STATES OF JERSEY

JERSEY FINANCE LTD.: MATCHED FUNDING (P.126/2010) – COMMENTS

Presented to the States on 18th October 2010
by the Minister for Economic Development

STATES GREFFE

COMMENTS

The Minister for Economic Development will oppose the proposition lodged by Deputy G.P. Southern of St. Helier on the following grounds:

Jersey Finance Limited (JFL) currently operates in partnership with the States of Jersey (through the Economic Development Department) and has a Partnership Agreement in place which complies with Articles 48 and 49 of the Public Finance (Jersey) Law 2005, as well as the terms of Finance Direction 5.4.

The balance of industry and grant funding of JFL needs to be referenced to the contribution to the States from the finance industry. The industry and its employees are the largest source of tax revenue for the States contributing 43% of GVA directly and, when indirect contributions are taken into account, approximately 65% of all States revenues. If compared to close neighbours, such as the Isle of Man or Guernsey, JFL receives significantly less government grant. In 2009 the Isle of Man announced that their government was injecting £5 million into promoting the Isle of Man as a responsible and transparent offshore centre in the coming year, a figure which did not include technical work as undertaken by JFL. Guernsey Finance equally received £1.145 million from their government for discretionary promotional work only. Despite receiving proportionately less funding in 2009, JFL out-performed equivalent bodies in both Guernsey and the Isle of Man.

The contribution made by members of JFL is considerable both in direct monetary commitments and indirectly through the provision on a pro bono basis of essential technical services in areas including legal, accountancy and tax analysis. In terms of the percentage contribution made by JFL, an approximate breakdown of the last 3 years is set out below. As is evident from these figures, when pro-bono work is considered, member contribution is already above 50%.

Year	States contribution*	JFL Members Cash Subscription	JFL Members Pro Bono Contribution	% JFL Members
2007	£1,000,000	£420,000	£1,000,000	58.68%
2008	£1,400,000	£450,000	£1,500,000	58.21%
2009	£1,800,000	£480,000	£2,000,000	57.94%
2010	£1,800,000	£600,000	£2,000,000	59.09%

(* rounded up figures)

It is entirely appropriate to include pro-bono work within the contribution calculations. There is no reasonable or rational basis upon which to exclude it. The value of the pro bono contribution of industry professionals who engage with JFL is not only significant but measurable. These professionals provide an abundance of technical knowledge through consultation which both informs and assists in the development of financial services legislation. In the absence of such a contribution, the States would be forced to fund the required technical and industry input to aid legislative development and reform, a considerable sum.

The proposed move to a match funded assessment of the contributions is not only inconsistent (such formula not being applied to any other grant holder) but is clearly contrived simply to support a grant reduction. If successful, this would compromise or even eliminate JFL's ability to contribute both to the economic objectives contained within the States Strategic Plan and to sustainable, balanced public finances.

Based on a thorough and rigorous assessment by Economic Development, and in accordance with the overwhelming body of feedback from the finance industry (both in Jersey and overseas), JFL has been found to be a high performing and effective organisation and is seen as a global leader in its field.

The grant support for JFL is based on detailed business plans and objectives which are specific, measureable, attainable and relevant. These are subject to constant review, monitoring and reporting. Although we are concerned here with the question of funding for 2012, it is worth noting that the extra funding already committed for 2011 has been found from within the current Economic Development Department budget following a process of re-prioritisation. This is evidence (were evidence needed) of the Economic Development Department both being satisfied that JFL's objectives are being successfully delivered and that the grant to JFL represents value for money.

The finance industry contributes the majority of States revenues yet the grant given to the finance industry is much lower in cash terms than that accorded to other industries. The proportion of revenue spent on developing and promoting the finance industry is very small compared to the benefits derived by the island of Jersey. The industry itself employs 12,500 people and continued investment is key not only in protecting those jobs but in providing further opportunities for employment. Investing properly in the development and promotion of financial services is essential to enable the States are to maintain core services such as hospitals and schools. These are mainly paid for by the revenues generated by the finance industry.

Since 2001 the very nature of the finance industry has shifted away from businesses segregated by jurisdictions towards global offshore giants who promote the best and most developed jurisdiction (rather than their original parent jurisdiction). In this global context, it is vital that the States invests appropriately in developing and promoting the finance industry, ensuring that important revenues are preserved and that further service cuts over and above those which we are already forced to make are prevented.