

# Treasury and Exchequer Ministerial Decision Report



## RESERVE FUNDING, ADDITIONAL INCOME AND REPURPOSING IN 2022

### 1. Purpose of Report

To enable the Minister to approve for 2022 the following:

- allocation of up to £1,412,000 from the General Reserve to various heads of expenditure;
- allocation of up to £12,769,000 from the Reserve for Centrally Held Items to various heads of expenditure;
- repurposing of up to £6,200,000 of 2022 growth;
- repurposing of up to £225,000 of Covid-19 Response allocations; and
- use of additional income of up to £1,250,000 by IHE, up to £690,000 by JHA and up to £200,000 by JG.

### 2. Background

#### General Reserve - up to £1,412,000

Over the course of the year departments have identified some potential funding pressures. Given the modest individual amounts involved, the current and previous Minister for Treasury and Resources have at various points in the year signed letters of comfort that indicated funding could be transferred would it not be possible for departments to meet these costs from within their existing budgets. Following a review of expenditure requirements in 2022 with the benefit of financial reports for the third quarter of the year, it is now clear that some of the funding committed in the letters of comfort will need to be allocated. An additional financial pressures in External Relations and Bailiff's Chambers also needed to be addressed.

The following table summarises the amounts required:

IA Ref	Title	HoE	£000s
IA 22-060	Bailiff's Chambers Events 2022	BC	413
IA 22-057	Audit Fees	C&AG	18
IA 22-016	Social Worker Accommodation	CYPES	270
IA 22-023	Jersey Premium Virtual school	CYPES	159
IA 22-037	Jersey London Office	EXT	27
IA 22-047	Principal Financial Sanctions Officer	EXT	50
IA 22-006	Legal Advisors Reward Scheme	LOD	245
IA 22-052	Additional Insurance Premium Costs	T&E	230
	<b>Total</b>		<b>1,412</b>

More information can be found in Appendix 1.

**Reserves for Centrally Held Items – Markets Smoothing Reserve up to £244,000, Court and Case Costs Smoothing Reserve up to £1,702,000 and the Capital Smoothing Reserve up to £10,823,000**

Smoothing Reserves have been created in previous years to allow budgets to be held centrally until required. These are for Markets, Court and Case Costs and Capital.

**Markets Smoothing Reserve**

The Markets have a funding pressure this year and therefore an allocation of up to £244,000 is required by IHE to cover additional costs associated with the refurbishment of units within the Central Market. The current balance in the Market Smoothing Reserve (before the proposed transfer) is £759,207.

**Court and Case Costs Smoothing Reserve**

Court and Case Costs budgets are provided in some departments as part of the Government Plan and the expectation is that the departments will fund any further pressures from within their own other department underspends first before an allocation is made from the Smoothing Reserve.

During 2022 departments have signalled pressures on their budgets as follows:

- £80,000 - Bailiff's Chambers
- £154,000 - Viscount's
- £592,000 - States of Jersey Police and
- £876,000 - Law Officers' Department.

Further work will be done over the coming month to establish whether these pressures can be funded by the department or are required from the smoothing reserve. The End of Year Flexibility process will identify any departments who have underspent their Court and Case Costs allocations and this will then be requested to be transferred to the Smoothing Reserve for pressures in future years. The current balance in the Court and Case Costs Smoothing Reserve (before the proposed transfer) is £4.3 million.

**Capital Smoothing Reserve**

As part of Government Plan 22-25, projects were reprofiled on a cashflow basis and any allocations remaining unspent at the end of 2021 were held centrally as part of the End of Year Flexibility MD-TR-22-083. The total held centrally was £22.5 million, excluding approvals relating to transfers from other States Funds for specific projects. During 2022, MD-TR-22-431 approved the allocation of £162,569. It has now been established that further allocations are required in 2022 to the following heads of expenditure to cover costs incurred in 2022.

