

EXECUTIVE COUNCIL

PUBLIC

Title:	The Supplementary Appropriation (2017-2018) Bill 2018
Paper Number:	93/18
Date:	28 May 2018
Responsible Director:	Financial Secretary
Report Author:	Head of Finance
Portfolio Holder:	MLA Roger Spink
Reason for paper:	This paper is submitted to Executive Council: To meet a statutory requirement
Publication:	Yes
Previous papers:	EXCO Paper 159/17
List of Documents:	Schedule of Contingency Warrants 3 - 8

1. Recommendations

Honourable Members are recommended to approve:

- (a) the remission of the Supplementary Appropriation Bill to the Legislative Assembly.

2. Additional Budgetary Implications

No additional budgetary implications.

3. Executive Summary

3.1 This Bill (attached as Annex A) provides for supplementary expenditure amounting to £60,346,489, to cover:

3.2 £2,431,975 in respect of additional funding to incur expenditure in respect of decisions made by the Standing Finance Committee, as detailed in Annex B.

3.3 A fund transfer of £57,914,514 from the Consolidated Fund to the Capital Equalisation Fund, to meet future anticipated expenditure.

4. Background

4.1 Additional Expenditure in 2017/18 - £2,431,975

4.2 This Bill (attached at Annex A) covers supplementary expenditure amounting to £2,431,975 in respect of additional funding which was approved by Standing Finance Committee on 27th September 2017, 11th January, 30th January, 21st February, 12th March and 24th April 2018. Full details of the additional funding are shown on the attached schedule (Annex B).

4.3 Transfer from Consolidated Fund to Capital Equalisation Fund - £57,914,514

4.4 A transfer of £57,914,514 from the Consolidated Fund to the Capital Equalisation Fund does not represent additional expenditure, but rather a transfer from one fund to another.

4.5 Section 5 of the Finance and Audit Ordinance 1988 requires that all revenue that FIG is due must be paid into the Consolidated Fund, unless otherwise specifically stated (for example, another fund such as the Retirement pension Fund into which employer contributions are paid).

4.6 In recent years the balance of the Consolidated Fund has increased: 30/06/14: £172.4m, 30/06/15: £175.5m, 30/06/16: £188.1m, 30/06/17: £223.2m. Furthermore a surplus of operating revenue over operating expenditure is forecast for financial year 2017/18, which will increase the Consolidated Fund balance further¹.

4.7 In 2005 the balance in the former Sinking Fund was designated as the Capital Equalisation Fund. The purpose of this fund was to balance out capital spending in the longer term.

4.8 The balances of the Capital Equalisation Fund are summarised at Annex C.

4.9 The balance on the Capital Equalisation Fund has reduced in recent years. However, the overall balance of uncommitted reserves (the total of the Consolidated Fund and the Capital Equalisation Fund) has increased.

¹ As reported to Standing Finance Committee meetings.

4.10 Purpose and Function of the Capital Equalisation Fund

4.11 The Capital Equalisation Fund is where the costs of a capital programme are charged to. This is in accordance with section 11(1) d of the amended Public Funds Ordinance 1990.

4.12 The Capital Appropriation Bill 2018 authorises the Financial Secretary to make payments out of the Capital Equalisation Fund – up to a stated limit – to fund the capital programme.

4.13 The Capital Equalisation Fund has an important feature and that is that it enables unspent balances to be carried forward from one year to the next without the need for a further Appropriation. Projects that are fully budgeted for in one year can be carried on into the next year if incomplete by using the unspent amounts of funding remaining. Capital projects often span more than one year and timing delays are possible.

4.14 The transfer of £57,914,514 will be recognised in the financial statements for the year ended 30 June 2018 as expenditure to the Consolidated Fund and revenue to the Capital Equalisation Fund.

