

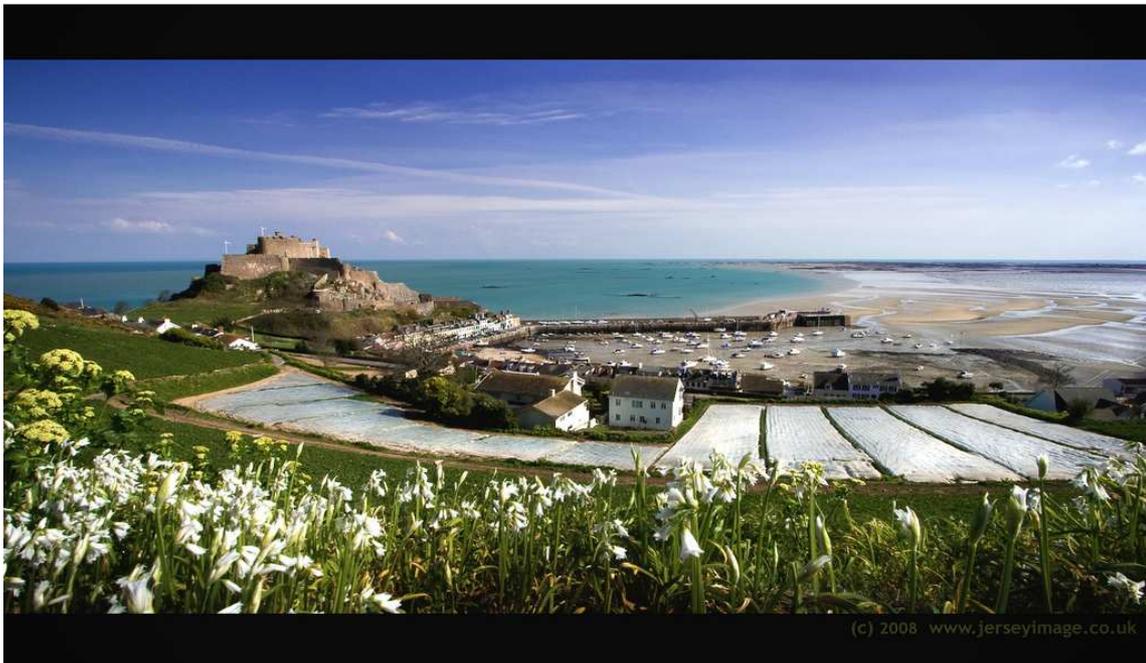
States of Jersey
States Assembly



États de Jersey
Assemblée des États

Corporate Services Scrutiny Panel

Tourism Development Fund:
Assistance to the Private Sector



Presented to the States on 3rd July 2012

S.R.3/2012

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1. CHAIRMAN'S FOREWORD

We were asked to review P.26/2012, a report and proposition to consider funding of the Tourism Development Fund and extending it to the private sector.

I am grateful to my colleagues, Deputy Steve Luce of St. Martin and Deputy Richard Rondel of St. Helier No. 3 and 4 for completing this review in a very short compressed period of time, essentially about 5 weeks.

The three of us were ably assisted by Scrutiny Officer Sammy McKee who carried out a very capable function in integrating the thoughts of three quite different personalities with sometimes opposing views into what I think is a short cogent report that makes for interesting reading.

The three of us were aware of the work of the Tourism Development Panel (TDF), but not in any great depth. We respect this work under the able chairmanship of Peter Funk and we think that the TDF and its composition is indeed a valuable States resource. However, there is confusion and there are uncertainties to do with funding this TDF panel and the EDD Minister must clarify funding issues as a matter of urgency.

We do wholeheartedly agree that funding can and should be extended to the private sector. However, we are not sure if the current funding proposals are going to achieve this. The EDD Minister has requested £1,500,000 or £500,000 annually for the next three years from the Medium Term Finance Plan. This is one bid in many totalling £26,000,000 for funds of about £6,000,000. The TDF panel may dissolve if funding is not secure.

We were surprised that the majority of applications to the scheme were refused for various reasons and we were equally surprised that only a small percentage of the £10 000,000 supposedly set aside has been allocated.

We then discovered that States Departments have been allocated over half of the £5,500,000 approved by the TDF panel since 2001. We do not agree with this policy.

We are of the view that this report and proposition should not have been brought to the States until funding has been agreed. .

We completed the review without a clear understanding of how the Economic Development Department works in the allocation of funds to TDF. We are further unclear as to how the decisions

are made and how different EDD funds are applied. There is also confusion as to the boundaries between the Innovation Fund, that the EDD has been allocated, and the TDF fund and how both can be applied to tourism related projects. The £10,000,000 allocated to the Innovation fund must not be diverted from any TDF funding.

It became clear that some tourism related projects were either abandoned or never seriously considered because of the perception of problems in the planning process. We feel that the planning department has a clear role to play in enabling appropriate tourism related projects.

We urge colleagues to read this short report. We feel that development of TDF related projects are ideal for economic diversification of the economy.

A handwritten signature in black ink, appearing to read 'S Power', with a horizontal line underneath.

Deputy Sean Power
Chairman
Corporate Services Sub-Panel

2. EXECUTIVE SUMMARY

- 2.1 Since the Tourism Development Fund was first established in 2001 a wide variety of schemes have been awarded, and subsequently benefited from, grant assistance. The Fund's aim is to stimulate investment in the tourism product and tourism infrastructure and therefore applications are assessed on the potential impact they would have on visitor numbers and the associated investment that TDF funding would leverage (among other things). We found that, due to the rigorous application process and the TDF Panel's clearly-defined criteria, a vast majority of applications have been refused financial assistance.
- 2.2 In 2001 the States agreed in principal that the TDF would be allocated £10 million over a five year period, however, to date only £2.8 million has been received by the Fund. Due to the absence of a secure funding system, a request has to be made to the Economic Development Minister every time the TDF requires more resources. This is neither appropriate nor efficient and the Chairman of the Panel expressed his strong opinion that, unless future funding is secured and forthcoming, the TDF will inevitably dissolve.
- 2.3 When reviewing the past allocation of funds, we were astonished to find that over half of the total amount granted to non-profit organisations over the last 11 years has been dispersed directly to States Departments. Whilst recently the amount allocated to States Departments has diminished, the TDF Panel and the Minister for Economic Development are of the opinion that this practice should cease altogether. We therefore recommend that, unless it can be clearly demonstrated that projects would add a considerable value to tourism, States Departments should not receive TDF Funding going forward.
- 2.4 The Proposition to extend the TDF to allow private sector organisations to receive financial assistance has been positively received. It has been argued that, due to today's economic climate and extremely competitive market, the proposal is more urgent than it was in 2001, when the States decided not to adopt the Amendment. We found that the TDF would leverage additional investment in tourism and could possibly bring more visitors to the Island if grant assistance was extended to private organisations. Furthermore, the extended scheme would attract high quality projects that would otherwise not be considered if the current remit of the TDF remained. For these reasons we are fully supportive of the Proposition itself and the aspirations of the TDF Panel.
- 2.5 If the Proposition is agreed there a few matters that need to be considered in regards to the allocation of funds. Firstly, we found that the applications received from both non-profit and

private organisations should be assessed on their merit only. Preference should not be given to projects from the private sector over projects from the public and voluntary sector. Secondly, care must be given when awarding grants to private sector organisations to ensure that projects do not displace existing operations. In order to guarantee that funds are allocated fairly and appropriately, a strong compliance model should be established and governance arrangements put in place.