Head of Expenditure	Accountable Officer	£000s
C00GP21014 - Service Digitisation	John Quinn	259
C00MP20001 - MS Foundation (MP)	John Quinn	726
C00MP20002 - Integrated Tech Solution (MP)	John Quinn	1,297
C00MP20003 - Cyber (MP)	John Quinn	800
FA0GP21002 - Discrimination law safeguarding	Rob Sainsbury	61
FA0GP21002 - Discrimination law safeguarding	Andy Scate	333
H00MP21009 - Office Modernisation (MP)	Andy Scate	62
J00GP21017 - Replacement Assets (Various)	Caroline Landon	200
J00GP21031 - Health Services Improvements	Caroline Landon	205
Q00BT14022 - Sewage Treatment Works (MP)	Andy Scate	6,373
Q00RL10011 - Infrastructure	Andy Scate	506
<b>Totals</b>		<b>10,823</b>

The remaining £11.5 million will contribute to the £54 million capital underspend in 2022 and has been included in the reprofiling of the Government Plan 23-26.

### **Repurpose of Growth up to £6,200,000 and of Covid-19 Response up to £225,000**

During 2022, Departments have contended with a variety of financial challenges. Departments have continued to be agile in the management of services to seek to meet emerging financial pressures without needing to draw on scarce central Reserve funding.

Due principally to delays surrounding initiation, some departments have identified underspends in respect of growth allocations. In order to support departments to meet financial pressures within existing resources, the Minister for Treasury and Resources has been asked to approve a one-off repurposing of growth funding forecast to be unspent in 2022 for the heads of expenditure as set out in the table below:

Head of Expenditure	Repurpose Growth £000s
CLS	406
COO	1,062
CYPES	1,251
HCS	1,000
JHA	162
IHE	1,983
SoJP	139
SPPP	177
T&E	20
<b>Total</b>	<b>6,200</b>

Approving the repurposing of growth would not impact on the delivery of the initiatives for which the funding was originally approved as these amounts are forecast to be unspent. The initiatives should still be delivered in future years.

The Minister is also approving the one-off repurposing of the Covid-19 pressures allocation in the Covid-19 Response Head of Expenditure, allocating budget of up to £225,000 for IHE from

underspends within the Head of Expenditure to cover pressures for additional cleaning costs incurred during the early part of 2022 and are not expected to be able to be met from existing allocations.

### **Use of additional income**

The Infrastructure, Housing and Environment (IHE) head of expenditure has overachieved income in relation to charges for the disposal of hazardous waste by £1,250,000 and has requested to keep this income to be able to spend on pressures within the department rather than drawing down from the General Reserve.

The Justice and Home Affairs (JHA) head of expenditure is forecasting that it will overachieve income arising within Jersey Customs and Immigration Service (JCIS) by an estimated £690,000 and is requesting to keep this to meet various financial pressures elsewhere within the Department in order to avoid a need to request additional funding from the General Reserve.

The Judicial Greffe (JG) head of expenditure is forecasting that it will overachieve income of £368,000 on a budget of £1,468,000. Most of the additional receipts is generated from fees charged to third parties for provision of the Creditor's Winding Up service, new in 2022. The Department requests to retain up to £200,000 of this additional income to cover the unbudgeted costs of the refurbishment of the Family Court in 2022. The refurbishment of Family Court was due to take place in 2021, but due to slippage on the project, the works commenced in 2022 with a total cost of £243,000 and the Department is unable to absorb the full amount through discretionary remediation.

### **3. Recommendation**

The Minister is recommended to approve for 2022 the following:

- allocation of up to £1,412,000 from the General Reserve to various heads of expenditure;
- allocation of up to £12,769,000 from the Reserve for Centrally Held Items to various heads of expenditure;
- repurposing of up to £6,200,000 of 2022 growth;
- repurposing of up to £225,000 of Covid-19 Response allocations; and
- use of additional income of up to £1,250,000 by IHE, up to £690,000 by JHA and up to £200,000 by JG.

### **4. Reason for Decision**

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.

The current Policy for Allocations from the Reserve, presented to the States Assembly as R.76/2022, sets out the requirements for allocations from the General Reserve and the Reserve for Centrally Held Items. These requirements have been met and the Treasurer now recommends these allocations to the Minister for Treasury and Resources for approval.

