

## Appendix A

### Our Hospital Project – Use of the Risk Allocation

#### 1. Introduction and background

This section of the Manual applies to the Our Hospital Project as defined and approved by the States Assembly in P.80/2021 Our Hospital – Budget, Financing and Land Assembly and specifically deals with the process for drawing down funding from the Risk Allocation for the Project. It supplements (but does not replace) requirements in other sections of this Manual, in particular Major Projects and Expenditure and procurement. The Risk Allocation forms part of the maximum expenditure budget of £804.5 million available for the Project but its use will be subject to prior approval by the Minister for Treasury and Resources.

The “Risk Allocation” for Our Hospital is split into the following two areas -

- **Optimism Bias (£38.1m)** - Provides a provision to cover changes to the forecast cost of all works on the Our Hospital Project but which cannot be properly quantified and costed until the design has been sufficiently developed.
- **Contingencies Allocation (£73.1m) - Client related:** Provides a provision for any cost escalation for unforeseen circumstances highlighted by the Client during the design development process, before contract commencement, and during the delivery of the Project. It covers those issues where the Client proposes variations which would not change the primary function or design of Our Hospital but may improve the Project in terms of layout etc. or be required to react to scope changes from exogenous factors, such as technological or legal changes.

The values stated above are in line with the approved Our Hospital Project Outline Business Case and exclude any provision for Contractor Contingency.

It should be noted that while the overall funding approved for the Our Hospital Project includes the Risk Allocation, in line with current States of Jersey policy, funding (Budget) for the project, along with the main works, will only be allocated on an annual basis.

The Accountable Officer is responsible for all expenditure on the Project, including that incurred from funding allocated from the Risk Allocation.

Following completion of the final account for the Our Hospital Project any unallocated sum in the Risk Allocation will be returned to the Consolidated Fund balance and will not be available for any other purposes associated with the Our Hospital Project or any other project (unless the States Assembly decide otherwise).

Users of this section should refer to other sections of the Public Finances Manual that are relevant. Specifically, these include:

- Accountable Officers in Government Departments
- assets
- government plan and budgeting
- major projects
- reserve head of expenditure

- expenditure and procurement

In addition to the common risks identified in the Background and Introduction section of the manual a number of significant risks relating to this section include:

- that the cost of the Our Hospital Project exceeds the maximum spend limit approved by the States Assembly in P.80/2021 – Our hospital – Budget, Financing and Land Assembly.
- that funding allocated for Risk Allocation is spent on enhancing Our Hospital.
- that value for money is not achieved in the development of the Our Hospital Project.

## Principles

1. All expenditure from the Risk Allocation for the Our Hospital Project should be properly authorised, controlled, and incurred in accordance with the relevant Scheme of Delegation.
2. All expenditure from the Risk Allocation for the Our Hospital Project should be incurred in a transparent manner and in line with the framework set out in this Section and any other relevant section of the Manual.
3. The Accountable Officer shall seek to obtain value for money at all times from expenditure from the Risk Allocation for Our Hospital Project.
4. All responsibilities and accountabilities for the Risk Allocation for Our hospital Project should be appropriately and transparently authorised and recorded.
5. To ensure the Project is not delayed by seeking individual funding approval from the Risk Allocation for relatively minor items, the bodies involved (Treasury and Resources Minister, the Political Oversight Group, and the Accountable Officer) should establish and implement a Scheme of Delegation that allows the approval of such items to be agreed at a Project level.

## Requirements

### 1. Scheme of Delegation

Any Scheme of Delegation which covers the approval of relatively minor items requiring funding from the Risk Allocation, including the setting of a threshold and definition of a minor items (which cannot exceed £1 million), must be agreed between the Project Team and Treasury and Exchequer.

### 2. Applications for Risk Allocation funding to the Minister for Treasury and Resources

Applications to release funding from the Risk Allocation must be in writing to the Minister for Treasury and Resources from the Chair of the Political Oversight Group and endorsed by the Accountable Officer for the Project. The written submission must cover the reason for the funding request, actions taken/explored to mitigate the need for the additional funding and an explanation as to why the expenditure cannot be absorbed within the existing funding envelope and/or through identified savings.

### **3. Approval of Minister for Treasury and Resources**

Funding allocated from the Risk Allocation must be approved by public Ministerial Decision of the Minister for Treasury and Resources, unless permitted by a Scheme of Delegation approved by the Minister or Treasurer of the States.

This decision may need to withhold certain information if, for example, not doing so would harm the Government's commercial interests. However, this information should be released as soon as it is deemed to be no longer confidential. Any reports or updates should be retrospectively amended to reflect this. Withheld information may be shared with the Principal Accountable Officer separately as and when required.

### **4. Reporting to Council of Ministers**

The Council of Ministers must be provided with an update of funding allocated from the Risk Allocation (including details as to whether they are from Optimum Bias or Client Contingency) as well as progress on the Project as part of their Quarterly Financial Report.

### **5. Reporting to the States Assembly**

Any allocation of funding from the Risk Allocation (whether made directly by the Minister or by a delegate) must be detailed in the half-yearly report of the Minister for Treasury and Resources to the States Assembly (as required under the terms of Public Finances (Jersey) Law 2019 Article 23 – Semi-annual updates). This report may need to withhold certain information if, for example, not doing so would harm the States of Jersey's commercial interests. However, this information should be released as soon as it is deemed too no longer be confidential.

### **6. Expenditure and unspent funds**

Expenditure from the Risk Allocation must only be used for the purpose for which it was approved by the Minister for Treasury and Resources or delegate. Any unused allocation must remain within the Our Hospital Project head of expenditure until the end of the relevant financial year. The Minister for Treasury and Resources may choose to reallocate unspent amounts to the Our Hospital Project head of expenditure in the following financial year.