Treasury and Exchequer
Ministerial Decision Report

<u>REPURPOSING OF ALLOCATED FUNDS, RETENTION AND USE OF ADDITIONAL INCOME, ADJUSTMENT OF DEPARTMENTAL POSITIONS AND PROJECT HEADS OF EXPENDITURE IN 2024</u>

1. Purpose of Report

To enable the Minister to approve the following measures for 2024:

<u>Additional Income</u>

- The use of up to £3,294,000 in additional income received on the States of Jersey Police (SoJP), Infrastructure, and Environment Heads of Expenditure, as detailed in Table 1 below.

<u>Repurposing of Ringfenced Funds</u>

- Repurpose up to £794,670 of Reserve funding for use by the Economic Development, Tourism, Sport and Culture (EDTSC), SoJP, and Environment departments as detailed in Table 2.
- Repurpose up to £2,154,000 of 2024 growth and tax-funded benefits for use by Children, Young People, Education and Skills (CYPES), Justice and Home Affairs (JHA), and Customer and Local Services (CLS), as detailed in Table 3.
- Allocate up to £2,911,865 from the Court and Case Cost Smoothing Reserve for various expenditure heads, as outlined in Table 4.
- Allocate up to £387,250 from the Market Smoothing Reserve for the Department for Infrastructure

<u>Allocation of Central Reserve Funds</u>

- Allocate up to £32,103,350 from the Central Reserve (General Reserve) to address departmental pressures not covered by existing budgets (Table 5).
- Allocate up to £14,585,200 from the Central Reserve and the Reserve for Central Risk and Inflation for project budgets (Table 6).

2. Background

<u>Additional Income</u>

Departments are allocated budgets based on anticipated income levels. According to the Public Finances Manual (PFM) requirements, department's accountable officers must seek approval to spend any income that exceeds the expected receipts by more than 10%.

In 2024, the Infrastructure, Environment, and States of Jersey Police (SoJP) heads of expenditure collectively generated additional income totalling up to £3.3 million, as outlined in Table 1 below. These departments have requested to retain this surplus income to address various financial pressures, rather than requesting additional funds from the Central Reserve.

Table 1: Repurposing of Additional Income

Head of Expenditure	Amount up to £
Infrastructure	2,413,600
Environment	822,400
States of Jersey Police	58,000
Total	**3,294,000**

Infrastructure

The Infrastructure department's additional income for 2024 stems from several sources, including insurance claims related to property damage caused by Storm Ciarán, and higher than expected tipping income. This additional income is being sought to address various financial needs, including costs incurred in responding to the aftermath of Storm Ciarán and a shortfall in sports-related income.

Environment

The Environment department's additional income is attributed to higher-than-anticipated revenue from planning applications, revenue generated from the newly introduced Rented Dwelling License scheme, and fines. The department seeks to retain this surplus income to cover the setup costs of the Rented Dwelling License scheme, which commenced in May 2024.

States of Jersey Police (SoJP)

The SoJP received unplanned rental income that was not accounted for in the original budget. The department has requested to retain this additional income to address some of the financial pressures within the department,.

Repurposing of Reserve Funding

In order to help departments address financial pressures within their existing resources, the Minister for Treasury and Resources has been requested to approve the repurposing of unspent reserve funding originally allocated to support the on-going response to recent Major Incidents. The proposed reallocations for the relevant heads of expenditure are detailed in the table below:

Table 2: Repurposing of Reserve Funding

Head of Expenditure	Amount up to £
Economy	372,670
SoJP	252,000
Environment	170,000
Total	**794,670**

Economy

The Economy Department intends to utilise the funds to address financial pressures related to maintaining sea connectivity.

States of Jersey Police (SoJP)
States of Jersey Police will use the funds to cover the additional costs incurred for the security arrangements during the visit of Their Royal Majesties in 2024 and other pressures.

Environment
The Environment Department will utilise the funds in addition to other funding sources, to address financial pressures related to the ongoing impact of Storm Ciarán and drilling of sampling boreholes for the PFAS Hydrogeological Survey.

These pressures would otherwise be subject to a Central Reserve request, with the underspends on Major Incidents returned to the Central Reserve at the end of the year. Reallocating funds in this way achieves the same net financial outcome and is more administratively efficient.