- 2.5 Where we have major concerns is in regards to the uncertainty surrounding future funding. We were surprised to discover that when the proposition was brought to the States on 13th March 2012 no financial provisions had yet been agreed. Given the TDF Panel's current views regarding the lack of steady funds, it has to be questioned why this matter wasn't given top priority. As a result, we found that the Proposition should not have been brought to the States until future funding had been identified.
- 2.6 During the evidence collecting stage of the review, we were informed that the Minister for Economic Development had made a bid for TDF Funding in the MTFP for £500,000 a year for a 3-year term. While it can be agreed that the request for future funds is a step in the right direction, there is a high possibility that the proposed amount may be insufficient if the private sector is given access to the TDF. For example, it is extremely likely that an extension to the scheme would mean a significant increase in the number of applications received. In order for the private sector to benefit from grant assistance it is imperative that the TDF has sufficient funds available. We have therefore suggested that, if the MTFP bid is accepted, the Minister for Economic Development should re-visit the amount allocated after the three-year term to evaluate its appropriateness.
- 2.7 Until the MTFP is lodged in July we are uncertain as to whether or not the bid for TDF funding, put forward by the Minister for Economic Development, will be agreed by the Council of Ministers. However, subsequent to the public hearings we were informed by the Minister for Treasury and Resources that a proposal has been made by the Council of Ministers to remove the TDF bid from the finalised list. We found that if TDF funding is not included in the MTFP it will have a detrimental effect on the future of the Fund. As a result, the Proposition should not be debated until the Minister for Economic Development can clearly demonstrate how the TDF will be funded going forward.
- 2.8 Given the current uncertainty surrounding funding we believe it is important to consider alternative ways of identifying additional resources for the TDF. For instance, the Innovation Fund could help to extend TDF funds by offering assistance to big projects. However, the

Economic Development Minister would need to provide clarity as to how the two funds would operate in conjunction with one another as well as ensuring that attention was not deflected away from the issue at hand – securing future funding for the TDF. Another option worth considering is the introduction of a loan scheme. Whilst a change to the TDF's remit could help to recycle money back into the fund, a change to the Fund's remit should not be considered until suitable finances have been secured. Lastly we found that improved lines of communication between the Planning Department and EDD could help leverage additional investment in tourism whilst allowing TDF funds to be set aside for other projects.

3. KEY FINDINGS

Please note: Each key finding is accompanied by a reference to that part of the report where further explanation and justification may be found.

- 3.1 A vast majority of applications to the scheme have been refused due to their inability to meet the clearly-defined criteria set by the TDF Panel. (See 6.5)**
- 3.2 Only a small percentage of the £10 million, which was originally agreed to be set aside for the TDF in P.70/2001, has been awarded to the Fund since 2001. (See 6.12)**
- 3.3 A wide variety of schemes have benefited from grant assistance since the TDF was established in 2001. (See 6.15)**
- 3.4 States Departments have benefited from over half of the £5.5 million that has been approved for allocation by the TDF Panel since 2001. (See 6.19)**
- 3.5 Unless it can be clearly demonstrated that projects are going to add a considerable value to tourism, States Departments should not receive TDF Funding. (See 6.20)**
- 3.6 The TDF would leverage additional investment in tourism and increase visitor numbers if grant assistance was extended to private organisations. (See 7.5)**
- 3.7 The Sub-Panel fully support the Proposition to grant assistance to private sector entities. (See 7.9)**
- 3.8 The Proposition should not have been brought to the States until future funding had been identified. (See 7.12)**
- 3.9 The Minister for Economic Development has requested £500,000 annually over a three year period in the MTFP for TDF Funding. (See 7.13)**
- 3.10 The TDF Panel may well dissolve unless funds are made available. (See 7.17)**
- 3.11 The Minister for Treasury and Resources is of the opinion that a higher bid should have been made for TDF Funding in the MTFP. (See 7.20)**

- 3.12 The TDF must have significant funds in order for the private sector to benefit from grant assistance. (See 7.25)**
- 3.13 There is a high possibility that the proposed amount of £500,000 a year for a 3 year term will be insufficient if the private sector is given access to the TDF. (See 7.26)**
- 3.14 Applications received from both private organisations and non-profit organisations should be assessed on their merit only. (See 7.30)**
- 3.15 Great care must be given when awarding grants to private sector organisations to ensure that projects do not displace existing operations. (See 7.36)**
- 3.16 Any States assisted funding scheme should have mechanisms in place to ensure funds are allocated fairly and appropriately. (See 7.37)**
- 3.17 If the bid for TDF Funding is not included in the MTFP it will have a detrimental effect on the future of the Fund. (See 8.3)**
- 3.18 The Economic Development Minister should ensure that, in seeking £10 million for the Innovation Fund, attention is not diverted away from TDF funding. (See 8.11)**
- 3.19 If the Innovation Fund was to be used to support larger projects from the tourism sector, clarity would need to be provided as to how the new Fund and the TDF would operate in conjunction with one another. (See 8.12)**
- 3.20 Consideration should be given to a possible loan scheme for the TDF in the future. (See 8.18)**
- 3.21 A repayable scheme would not be appropriate for all types of applications. (See 8.19)**
- 3.22 Improved lines of communication, co-operation and understanding between the Planning Function at the Environment Department and the Economic Development Department could help leverage additional investment in tourism whilst allowing TDF funds to be set aside for other projects. (See 8.23)**

4. RECOMMENDATIONS

Please note: Each recommendation is accompanied by a reference to that part of the report where further explanation and justification may be found.

- 4.1 If the MTFP bid is accepted for TDF Funding then the amount allocated should be re-visited by the Minister for Economic Development after the three-year period in order to evaluate its appropriateness. (See 7.27)**

- 4.2 The Economic Development Minister should ensure that a new and strong compliance model is established and governance arrangements are put in place if the Proposition is agreed in the States. (See 7.38)**

- 4.3 The Proposition should not be debated unless the Economic Development Minister can clearly demonstrate how the TDF will be funded. (See 8.4)**

5. INTRODUCTION

- 5.1 In December 2001 the States of Jersey agreed in principle that the sum of £10m million be set aside over the following 5 years for a new Tourism Development Fund (TDF), set up to replace the old Tourism Investment Fund. The aim of the Fund is to “stimulate investment in the tourism product and tourism infrastructure in order to improve Jersey’s competitiveness and to sustain a flourishing tourism industry as a valuable contributor to the economy and the social fabric of the Island”¹.
- 5.2 As of 31st December 2011 there were 98 projects that had received, or were receiving assistance from the Fund. Eight new projects were approved for funding during 2011 and a further project was approved on the basis of further conditions being met². Furthermore, during its last round of applications, which were initiated in March 2012, 17 applications were received. Of these 4 have been approved but are subject to contract and one application requires further information before final approval can be made.
- 5.3 Under Article 3(3) (b) of the Public Finances (Jersey) Law 2005, a proposition lodged by the Minister for Treasury and Resources, on behalf of the Minister for Economic Development, may propose to vary the purposes of an established fund. Subsequently on 13th March 2012 a proposition was lodged by the Minister which asked the States to agree to extend the remit of the TDF so that investment could be considered for private sector initiatives alongside the public and voluntary sector initiatives that are currently included within the scheme. In 2001, when the TDF was first established, the States decided not to adopt an amendment to open the Fund to private sector organisations.
- 5.4 Despite this, the Minister for Treasury and Resources believes that it is now appropriate to re-consider this issue. Consequently, on 2nd May 2012 the Tourism Development Fund: Assistance to the Private Sector proposition (P.26/2012) was brought to the States Assembly for debate. Following a vote, it was agreed by the majority that the proposition should be referred to a Corporate Services Scrutiny Sub-Panel for its review.
- 5.5 The Corporate Services Panel subsequently agreed to form a Sub-Panel to undertake a review into this matter. Furthermore, due to the debate on this proposition taking place on 10th July 2012, the Sub-Panel agreed that it was imperative to present its report ahead of this date.

