

18 November 2022

Deputy Moz Scott
Chair of Economic and International
Affairs Scrutiny Panel
c/o Janice Hales, Research and Project Officer
States Greffe
Morier House
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Dear Deputy Scott

**Economic and International Affairs Scrutiny Panel
Review of the Government Plan 2023 - 2026**

Thank you for your request for evidence in support of your review of the Government Plan. Answers to your questions are provided below.

Do you think the 1% is adequate to be divided amongst all the Arts and Heritage Strategies?

The proposition to establish the 1% mechanism, P40/2019, was made on the basis that 1% of total government expenditure on cultural services was the European average across 28 countries. The report noted that some island jurisdictions spend more e.g. Iceland and Malta at 2.50%.

Some significant but necessary Government investments in arts and heritage in 2022 from the Fiscal Stimulus Fund and the Capital Programme mean that this year the total investment is higher than 1%. One conclusion to be drawn from that fact is that if the 1% is an adequate level of investment to support sustainable cultural services it may not be enough to maintain the cultural estate and that consequently, continued access to additional capital funding is necessary from time to time.

The question makes an assumption that the Strategies comprehend the totality of cultural services which require funding. In fact there are significant Business As Usual costs associated with cultural services, while the Strategies are principally concerned with change and development. In the case of Jersey Heritage these services are described in the 2022 Strategic Partnership Agreement. Jersey Heritage is to deliver 15 ongoing services in the Partnership Agreement, deliver directly on 28 of the 74 actions in the Strategy and is a contributing partner in 31. It is important that the correct balance is struck between sustaining appropriate levels in recurring costs associated with contracted services and developing new cultural programmes across the sector.

There is also an important balance to note between the delivery of services and strategies through Government partnership funding of the cultural organisations; direct curation and



production by the Department; and championing by the Department of delivery of strategies through actions by the Government as a whole. The Department is retaining around 12% of the 1% for the second of those three approaches. While much might be achieved through a focus on the third approach without taxing the allocation for delivery through funded organisations, Jersey Heritage recognises the need for a level of specialist Government staffing sufficient to intelligently client cultural services.

Care must also be taken in how widely the net is cast in defining what 'Arts Heritage and Culture' is a legitimate call on the 1%. P40/2019 was agreed on an analysis of the impact of inflation on the funded organisations: Jersey Heritage, Jersey Opera House, Jersey Arts Trust (Arthouse), Jersey Arts Centre and Don Balleine (L'Office du Jèrriais). Since then a number of other areas of Government expenditure have been included in the 1%: Liberation, Battle of Flowers, etc. That is entirely legitimate in principle but in practice beats the allocation thinner and could mean that, even if the 1% is adequate at the moment, it may not be in the future.

The most important aspect of the 1% principle is that as total Government expenditure rises, a mechanism is available to the Department to support funded organisations cope with inflationary pressures, so long as the scope of expenditure is not overly extended. That pressure is obviously very considerable at present with RPI at 10.4% and construction inflation somewhat higher, particularly relevant to an organisation maintaining 30 heritage properties.

What proportion of the 1% do you envisage Jersey Heritage receiving?

Grant levels are currently formally confirmed in the first quarter of the year in which the grant is due. At this stage, we have been advised that the 2023 grant will be set at the same level as 2022.

That would in total be 57% of the 1%, comprising an operating grant of 49% and a minor capital grant (established by P75/2010) of 8%.

A number of factors should be taken into account when considering that proportion.

Firstly, it does not represent a split between 'heritage' and 'arts' funding. Much of the work of Jersey Heritage, particularly its museums functions, would be defined as 'arts' in a UK context and Jersey Heritage is the only organisation in Jersey formally accredited by Arts Council England. The proportion of funding available to more specifically 'heritage' functions, for example public records management, archaeology and historic environment advice, is relatively small.

Secondly, Jersey Heritage is a relatively large organisation in the cultural sector because it combines museum, archive and historic environment functions that in larger jurisdictions are found in separate organisations. Although when brought together in a single grant, funding is a large total number, the model represents considerable efficiencies through shared central costs and professional expertise.

Thirdly, the grant is circa 60% of the total cost of operating the heritage service with circa 40% of costs derived from fundraising and trading providing considerable added value. As pointed out below there is a positive relationship between the levels of grant and levels of self-generated income.

Is this sufficient for your business plan for the year?

Service Levels in the Business Plan are adjusted around known level of grant and assumptions of self-generated income.

The proposed level of grant is maintained in 2023 and may be sufficient to maintain 2022 service levels if self-generated income assumptions are sound and price rises are agreed by the Board. But a stand-still grant does not take into account inflationary pressures. With staff costs around 60% of total operating costs, 10% plus RPI, local factors in the employment market and high construction inflation, in the context of remaining constraints in Island tourism from which the larger part of our self-generated income derives, the proposed grant is probably not sufficient to maintain, in the medium term, the level of services achieved in 2022.

Longer term, the continuation of such an approach would undoubtedly lead to the problems of sustainability and value which P40/2019 was designed to solve.

What process does Jersey Heritage use to claim funding?

Jersey Heritage submits a Business Plan proposing service levels in the autumn. The current Plan responds to both the Strategic Partnership Agreement and the Heritage Strategy. This is accompanied by a draft budget which includes assumptions and financial projections for the following years. The Department is able to consider, for example, the draft 2023 budget from Q4 2021 onwards, the draft 2024 budget from Q4 2022, in preparing its own projections for 2023/4.

