



## MINISTRY OF FINANCE CIRCULAR NO: 2

**TO:** All Accounting Officers  
Heads of Departments

Copied to: HE the Governor  
Hon Premier  
Cabinet Ministers  
Leader of the Opposition

**FROM:** Financial Secretary

**REF:** MF 1/1

**DATE:** October 08, 2019

**SUBJECT: BUDGET CALL #2 – PREPARATION OF 2020/21 BUDGET AND 2021/22 and 2022/23 FORWARD ESTIMATES**

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Ministries/Departments are requested to submit the following for consideration by Cabinet:

- (i) 2020/21 draft budget estimates and 2021/22 and 2022/23 forward estimates including only approved policies and programmes;
- (ii) Realistic potential efficiency savings of at least 5%;
- (iii) Proposed new revenue measures; and
- (iv) New high priority spending proposals
- (v) 2020/21-23 Procurement Plans
- (vi) 2020/21-23 Risk Register

### PURPOSE

This circular sets out the requirements that must be followed in preparing Ministries and Departments draft estimates for the financial year 2021-23. The preparation of these estimates should take into consideration the country's Sustainable Development Plan (Vision 2020) which outline its perspective and intent on the socioeconomic transformation for the country over the medium term period. Every effort must be made to ensure that requests for resources for programmes are consistent with the Government's 2020/21 – 2022/23 Policy Agenda.

### 2020/21 BUDGET AND FORWARD ESTIMATES CEILINGS

#### ***Baseline 2020/21 Budget Ceilings***

In keeping with the rolling three-year budget and forward estimates approach, the forward year estimates of expenditure of the 2019/20 budget 'roll forward' to provide the baseline ceilings for the 2020/21 budget and forward estimates, subject to any approved post-budget supplementary estimates.

The 2020/21 draft budget and forward estimates ceiling for recurrent expenditure for your Ministry/Department is as follows:



VOTE	MINISTRY/DEPARTMENT	Approved Estimates 2019/20	Baseline Estimate 2020/21	Forward Estimate 2021/22	Forward Estimate 2022/23
05	Police	7,130,700	7,420,500	7,432,900	7,523,200
07	Legal	1,781,300	1,743,100	1,746,800	1,751,500
08	Magistrate's Court	179,000	195,700	199,300	202,100
09	Supreme Court	734,300	775,700	781,400	784,900
10	Legislature	1,654,600	1,430,900	1,434,000	1,435,500
11	Audit Office	1,232,200	1,269,400	1,280,100	1,289,900
12	Office of the Deputy Governor	29,118,900	29,199,100	29,278,900	29,327,300
13	Public Prosecution	803,900	763,500	768,100	772,400
15	Office of the Premier	21,784,700	21,883,000	21,893,100	21,905,700
20	Ministry of Finance & Economic Management	21,384,600	21,492,200	21,666,700	21,717,100
30	Agriculture	6,139,800	6,656,900	6,701,500	6,730,300
35	Communications, Works & Labour	13,739,300	14,397,800	14,473,600	14,516,900
40	Education, Youth Affairs and Sports	11,693,800	12,274,600	12,467,800	12,523,200
45	Health and Social Services	20,395,100	21,154,100	21,042,600	21,094,400
<b>2020/21 BASELINE BUDGET CEILINGS AND FORWARD ESTIMATES</b>		<b>137,772,200</b>	<b>140,656,500</b>	<b>141,166,800</b>	<b>141,574,400</b>

Ministries and departments are required to prepare budget estimates (along with Procurement Plans and work plans) in accordance with the above ceilings using the programme based budget format at **Budget Form 1(PB)**. Ministries and departments should be aware that the budget ceiling can only be amended by Cabinet following the approval of new spending or savings in accordance with the processes set out below.

VOTE	MINISTRY/DEPARTMENT	Personal Emoluments	Pensions and Gratuities	Goods & Services	Baseline Estimate 2020/21
05	Police	5,795,900	-	1,624,600	7,420,500
07	Legal	1,471,300	15,500	256,300	1,743,100
08	Magistrate's Court	146,100	-	49,600	195,700
09	Supreme Court	586,100	8,400	181,200	775,700
10	Legislature	872,900	6,700	551,300	1,430,900
11	Audit Office	990,500	43,300	235,600	1,269,400
12	Office of the Deputy Governor	3,828,700	11,408,400	13,962,000	29,199,100
13	Public Prosecution	618,700	8,100	136,700	763,500
15	Office of the Premier	2,748,300	26,300	19,108,400	21,883,000
20	Ministry of Finance & Economic Management	5,861,700	-	15,630,500	21,492,200
30	Agriculture	4,876,700	32,000	1,748,200	6,656,900
35	Communications, Works & Labour	7,505,400	49,900	6,842,500	14,397,800
40	Education, Youth Affairs and Sports	7,616,400	123,900	4,534,300	12,274,600
45	Health and Social Services	10,073,300	134,600	10,946,200	21,154,100
<b>2020/21 BASELINE BUDGET CEILINGS AND FORWARD ESTIMATES</b>		<b>52,992,000</b>	<b>11,857,100</b>	<b>75,807,400</b>	<b>140,656,500</b>



### Personal Emoluments & Pension and Gratuities Ceilings

Ministry ceilings have been split between Personal Emoluments, Pension and Gratuities (PE & PNG); and Goods & Services. Budget submissions will be reviewed against these ceilings. Any transfer between ceilings must first be agreed with both the Human Resources Management Unit and the Budget Unit.