¹ Tourism Development Fund: Annual Report 2010 (R.53/2011), 12th May 2012, p. 9

² Tourism development Fund: Draft Report for 2011 (R.81/2012, 26th June 2012, p. 4

5.6 The focus of our review to date has therefore been the current position of the TDF fund; the reasons behind the Proposition to extend the remit of the TDF to grant assistance to private sector entities; the potential benefits and concerns of the proposal; and future decisions. Within these areas it becomes apparent that the following questions should be considered when discussing the TDF proposition:

1. What is the reasoning behind the proposal to extend the remit of the TDF to private sector initiatives?
2. What funds are available for the proposed extension?
3. What implications would the extension of the TDF have on its current beneficiaries?
4. Why would the proposed extension of financial assistance to private sector entities take the form of a grant and not a loan?

6. CURRENT POSITION OF THE TOURISM DEVELOPMENT FUND

Background

- 6.1 As mentioned earlier, the States agreed to the establishment of the Tourism Development Fund (TDF) in 2001 when the “Investing in Tourism’s Future” proposition (P.170/2001) was adopted. According to the Minister for Treasury and Resources, over the last 10 years the TDF has enjoyed huge success in increasing visitor numbers and spend and generating further investment in tourism³.
- 6.2 Whilst the TDF is administered by the Economic Development Department (EDD), an independent Panel made up of private sector representatives, who were appointed by the Minister for Economic Development, were tasked with scrutinising applications and making recommendations to the Minister. The Panel is solely responsible for determining successful candidates and the only time in which the Minister is involved in the procedure is when an appeal is made through the appeal process⁴. In regards to the type of applications that are sought after, Mr. Funk, Chairman of the TDF Panel, commented:

“...what we are seeking are projects that will increase infrastructure or improve infrastructure, develop events or extend facilities and this is to encourage tourism, to bring people to the Island, to improve the visitors experience when they arrive here and to encourage their return”⁵.

During the public hearing with Mr. Funk he also highlighted the fact that the TDF is not a sole funder of projects or events. For example, we were informed that the organisation that is applying for a grant has to provide confirmation that at least the same sum as what they requested is coming into the project from elsewhere⁶.

- 6.3 In 2010 the TDF Panel introduced a new pro-active approach to the awarding of financial assistance whereby twice a year advertisements are made through the media to promote the availability of funds and attract potential applicants⁷. Candidates are asked to complete an appraisal questionnaire and the Panel determines whether the project is sufficiently promising to warrant a more detailed appraisal. It is the belief of the Minister for Economic

³ Tourism Development Fund: Assistance to the Private Sector (p.26/2011), p. 3

⁴ Public Hearing with Minister for Economic Development, 1st June 2012, p. 3

⁵ Public Hearing with Peter Funk, 31st May 2012, p. 2

⁶ Public Hearing with Peter Funk, 31st May 2012, p.17

⁷ Public Hearing with Peter Funk , 31st May 2012, p. 3

Development that this approach has allowed the Advisory Panel to identify the most appropriate projects to benefit from such funding⁸.

- 6.4 Furthermore, according to Proposition (P.26/2012), effective and thorough scrutiny of applications by the experts that sit on the TDF Panel ensures that only initiatives which are of high quality with strong business plans and the potential to add considerable value to Jersey are successful in gaining a grant⁹. This point can be verified by the fact that only 5 out of 17 applications were granted financial assistance in the last round of funding applications that took place in spring 2012. Furthermore, in October 2011 only five applicants were awarded funding from the twenty six applications that were received¹⁰.

KEY FINDING

- 6.5 A vast majority of applications to the scheme have been refused due to their inability to meet the clearly-defined criteria set by the TDF Panel.**

- 6.6 Those applications which are successful in meeting the clearly-defined criteria set by the TDF Panel (appended to this report) are not awarded the full grant until a final report is completed. The report has to be submitted no later than three months after the project is completed and should contain, among other things, an overview of the completed project, an income and expenditure statement, how the TDF grant was used and attendance statistics¹¹.

Funding

- 6.7 The TDF Panel has, on many occasions, expressed its concerns regarding the lack of funds that have been received since operations began in 2002. For example, in December 2001 the States of Jersey agreed in principle that the sum of £10 million be set aside over the next five years for the new Tourism Fund. To date however, a small percentage of that amount has been provided, which has raised questions as to why this money, promised by the States, has not been forthcoming. Mr Funk expressed his opinion regarding this matter:

“my assumption is that somewhere there is something left of that £10 million bank that is available to us. So my assumption is that it is there: “please produce it”¹².

⁸ Tourism Development Fund: Annual Report 2010, p.10

⁹ Tourism Development Fund :Assistance to the Private Sector (p.26/2011), p. 4

¹⁰ Tourism Development Fund: Draft Report for 2011 (R.81/2012), 26th June 2012, P. 5

¹¹ Appendix 3 – Tourism Development Fund Guidelines

¹² Public Hearing with Peter Funk, 31st May 2012, p.11

- 6.8 During the public hearings with the Economic Development Minister and Treasury and Resources Minister these concerns were raised by the Sub-Panel. In regards to the £10 million that was agreed in 2001, the Ministers provided the following comments:

The Minister for Economic Development:

“There was then an in principle agreement of £10 million that would be paid, as I understand it, to the Tourism Development Fund but that was not identified funding at that stage, so it still had to be identified”¹³.

The Minister for Treasury and Resources:

“I know people talk about the £10 million, but the £10 million was not really an approval. It was an aspiration and it certainly was not approved by I think the then Finance and Economics Committee”¹⁴

- 6.9 Whether or not States Members, at the time of the debate, were aware that the £10 million was an ‘in principle agreement’ is uncertain. It could be argued, however, that the amount may not have been agreed at all if Members knew that the funding was not approved by the Finance and Economics Committee.
- 6.10 It is of our opinion that this ambiguity has provided confusion and uncertainty as to what money the TDF Panel has available to them. Although the Panel Members are aware of the amount of money that has been allotted to the fund, a limit has never been given to how much money can be requested and indeed received¹⁵. Currently, because there is no secure funding in place, resources have to be found by the Ministers every time they are needed which is neither efficient nor reliable.
- 6.11 Since the TDF was established, arguably only £2,850,000 of the £10 million that was originally agreed in principle in P.70/2001 has been awarded to the Fund. In 2003, £1.2 million was transferred and, in 2006, an additional £1 million was transferred¹⁶. Furthermore, in 2011 an amendment was brought to the States by a States Member to transfer additional funds and it was agreed that £200,000 would be provided from the Economic Department’s existing budget and £450,000 from the consolidated fund¹⁷ (see table 1). Although this latest grant of £650,000 has allowed the TDF Panel to continue further rounds of grant allocations during 2012, it was unfortunately not received in time for the Spring round in 2011, which

¹³ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 4

¹⁴ Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p. 6

¹⁵ Public Hearing with Peter Funk, 31st May 2012, p. 13

¹⁶ Tourism Development Fund: Draft Report for 2011 (R.81/2012), 26th June 2012, P. 4

¹⁷ Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p.11

was subsequently omitted. In regards to this matter, the Treasury and Resources Minister questioned why the Economic Development Minister had not made a bid for Funds himself in response to the lack of money present in the TDF. The Economic Development Minister provided the following explanation:

“ I knew perfectly well there was [a bid] coming in from a States Member and frankly I felt that was more advantageous in terms of delivering the funding than if we had made a bid ourselves”¹⁸.

KEY FINDING

6.12 Only a small percentage of the £10 million that was originally agreed to be set aside for the TDF in P.170/2001 has been awarded to the Fund since 2001.

