
STATES OF JERSEY



OVERALL MANAGEMENT OF PUBLIC FINANCES DURING THE COVID-19 PANDEMIC (R. 114/2021): EXECUTIVE RESPONSE

Presented to the States on 3rd August 2021
by the Public Accounts Committee

STATES GREFFE

REPORT

In accordance with paragraphs 64-66 of the [Code of Practice](#) for engagement between ‘Scrutiny Panels and the Public Accounts Committee’ and ‘the Executive’, (as derived from the [Proceedings Code of Practice](#)) the Public Accounts Committee presents the Executive Response to the Comptroller and Auditor General’s Report entitled: [Overall Management of Public Finances during the Covid-19 Pandemic](#) (R.114/2021) presented to the States on 28th June 2021).

The Committee is pleased to note that all of the recommendations of the C&AG’s fourth report on Covid-related matters have been accepted, however it intends to submit further comments on the Executive Response shortly and will undertake a full review in September 2021 once the C&AG has completed her final report in the series.

Deputy I. Gardiner

Chair, Public Accounts Committee

The Chief Executive and Director General of Treasury and Exchequer's response to Comptroller and Auditor General's (Covid-19) Review: Overall Management of Public Finances during Covid-19 Pandemic

August 2021

Glossary of Terms

C&AG – Comptroller and Auditor General

COM – Council of Ministers

ELT – Executive Leadership Team

IFG – Income Forecasting Group

CIF – Common Investment Fund

ITS – Integrated Technology Solution

PFM - Public Finances Manual

Chief Executive and Treasurer’s Response to C&AG (Covid-19) Review: [Overall Management of Public Finances during Covid-19 Pandemic](#) - Executive Response to PAC by 3rd August 2021 please.

Summary of response:

The Chief Executive and Treasurer welcome the report of the C&AG, in particular her recognition that the States “responded well to the impact of COVID-19 on their financial management arrangements”. As the C&AG points out, the “financial impact of the COVID-19 pandemic was unprecedented” and this required swift and decisive action, without weakening normal financial discipline and whilst continuing to work within the overall financial management framework which serves the Island well.

All of the recommendations are accepted in full. Their implementation will serve to strengthen further the financial management framework, providing a firm footing to deal with any further extraordinary situations, as well as “business as usual” activity.

The Chief Executive and Treasurer are grateful for the constructive and collaborative way in which the C&AG produces and finalises her reports. This helps to ensure that positive improvement is more likely to result.

Action Plan

Recommendations	Action	Target date	Responsible Officer
<p>R1 Review the content of the Government Financial Reports to consider:</p> <ul style="list-style-type: none"> • making the link between budgets in the Government Financial Reports and the amounts approved in the Government Plan clearer • setting out a clearer analysis of the risks to income estimates and referring to information on risks and uncertainties published by the IFG or in the Government Plan as appropriate • setting out the basis for expenditure estimates (for example, reasonable worst case, prudent, most likely 	<p>The monthly financial reports continue to be developed in 2021 to provide the Executive Leadership Team (ELT) and Council of Ministers (CoM) with timely and relevant information to inform decision-making.</p> <p>Steps have already been taken in 2021 to include:</p> <ul style="list-style-type: none"> • Comparison to Government Plan budgets, including a reconciliation of movements from the Government Plan approval to the current budget by department/Reserves consistent with that included in the Statement of Outturn Against Approvals in the Annual Report and Accounts. • Reference to borrowing and draw down against the rolling credit facility in the context of cashflow requirements. 	<p>31st December 2021 and on-going continuous improvement</p>	<p>Head of Group Reporting</p>