4.15 The movement between investment holdings will only be made at a time as recommended by the investment managers in order to ensure that effective timing of disinvestment and reinvestment. There will be a transfer from the investments held in the Consolidated Fund (a weighting towards equities) to investments in the Capital Equalisation Fund (government stocks and corporate bonds).

4.16 The capital programme for any year is required to be funded from the Capital Equalisation fund. Taking into account the capital programme for both 2017/18 and 2018/19, the amount to be transferred has been calculated to ensure that the estimated balance on the Capital Equalisation Fund at 30 June 2018 will be equal to the value of the net capital programme for 2018/19 of £46,730,708.

5. Options and Reasons for Recommending Relevant Option

5.1 Please refer to section 4.

6. Resource Implications

6.1 Financial Implications

6.2 The Bill will, if enacted, provide the legal authority for the additional sum of £60,346,489 (being the sum of supplementary expenditures of £2,431,975 and £57,914,514 as detailed above) to be withdrawn from the Consolidated Fund.

6.3 Publication of this Supplementary Appropriation Bill is not required prior to submission to Legislative Assembly (Rule 46(2)(a) of Standing Orders).

6.4 The following is a summary of the components of appropriation legislation for the 2017/18 Financial Year:

	£
Appropriation Ordinance 2017 ²	61,188,812
The Supplementary Appropriation (2017-2018) Ordinance 2017 ³	4,274,723
 The Supplementary Appropriation (2017-2018) Bill 2018	 2,431,975
The Supplementary Appropriation (2017-2018) Bill 2018	57,914,514
New appropriation	60,346,489
 Total	 125,810,024

6.5 The table below shows how the transfer proposed of £57,914,514 from the Consolidated Fund to the Capital Equalisation Fund has been calculated:

	2017/18 (£)
Balance Capital Equalisation Fund at 30 th June 2017 per Financial Statements	10,204,194
Estimated Net Capital Expenditure for 2017/18 as per March 2018 Standing Finance Committee report	(21,388,000)
Transfer from Consolidated Fund to Capital Equalisation Fund	57,914,514
Estimated Balance of Capital Equalisation Fund - 30 June 2018	46,730,708

6.6 Human Resource Implications

6.7 None

6.8 Other Resource Implications

6.9 None

6.10 Legal Implications

6.11 None

² The Appropriation Ordinance 2017 was assented to by the Governor on 22nd June 2017 as part of the 2017/18 budget process.

³The Supplementary Appropriation (2017-2018) Ordinance 2017 was assented to by the Governor on 27th October 2017.

Supplementary Appropriation (2017-2018) Bill 2018

(No: of 2018)

ARRANGEMENT OF PROVISIONS

Clause

1. Title
2. Commencement
3. Withdrawal of additional sum
4. Replenishment of Contingencies Fund

Schedule

SUPPLEMENTARY APPROPRIATION (2017-2018) BILL 2018

(No: of 2018)

(assented to: 2018)

(commencement: on publication)

(published: 2018)

A BILL

for

AN ORDINANCE

To authorise the withdrawal from the Consolidated Fund of the additional sum of £60,346,489 for the financial year ending 30 June 2018.

BE IT ENACTED by the Legislature of the Falkland Islands —

1. Title

This Ordinance is the Supplementary Appropriation (2017-2018) Ordinance 2018.

2. Commencement

This Ordinance comes into force on publication in the Gazette.

3. Withdrawal of additional sum

(1) The Financial Secretary may withdraw an additional sum of £60,346,489 from the Consolidated Fund.

(2) Any additional sum withdrawn under subsection (1) may be applied in the financial year ending 30 June 2018 in accordance with section 4 and the Schedule.

4. Replenishment of Contingencies Fund

If any sum has been withdrawn from the Contingencies Fund by the authority of Contingencies Warrant No 3-8 of 2017/2018, the Financial Secretary will replenish the fund from the additional sum withdrawn under section 3.