Allocation of Funds

6.13 Although only £2,850,000 has been transferred into the TDF since 2002, £5.5 million has been approved for allocation over the last 10 years. The reason for this disparity in figures can be explained by the additional £1.8 million that was transferred over from the Tourism Investment Fund (the predecessor of the TDF) and £900,000 of interest that the Fund has produced (see table 1). As an example of the amount of funds distributed on a yearly basis; in 2011 the TDF committed £406,250 towards 9 projects that were successful in gaining financial assistance¹⁹.

Table 1

The total amount approved by the TDF (between 2001-2011)		£5.5 million
The actual amount paid by the TDF* (between 2001-2011)		£4.6 million
The amounts awarded to the TDF :		
31 st December 2003		£1,200,000
31 st January 2006		£1,000,000
24 th November 2011		£200,000 (from EDD)
24 th November 2011		£450,000 (from Capital Reserves)
		Total - £2,850,000
Transferred from the TIF	Plus	£1,800,000
Bank Interest	Plus	£900,000
	=	Grant total - £5,550,000

* If a project comes in under budget then the full amount is not paid or if a project is delayed or does not go ahead then the organisation is awarded no money.

¹⁸ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 21

¹⁹ Tourism Development Fund: Draft Report for 2011 (R.81/2012), 26th June 2012, P. 5

- 6.14 From the evidence received it is obvious to the Sub-Panel that the TDF has benefited a wide array of projects and, in the majority of cases, has facilitated their existence. Mr Peter Funk, the Chairman of the TDF Panel, celebrates the diversity of applications by commenting:

“They [applications] come from a tremendous variety of organisations; some of them established heritage organisations and many of them brand new organisations that are being formed for a specific activity or the improvement of a specific facility”²⁰

KEY FINDING

- 6.15 A wide variety of schemes have benefited from grant assistance since the TDF was established in 2001.**

- 6.16 In regards to the past allocation of funds, however, there are two areas of concern that we would like to broach. Firstly, over the recent years the amount of money that has been awarded for projects has reduced considerably in comparison to the amount of funds allocated in the early years of the TDF. For example, between 2002 and 2005 £3.3 million was granted to non-profit organisations compared to £1.5 million between 2008 and 2011. Furthermore, the size of the amount awarded to individual projects has also decreased over the years. Our concerns are shared by the Jersey Hospitality Association who believe that this change may be the result of the minimal ‘top ups’ that have been received by the States for the TDF in absence of the agreed £10 million²¹.
- 6.17 Secondly, over the last 10 years, just over £3 million has been dispersed directly to States Departments, which represents a significant 54% of the total approved allocated funds (and 35% of all approved applications). Important questions have therefore been raised in reaction to the amount of money that has been previously allocated from the TDF directly to States Departments. Is it appropriate for States Departments to be receiving grants from the TDF? And are the funds directly benefiting the Tourism Industry?
- 6.18 The Treasury and Resources Minister believes that the public sector has a role in providing capacity and services for tourism development and on those grounds should not be deprived grants for tourism projects, especially if the Department is under budgetary pressures²². In contrast, both the Economic Development Minister and the Chairman of the TDF Panel believe that the focus, in the last couple of years and looking forward, has moved far away

²⁰ Public Hearing with Peter Funk, 31st May 2012, p. 4

²¹ Written Submission, Jersey Hospitality Association, 30th May 2012

²² Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p.16

from supporting States departments' budgets - unless it can be clearly demonstrated that they are going to add considerable value to the tourism industry²³. In this regard, the following comments were provided:

Minister for Economic Development:

"[the TDF Panel] should be extremely rigorous in any applications coming from States Departments..because I would have preferred, and do prefer, that projects directly outside of States Departments are supported"²⁴.

Chairman of the TDF Panel:

"We have since [2009], as a matter of policy, advised the various Ministers that we are not prepared to provide grants in co-operation with their projects. We feel like they should either come out of their budgets or they should be projects that come to us separately through third-party organisations"²⁵.

KEY FINDING

6.19 States Departments have benefited from over half of the £5.5 million that has been approved for allocation by the TDF Panel since 2001.

KEY FINDING

6.20 Unless it can be clearly demonstrated that projects are going to add a considerable value to tourism, States Departments should not receive TDF Funding.

6.21 The Jersey Hospitality Association has argued that, in the past, financial assistance has been granted to some States Department projects that do not directly support the Tourism Industry. For example, the allocation of £3 million towards Mont Orgeuil refurbishment has been identified by the association as a prime example in which they believe that money has historically been inappropriately dispensed²⁶. However, it has to be acknowledged that this project was approved in 1999 and was supported by the Tourism Investment Fund and not the current TDF.

6.22 The issues surrounding TDF funding and the allocation of grants are wide and far-reaching and not just relevant to the current TDF arrangement. These concerns are perhaps even

²³ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 12

²⁴ Public Hearing with the Minister for Economic Development, 1st June 2012, p.10

²⁵ Public Hearing with Peter Funk, 31st May 2012, p. 6

²⁶ Written Submission, Jersey Hospitality Association, 30th May 2012

more prominent when we are discussing the future of the Fund and the possibility of extending financial assistance to the private sector. These issues will be addressed within the next chapter of the report.

7. THE PROPOSITION

- 7.1 As mentioned earlier on in this report, the Tourism Development Fund: Assistance to the Private Sector Proposition was lodged by the Treasury and Resources Minister, on behalf of the Economic Development Minister, on the 13th March 2012. The States were asked to decide whether they are of the opinion that the TDF should be allowed to grant financial assistance to private sector entities to support the development of the tourism sector in Jersey²⁷ (currently the TDF is only able to grant assistance to public and voluntary organisations). Subsequently on 2nd May 2012 the States agreed that the proposition would be referred to a Corporate Services Sub-Panel for its examination, following concerns that had been raised during the debate by a States Member.
- 7.2 In 2001, when the TDF was first established, the States decided not to approve an amendment to extend the Fund to the private sector. The amendment was defeated with 18 votes for and 25 against, with members of the Tourism Committee and the Finance and Economics Committee voting in opposition of the proposal. According to the Treasury and Resources Minister, however, extending grant assistance to the private sector is now more urgent than it has ever been²⁸. The poor economic climate coupled with an extremely competitive market is making it very difficult for private organisations to provide necessary returns on the investments, which are required in order to start or continue to operate tourism related businesses.

Reasons behind the Proposition and potential benefits

- 7.3 In today's economic climate the tourism industry is more important than ever and is a vital contributor to Jersey's economy. For example, in 2011 the Island is estimated to have been host to 690,000 visitors who contributed £242 million to the economy²⁹. If the States were to agree to vary the purposes of the TDF it would mean that the largest part, and a very valuable sector, of our community could be involved in developing tourism. In fact, the private sector is one of the largest drivers of revenue into the Island; in 2010 hospitality added £125 million of value to the economy (GVA income measure) and contributed £234 million by way of visitor expenditure. By investing in this industry therefore, the States could obtain a substantial return on their investment from the income generated by the tourist spend, whether through landing fees, GST or taxable profits. Furthermore, the sector

²⁷ Tourism Development Fund :Assistance to the Private Sector (p.26/2011), p. 4

²⁸ Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p. 22

²⁹ Tourism Development Fund: Draft Report for 2011 (R.81/2012), 26th June 2012, p. 2

employs 6,000 people in hotels, restaurants and bars in the high season which, given our current unemployment situation, is very valuable for the Island³⁰.

- 7.4 The proposition was essentially brought to the States as a result of the TDF Panel receiving considerable interest from people in the private sector. Although no applications from private organisations have been reviewed, the Chairman of the TDF Panel is fully aware of the potential benefits that the extension could have for Jersey tourism. The TDF already leverages significant investment in tourism; for example, as mentioned earlier the TDF committed £406,250 towards projects in 2011. When the funds contributed by organisations themselves and additional project sponsors were included, however, the total money invested in tourism amounted to a sizeable £1,340,400³¹. It could be argued that this figure has the potential to increase substantially if financial assistance was extended to private sector organisations. This view is shared by the Minister for Economic Development who commented:

“Private sector funding being put into the pot, as I have said, would help to leverage the money that is there”³².