Repurposing of Government Budget Growth and Tax Funded Benefits

In order to support departments in managing financial pressures within their existing resources, the Minister for Treasury and Resources has been requested to approve the repurposing of Government Plan 2024-27 growth funding that is projected to remain unspent in 2024. The specific repurposing for the relevant heads of expenditure is outlined in Table 3 below.

Table 3: Repurposing of Government Budget Growth and Tax Funded Benefits

Head of Expenditure	**Amount up to £**
CYPES	1,200,000
JHA	50,000
CLS	904,000
Total	**2,154,000**

The Government Plan 2024–27 growth initiatives with unspent balances and tax funded benefits that are proposed for repurposing are as follows:

Children, Young People, Education and Skills (CYPES)

The underspend in Annually Managed Expenditure Payments is due to unutilised allocations for this demand-led benefits, primarily means-tested grants towards higher education costs. This is treated separately in the budget, with allocations made to reflect expected demand and agreed formulaic uplifts. As such, underspends in this area should not routinely be used to offset other, more controllable, expenditure. It is challenging to forecast this area accurately because comparatively small variations in the take-up of places or in family incomes may have a high financial impact. This unspent allocation will be used to meet the financial pressures relating to unexpected requirement to meet changes in terms and conditions for Civil Servants employed on Term Time only contracts, and other unfunded impacts of changes to terms and conditions, including ongoing shortfalls on the budget for implementing the Parental Leave Policy and other one-off staff related payments within CYPES in 2024.

Justice and Home Affairs (JHA)

The allocation for Fire and Rescue Service Pay, Terms, and Conditions Review remains underspent, primarily due to a higher-than-expected number of vacancies. This surplus will be repurposed to cover excess claims and payments under the Criminal Injuries Compensation Scheme (CICS), a demand-led programme that is obligated to make payments under its terms in 2024.

Customer and Local Services (CLS)

Tax Funded Social Benefit Payments
An underspend has arisen in respect of Tax-Funded Social Benefit Payments that is attributable to the inherent uncertainty in forecasting social benefit needs. This uncertainty stems from the challenge of predicting specific circumstances and individual cases requiring support throughout the year. The unspent funds will be redirected to grant-fund the Jersey Employment Trust (JET) and the Free From Domestic Abuse (FREEDA) initiatives in 2024.

Repurposing these growth funds in each of the relevant departments will not affect the delivery of the original initiatives or benefits, as these amounts are now unspent. The initiatives will be delivered in future years where appropriate.

Allocation of Funds from Smoothing Reserve

In 2024, the Reserve for Centrally Held Items includes funds earmarked for specific purposes, such as Smoothing Reserves for Court and Case Costs and the maintenance of Markets in St Helier. These reserves are typically held centrally due to the uncertain or contingent nature of the associated financial requirements during the year.

Markets Smoothing Reserve

The Market Smoothing Reserve is designed to manage annual fluctuations in maintenance demands. In 2024, maintenance costs exceeded the available budgets, necessitating an allocation of up to £387,250 for the Infrastructure Head of Expenditure. These funds cover the costs associated with maintenance works that were carried out at the Central Markets during the year.

Court and Case Costs (C&CC) Smoothing Reserve

The Court and Case Costs Smoothing Reserve is allocated across multiple departments as part of the Government Plan. Expenditure on court and case costs is highly variable and demand-led, depending on the number and complexity of cases within a given year. Departments are expected to address any financial pressures related to court and case costs by first utilising their broader departmental budgets. However, when internal resources are insufficient, departments may request allocations from the Court and Case Costs Smoothing Reserve to cover the excess.

In 2024, several departments have identified the need for financial support from this reserve, with the required amounts outlined below.

Table 4: Allocation from C&CC Smoothing Reserve

Head of Expenditure	Amount up to £

Law Officers' Department	1,952,000
States of Jesey Police	686,000
Bailiff's Chambers	273,865
Total	**2,911,865**

It should be noted that the above overspends are partially offset by underspends of up to £982,992 in Court and Case Cost budgets within other departments. This will be carried forward to the reserve in a separate Ministerial Decision.

Allocations from Reserve for Departmental Pressures

Although overall revenue expenditure was within the total approved budget in 2024, certain departments exceeded their available budgets. This Ministerial Decision proposes budget transfers to ensure compliance with regularity requirements, both at the individual head of expenditure level and in relation to the States' overall financial position.