Is this process straightforward or do you think it could be improved?

The Department and the funded organisations would benefit from earlier commitment to grant and associated service levels over a longer term period, agreed in principle in the light of Government Plan projections. Perhaps the whole cycle of application, including the submission of organisational business plans, would be improved if brought forward in the year. It would also help funded organisations in preparing their own plans to have sight of a longer-term Departmental business plan. Just as organisations are required to align business plans with the Common Strategic Policy, the process will be improved by the Department articulating alignment with the Partnership Agreement and Strategy. The move from a four year MTFP to a one year Government Plan has created challenges as well as opportunities for some concerned, but there is a strong case for planning over a longer term, albeit on assumptions, rather than on an exclusively annual basis. This may be particularly so in the case of heritage management, not only because of a high level of recurring costs but also because of the necessarily long term nature of heritage investment projects, such as the conservation of La Cotte de St Brelade for example.

Advice in the middle of October of an initially proposed grant cut, somewhat counter-intuitive in the context of increased available funding in the Government Plan, within a week of the release of RPI figures of over 10% and a significant reduction in international tourists visiting Jersey, has created some difficulties in the preparation of the Jersey Heritage budget for 2023, negotiating under time pressure, towards the delivery of the Strategic Partnership Agreement and the Heritage Strategy.

We submitted some comments to the Comptroller and Auditor General for the 27 May project to review Grants to Arts, Heritage and Culture Organisations and will be interested in its conclusions.

What option do you have if you do not receive a sufficient proportion of the funding?

The Government has contracted to provide a level of funding reasonable to ensure Jersey Heritage can deliver its obligations under the Strategic Partnership Agreement and Heritage Strategy. Unless the value of the grant is maintained over the longer term in the way anticipated by P40/2019, and so long as Jersey Heritage meets its obligations under the Agreement and Strategy, the only options in response to insufficient grant funding are cost reductions on those services and/or increased self-generated income through further commercialisation of services.

Cost reduction leads directly to service level reduction. However tempting it may be to lean on euphemisms like 'efficiency savings', that is the history as confirmed by a number of Government sponsored reviews. With the funding under the 1% principle, Jersey Heritage has in 2022 finally been able to return to levels of Archive staffing cut in 2003, education staffing cut in 2008, plan for succession in key specialist posts and consider returning to public access levels squeezed over the period, as growth of resident use changes the seasonality of the visitor attraction business. With Jersey Heritage's contractual commitments, including to the Government, the Société Jersiaise and the National Trust, for property, collections management and services creating a high level of fixed costs and restricted funds, in addition to growing difficulties in recruitment owing to employment-market conditions requiring attention to wages, potential cost cutting would fall mainly on public programmes.

But shrinkage in public programmes inevitably reduces potential for self-generated income. An appropriate level of programming in 2022 has seen our membership rise to 18,000 Islanders, a 45% increase in resident visits compared to pre-pandemic conditions in 2019 and actual growth in UK tourist visitors to heritage sites even though there are considerably fewer UK tourists visiting the Island. The evidence over a long period is of a positive association between levels of grant and levels of self-generated income, creating a better value service of higher impact and better outcomes overall.

At the same time, there is a potentially negative association between over-commercialisation and cultural impact: the large membership is associated with its current exceptional value, for example. Data shows cultural reach into lower income Islanders compares poorly to the UK, where many heritage services are free to access. Higher pricing increases might well generate more income but would be likely to exacerbate the access problem, especially as Islanders face cost-of-living challenges.

These are policy issues, which should be considered as such in the light of the Island's overall ambitions rather than only as management responses to short-term funding decisions. And note that many of the services, including for example public records management which is statutorily free-to-access, are not potentially commercial.

Is sufficient support being provided by government to assist creatives in commercialising their work through technology, digital skills/support or otherwise?

I understand that the Panel is trying to ascertain if we use digital within our business, are adequately supported in respect of digital skills and if not, what can be done to improve this.

As part of the Heritage Strategy programmes, Jersey Heritage has this year commissioned on behalf of the Heritage Advisory Partnership a cross-sector Training Needs Analysis. The TNA identified that digital skills are not consistently well developed across all the heritage organisations included in the TNA. The draft report makes a recommendation for an expert resource to over-see digital development across the heritage sector and to act as a source of training, advice and consultancy to heritage partners because it is important the Island's Heritage Strategy is enabled and supported by the right technology.

As part of the 1% funding, Jersey Heritage has been able to invest in in-house technical expertise in 2022 and the business plan includes provision for a digital curator to develop an approach to the Programme identified in the Heritage Strategy to improve digital access to heritage. The Action in the Strategy is to provide for: 'audit of existing digital heritage assets and user experience and action plan to identify priorities for development across sector, particularly looking for opportunities for sharing resources without compromising identity (including membership, recruitment, fundraising etc)'.

As things stand Jersey Heritage has a significant online reach with 340,000 uses of our Archives and Collections Online catalogue predicted this year, for example. If funding is maintained there are undoubtedly further opportunities to be taken, in partnership with the Government and the sector.

Yours sincerely



Tim Brown
Chair, Jersey Heritage