

Deputy Montfort Tadier
Chair
Economic and International Affairs Scrutiny Panel

By email

20th September 2024

Dear Chair,

Economic and International Affairs Scrutiny Panel
Proposed Budget 2025-2028 Review

Thank you for your letter of the 13 September 2024. To support the Panel's review of the Proposed Budget 2025-28, please see the responses to your questions below.

1. The Ministry of External Relations is projected to have approximately £330k of income earned through operations in 2025. Please could you provide detail about the source of this income?

The projected income of approximately £330,000 for 2025 primarily consists of two sources. First, £290,000 comes from the aerodrome licence fee, which is paid by Ports of Jersey Limited to the Government of Jersey for the employment of the Director of Civil Aviation and their necessary support. Additionally, the Director of Civil Aviation's office generates around £40,000 annually from the issuance of Foreign Carrier Permits.

2. Please could you provide a more detailed breakdown of the following expenditure, as detailed in the [statement of comprehensive net expenditure](#) for the Ministry for External Relations:
 - a) Staff Costs
 - b) Other Operating Expenses
 - c) Grants and subsidies payments
- a) **Staff Costs:** *Staff costs (excluding staff costs covered by grants to overseas offices) amount to £1,976,000 covering 20.5 full-time employees. This is broken down as follows:*
 - £335,000 for DG and Admin
 - £603,000 for Global Relations
 - £538,000 for Sanctions
 - £269,000 for the UK & EU team
 - £231,000 for the International Trade unit

- b) **Other Operating Expenses:** *The total operating expenses of £527,000 are allocated as follows:*
- £290,000 within the Director of Civil Aviation, covered by the aerodrome licence fee.
 - £148,000 allocated for department travel
 - £40,000 for professional subscriptions
 - £49,000 for administrative costs
- c) **Grants and Subsidy Payments:** *Total grants amount to £1,234,000. This is broken down as follows:*
- £718,000 for the Jersey London Office
 - £125,000 for BIAN
 - £376,000 for CIBO
 - £15,000 for Alliance Francaise

Savings Proposals

3. The previous Government Plan 2024-27 identified £50k of value for money savings for the Ministry for External Relations in 2024. Are you able to confirm if those savings have been or are on track to be achieved, where savings were identified and how this will impact the approximately £79k of savings proposed in 2025?

The £50,000 of value for money savings identified for 2024 have been successfully achieved through a reduction in staff costs by £22,000, a £10,000 reduction in the Bi-lateral Fund Programme, and a £18,000 decrease in travel. These savings were implemented recurrently, so they will not impact the proposed £79,000 savings for 2025.

4. The Ministry for External Relations has targeted approximately £79k of savings in 2025. Please could you provide a breakdown of where the savings will be achieved?

The proposed savings of £79,000 for 2025 will be achieved through a £27,000 reduction in grant payments (representing a 20% reduction on prior year growth) and £52,000 from vacancy management/staff role reductions.

5. The Savings Proposals in the Proposed Budget 2025-2028 detail £52k under 'Roles' in 2025. However, the Service Level Analysis with the Annex to the Proposed Budget 2025-2028 states 'nil' in relation to 'FTE Role Reduction' in 2025. Please can you clarify the £52k under 'Roles' as detailed within the Savings Proposals of the Proposed Budget 2025-2028?
- a. Please can you provide a breakdown of the total planned 'Role Reductions' within the Ministry for External Relations in 2025?
 - b. Please can you detail the nature of the roles affected by the 'Role Reductions' within the Savings Proposals in 2025?

- a. *The £52,000 in staff role savings for 2025 will be achieved through vacancy management/staff role reductions. The additional role savings planned for 2026 will require the removal of 1 full-time equivalent (FTE) position from the department.*
- b. *The specific roles affected by the reductions in 2026 have not yet been identified but will be outlined in the Government Plan 2026. In line with government-wide role savings requirements, the reduction will target positions at CS11 or higher. It is intended that these savings will be achieved through natural attrition to avoid redundancy costs.*

Bank Depositors Compensation Scheme

The Panel notes that P.51/2024 will propose to approve an updated and consolidated policy of the Strategic Reserve Fund including, if necessary, funding of up to £100m for the Bank Depositors Compensation Scheme in the Proposed Budget 2025-2028, and that “The Jersey Bank Depositors Compensation Scheme (DCS) would provide protection of up to £50,000 for deposits placed in Jersey per person, per Jersey banking group, for local and international depositors in line with international standards.”