Table 5: Allocation from Reserves for Departmental Pressures

Head of Expenditure	Amount up to £
Health and Community Services	28,844,000
Infrastructure	1,661,000
Environment	1,404,550
Bailiff's Chambers	193,800
Total	**32,103,350**

Health and Community Services (HCS) £28,844,000

Following the Covid-19 pandemic, the Health and Community Services department is grappling with significant financial challenges, including substantial unfunded cost pressures. These pressures stem from both factors within the department's control and structural issues beyond its direct influence. Rising inflation has significantly increased the cost of maintaining existing healthcare services, while efficiency-related challenges have further exacerbated the financial strain. Key drivers of these cost pressures include mental health placements, social care packages, high-cost drugs, off-Island care, expansion beds, and cancer services.
To address these challenges, an additional allocation was made to the department in the Budget 2025-2028 in recognition of the department's financial pressures, and this forms part of the proposed allocation. During the Government budget process, the forecasted overspend for 2024 was estimated at £24 million, which informed the decision to allocate a £322 million budget for 2025, including funding to cover the deficit. However, the latest forecast shows the 2024 overspend has increased to £28.7 million. Despite this, the HCS Executive Leadership Team remains committed to operating within the allocated £322 million budget for 2025. The team has undertaken detailed budget-setting work for 2025, involving all members of the Executive Leadership Team. This has included prioritisation efforts and the development of a set of mitigation actions to manage the department's financial position within the approved budget.

The worsening financial situation—from the previously reported £24 million to £28.9 million—has been driven by ongoing non-pay cost pressures, particularly in Tertiary Care, Social Care, Mental Health, and Medical Services, pressures relating to provisions for a settlement payment to Jersey Hemp Ltd, the impact of the Junior Doctors' Pay Award, as well as increase in provision for expected credit losses (ECL) during the year.

The department continues to pursue its Financial Recovery Plan, which aims to improve the efficiency and effectiveness of services, reduce costs, and increase income, ensuring that essential health services can be delivered sustainably within the allocated budget.

Infrastructure up to £1,661,000

The Infrastructure Department faced significant unfunded cost pressures in 2024, primarily stemming from the aftermath of Storm Ciarán, which caused extensive damage necessitating urgent repairs. In addition to this, unexpected prior-year costs arose from contractual obligations related to Aqua Splash, a public swimming facility operated by Serco, which had not been previously disclosed by the operator.

Further financial challenges emerged from a decline in sports income, resulting from the permanent closure of Fort Regent and the temporary closure of Les Quennevais Sports Centre. These closures severely restricted revenue-generating activities, while essential operational and maintenance costs persisted. In response, the department implemented cost containment measures across non-essential expenditure and introduced phased spending strategies to balance urgent and non-urgent priorities. However, despite these efforts, the financial pressures were unavoidable due to the fundamental need to maintain critical services and fulfil legal obligations.

Environment up to £1,404,550

The Environment Department faced significant unfunded cost pressures in 2024, largely due to the ongoing impact of Storm Ciarán. Without prompt action, the environmental damage caused by the storm would have worsened, increasing future financial burdens and posing greater risks to the government.

A major contributor to the overspend was the PFAS Hydrogeological Survey, which included the drilling of sampling boreholes. Although progress on this project was delayed in 2023 due to planning permission and regulatory challenges, the work had to proceed in 2024 to meet environmental commitments and safeguard public health. Further postponement was not an option, as it would have exposed the government to serious legal, regulatory, and reputational risks. Another cost pressure stemmed from the Social Recovery Countryside Access initiative, which focused on reopening and restoring derelict footpaths to promote public well-being. Originally launched during the COVID-19 pandemic, this initiative supported the government's priorities for improving community access and outdoor recreation. While funding was expected to support these ongoing commitments, the department was required to manage these costs within its existing resources. Spending was carefully phased to ensure affordability while maintaining project continuity. Despite these cost control measures, further delays or budget cuts would have been counterproductive, leading to greater financial, legal, and environmental risks in the future.

Bailiff's Chambers up to £193,800

The Department faced a challenging year to deliver a number of events for the Island with significant pressures including Liberation Day, D-Day 80 and the Royal Visit. All events came with financial pressures that could not be factored prior to the beginning of the financial year and attracted high public expectation as well as being affected by factors beyond the department, like the uncertainty from conception until final approval from Buckingham Palace 5 weeks before the day of the visit, as well as unique challenges around planning and moving parts to deliver a significant event for Jersey created unfunded financial pressures.