To enable departments to use existing resources before calling on any additional funding to manage the financial pressures in 2022, the Minister for Treasury and Resources is approving the one-off repurposing of 2022 Growth and one-off repurposing of Covid-19 Response in 2022.

Article 21 of the Public Finances (Jersey) Law relates to the power to allocate excess income. It states:

- (1) This Article applies if –

(a) an approved government plan includes, under Article 9(8), the estimated income that will be earned by, or be attributable to, a States body or by an area of operation of a States body during the first financial year covered by the plan; and

(b) income in excess of that estimate is earned by, or attributable to, the States body or area of operation during that financial year.

(2) Despite the approved government plan, the Minister may direct that the excess income referred to in paragraph (1) (b) be allocated to a head of expenditure set out in the plan.

(3) The amount subject to the Minister's direction may be withdrawn from the Consolidated Fund and spent on that head of expenditure in the first financial year covered by the approved government plan, as if the amount had been appropriated for that head of expenditure.

## 5. Resource Implications

- The following Heads of Expenditure to decrease:-
  - General Reserve by up to £1,412,000
  - Reserve for Centrally Held Items: Markets Smoothing Reserve by up to £244,000, the Court and Case Costs Smoothing Reserve by up to £1,702,000 and the Capital Smoothing Reserve by up to £10,823,000
- The various Heads of Expenditure mentioned in the above report to increase by up to identical amounts.
- IHE, JHA and JG to show an increase to their income and expenditure by up to £1,250,000, up to £690,000 and up to £200,000 respectively.

This decision does not change the total amount of expenditure approved by the States in the Government Plan 2022-25.

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Quality Assurance / Review: Group Director, Strategic Finance and the Head of Financial Governance	File name and path: L:\Treasury\Sections\Corporate Finance\Ministerial Decisions\DS, WR and SD\2022-00xx - Reserve funding for various pressures
MD sponsor: Treasurer of the States	

## **Appendix 1**

### **Bailiff's Chambers (BC) – Bailiff's Chambers Events 2022 – up to £413,000**

The Bailiff's Chambers organised a series of island wide events, recognising the Islands history and continual links to the Crown. The costs for these events had been planned for, but unexpected further costs have been incurred for the Liberation Day and Queen's Jubilee celebrations. The demise of the sovereign and the Proclamation of the King and the associated costs had been planned, however costs have been greater than anticipated. The delivery of these important Island events is an important part of the Islands heritage, and the Bailiff's Chambers requires the allocation up to £413,000 to provide for these additional costs.

### **Comptroller and Auditor General (C&AG) – Audit Fees – up to £18,000**

The Comptroller and Auditor General is responsible for agreeing the audit of the States of Jersey Accounts. The audit is conducted by an external accounting firm under a multi-year contract. That contract includes a provision for costs to increase in line with inflation. Recognising the additional cost that would need to be met by the C&AG, earlier in the year the Minister for Treasury and Resources signed a Letter of Comfort for up to £54,000 to enable the C&AG to ensure the States audit could be carried out in accordance with existing contractual provisions. This allocation allows the C&AG to draw down the actual funding required after taking into account the offsetting of one-off savings identified during the year.

### **Children, Young People, Education and Skills (CYPES) – Social Worker Accommodation – up to £270,000**

Despite good progress in the recruitment of front-line permanent social workers in recent years the service continues to face significant challenges in recruitment and retention. To maintain an adequate level of resource, the service uses agency workers where necessary. These are typically recruited from the UK and, given that postings are generally for 6 months, the workers are provided with accommodation.

Earlier in the year it was recognised that the recruitment challenges the Children's Service was facing required a comprehensive response. The Minister for Treasury and Resources signed a Letter of Comfort for up to £270,000 to increase the number of units available for social worker accommodation. This was part of a package that included wider investment in recruitment and retention and the temporary refurbishment of key worker accommodation at Westaway Court while the longer-term future of that building was resolved. Additional funding was also included in the Government Plan 2023-26 to strengthen the Children's Service's recruitment and retention proposition over the medium term.