Where Gratuities are to be paid, Accounting Officers are to apply to the Human Resources Management Unit who will advise on any necessary updates to the PE & PNG Ceilings.

### **Human Resources Plans**

We continue to encourage integrated Human Resource Management as part of the Budget Planning process. Consequently, Ministries and Departments are required to prepare three-year work force plans with cost estimates for inclusion in the 2020/21 fiscal year Budget Estimates. Each Department must submit the following, as part of its 2020/21 to 2022/23 Strategic Plan:

- (i) Nominal Roll;
- (ii) New staff requests and Business Cases;
- (iii) Learning and Development Requirements;
- (iv) Technical Co-operation Requests

The deadline for submission to the Human Resources Management Unit is **October 25, 2019**.

### **Fiscal Risk Register** *(This is a mandatory requirement)*

The Ministry of Finance has taken the step of developing a Fiscal Risk Register that seeks to identify and quantify the costs of the major fiscal risks facing each Ministry/Department. Outlined below is the internationally accepted definition of fiscal risk to help guide each Ministry in their submissions.

Fiscal risks are factors that may cause fiscal outcomes to deviate from expectations or forecasts. Fiscal risks can arise from macroeconomic shocks or the realization of contingent liabilities—that is obligations triggered by an uncertain event. These can be either explicit liabilities that are legally grounded (e.g., government loan guarantees) or implicit liabilities, where there is a public expectation of government responsibility not established in law (e.g., to bail out a troubled Arm's Length Body).

The management of fiscal risks can be divided into four stages:

1. Identifying the sources of fiscal risk and assessing their magnitude and likelihood of realization: This could be done by requiring all organisations receiving funding through GoM, or which may implicitly expect funding if a risk would materialise to fill in a simple fiscal risk register (see a potential format in the Appendix). This could form part of the annual budget process.

2. Assessing whether mitigating steps should be taken to reduce fiscal exposure, which can form part of normal budget discussions with ministries and ALBs;

3. Determining whether to budget for risks that are not mitigated, which would mostly more so be the case for risks that have a very high chance to materialise; and



4. Determining whether additional fiscal headroom is needed to accommodate some or all remaining fiscal risks.

All Ministries/Departments are requested to carefully consider the above when submitting their Fiscal Risk Register (Attachment C). Ministries/Departments should also note that fiscal risks identified should have a financial cost of at least **\$300,000**, fiscal risk below this amount should be registered internally by each Ministry but are not to be submitted on the form to Ministry of Finance

***Efficiency Savings (This is a mandatory requirement)***

Cabinet requires **all** ministries to identify potential efficiency savings equivalent to 5% of their 2020/21 baseline budget allocation.

The purpose of the efficiency savings is to create scope to meet new urgent spending priorities (including those set out in the Government of Montserrat Policy Agenda), while continuing to meet fiscal balance targets, by providing Cabinet with a 'menu' of efficiency savings from which it can choose (based on its social and economic priorities) should it need to do so. Efficiency Savings can include possible termination, or reductions in size or coverage, of low priority and/or poor performing programmes. Ministries and departments should target their lowest priority and poorest performing programmes and activities as potential savings.

The use of targeted savings is intended to both improve the prioritisation of budget expenditures as well as to eliminate the need for 'across the board' reductions in budget allocations to meet fiscal targets. Nevertheless, ministries and departments who fail to submit efficiency savings (or submit clearly unrealistic options) will be subject to across the board savings.

The format and instructions for completing the efficiency savings form is provided at ***Budget Form 3.***

***Revenue Generating Measures***

Ministries and Departments are requested to examine options for improving the effectiveness and efficiency of the collection of revenues. All revenue departments are requested to submit their revenue proposals for 2020/21 in accordance with the format set out at ***Budget Form 4.*** Proposals should include both recommended increases to existing revenues (e.g. rates and coverage) and proposed new revenue measures. At a minimum, ALL fees and charges should be reviewed, and it should be assumed that an inflationary increase is proposed.

As far as possible, Ministries should consider options to recover the full costs of providing services under the 'user pays' principles e.g. recovering the full costs of issuing passports or driving licences.

Ministries are required to provide detailed explanations of how the increased revenues were calculated e.g. increased fees, rates, coverage etc. and the expected impact on the client group.