KEY FINDING

- 7.5 The TDF would leverage additional investment in tourism and increase visitor numbers if grant assistance was extended to private organisations.**

- 7.6 Furthermore, it is also the opinion of the Economic Development Minister that by opening the Fund up to the private sector the TDF will attract broader and more valuable projects that would otherwise not be considered. For example, Jersey Live has been identified as a project that could have benefited greatly from financial assistance if the remit of the TDF had included private organisations³³. Although in this case the TDF was able to work with Tourism in securing money for Jersey Live’s marketing, it was unable to work with the company directly. It could be argued, and this view is shared by the Chief Officer of the Economic Development Department, that the Jersey Tourism Industry would be different today if the States had agreed to the amendment back in 2001 to extend the TDF to the private sector³⁴.

³⁰ Written Submission, Jersey Hospitality Association, 30th May 2012

³¹ Tourism Development Fund: Draft Report for 2011 (R.81/2012), 26th June 2012, p. 5

³² Public Hearing with the Minister for Economic Development, 1st June 2012, p. 8

³³ Public Hearing with Peter Funk, 31st May 2012, page 20

³⁴ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 34

7.7 The Treasury and Resources Minister recognised the advantages of the proposal for Jersey's economic growth, especially in a society where there is continuing pressure on the tourism industry and huge barriers to investment. In regards to his support for the proposition, the Minister stated the following:

"..the States with our strong sense of public finances and our very strong balance sheet in this period of time, if we are going to maintain and boost economic growth, then I think we need to find ways of getting some resources that we have or leveraging private sector development"³⁵.

7.8 It appears to us that if the TDF was extended to the private sector there would be considerable benefits for not only the tourism industry but Jersey's economy as a whole. On that note we are fully supportive of the proposition and the aspirations of the TDF Panel. However, there are some unavoidable concerns that need to be addressed in relation to future funding and allocation of funds.

KEY FINDING

7.9 The Sub-Panel fully support the Proposition to grant assistance to private sector entities.

Concerns

7.10 The Sub-Panel was surprised to find that, when the proposition was brought to the States on 13th March 2012, no financial provisions had been agreed in relation to future funding. Given the issues regarding funding in the past, it must be questioned why a Proposition to extend the Fund was brought forward if additional finances had not yet been identified.

7.11 For instance, it was only during the evidence gathering stage of the review that the Sub-Panel was informed that the Economic Development Minister had made a bid for TDF funding in the Medium Term Financial Plan (MTFP) for £500,000 a year over the 3-year term.

³⁵ Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p.22

KEY FINDING

7.12 The Proposition should not have been brought to the States until future funding had been identified.

KEY FINDING

7.13 The Minister for Economic Development has requested £500,000 annually over a three year period in the MTFP for TDF Funding.

7.14 Although this move is a step in the right direction for securing funds for TDF going forward, there are concerns regarding the amount of money that has been requested. The Jersey Hospitality Association is of the same opinion as the Sub-Panel; in that the TDF must have significant funds if the private sector is to benefit from its financial assistance³⁶. The three witnesses that appeared before the Sub-Panel all offered differing opinions in regards to this matter. We will therefore review each of these in turn.

Chairman of the TDF Panel

7.15 During the public hearing with Mr Funk it became clear to us that the TDF Panel's main concern was future funding, in spite of whether the proposition is agreed in the States or not. We were advised that, currently, there are enough funds available to make grants to both non-profit and private organisations and, as long as funds are available on a continuous basis, the TDF Panel do not envisage that this situation would change. However, as mentioned in the previous chapter, since the establishment of the TDF, no secure funding system has ever been put in place that guarantees a steady income.

7.16 Although the TDF Panel has not been constrained by finance as yet, there is nothing to say that this would not happen in the future. Unfortunately, at the time of the public hearing with the Chairman, we were unaware that a bid had been made in the MTFP for TDF funding and therefore were unable to question Mr Funk regarding this matter. However, the Chairman of the TDF Panel made his opinions very clear in regards to the necessity for secure financial support. For example he stated:

"...you do not need a TDF Panel and certainly we do not need to be giving up our time and presence if there is no funding. So we would like to dissolve unless there is some funding available. It is not a threat. It is reality."³⁷

³⁶ Written Submission, Jersey Hospitality Association, 30th May 2012

³⁷ Public Hearing with Peter Funk, 31st May 2012, p.11

KEY FINDING

7.17 The TDF Panel may well dissolve unless funds are made available.

Minister for Treasury and Resources

- 7.18 The Minister is of the strong opinion that the bid made in the MTFP for TDF funding was not high enough and that the request should have been bolder.³⁸ Although a bid for funds has to be made by the Economic Development Department, the Treasury and Resources Minister explained that an amendment to the MTFP for additional TDF funds could indeed be made by Scrutiny or a private Member if they so desired.³⁹
- 7.19 The Sub-Panel proceeded to ask the Minister for Treasury and Resources whether his department would identify and accept the current bid for TDF Funding. Although the Minister revealed that he was prepared to make bold decisions to secure economic growth, it was clear that the final decision was not just his to make but Council of Ministers. However, this decision is not expected to be easy as there are, at present, £26 million worth of bids and only £6 million available for growth⁴⁰.

KEY FINDING

7.20 The Minister for Treasury and Resources is of the opinion that a higher bid should have been made for TDF Funding in the MTFP.

Minister for Economic Development

- 7.21 The Economic Development Minister was content with the request that had been proposed despite suggestions made by the Treasury and Resources Minister that the bid could have been higher. It is believed by the Economic Development Department that £500,000 per year for a three year period is a realistic amount of money to ask for given the current pressures on capital budgets⁴¹. Furthermore, the TDF funding is only one component of the Economic Development Department's support for the Tourism Industry as a whole. For example, the Economic Growth and Diversification Strategy Proposition indicates that over £4 million of the Department's 2012 budget has been allocated to tourism⁴².

³⁸ Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p.42

³⁹ Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p.35

⁴⁰ Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p.25

⁴¹ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 6

⁴² Economic Growth and Diversification Strategy (P.55/2012), 1st June 2012, p. 19

7.22 Whilst the Economic Development Minister revealed to the Sub-Panel that he would like to secure more funding for the TDF, he also stressed the importance of considering the above in his decision making. In this regard, the following statement was provided:

“What we seek to try and do is act in a corporate way. We realise the pressures on Capital budgets...so it is realistic for departments to make unrealistic bids that are not going to see any realistic option of being funded?”⁴³

7.23 If the Proposition is agreed by States Members and the TDF is extended to the private sector, the Minister believes that £500,000 per year will go a lot further than anticipated. For example, firstly, every private organisation will have to match the grant pound-for-pound (as a minimum) with private sector investment. This policy will have the benefit of leveraging additional investment from sources that would have not have otherwise been utilised to develop the tourism industry⁴⁴. Secondly, by opening the fund up to the private sector less money, if any, will be allocated to States Department’s projects. More funds will therefore be available to assist high quality projects from voluntary and private organisations.

7.24 It is clear from the evidence received that there is much ambiguity as to the amount of funds available and the potential funds needed to support the extension of the TDF to the private sector. The reality at the moment is that the TDF Panel and the Ministers are unaware of the level of applications that will be generated if the Fund’s eligibility is extended. However, if there is a significant increase of applicants with high quality projects, which we believe is extremely likely, there must be a clear and precise business plan in place that can accommodate this potential growth.

