

**STATEMENT TO BE MADE BY THE ASSISTANT CHIEF MINISTER
ON WEDNESDAY 16TH NOVEMBER 2016**

Jersey Innovation Fund

Members will recall my earlier statement regarding operation of the Jersey Innovation Fund and loans granted by the Fund. I now wish to provide a further progress report to Members.

Background

I am conscious there has been a great deal of media speculation about the Fund. The facts are that Economic Development asked for the JIF to be established in 2012. After a detailed Scrutiny Review the proposition was amended and the Fund was finally approved by the States Assembly on the 1st May 2013 (For those members not in the States at the time I attach the Hansard from that debate for reference). After May 2013 some further changes were made by Economic Development.

Obviously there is a difference between Political Policy Determination and implementation which is the responsibility of Accounting Officers.

Both of those functions Economic Development were responsibility until November 2014 when, I was asked by the Chief Minister to take on the political policy lead for all Innovation matters. This was envisaged as a temporary arrangement.

Although I was not technically part of Economic Development, I was appointed as an Assistant Minister for Economic Development in relation to the JIF. There was a very long delay and the States only finally approved the Transfer of Functions in December 2015.

The JIF was legally transferred to the Chief Minister's Department from 1st January 2016 however, officials (i.e. Implementation) has remained in Economic Development remained involved to date.

It have suggested that we now also align the Accounting Officer responsibility with the political arrangements and am discussions with Officials about this.

Loans granted by the Fund

In Statement to the States Assembly on 14th June 2016 set-out a number of actions I wanted taken in regards to the JIF. I subsequently instructed officials to engage the specialist accountants, Grant Thornton, to review the Logfiller loan immediately and to review all other loans.

This process began in July 2016 and it is this on-going review and recommendations that have resulted in the Directors placing Logfiller into voluntary liquidation.

Notwithstanding the provision in the States Accounts, the States has registered a claim for the full amount owed (including interest) and upon advice continues to reserve its position in respect to all its interests in this company.

The liquidation will follow due process and I will update Members when additional information becomes available.

My instruction to officials in June was that detailed reviews should be undertaken for each loan and all aspects of the fund. I was determined to ensure no stone would be left unturned to establish the facts around how loans were granted and administered.

The Comptroller & Auditor General is also well underway with a review into JIF and I welcome this. I will ensure full co-operation and I look forward to the conclusion of her work. The Public Accounts Committee will then, no doubt, act and wish to respond to her findings in the normal way.

It is also right that I await professional advice from Grant Thornton on the need for future provisions that should be made for the 2016 accounting year although Members should also note the volatility of start-up businesses and the manner in which business fortunes can change rapidly, for good or bad.

Members should be assured that action is being taken to provide support to the businesses concerned in order to maximise the chance of recovery of the balances of the outstanding at risk loans. It is very important that we do not precipitate a loss of confidence in JIF borrowers or the counterparties with whom they are transacting or negotiating contracts.

Future Administration of the loan book

Given the delicate position of the existing loans and the need for ongoing professional support, I shall be asking Grant Thornton to assume operational management of the loan book. This work will be supervised by a senior group of officers to protect our continued interests and ensure rights are properly reserved.

To achieve proper alignment of political and officer responsibilities, I confirm to Members that Accounting Officer responsibility for JIF shall now move to Chief Minister's Department. I can also confirm to Members that no further loans will be considered or granted.

Future of Jersey Innovation Fund

The Chairman, Tim Herbert, has indicated that, in February due to other commitments, he will be standing down from the Board. I would like to take this opportunity to thank him for his work. An interim Chairman will be appointed from the current Board members and I am working with the Jersey Appointments Commission to that end.

I am meeting the JIF Board on Thursday. Credit markets are now very different from when the Fund was set-up and consequently new recommendations as to what should happen with the remaining substantial balance in the Fund and the future of the Fund will follow in the New Year in order to continue the original objective of boosting innovation and meeting members' original expectations.

I should also say that JIF, albeit important to sort out, is only part of the vital wider work on Innovation overseen by our Economic Advisor.

If any member has questions on this matter, I will, as always, be more than happy to discuss.