The Panel also notes that the previous Economic and International Affairs Scrutiny Panel questioned the level of depositor compensation at a Quarterly Public Hearing on 21st June 2023, and heard that, “I believe that is something that the board [Jersey Bank Depositors Compensation Board] wish to look at. They may wish to bring proposals forward. When the £50,000 was set, I am not sure if it is necessarily something that has to be inflation linked.”

The Panel would be grateful if you could provide clarity in relation to the following points:

6. Noting that Regulation 28 (1)(b) of the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 identifies that the maximum that the Board may expend in relation to a default is £100 million, would the Government of Jersey envisage fully meeting the expenditure of the Jersey Bank Depositors Compensation Board?

a. What consideration has been undertaken to ensure that the figure of £100 million is sufficient to meet the requirement of compensation under the relevant legislation?

b. Would the figure of £100 million need to be altered should the maximum level of compensation under the scheme be amended?

7. Please can you provide more details about how the level of compensation for Jersey bank deposits, currently set at £50,000 per bank, is monitored to ensure it is set at the correct level?

8. Please can you confirm what discussions or considerations have been given to the level of bank deposit compensation covered by the Scheme following the change in Government in January 2024?

9. Please can you advise whether the level of depositor compensation was considered as part of the Proposed Budget 2025-2028 process in relation to the Scheme? a. If so, please can you describe what considerations were given to amending the current level of bank deposit compensation?

Proposition P.51 proposes for approval an updated and consolidated policy for the application of the Strategic Reserve Fund. This includes, as it has done since the introduction of the Depositors Compensation Scheme (“the Scheme”) and the subsequent consideration of P.84/2009, provision for States contribution to the Scheme:

If necessary, for the purposes of providing funding (up to £100 million) for the Bank Depositors Compensation Scheme established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009, including to meet the States contribution to the Scheme and/or to meet any temporary cash flow funding requirements of the Scheme.

The States funding referenced in these provisions is the potential funding from the Strategic Reserve to the Scheme to allow the Jersey Bank Depositor Compensation Board (“the Board”) to initiate provisions for, as well as start making, compensation payments in advance of raising levies with the Banks. The funding is limited up to £100m in line with the limitation provided under Regulation 28 Banking Business (Depositors Compensation) (Jersey) Regulations 2009 (the “2009 Regulations”), this being the amount that the Board may expend in relation to a default. As such the proposition seeks to continue to recognise the potential funding necessary from the Strategic Reserve Fund up to an amount as provided within the existing law.

Further consideration of the adequacy of the £100m limitation provided in Regulation 28 or the maximum compensation in Regulation 22 of the 2009 Regulations does not form part of the consideration of P.51. The consideration for the amount of liquidity funding that would be necessary for the Scheme as noted in P.51 is the maximum amount that may be expended as provided in Jersey Law as it stands currently.

Beyond the proposition, the Panel are reminded that Jersey’s response to potential bank failure has matured beyond the operation of a deposit compensation scheme in isolation. Significant work in recent years has focussed on Jersey’s Resolution Framework, with the establishment of the Jersey Resolution Authority and the development of the resolution framework. The resolution framework, with relevant plans and stabilisation tools available, provides a more sophisticated response to a bank that is or is likely to fail. Where a Jersey bank has critical functions, such as those systemic important banks, the undertaking of resolution action in line with a bank’s resolution plan will mitigate the risk and impacts of bank failure.

Work is currently under way to bring the administration of the Scheme within the remit of the Jersey Resolution Authority, following which there will be a better opportunity to consider more holistically our response to banks failure.

10. Please can you confirm the balance of the ‘Dormant Bank Accounts Fund’ as set out within the ‘Other Special Funds’ section of the Proposed Budget 2025-2028.

The table below illustrates the projected value of the Dormant Bank Accounts Fund as included within the ‘Other Special Funds’ section of the Proposed Budget 2025-2028.

	2025 '000	2026 '000	2027 '000	2028 '000
Projected Fund value	44,657	45,568	46,393	46,897

I trust this provides you with the information required. Should you require any further clarification please let me know.

Yours sincerely



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