Allocations from Reserve for Capital Projects

The Council of Ministers decided not to carry forward budgets into 2024 to fund projects that were delayed from 2023. Instead, the financial needs were met by re-planning the capital programme as part of the process to develop the Budget 2025-28.
As part of the process to develop the Budget 2025-28, the Capital Programme was re-planned to reflect updated project cashflow requirements, the political priorities of new Council of Ministers, and to accommodate the completion of projects delayed from 2023 without the need for extensive budget 'carry forwards'.

The re-planned programme involved reductions to some project budgets and increases to others, which departments worked to pending approval of the Budget 2025-28 by the States Assembly. Following the Assembly's approval of the Budget in November, the Minister for Treasury and Resources approved MD-TR-2024-945 to make the relevant reductions to project budgets and it is now necessary to make the complementary budget increases as set out below.

Table 6: Allocation from Reserve for Capital Reprioritisation

HoE budget Increase/new allocation	**Amount up to £**
Office Modernisation	2,070,500
Major Refurbishment and Upgrades	1,200,900
In-Patient Support Services	749,000
Property Dilapidation	446,100
Health Service Improvement Programme	294,600
Feasibility	248,300
New School and Education Developments	63,000
HoE existing budget reprofiled	
Jersey Opera House (Major Project) (M)	6,202,600
Sewage Treatment Works (M)	1,348,200
Integrated Technology Solution R1 & R2 (M)	920,200
Elizabeth Castle	779,500
Replacement Assets HCS	246,400
Aerial Ladder Platform	15,900
	14,585,200

3. Recommendation

The Minister is recommended to approve for 2024 the following:

- Retention and use of up to £3,294,000 additional income (Table 1).
- Repurposing of up to £794,670 Reserve funding (Table 2).
- Repurposing of up to £2,154,000 Government Plan growth (Table 3).
- Allocation of up to £2,911,865 from the C&CC Smoothing Reserve (Table 4).

- Allocation of up to £387,250 from the Market Smoothing Reserve
- Allocation of up to £32,103,350 from Central Reserve (Table 5).
- Allocation of up to £14,585,200 from the Central Reserve (£5,254,891) and the Reserve for Reserve for Central Risk and Inflation (£9,330,309) for capital reprioritisation (Table 6).

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. 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 2024, the Minister for Treasury and Resources is approving the one-off repurposing of 2024 Growth and Major Incident funding.

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.

The Minister for Treasury and Resources has agreed that Accountable Officers can use additional income in excess of that approved in a Government Plan to the extent that additional income is matched by additional expenditure incurred in the generation of that income. Above that level, Accountable Officers may approve the use of additional income up to 10% of the estimated departmental income included in the Government Plan (up to a maximum of £100,000). The Accountable Officer of the relevant States Body must seek approval to spend additional funds in excess of these levels.

The Public Finances Manual requires that where funding has specifically been allocated in a Government Plan for a defined purpose (for example, through growth or an approved amendment), any change of use will require a Ministerial Decision from the Minister for Treasury and Resources. This applies only to the year in which that expenditure is separately identified in the Government Plan and will not apply once funding becomes part of a department's base budget in subsequent years.

5. Resource Implications

The following Heads of Expenditure will decrease in 2024 by up to the following amounts:

- Central Reserve (General Reserve) £37,358,241;
- Reserve for Central Risk and Inflation £9,330,309;
- Central Reserve (Markets Smoothing Reserve) £387,250; and,
- Central Reserve (Court and Cases Costs Smoothing Reserve) £2,911,865.

The following Heads of Expenditure will increase in 2024 by up to the following amounts

- Health and Community Services £28,844,000;
- Infrastructure £2,048,250;
- Environment £1,404,550;
- States of Jersey Police £686,000;
- Law Officers' Department £1,952,000;
- Bailiff's Chambers £467,665;
- Jersey Opera House £6,202,600;
- Office Modernisation £2,070,500;
- Sewage Treatment Works £1,348,200;
- Major Refurbishments and Upgrades £1,200,900;
- Integrated Technology Solution R1 & R2 £920,200;
- In-Patient Support Services £749,000;
- Elizabeth Castle £779,500;
- Property Dilapidation £446,100;
- Health Service Improvements £294,600;
- Feasibility £248,300;
- Replacement Assets – HCS £246,400;
- New School and Educational Developments £63,000; and,
- Aerial Ladder Platform £15,900.

This decision does not change the total amount of expenditure approved by the States in the Government Plan 2024-27.

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