KEY FINDING

7.25 The TDF must have significant funds in order for the private sector to benefit from grant assistance.

KEY FINDING

7.26 There is a high possibility that the proposed amount of £500,000 a year for a 3 year term will be insufficient if the private sector is given access to the TDF.

⁴³ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 6

⁴⁴ Tourism Development Fund :Assistance to the Private Sector (p.26/2011), p. 4

RECOMMENDATION

7.27 If the MTFP bid is accepted for TDF Funding then the amount allocated should be re-visited by the Minister for Economic Development after the three-year period in order to evaluate its appropriateness.

Allocation of funds

7.28 In addition to funding concerns, consideration also needs to be given to the potential implications of the extension of the TDF on current beneficiaries in the public and voluntary sector. For example, how can we ensure that preference will not be given to private organisations over non-profit organisations?

7.29 The TDF Panel is confident that applications from the private sector and voluntary sector will be processed in exactly the same way; they will have to meet the same clearly-defined criteria and go through the same rigorous application process that is already in place⁴⁵. Although a suggestion was made by the Minister for Treasury and Resources for some money to be “ring fenced” for non-profit organisations and some money for private organisations, the TDF Panel is keen to evaluate projects based on its merit only. Within the Tourism Development Annual Report 2011, this message was clearly stated:

“If an application process can be shown to bring a positive contribution to the Island by increasing visitors, enhancing infrastructure or the general tourism offering and leveraging additional investment in tourism, [the Panel] are of the opinion that the nature of the organisation that submits the application should not prevent such applications being considered”.

This view was also supported by the Chief Officer of the Economic Development Department who commented:

“The remit of the TDF board and the remit of the Minister...should ensure that taxpayers’ money is spent in such a way that it delivers the best outcome, regardless of whether it comes from the private sector, the third sector or indeed the public sector”⁴⁶.

⁴⁵ Public Hearing with Peter Funk, 31st May 2012, p.21

⁴⁶ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 11

KEY FINDING

7.30 Applications received from both private organisations and non-profit organisations should be assessed on their merit only.

7.31 In addition, the Sub-Panel would like to propose that projects from all sectors are treated equally regardless of their size. There is a concern that larger organisations are able to invest more time and resources into developing stronger business plans than perhaps the smaller companies. It is therefore important that the TDF Panel consider this matter when reviewing applications.

7.32 With extending the TDF to the private sector there is also a risk that one company could be placed in a competitive advantage over another. This potential issue was raised by Mr. David Seymour, Managing Director of the Seymour Group, who highlighted the importance of the TDF not to invest in projects that would simply displace existing operations and levels of demand. Within his written submission Mr Seymour also added:

“TDF should not add competition where competition already exists, it should add incremental visitors to Jersey”⁴⁷.

7.33 On the topic of allocation of funds, it has also been suggested that preference be given to projects that could make a significant difference to how the Jersey product is positioned and perceived. Such as, by extending the season to the shoulder months by bringing first time visitors to Jersey. Moreover, the Jersey Hospitality Association believes that Jersey needs to be more open to ideas and innovation in order to be competitive with other destinations⁴⁸.

7.34 Although we have been reassured by the TDF Panel and the Minister for Economic Development that all applications would be evaluated in the same way, it is important that a formality is put in place in order to ensure that funds are allocated appropriately and fairly. For example, in addition to reviewing and enhancing the assessment criteria, it is imperative that a strong compliance model, built in with corporate governance of the fund, is in place given the nature of the proposal⁴⁹.

7.35 On a similar note, the Treasury and Resources Minister told the Sub-Panel that going forward, if the proposition is agreed by the States, he wants to see strong governance

⁴⁷ Written Submission, Mr D. Seymour, 29th May 2012

⁴⁸ Written Submission, Jersey Hospitality Association, 30th May 2012

⁴⁹ Written Submission, Jersey Hospitality Association, 30th May 2012

arrangements with clarity of purpose, clear objectives and a rigorous analysis process; all provided by the Minister for Economic Development⁵⁰.

KEY FINDING

7.36 Great care must be given when awarding grants to private sector organisations to ensure that projects do not displace existing operations.

KEY FINDING

7.37 Any States assisted funding scheme should have mechanisms in place to ensure funds are allocated fairly and appropriately.

RECOMMENDATION

7.38 The Economic Development Minister should ensure that a new and strong compliance model is established and governance arrangements are put in place if the Proposition is agreed in the States.

⁵⁰ Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p.21

8. LOOKING FORWARD

- 8.1 Unfortunately until the MTFP is lodged in the States (currently due to be lodged on 23rd July 2012), we are uncertain as to whether or not the bid for £500,000 per annum over a 3-year term for the TDF will be accepted by the Council of Ministers. Although the bid for TDF funding is included in the current MTFP, there is a chance that the Fund could be considered too low a priority to be allocated money at all.
- 8.2 For instance we have just recently been informed that, since the Minister for Treasury and Resources attended the public hearing for this review, there has been a series of meetings between Ministers and Treasury to discuss growth bids within the MTFP. During this time a proposal has been made by the Council of Ministers to remove the TDF bid from the finalised list. According to the Minister for Treasury and Resources:

“This was a pragmatic suggestion in order to accommodate as many bids as possible on the basis that the contingency might remain under spent”⁵¹.

If this was to happen, the Sub-Panel is aware that such a decision could have a detrimental effect on the future of the Fund. As we have previously highlighted, the Chairman of the TDF is of the strong opinion that the Panel will not be able to operate unless future funds are forthcoming.

KEY FINDING

- 8.3 If the bid for TDF Funding is not included in the MTFP it will have a detrimental effect on the future of the Fund.**

RECOMMENDATION

- 8.4 The Proposition should not be debated unless the Economic Development Minister can clearly demonstrate how the TDF will be funded.**

- 8.5 In the report so far, discussions concerning funding have been based around the presumption that the TDF will be awarded the money that the Economic Development Minister has requested. Nevertheless, given the current situation, we believe it is important

⁵¹ Letter received from the Minister for Treasury and Resources, 15th June 2012

to consider alternative ways of identifying additional resources so in the future the TDF can effectively assist both non-profit and profit organisations.

Innovation Fund

8.6 As part of the Economic Growth Strategy the EDD are establishing an Innovation Fund. During the public hearing the Minister informed the Sub-Panel that £10 million had been requested from Treasury as an initial investment in order to create the fund. Currently, £5 million of that has already been identified and the Minister for Treasury and Resources is working with the Minister for Economic Development to attempt to identify the additional budget⁵². The aim of the Fund is to support innovation and it will be available to support a wide range of activity from direct business support to strategic infrastructure investments, in the public, private and third sectors⁵³.

8.7 A suggestion has been made by the Minister for Economic Development, which is supported by the Minister for Treasury and Resources, that the Innovation Fund, or a similar fund, could be used to help finance larger projects from the Tourism sector if they meet the criteria of the Fund. It is believed that, given the TDF's uncertain financial situation, the new Innovation Fund may enable the TDF Panel to concentrate its money on smaller projects and therefore extend its resources. The Minister for Economic Development is willing to help develop any project that can prove to bring positive contributions and additional investment to tourism. For example he commented:

"we will go anywhere to support good projects and TDF is just one tool"⁵⁴.

However, this is not to say that all large TDF projects would be eligible for the Innovation Fund. The Sub-Panel were informed, for example, that projects would have to provide high value activity and genuine innovation to be considered.

8.8 The Chief Officer of the Economic Development Department confirmed that private sector organisations will be expected to have exhausted other routes before their application would be considered⁵⁵. For instance, similar to the TDF, the Innovation Fund from a private sector perspective would be a Fund of last resort.

