

## **Memorandum for Economic Development Committee**

### **SUBJECT**

Proposed Currency Ordinance change 2019

Memorandum by the Acting Financial Secretary

### **ADVICE SOUGHT**

1. **The Economic Development Committee (EDC) is asked to:**
  - a. **endorse the change proposed to the Currency Ordinance 1975**
  - b. **to agree the drafting of the relevant legislative change by the AG Chambers.**

### **BACKGROUND & CONSIDERATIONS**

2. In response to a recommendation from the Chief Auditor as part of the Currency Fund audit for the financial year 2017/18, the Commissioners of Currency propose an amendment to the Currency Ordinance 1975 regarding the treatment of a deficit in a particular financial year.
3. In relation to the distribution of any surplus to the Currency Fund and the General Reserve, section 16 of the Currency Ordinance currently provides that: *“There is to be a General Reserve of the Fund (hereinafter referred to as the “General Reserve”) to which must be allocated any amounts that become available by virtue of section 17.”*
4. The Chief Auditor and the Commissioners of Currency observed that the Currency Ordinance 1975 only provides detail on the calculation and distribution of a surplus on the Currency Fund (section 17 and 18 of the Principle Ordinance) – however there are no provisions as to how to cover any deficit arising.
5. The current presumption is that the deficit is carried as a retained deficit until such time that subsequent surpluses extinguish any retained deficit but this treatment does not have specific statutory backing.
6. It is therefore proposed that an additional provision be added in the Currency Ordinance to address this matter that: *if at the end of the financial year, the calculation in accordance with section 18 results in a deficit, the deficit of the Fund shall be met from the General Reserve.*
7. The Commissioners of Currency fully support this proposed change which provides a statutory backing for the treatment of a deficit and makes the administration of the Currency Fund clearer.
8. The Currency Fund for the last two financial years made surpluses and it is not anticipated that this will change for the current financial year. However we need to ensure that appropriate legislative provision exists in the event that a deficit materialises in future years.

### **FINANCIAL IMPLICATIONS**

9. There are no financial implications expected from this decision. This is a procedural matter in how to deal with a deficit on the Fund should it be required. No financial risks arise from making this change to the

principle Ordinance.

**ECONOMIC  
IMPLICATIONS**

10. There are no economic implications expected from this decision. This is a procedural matter in how to deal with a deficit on the Fund should it be required.

**CONSISTENCY  
WITH  
INVESTMENT  
POLICY  
PRINCIPLES  
PUBLIC / SOCIAL  
IMPACT**

11. N/A

12. No public or social impacts are expected from this decision. This is a procedural matter in how to deal with a deficit on the Fund should it be required.

**ENVIRONMENTAL  
IMPACT**

13. No environmental impacts are expected from this decision. This is a procedural matter in how to deal with a deficit on the Fund should it be required.

**PREVIOUS  
CONSULTATION /  
COMMITTEE  
INPUT**

14. There has been no previous Council Committee input.

**PUBLIC  
REACTION**

15. It is expected that there will be limited public reaction to this as this is a procedural change.

**PUBLICITY**

16. None at this stage. Publicity should be undertaken after the updates are passed by EXCO.

**SUPPORT TO  
STRATEGIC  
OBJECTIVES**

17. This paper does not support a particular Strategic Objective but is associated with good governance of the Currency Fund and supports an effective and efficient administration of the public service.

**OPEN/CLOSED  
AGENDA ITEM**  
Corporate Services

Open

**DATE OF MEMO**

17/05/2019