



MINISTRY OF FINANCE CIRCULAR NO: 3

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: 13 September 2017

SUBJECT: BUDGET CALL #2 – PREPARATION OF 2018/19 BUDGET AND 2019/20 and 2020/21 FORWARD ESTIMATES

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

- (i) 2018/19 budget estimates and 2019/20 and 2020/21 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.

PURPOSE

The purpose of this circular is to:

- (i) inform Ministries and Departments of their baseline budget ceilings and forward estimates; and
- (ii) provide instructions for the preparation and submission of efficiency savings, proposed new revenue measures and of new high priority spending proposals.

2018/19 BUDGET AND FORWARD ESTIMATES CEILINGS

Baseline 2018/19 Budget Ceilings

In keeping with the rolling three-year budget and forward estimates approach, the forward year estimates of expenditure of the 2017/18 budget 'roll forward' to provide the baseline ceilings for the 2018/19 budget and forward estimates, subject to any approved post-budget supplementary estimates.

The 2018/19 budget and forward estimates ceiling for recurrent expenditure for your Ministry/Department is as follows:

VOTE	MINISTRY/DEPARTMENT	Revised Estimates 2017/18	Baseline Estimate 2018/19	Forward Estimate 2019/20	Forward Estimate 2020/21
05	Police	5,866,000	5,977,000	6,068,100	6,072,800
07	Legal	1,861,200	1,628,600	1,675,800	1,677,100
08	Magistrate's Court	328,300	303,600	334,000	334,200
09	Supreme Court	675,800	731,400	740,300	740,900
10	Legislature	1,424,400	1,366,200	1,406,900	1,408,000
11	Audit Office	1,164,700	1,211,500	1,249,400	1,250,300
12	Office of the Deputy Governor	31,023,100	30,978,300	31,227,900	31,252,100
13	Public Prosecution	649,900	651,700	674,300	674,800
15	Office of the Premier	17,008,900	16,398,200	16,103,700	16,116,100
20	Ministry of Finance & Economic Management	20,157,400	20,028,300	20,129,100	20,144,700
30	Agriculture	5,752,800	5,950,200	6,028,900	6,033,500
35	Communications, Works & Labour	13,393,300	13,379,000	13,440,200	13,450,600
40	Education, Youth Affairs and Sports	9,854,200	10,012,900	9,968,700	9,976,400
45	Health and Social Services	19,220,300	19,291,000	19,420,200	19,435,200
2018/19 BASELINE BUDGET CEILINGS AND FORWARD ESTIMATES		127,152,800	127,907,900	128,467,500	128,566,700

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 2018/19
05	Police	4,696,300	-	1,280,700	5,977,000
07	Legal	1,400,000	-	228,600	1,628,600
08	Magistrate's Court	259,300	19,400	24,900	303,600
09	Supreme Court	504,300	-	227,100	731,400
10	Legislature	997,800	-	368,400	1,366,200
11	Audit Office	910,200	17,600	283,700	1,211,500
12	Office of the Deputy Governor	3,509,700	11,428,600	16,040,000	30,978,300
13	Public Prosecution	556,300	-	95,400	651,700
15	Office of the Premier	2,505,700	-	13,892,500	16,398,200
20	Ministry of Finance & Economic Management	5,067,700	-	14,960,600	20,028,300
30	Agriculture	3,960,700	40,600	1,948,900	5,950,200
35	Communications, Works & Labour	6,447,200	75,200	6,856,600	13,379,000
40	Education, Youth Affairs and Sports	6,516,200	71,900	3,424,800	10,012,900
45	Health and Social Services	8,663,000	143,900	10,484,100	19,291,000
2018/19 BASELINE BUDGET CEILINGS AND FORWARD ESTIMATES		45,994,400	11,797,200	70,116,300	127,907,900

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 Management

We draw your attention to the Establishment Circular 6/2017, which was sent on 25 August 2017. 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 2018/19 fiscal year Budget Estimates. Each Department must submit the following, as part of its 2018/19 to 2020/21 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 15 September 2017.

Maintenance of Public Assets

Buildings

Ministries and departments should ensure adequate provision is made for the maintenance of their buildings. Where maintenance responsibility rests with the Office of the Deputy Governor, Accounting Officer should liaise with the Office of the Deputy Governor. Permanent Secretaries and Heads of Departments are responsible for ensuring that their maintenance strategy and plans are fed into the Government wide maintenance strategy.

Vehicle Fleet

The Ministry of Communications, Works and Labour will also be coordinating a comprehensive strategy for the management of GOM's vehicle fleet (including maintenance and replacement). Ministries and Departments should liaise with and submit their requirements to the Director of PWD within the Ministry of Communications, Works and Labour by 22 September 2017 in order to ensure that their requirements are included in the government's strategy.

Efficiency Savings (This is a mandatory requirement)

Cabinet requires **all** ministries to identify potential efficiency savings equivalent to 5% of their 2018/19 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 2018/19 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 2018/19 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 (Sep 2015) 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 2018/19 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 26 January 2017.

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 **Monday 16 October, 2017**.

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 18 October 2017**.

A series of bilateral budget discussions will be held between the Deputy Financial Secretary and each Permanent Secretary during the week **commencing 23 October 2017**.

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 **1 December 2017**.

A copy of the detailed budget calendar is presented at **Attachment A**. Any questions related to these instructions should be directed to Mr Colin Fergus, Budget Director at the Ministry of Finance and Economic Management (Tel: 491-2367 Ext: 7043 email: cfergus@gov.ms).

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

DC Awer

FINANCIAL SECRETARY

DCO/CHTF/cthf

LIST OF FORMS AND ATTACHMENTS

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

Attachment A: Budget Calendar

Attachment B: New high priority spending proposals analysis Form

Additional Information

For general enquiries concerning the capital budget please contact Director, Economic Management, Ministry of Finance and Economic Management at minfin@gov.ms.

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

Source documents

Policy Agenda (September 2015)

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