⁵² Public Hearing with the Minister for Economic Development, 1st June 2012, p.21

⁵³ Economic Growth and Diversification Strategy (P.55/2012), 1st June 2012, p.10

⁵⁴ Public Hearing with the Minister for Economic Development, 1st June 2012, p.43

⁵⁵ Public Hearing with the Minister for Economic Development, 1st June 2012, p.11

- 8.9 Although the Sub-Panel support the future use of the Innovation Fund to aid big projects from the tourism sector, it is believed that attention should not be deterred from the TDF and the proposal to extend financial assistance to private organisations. There is a worry that by seeking £10 million for the Innovation Fund the EDD may be less concerned about securing necessary funds for the TDF. In addition, due to the uncertainty surrounding funding, it is perhaps unwise to factor the Innovation Fund into the equation until the Ministers have identified the additional £5 million.
- 8.10 However, if, in the future, the whole budget is found and the Innovation Fund was to be utilised in the way that has been described, then some clarity would need to be given as to how the Funds would operate in conjunction with one another. For instance, what projects would qualify for which Fund? And can one applicant apply for both Funds?

KEY FINDING

- 8.11 The Economic Development Minister should ensure that in seeking £10 million for the Innovation Fund attention is not diverted away from TDF funding.**

KEY FINDING

- 8.12 If the Innovation Fund was to be used to support larger projects from the tourism sector, clarity would need to be provided as to how the new Fund and the TDF would operate in conjunction with one another.**

Grants versus loans

- 8.13 Currently the Public Finance Law only permits the TDF to provide financial assistance to non-profit organisations in the form of a grant. However, the Sub-Panel were interested to receive the witnesses' opinions regarding the possibility of the introduction of a loan scheme. The suggestion was based on the assumption that a change to the remit of the TDF could help leverage additional investment into tourism as well as recycle money back into the Fund.
- 8.14 Although all of the witnesses recognised the fact that the proposal would not be possible under the current regulations and legislation, they were able to identify the advantages a repayable scheme could have for the TDF, especially if the Fund is extended to the private sector. For example, as well as the benefits already mentioned, a loan system would mean

that the TDF would no longer simply hand out grants like a 'self-service buffet'; instead it would be requesting money back in return for the investment⁵⁶.

- 8.15 The Minister for Economic Development has already begun the move away from the grant model with the establishment of the Innovation Fund. For example he advised the Sub-Panel:

"If you look at the Innovation Fund the whole idea is for it to look at co-investing with business and to get a return out of it"⁵⁷.

In specific regards to the TDF however, the Minister believes that the first stage is to open the Fund to the private sector to create the opportunity to stimulate investment and then, possibly, in the future a loan scheme could be introduced⁵⁸.

- 8.16 The Chairman and Vice-Chairman of the TDF are also of the opinion that the scheme would be worth some consideration in the future. However, they do not believe that a repayable system would work by itself. For example, some organisations that apply for funding from the TDF are looking to get an event off the ground and if they had to repay money then it could mean that the project would never happen. In addition, the Chairman of the TDF spoke of his concerns regarding the administration and monitoring of a loan scheme. For instance he commented:

"There is a lot of monitoring required of anybody you make a loan to or make an investment in because you are looking for funding to come back over time"⁵⁹.

- 8.17 Unfortunately, despite the potential benefits a loan scheme could bring to the TDF, it is neither possible nor worthwhile without significant funding in place. Although a repayable system could leverage more money into the TDF, the amount of funds needed for lending would have to be considerably more than what is currently required for grant assistance. At present, as this report has demonstrated, the reality is that money is limited and until the States have secured suitable funding for the TDF in its current structure, a change to a loan system should not be considered.

⁵⁶ Public Hearing with the Minister for Economic Development, 1st June 2012, p.13

⁵⁷ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 13

⁵⁸ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 17

⁵⁹ Public Hearing with Peter Funk, 31st May 2012, p. 27

KEY FINDING

8.18 Consideration should be given to a possible loan scheme for the TDF in the future.

KEY FINDING

8.19 A repayable scheme would not be appropriate for all types of applications.

The Important role of the Planning Department

- 8.20 The Sub-Panel has suggested that a good working partnership between the Planning Department and the EDD could help further funds within the TDF if the proposition is agreed. For example, currently there are a number of private sector developers who have not been able to proceed with projects due to the fact that they are either wary about entering into the planning system or unable to fund the significant cost⁶⁰. If the Minister for Treasury and Resources, the Minister for Economic Development and the Planning Department worked better together to further economic innovation and diversification, then the TDF Panel could help to make the planning process easier for prospective investors. The States, through TDF and the planning function could essentially increase tourism development through enabling investments rather than supplying funds.
- 8.21 Although it has been acknowledged that the Planning Department has obligations under the Island Plan 2011 and the law that cannot be avoided, both the Economic Development Minister and the Treasury and Resources Minister believe that Planning could and should play a vital role in the involvement of economic growth:

Minister for Economic Development:

*"I am of the belief that there should be an economic element in terms of assessment. It should take into consideration the economic value of particular projects that are coming forward"*⁶¹.

Minister for Treasury and Resources:

*"Planning is absolutely fundamental in economic development and in tourism development about this and you must have an overriding principle within planning of economic activity"*⁶².

- 8.22 The Sub-Panel is of the opinion, therefore, that the Planning Department could facilitate the type of private sector projects that TDF would be likely to receive, if the extension is agreed. While it has been accepted that this is not something that would happen in the immediate future, we believe that it is worth consideration when discussing long-term planning for TDF funding.

⁶⁰ Public Hearing with the Minister for Economic Development, 1st June 2012, p.14

⁶¹ Public Hearing with the Minister for Economic Development, 1st June 2012, p. 15

⁶² Public Hearing with the Minister for Treasury and Resources, 1st June 2012, p. 45

KEY FINDING

8.23 Improved lines of communication, co-operation and understanding between the Planning Function at the Environment Department and the Economic Development Department could help leverage additional investment in tourism whilst allowing TDF funds to be set aside for other projects.

9. CONCLUSION

- 9.1 We found that the Proposition to extend the TDF to private sector entities should be supported by States Members. If grant assistance was given to private organisations, the TDF would leverage additional investment in tourism and bring more visitors to the Island. Furthermore, the extended scheme would attract high quality projects that would otherwise not be considered if the current remit of the TDF remained.
- 9.2 Despite our support for the proposal, we do have major concerns regarding the lack of secure funding the TDF has received in the past and the uncertainty surrounding future resources. We were surprised to discover that when the proposition was lodged in the States on the 13th March 2012 no financial provisions had yet been agreed. Given the past issues the TDF Panel have had with securing funds, we found that the Proposition should not have been brought to the States until future finances had been identified.
- 9.3 Although the bid put forward by the Minister for Economic Development in the MTFP for TDF funding can be considered a step in the right direction, there is a possibility that the proposed amount may be insufficient if the private sector is given access to the TDF. However, we were disappointed to discover, whilst undertaking this review, that the Council of Ministers had proposed to remove the TDF bid from the finalised list altogether. We found that if TDF funding is not included in the MTFP it will have a detrimental effect on the future of the Fund. As a result, we propose that the proposition should not be debated until the Minister for Economic Development can clearly demonstrate how the TDF will be funded going forward.