SCHEDULE

Number	Head of Service	Amount £
	Operating Budget	
0110	Development & Commercial Services	308,700
0200	Health & Social Services	213,000
0350	Public Works	230,050
0410	Natural Resources	446,608
0600	Executive Management	510,387
0700	The Treasury	723,230
	Total Operating Budget	2,431,975
0999	Fund Transfer and Transfer Payments	57,914,514
	Total Schedule	£60,346,489

OBJECTS AND REASONS

The Bill provides for:-

- (1) supplementary expenditure of £60,346,489
- (2) the Contingencies Fund to be replenished to the extent that any sums have been advanced
under the authority of Contingencies Warrant No 3-8 of 2017/2018.

The Bill is proposed in accordance with section 76(3) of the Constitution as read together with section 26(3) of the Finance and Audit Ordinance (Title 19.3).

Annex B – Supplementary Appropriation - Additional Expenditure in 2017/18

FALKLAND ISLANDS GOVERNMENT

Annex B

Report No 2 of 2017/2018 to Executive Council on advances authorised by the Financial Secretary to be issued out of the Contingencies Fund for application to the service of the 2017/18 Financial Year to enable the need for unforeseen expenditure to be met pursuant to the provisions of Section 26 of the Finance and Audit Ordinance
Advances only authorised when required due to cap on Contingencies Fund

Account Code	Advance Amount £	Contingencies Warrant No	Reasons
0110 Development & Commercial Services			
0102 FIGAS			
0310 Salaries/Wages	35,350	5 - SFC 30/01/18	EXCo 12/18 additional expenditure relating to the creation of one additional training pilot post.
0613 Repairs & Maint - Major Equip.	163,000	4 - SFC 11/01/18	Purchase of 2 new Lycoming Engines.
0613 Repairs & Maint - Major Equip.	375,000	6 - SFC 21/02/18	SFC 09/18 for the purchase of 5 new Lycoming 0-540-E4C5
0759 In-Service Training	94,700	5 - SFC 30/01/18	EXCo 12/18 additional expenditure relating to the creation of one additional training pilot post.
0104 Development & Commercial Services Admin			
4632 Contribution to Defence-Met Services	67,000	3 - SFC 27/09/17	EXCO 121/17 revised contract for Meteorological Services
0453 Courts			
0310 Salaries/Wages	1,500	8 - SFC 25/04/18	SFC 18/2018 Additional funding for the administration of justice
1110 Contrib. to Court of Appeal	23,900	8 - SFC 25/04/18	SFC 18/2018 Additional funding for the administration of justice
1111 Honorarium & Exp S Court Judge	12,010	8 - SFC 25/04/18	SFC 18/2018 Additional funding for the administration of justice
1113 Witnesses Expenses	13,780	8 - SFC 25/04/18	SFC 18/2018 Additional funding for the administration of justice
1117 Legal Aid	131,260	8 - SFC 25/04/18	SFC 18/2018 Additional funding for the administration of justice
1120 Bailiff Expenses	3,170	8 - SFC 25/04/18	SFC 18/2018 Additional funding for the administration of justice
1121 Post Mortem Expenses	7,610	8 - SFC 25/04/18	SFC 18/2018 Additional funding for the administration of justice
0607 ICT			
0310 Salaries/Wages	24,700	952,980	3 - SFC 27/09/17 EXCO 151/17 Approve the provision of a web management service
0200 Health & Social Services			
0205 Medical Treatment Overseas			
0707 South America Accommodation Costs	14,714	7 - SFC 12/03/18	SFC 13/18 Additional funds for KEMH Emergency Evacuations
0709 South America Medical Treatment	381,400	7 - SFC 12/03/18	SFC 13/18 Additional funds for KEMH Emergency Evacuations
0710 Emergency Evacuations	114,273	510,387	7 - SFC 12/03/18 SFC 13/18 Additional funds for KEMH Emergency Evacuations
0350 Public Works			
0355 Power & Electrical			
0613 Repairs & Maint - Major Equip.	240,000	8 - SFC 25/04/18	SFC 20/2018 Additional funding for spares and fuel for the Power & electrical Section PWD
0614 Fuel & lubricants	280,000	8 - SFC 25/04/18	SFC 20/2018 Additional funding for spares and fuel for the Power & electrical Section PWD
0356 Property & Municipal			
1937 Educational Facilities Review	100,000	620,000	5 - SFC 30/01/18 ExCo 10/18 to explore possibilities for Educational Facilities
0410 Natural Resources			
0322 Fisheries Protection			
0616 Operating Costs TDF	50,000	4 - SFC 29/03/17	ExCo 49/17 funding to support the operation of Temporary Dock Facility
0400 Agriculture			
4092 Farm Improvements Programme	17,000	67,000	3 - SFC 27/09/17 EXCO 125/17 for the purchase of a liquid nitrogen generator
0600 Executive Management			
0601 Executive Management			
0849 Project Costs	200,000	3 - SFC 27/09/17	SFC 41/17 additional budget for Special Project
0849 Project Costs	64,608	264,608	6 - SFC 21/02/18 SFC 08/18 Special Project
0700 The Treasury			
0602 The Treasury			
4170 Donations & Subventions	7,000	6 - SFC 21/02/18	SFC 06/18 match public donation funding for Hurricane Irma Disaster Relief Fund
4170 Donations & Subventions	10,000	17,000	8 - SFC 25/04/18 SFC 16/2018 Donations £5k each Scotties Little Soldiers and Royal Foundation
TOTAL	2,431,975	2,431,975	