This allocation enables CYPES to drawdown on the existing Letter of Comfort to assist with funding 17 units for temporary social workers to ensure the service is adequately resourced to perform its crucial work to safeguard the welfare of children.

**Children, Young People, Education and Skills (CYPES) – Jersey Premium Virtual School – up to £159,000**

Following the second amendment to the Government Plan 2021-24, a virtual school programme was established that provides additional support for children that are looked after with the aim to improve their school attendance, mental health and wellbeing, and educational outcomes. The model will also improve inter-agency working between social services, children's homes, foster carers, off-Island local authorities, and the Children and Adolescent Mental Health Service (CAMHS).

When the amendment was accepted it was agreed that additional funding would be made available to CYPES should it not be possible for the Department to meet the costs from within existing expenditure limits. Earlier in 2022, it became clear that CYPES may require additional funding and the Minister for Treasury and Resources signed a Letter of Comfort for up to £159,000 to fund the staff required to run the service, the necessary technology and administrative costs. This allocation enables the funding from the Letter of Comfort to be drawn down. Costs for future years have been addressed in the Government Plan 2023-26.

**External Relations (EXT) – Jersey London Office – up to £27,000**

The previous Government made a series of cost savings as part of its rebalancing programme. One proposal assumed that External Relations would begin to operate Jersey's London Office on a joint basis with Guernsey in line with other overseas representative offices in France and Brussels. However, that approach has proved to be undeliverable as Guernsey has a different model for UK engagement and does not wish to participate in sharing an office. The Jersey London Office and staff are an effective, important and highly regarded small team in discharging the Department's work. As consequence, the Government Plan 2023-26 includes additional funding for future years as a structural solution to this issue. Costs in 2022 have been offset by one-off savings arising principally from lower than budgeted international travel given the continued impact of Covid-19 on travel, particularly during the first half of the year.

Additional funding of up to £27,000 is requested to enable a balanced budget for the Jersey London Office.

**External Relations (EXT) – Principal Financial Sanctions Officer – up to £50,000**

The Russian invasion of Ukraine led to the rapid development of an enormous and wide-ranging sanctions regime by the UK and other international partners designed to create pressure on the Putin regime to desist Russia's aggressive actions. Jersey adopts all UK sanctions as a matter of law and the Financial Sanctions Implementation Unit (FSIU) within External Relations has seen an unprecedented level of activity since the invasion began on 24 February. Since then, the UK has made over 1,300 designations under the Russian sanctions' regime, which has led to a huge increase in the workload of officers in the team for whom sanctions implementation would normally represent only one portion of BAU (business as usual) activity.

Recognising the need to increase capacity for sanctions work, the Minister for Treasury and Resources signed a Letter of Comfort enabling External Relations to employ additional resource required to meet the growing decision-making, policy development and administrative needs of the FSIU at a senior level. This allocation enables the Department to draw down on the amount agreed in the Letter of Comfort.

**Law Officers' Department (LOD) – Legal Advisors Reward Scheme – up to £245,000**

The States Employment Board (SEB) approved updates to the Legal Adviser Reward Scheme in December 2021. These updates brought various legal advisor roles up to the market value, ensuring that the department is able to both recruit experienced staff to vacant positions, and retain existing high-calibre and experienced legal advisers. Recognising the SEB decision had taken place too late for funding to be provided in the Government Plan 2022-25, earlier in the year the Minister for

Treasury and Resources signed a Letter of Comfort for up to £358,000 to enable the Law Officers' Department to implement the revisions to the Legal Adviser Reward Scheme. This allocation allows the Department to draw down the actual funding required after taking into account the offsetting of one-off underspends.

**Treasury and Exchequer (T&E) – Additional Insurance Premium Costs – up to £230,000**

Insurance Premium costs are incurred on an annual basis in the last quarter of the financial year. The additional cost is a result of an increase in global market prices of insurance, along with the repayment occurring later in the year. The risk was identified that the additional premium could not be met within the available base budget, and a Letter of Comfort was provided by the Minister for Treasury and Resources for up to £230,000 to enable the Treasury to meet the financial obligations for insurance payment as it falls due. This allocation allows the Department to drawdown on the actual amount of funding required.