Principal Accountable Officer has also recommended.

<u>Head of Expenditure</u>		
Comptroller & Auditor General	Increased Audit	£15,177
Treasury & Exchequer	Increased	£88,000
General Reserve		<u>(£103,177)</u>
Total		-

Following these transfers the underspend for departmental Heads of Expenditure 2020 (excluding Smoothing Reserves – see below) will be £9,671,856 and this balance will be transferred to The Reserves in 2021 (see Appendix 1) and £407,411 allocated to Jersey Overseas Aid in 2021.

Smoothing reserves

It is established practice to smooth out the variations in court and case costs between years. These variations arise from the year-on-year volatility in the number and complexity of cases and give rise to the need to maintain a “smoothing reserve” of up to £2 million. Each year, variations against budget for court and case costs within Non-Ministerial Departments and Office of the Chief Executive are firstly adjusted between departments and then any total underspend transferred to the smoothing reserve. Equally, in years of exceptionally high spend, those departments can draw down on the smoothing reserve.

The total amount unspent in 2020 in Non-Ministerial Departments is £903,288. The total amount unspent in the Office of the Chief Executive is £140,000, which represents funds held for the purpose of the Jersey Competition Regulatory Authority (JCRA) grant that have not been required. This means that JCRA has contributed to the smoothing reserve and will be able to access it in future years. This therefore means a total of £1,043,288 is to be transferred to the Court & Case Cost Smoothing Reserve in 2021. (see Appendix 2)

The Public Markets smoothing reserve was established to manage the public markets maintenance costs. When public markets income exceeds expenditure, the surplus is transferred to the Public Markets smoothing reserve at the end of the year. When maintenance costs of the public markets exceed the current year’s income, funds can be drawn down from the Public Markets smoothing reserve.

This year there is a surplus of £20,088 within Growth, Housing and Environment (GHE) for the markets, so that surplus is to be transferred to the Public Markets smoothing reserve in 2021. (see Appendix 2)

Transfer forward of the balance on the Reserve from 2020 in to 2021

The balance on the Reserve is £105,047,462 million. It is proposed that £50,000,000 is released to the Consolidated Fund and the balance of £55,047,462 be transferred from 2020 to 2021, making it available for spending pressures with £21,293,148 earmarked for COVID.

<u>Transfer of the Reserve from 2020 to 2021</u>	
Reserve balance	£105,047,462
Reserve balance of COVID expenditure	<u>-£50,000,000</u>
Transfer to 2021	£55,047,462

This decision will provide funding in 2021, to assist with the additional costs of the enhanced co-funded payroll scheme (£27.6m) and projects that are already committed and/or already

have decisions approving the funding, but have taken longer to conclude than expected, sums that are ring-fenced for a specific purpose and also identified pressures. These include Smoothing Reserves, Liquid Waste Strategy, Orchard House, Integrated Technology Solution, Our Hospital, COVID provision, Office Modernisation Project, Brexit, Total Reward & Recognition, Commercial Services, Insurance Premiums and Revenue Jersey.

Transferring reserves from 2020 to 2021 to fund these projects will help reduce the pressure on the sums held as the Reserve in the Government Plan for 2021.

This decision will only put the funds into the Reserve for 2021; any allocations from the Reserve during 2021, including those described below, will be the subject of further public decisions of the Minister.

Capital

As at the end of 2020 unspent capital sums equaled £84,303,158. The Public Finances (Jersey) Law 2019, dictates that capital sums are no longer automatically rolled over into the following year therefore further work has now taken place to comply with the Public Finances (Jersey) Law 2019 in relation to unspent capital project budgets.

Major Projects

Despite an approved Government Plan, the Minister may direct that an unspent amount appropriated for a head of expenditure for a major project in one financial year is deemed to be appropriated for a head of expenditure for that major project for the following financial year. The following projects fall into that category.

Head of Expenditure	£
C00MP20001 - MS Foundation (Major Project)	1,426,708.82
C00MP20002 - Integrated Tech Solution (MP)	10,511,805.79
C00MP20003 - Cyber (Major Project)	2,167,625.48
FA0MD16001 - Office Modernisation Project	3,252.25
Q00BT14022 - Liquid Waste Strategy	18,200,000.00
J00GP20PF4 - Our Hospital	14,374.96
Total	32,323,767.30

Although the Liquid Waste Strategy project has a total unspent balance of £26.2 million, not all of the remaining budget is due to be spent in 2021. An amount of £18.2 million relating to 2021 forecast spend will be transferred to 2021 and the balance will be ring-fenced for this major project in future years.

£7.9 million is being added to the Integrated Technology Solution Major Project in order to provide sufficient funding in 2021 for this transformational programme to progress as planned. That extra funding will be achieved by utilising unspent 2020 capital budgets.

Other Capital Projects

Due to the impact of COVID capital projects have not progressed as quickly as planned and therefore departments have requested that some budgets are returned to the same heads of expenditure in 2021. A review has been completed by Strategic Finance on each application and a decision has been reached as to whether each project should: -

- a) continue into 2021 with funding allocated to the Reserve in 2021 and allocated to the same head of expenditure in 2021 to complete work started and meet current contractual obligations; or

- b) the remaining budget allocations to be transferred to Reserves in 2021 and departments to utilise new budget allocations made in the Government Plan 2021-2024.