10. APPENDIX 1 - PANEL MEMBERSHIP AND TERMS OF REFERENCE

10.1 The Corporate Services Scrutiny Sub-Panel comprised the following members:

DEPUTY S. POWER, CHAIRMAN

DEPUTY R.J. RONDEL, VICE-CHAIRMAN

DEPUTY S. G. LUCE

10.2 The following Terms of Reference were established for the review:

1. To examine the reasons behind the proposition to grant assistance to private sector entities to support the development of the tourism sector in Jersey.
2. To assess whether any changes have been made to the proposals since the States took the decision not to adopt an amendment to open the TDF to private sector organisations in 2001.
3. To consider applications from entities in the private sector to the TDF Fund.
4. To examine what funds are going to be used to provide financial assistance to private sector entities.
5. To consider the implications of the extension of the TDF on current beneficiaries in the public and voluntary sector.
6. To Study the disbursements of TDF funds as per the Tourism Development Fund: Annual Report 2010.
7. To consider the overall TDF budget and to examine the proposed allocations.
8. Consider the composition of the Tourism Development Fund Panel.

11. APPENDIX 2 – EVIDENCE CONSIDERED

The following documents are available to read on the Scrutiny website (www.scrutiny.gov.ie) unless received under a confidential agreement.

Documents

1. *Tourism Development Fund: Assistance to the Private Sector (P.26/2012)*, Lodged on 13th March 2012 by the Minister for Treasury and Resources
2. *Tourism Development Fund: Annual Report 2010 (R.53/2011)*, Presented to the States on 12th May 2011 by the Minister for Economic Development
3. *Economic Growth and Diversification Strategy (P.55/2012)*, Lodged on 1st June by the Council of Ministers
4. *Tourism Development Fund: Draft Report for 2011 (R.81/2012)*, Presented to the States on 26th June 2012 by the Minister for Economic Development

Public Hearings

- | | | |
|----|--|---------------|
| 1. | Mr. Peter Funk, Chairman of the TDF Panel | 31st May 2012 |
| 2. | Senator P. F. C. Ozouf, Minister for Treasury and Resources 2012 | 1st June |
| 3. | Senator A. J. H. Maclean, Minister for Economic Development 2012 | 1st June |

Written Submissions

The Sub-Panel received the following written submissions:

- | | | |
|---|---|---------------|
| • | Mr. David Seymour, Managing Director of the Seymour Group | 29th May 2012 |
| • | The Jersey Hospitality Association | 30th May 2012 |
| • | Connétable of St Martin | 30th May 2012 |

12. APPENDIX 3 – TOURISM DEVELOPMENT FUND GUIDELINES



Tourism Development Fund Guidelines

- 1 About the TDF
- 2 Assessment Criteria
- 3 Business Plans (for applications for grants above £5000)
- 4 Application Procedures
- 5 Monitoring and aftercare

1 About the TDF

The Tourism Development Fund (TDF) provides grant funding towards public and voluntary sector projects that will:

- increase visitor numbers to Jersey; and
- be sustainable in years to come; and
- leverage other sources of investment in tourism.

The Economic Development Department administers the TDF. The Minister for Economic Development has appointed a Tourism Development Fund Panel made up of private sector representatives, who are tasked with scrutinising and assessing applications. Applications in excess of £500,000 will be referred to the Treasury Minister.

The members of the TDF Panel are:

Members
Peter Funk (Chairman)
Steve Bailey
Carol Canavan
Lawrence Huggler
Melinda Isherwood
Dominic Jones
Kristina Le Feuvre
Andrew Shrimpton

2 Assessment Criteria

The Panel will consider the following criteria when assessing applications:

- ***Will the project increase visitor numbers over and above those that are coming already?***
For example:
 - o If an event is already going ahead, will the grant applied for mean more people will come as a result, or will it not make a difference?
 - o Will it help to extend the length of the season?

- ***Will the project bring sustainable returns?***
For example:
 - o Once established, will the project/initiative be self-sustainable without further TDF funding in years to come?
 - o If funded, will the impact of the project/initiative have a long-lasting effect?
 - o Does the project have detailed marketing and business plans that set out how the project will attract visitors and generate returns?

- ***Will the project leverage other sources of investment in Tourism?***
For example:
 - o Will the grant be supplemented by other funds (from the organisation / other grant awarding bodies) which will increase the overall level of investment in tourism?

- ***What would happen without the TDF funding?***
For example:
 - o Would the project still go ahead?
 - o Would the project be substantially less successful in attracting visitors?

Your application is more likely to be successful if you clearly cover these criteria in the application form and/or supplementary information that you provide.

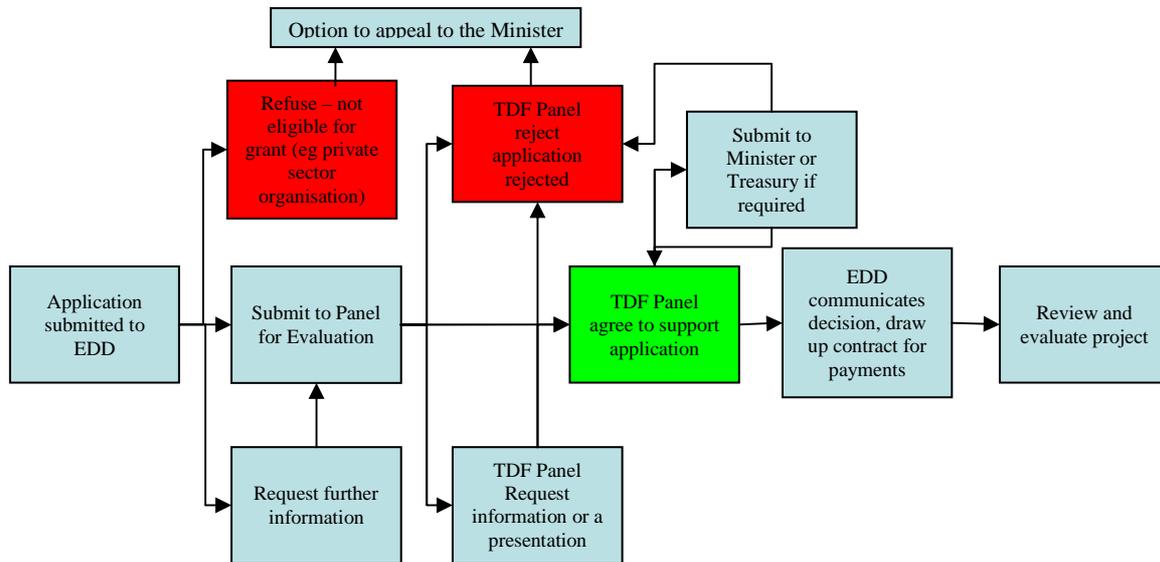
3 Business Plans

Applications for funds in excess of £5,000 should be accompanied by a robust Business Plan. The Plan should contain (but not be limited to):

1. An introduction
2. Objectives of the Project
3. Background to the organisation
4. A budget for the project and explanation of other funding streams
5. A clear explanation on the level of funding being requested from the TDF and the rationale behind the request
6. A project plan as to how it will be delivered
7. Illustration of how the project meets the assessment criteria

Copies of the accounts of the organisation should be included where possible. Note for grants of £50k and above, audited accounts are required. Costs associated with this should be built in to the bid for funding as the applicant is required to cover these costs.

4 Application Procedure



5 Monitoring and Aftercare

If your grant is approved, monitoring and aftercare comes into play. This includes:

- Confirmation of grant and details of the staged payment and documentation required to support the claims
- The use of the TDF logo to show the support given by the TDF
- Retention of 5% of grant until final report completed (see below)
- The States of Jersey require all grant aided bodies to submit their Year End Accounts no later than three months after the end of the calendar year.
- All grants will be compliant with Financial Direction No. 5.4, Obtaining Value for Money from Grants.

Final Reports

The post event/project evaluation is a requirement of the funding process and reports should be submitted no later than three months after the project has been completed. The final report should contain (but not be limited to):

1. An overview of the completed project
2. An Income and Expenditure statement
3. A breakdown of where the TDF grant was used
4. Attendance statistics including details on visitors
5. An evaluation of the project against the project objectives
6. And any other support documentation that the applicant feels will add value to the report