<p>outcome) and a clearer analysis of uncertainties</p> <ul style="list-style-type: none"> • including cash flow forecasts and an analysis of cash flow risks; and • providing information on key balance sheet items such as key funds 	<ul style="list-style-type: none"> • Social Security Fund balances and forecasts. • CIF investment performance and participant Fund investment values (e.g. Strategic Reserve, Social Security funds). <p>The monthly reports are part of the sequence and package of reports provided to ELT and CoM and act as a reporting bridge between the Government Plan and the Annual Report and Accounts. For consistency, they use the central IFG forecasts used to develop the Government Plan as they are released during the year, supplemented with in-year data on actual receipts and other relevant metrics . The IFG reports include detail on the risks and sensitivity of the forecasts which is not duplicated in the monthly finance reports.</p> <p>As reporting is developed and more components are drawn out separately (e.g. growth, rebalancing, fiscal stimulus) consideration is being given to an appropriate presentation of expenditure uncertainty. This must be balanced with the clarity required to effectively inform decision-making.</p> <p>Report content will continue to be enhanced in 2021, responding to ELT and CoM feedback and recognising the points raised by the C&AG.</p> <p>The reporting requirements are also being fed in to the design of the new financial system as part of the ITS project which will change the mechanisms but not the objectives of the reporting and provide opportunities for more sophisticated analysis and delivery.</p> <p>There is a balance to be struck between timely & insightful reporting useful for senior management and</p>		
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	<p>Ministers and the complexity and technical detail which those in the accountancy profession may find useful. The risk of overwhelming users with endless detail, which duplicates that which is reported elsewhere should be avoided.</p> <p>Combining performance and financial reporting will assist in minimising some of the duplication risk.</p>		
<p>R2 Continue to develop a cash flow modelling system and ensure that it includes cash flow implications for Social Security Funds and a full audit trail.</p>	<p>The internal cash flow model is the subject of ongoing development and subsequent enhancements, there is a natural link to the implementation of the Integrated Technology Solution and the way the States financial accounting and reporting will develop.</p> <p>The cash flow model will comprise of historic data relating to income collection (shaped pre-dominantly by modelling from Revenue Jersey) and forward looking anticipated budgetary spend in line with approved Government Plans. This will then be assessed against actual receipts and expenditure, with differences identified and investigated.</p> <p>The model will allow assumptions to be made about future revenue and expenditure patterns to inform decisions about short-term borrowing and longer-term policy initiatives that might need to be considered.</p>	<p>30th April 2022 (aligned to ITS implementation)</p>	<p>Director of Treasury and Investment Management</p>
<p>R3 Record a breach of the Public Finances Manual for the procurement of the revolving credit facility.</p>	<p>The breach documentation has been drafted for signature</p>	<p>30th September 2021</p>	<p>Treasurer of the States and Director Commercial Services</p>
<p>R4 Ensure all significant updates to financial procedures are incorporated</p>	<p>The cross-departmental PFM Management Group will consider its process for producing changes to the Manual to make it more agile and ensure it acts as a</p>	<p>31st October 2021 and ongoing</p>	<p>Director of Risk, Reporting & Audit</p>

<p>into the Public Finances Manual on a timely and consistent basis.</p>	<p>“single point of reference for procedures to be followed”, as the C&AG rightly expects. In particular the “Reserve head of expenditure” section of the Manual will be revised to include procedures set out in the Minister’s published policy.</p>		
<p>R5 Review the preparation and approval of business cases during 2020 to identify opportunities to improve the arrangements and processes.</p>	<p>The Investment Appraisal Team was established in late 2019 as part of the Strategic Finance function to strengthen the processes surrounding business case preparation and approval.</p> <p>Despite the acute challenges presented by the pandemic, the Team has already been able to support a demonstrable improvement in the overall quality of businesses cases, and steps are being taken in 2021 to drive further improvements in order to support the organisation to deliver business case standards and processes that achieve a closer alignment with best practice. To date, revisions have been made to business case templates to provide more guidance. Structured training through the Civil Service College has been provided to finance staff and policy/operational managers who are responsible for business case preparation. Further training is also planned for Q4, 2021 which will be delivered by the Investment Appraisal Team.</p> <p>The intention is to support a culture of continuous improvement that involves periodic review of the effectiveness of existing processes and considers how evolving HM Treasury practice can be integrated into Jersey’s approach. As part of this work, consideration will be given to the opportunities for improvement presented by the experiences of 2020.</p>	<p>31st December 2021 and on-going continuous improvement</p>	<p>Head of Cost-Benefit Analysis and Investment Appraisal</p>

Recommendations not accepted

	Recommendation	Reason for rejection
	None	