A continual review will occur in 2021, particularly around allocations made as part of section a) above to ensure that the budget has been spent in line with forecasts and the project scope. All projects have been forecast to be completed in 2021.

Once transfers have been made, old Heads of Expenditure will be closed.

Note:- Some of the projects in a) above include capital Heads of Expenditure that have been funded from alternative sources rather than the consolidated fund i.e. Criminal Offences Confiscation Fund, parent's money or donations, and therefore these are not subject to Article 19 or 59 of the Public Finances Law (2019).

- a) Allocate funding in 2021 to the following capital Heads of Expenditure: -

Head of Expenditure	£
C00MF16014 - Taxes Office System Renewal	750,000.00
FA0DD13132 - Les Quennevais School	144,548.50
FA0GP20002 - Discrimination Law, safeguarding	216,118.26
FA0MD16054 - Grainville Phase 5	4,596,254.50
FA0MF14040 - Demolition Fort Regent Pool	1,008,780.96
FA0MF18009 - St Mary School	991,003.82
FA0MF18017 - Orchard House	6,777,044.95
FA0MF18025 - Prison Phase 6	8,415,934.67
I00GP20016 - Refit & Replacement of Fisheries Vessel	402,071.58
I00MF14014 - Met Radar Refurbishment	10,000.00
N00GP20015 - New Skatepark (net of PoJ Funding)	28,276.46
Q00MF18020 - La Collette Waste Site Development	2,950,258.46
DH0GP20024 - Dewberry House SARC	229,400.50
C00MF16014 - Taxes Office System Renewal	1,913,849.02
B00GP20023 - Conversion Courtroom 1 Magistrates Court	346.70
E00MC10003 - ESC Minor Capital / AUCC	136,860.64
E00MF13006 - School ICT	134,611.30
FA0GP20002 - Discrimination Law, safeguarding	81,880.18
FA0MD15118 - Archive Storage Extension	17,126.10
I0000C0970 - Automatic Weather Station	35,000.00
I00MC10009 - Equipment, Maintenance, Minor Capital	80,890.78
N00GP20014 - Sports Division Refurbishment	10,530.35
Q00MC10012 - Replacement Assets	100,000.00
Q00MF18021 - DVS Systems	34,086.30
Q00RL10011 - Infrastructure	1,240,353.62
J00MF15026 - Replacement RIS/PACS IT Assets	218,479.00
D0000C1069 - Prison shower refurb & cell electrics	250,168.02
DH0GP20018 - Minor Capital	475,758.62
BRBMC12001 - Non Mins - Minor Capital	477,386.27
E00DD12122 - Victoria College	5,924.42
FA0MD09002 - Victoria College capital projects	149,703.60
Q00BP10016 - Eastern Cycle Network	97,438.40
Q00MF15037 - Road Safety Improvements	78,344.03
J00PF20013 - Learning Difficulties	78,993.00
Total	32,137,423.01

The balance (£19.8m) will be transferred into reserves.

Please also note that:

- the Liquid Waste Strategy balance will be ring-fenced in Reserves for this Major project in the future.

3. Recommendation

The Minister is recommended to approve:

- a non-recurring transfer of £903,288 and £140,000 from Non-Ministerial departments and the Office of the Chief Executive respectively to the Smoothing Reserve – Court & Case Costs in 2021. (Appendix 1 & 2)
- a non-recurring transfer of £20,088 from Growth, Housing and Environment to the Smoothing Reserve – Markets surplus in 2021. (Appendix 1 & 2)
- a non-recurring transfer of £9.7 million from departmental heads of expenditure in 2020 to Reserves in 2021 (Appendix 1) with an allocation of £407,411 from Reserves to Jersey Overseas Aid in 2021.
- a non-recurring transfer of up to £84.3 million from various capital project Heads of Expenditure in 2020 to Reserves in 2021.
- a non-recurring transfer of up to £64.5 million from Reserves to various capital project Heads of Expenditure in 2021 as per the list at Appendix 3.
- a non-recurring transfer of up to £55.1 million from the Reserves in 2020 to 2021 (Appendix 4).
- that as a result of all the above approvals, £50 million will be released to the Consolidated Fund to minimise the borrowing requirement from the revolving credit facility. (Appendix 4).

4. Reason for Decision

In light of known and potential funding pressures for 2021 the Minister approves the transfer of net departmental underspend and unspent sums on the Reserve in 2020 to the Reserve in 2021 whilst also allowing an amount to be returned to the Consolidated Fund to minimise the borrowing requirement from the revolving credit facility. Following further reviews of heads of expenditure the Minister approves certain other transfers, as described above.

Article 15 (3) of the Public Finances (Jersey) Law 2019 states that the approval by the States of a government plan authorises the Minister to direct how an approved appropriation for a reserve head of expenditure in the plan may be spent (including on another head of expenditure) in the first financial year covered by the plan.