SUMMARY

Contingencies Warrant No 3	308,700	SFC 27/09/17
Contingencies Warrant No 4	213,000	SFC 29/03/17 & 11/01/18
Contingencies Warrant No 5	230,050	SFC 11/01/18 & 30/01/18
Contingencies Warrant No 6	446,608	SFC 21/02/18
Contingencies Warrant No 7	510,387	SFC 12/03/18
Contingencies Warrant No 8	723,230	SFC 24/04/18

2,431,975

Summary by Directorate

0110 Development & Commercial Services	952,980
0200 Health & Social Services	510,387
0350 Public Works	620,000
0410 Natural Resources	67,000
0600 Executive Management	264,608
0700 The Treasury	17,000
	2,431,975

Annex C – Movements of Capital Equalisation Fund 2010/11 to 2022/23

		Fund Transfers	Net Return On Investments	Capital Receipts	Net Fund Revenue	Capital Expenditure	Total Surplus/ (Deficit)	Capital Equalisation Fund Balance
		£M	£M	£M	£M	£M	£M	£M
2010/11	Actual	3.5	0.5	1.2	5.2	7.1	(1.9)	21.4
2011/12	Actual	8.5	1.3	0.8	10.6	6.6	4.0	25.4
2012/13	Actual	11.0	0.1	0.3	11.4	13.5	(2.1)	23.3
2013/14	Revised	15.0	0.1	1.1	16.2	17.8	(1.6)	21.7
2014/15	Estimate	14.0	0.9	1.1	16.0	13.2	2.8	24.5
2015/16	Projection	9.0	1.7	1.0	11.7	15.7	(4.0)	20.5
2016/17	Projection	4.0	0.6	2.1	6.7	17.0	(10.3)	10.2
2017/18	Projection	57.9	0.0	1.5	59.4	22.9	36.5	46.7
2018/19	Projection	25.7	0.0	0.2	25.9	46.9	(21.0)	25.7
2019/20	Projection	16.1	0.0	0.3	16.4	26.0	(9.6)	16.0
2020/21	Projection	10.5	0.0	0.3	10.8	16.3	(5.5)	10.5
2021/22	Projection	10.4	0.0	0.2	10.6	10.7	(0.1)	10.4
2022/23	Projection	10.4	0.0	0.1	10.5	10.5	0.0	10.4