***New high priority spending proposals.***

Requests for new resources above the 2020/21 baseline budget and forward estimates ceiling, including



resources required for:

- new programmes or expansion; or
- recurrent costs of projects with Cost Benefit Analyses; or
- 'topping-up' existing programmes

must be submitted as a new high priority spending proposals in accordance with the templates presented at ***Budget Form 2A***, for recurrent expenditure and ***Budget Form 2B***, for indicating potential Small Capital Asset Bids (SCAF).

**Please note that no new or additional spending request will be considered unless these forms have been fully completed and submitted in accordance with the instructions attached and the deadline set out below. There must also be a clear link to the Government's Policy Agenda which is attached.**

The new high priority spending proposals request forms require ministries and departments to provide detailed justification of the costs, objectives, need, priority, and expected results of each proposal. A separate form should be completed for each request. Where multiple requests are submitted, ministries are required to rank these in order of priority.

Following the deadline for submission, the request will be evaluated. Non-compliant requests will be rejected and returned to Ministries.

Requests will be approved or rejected based on the availability of resources (i.e. with reference to the fiscal target), the relative need and priority of the request (in accordance with the Government of Montserrat Policy Agenda), planned results (outputs and outcome) and overall value for money. Notwithstanding these guidelines, ministries and departments should be aware that the scope for allocating additional resources in 2020/21 is extremely limited. **Ministries and Departments should only submit requests that are considered urgent and essential.**

Ministries and departments should also note that adjustments for inflation would be considered separately in accordance with available resources. Requests for changes to the nominal roll and/or establishment **must** be channelled through the Human Resources Management Unit. It is not necessary for ministries to submit requests for such adjustments to the Ministry of Finance and Economic Management.

### ***The Annual Procurement Plans***

Accounting Officers have been made aware of the requirement to submit procurement plans at the beginning of each financial year, with an opportunity to review after each quarter. The timing of submissions is critical since it would be best to produce a comprehensive document after your budget has been approved. The fact that GOM supports a rolling budget structure will provide some initial information for procurement for the year, and consideration should then be focussed on any new spend items (both capital and recurrent) which will be approved as part of the MTEF process.

The procurement-planning template has been attached and Accounting Officers will be provided with support during the budget preparation process in completing procurement plans. In line with the Budget timetable therefore, completed plans must be submitted to the Ministry of Finance by **24 January 2020**.



Failure to produce plans will severely affect spending priorities and as a result delivery of the Ministry/Department's key strategies.

#### **ACTION REQUIRED**

Submission of **summary information on 3 Year Establishment** to show headcount by job title within each departments/division and **3 Year Nominal Roll** with details of PE and allowances for each employee by **25 October, 2019**.

**Budget Forms 1 - 5** have been distributed electronically. Ministries and departments are required to complete and submit **Budget Forms 1 – 5** to the Ministry of Finance and Economic Management **no later than 1 November 2019**.

A series of bilateral budget discussions will be held between the Deputy Financial Secretary and each Permanent Secretary during the week **commencing 12 November 2019**.

Final budget ceilings and forward estimates will be distributed to MDs following Cabinet consideration of the draft budget including new spending requests and savings option. It is expected that Budget Circular No. 3 will be distributed on **2 December 2019**.

A copy of the detailed budget calendar is presented at **Attachment A**. Any questions related to these instructions should be directed to Mr Philip Chambers, Deputy Financial Secretary at the Ministry of Finance and Economic Management (Tel: 491-2777 Ext: 7047 email: chambersp@gov.ms).

Thank you for your cooperation and adherence to the instructions set out in this circular.



**FINANCIAL SECRETARY**

DCO/PMC/pmc

#### **LIST OF FORMS AND ATTACHMENTS**

<b>Budget Form 1(PB):</b>	Baseline Ceiling Programme Budget Estimates (i.e. excluding new proposals and savings)
<b>Budget Form 2A:</b>	Template for New high priority spending proposals (Recurrent)
<b>Budget Form 2B:</b>	Template for Small Capital Asset Bids (SCAF)
<b>Budget Form 3:</b>	Efficiency Savings
<b>Budget Form 4:</b>	Proposed Revenue Measures
<b>Budget Form 5:</b>	Summary of New high priority spending proposals /Summary of New Revenue Measures
<b>Attachment A:</b>	Budget Calendar
<b>Attachment B:</b>	New high priority spending proposals analysis Form
<b>Attachment C:</b>	Fiscal Risk Matrix

### **Additional Information**

For general enquiries concerning the capital budget please contact Mr. Kenya Lee, Director, Economic Management, Ministry of Finance and Economic Management at [leek@gov.ms](mailto:leek@gov.ms).

For general enquiries concerning the nominal roll/headcount, please contact the Chief Human Resources Officer.

### **Source documents**

Policy Agenda 2020/21 – 2022/23

Nominal roll/Headcount (in collaboration with the Human Resources Department)

### **Other Key Documents**

Policy Framework

Sustainable Development Plan

Medium-Term Development Strategy

Strategic Plans

Operational Plans