Article 19 of the Public Finances (Jersey) Law 2019 states that despite an approved Government Plan, the Minister may direct that an unspent amount appropriated for a head of expenditure in one financial year be deemed to be appropriated for a reserve head of expenditure for the following financial year.

Article 20 of the Public Finances (Jersey) Law 2019 states that despite an approved Government Plan, the Minister may direct that an unspent amount appropriated for a head of expenditure for a major project in one financial year is deemed to be appropriated for a head of expenditure for that major project for the following year.

Article 59(1)(a) and (b) of the Public Finances (Jersey) Law 2019 states that a) the capital head of expenditure is deemed to be a head of expenditure in the approved government plan for each financial year until the related capital project is finished; and b) if there are amounts appropriated under the previous Law for a capital head of expenditure that are unspent at the end of the financial year in which this Law comes into force; any amounts that remain unspent are deemed to be appropriated for that head of expenditure in the next financial year.

P.130/2020 (Amd 14) was adopted and states that the Minister for Treasury and Resources should prioritise the application of any unspent funds in 2020, be these in respect of spending related to COVID, departmental revenue expenditure or capital expenditure, to be returned to the Consolidated Fund, and used to minimise the borrowing requirement from the revolving credit facility.

5. Resource Implications

This decision will result in various transfers and in 2020 the revenue and capital heads of expenditure will decrease by a total of up to £95,038,391 and the Reserves will decrease by £105,047,462.

In 2021 following all of the above transfers, the Reserves will increase by £85,217,251 of which £21,293,148 will be available for COVID pressures, Jersey Overseas Aid will increase by £407,411 and capital heads of expenditure will increase by £64,461,191. This will leave a balance of £50,000,000 which will be released to the Consolidated Fund to assist with the commitment to minimise the borrowing requirement from the revolving credit facility.

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Appendix 1 - Departmental underspends in 2020

<u>Departmental Head of Expenditure</u>	Base Budget	Smoothing Reserves	Total
D00 - Office of the Chief Executive	£332,463	£140,000	£472,463
D05 - Chief Operating Office	£1,238,328		£1,238,328
D10 - Children, Young People, Education & Skills	£37,277		£37,277
D15 - Customer and Local Services	£1,648,121		£1,648,121
D20 - Growth, Housing & Environment	£7,432	£20,088	£27,520
D25 - Health and Community Services	£65,446		£65,446
D30 - Justice and Home Affairs	£282,332		£282,332
D35 - Treasury & Exchequer	£504,346		£504,346
D40 - Strategic Policy, Planning & Performance	£1,936,900		£1,936,900
D55 - Jersey Overseas Aid	£407,411		£407,411
D60 - Bailiff's Chamber	£253,045	£23,451	£276,496
D60 - Comptroller & Auditor General	£0		£0
D60 - Judicial Greffe	£258,882	£385,002	£643,885
D60 - Law Officers Department	£407,390	£341,368	£748,758
D60 - Office of the Lieutenant Governor	£47,004		£47,004
D60 - Official Analyst	£27,166		£27,166
D60 - Probation	£71,461	£36,756	£108,217
D60 - Viscount's Department	£1,545,731	£116,710	£1,662,441
D65 - States Assembly	£601,120		£601,120
Total	£9,671,856	£1,063,376	£10,735,232

Appendix 2 – Amounts to be transferred to the Reserve in 2021

<u>Total transfer to be made to the Reserve in 2021</u>	
Market surplus	£20,088
Court and Case Costs (NMSFB & OCE)	£1,043,288
Departmental underspend (net of Smoothing	£9,671,856
Capital review	£19,841,968
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	£30,577,200

Appendix 3 – Unspent capital allocation from Reserves to identified projects in 2021

Head of Expenditure	£
C00MP20001 - MS Foundation (Major Project)	1,426,708.82
C00MP20002 - Integrated Tech Solution (MP)	10,511,805.79
C00MP20003 - Cyber (Major Project)	2,167,625.48
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E00MC10003 - ESC Minor Capital / AUCC	136,860.64
E00MF13006 - School ICT	134,611.30
FA0GP20002 - Discrimination Law, safeguarding	81,880.18
FA0MD15118 - Archive Storage Extension	17,126.10
I000C0970 - Automatic Weather Station	35,000.00
I00MC10009 - Equipment, Maintenance, Minor Capital	80,890.78
N00GP20014 - Sports Division Refurbishment	10,530.35
Q00MC10012 - Replacement Assets	100,000.00
Q00MF18021 - DVS Systems	34,086.30
Q00RL10011 - Infrastructure	1,240,353.62
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FA0MD09002 - Victoria College capital projects	149,703.60
Q00BP10016 - Eastern Cycle Network	97,438.40
Q00MF15037 - Road Safety Improvements	78,344.03
J00PF20013 - Learning Difficulties	78,993.00
Total	32,137,423.01

Appendix 4 – Transfer of unspent balances of Reserves in 2020 to Reserves in 2021

<u>Transfer of the Reserve from 2020 to 2021</u>	
Reserve balance	£105,047,462
Reserve balance of COVID expenditure	<u>-£50,000,000</u>
Transfer to 2021	£55,047,462