

By email

13th November 2023

Dear Chair,

Thank you for your letter of 3rd November, in which you provide a number of questions in relation to the Government Plan.

I-DFE-GP24-001 Implementation of Digital, Visitor Economy and Elite Sport Strategies

- 1. Please identify the short/medium-term highest priority initiatives that will be implemented through this proposed revenue expenditure and explain their specific value to the taxpayer?*

The actions arising from these Strategies are currently being finalised and it would be premature to detail these in a public letter before the views of relevant stakeholders have been sought.

In each case any expenditure will be guided by the Public Finances Manual to ensure value for money and will be specifically leveraged to ensure targeted support to deliver the objectives identified within the strategies.

- 2. Please can you provide anticipated expenditure pertaining to each of the three strategies?*
 - a. Please can you provide cost breakdown pertaining to each element of the priority initiatives that will be implemented through this proposed revenue expenditure and explain how these have been estimated in the absence of the 3 strategies having been published?*

The breakdown in expenditure against each strategy is currently earmarked as per the below table. At this stage these figures are indicative based on the anticipated demands of each strategy and are subject to change.

Visitor Economy Strategy	£300,000
Digital Economy Strategy	£200,000
Elite Sport Strategy	£150,000

- 3. What alternative means of funding, funding levels, and corresponding outcomes, were identified in consideration for the proposed increase in revenue expenditure and why were they discounted?*

Separate bids were initially considered for these strategies however in view of the many competing pressures within the Government Plan, Ministers considered a joint bid as the most effective vehicle for securing the revenue expenditure growth to deliver these projects.

As the Panel will be aware, business justification cases submitted as part of the Government Plan process (and shared with Scrutiny Panels) include alternative options for Ministers to consider as part of the policy development process. In reaching their decisions the Council of Ministers have had to balance the competing needs of different departments with the availability of resources and the deliverability of priorities.

4. *Please can you provide the tangible benefit outcomes that will be provided through the proposed revenue expenditure and identify how each of these will be tracked over the life of the Government Plan, for example what performance measures will be in place and how will these produce the objectives outlined in the Common Strategic Policy such as increase in economic productivity?*

These will be set out in the form of targets within each respective strategy rather than within the Government Plan itself. These targets will be informed in each instance through discussions with members of the respective sector and will be designed to be ambitious and aligned with broader Government priorities including both the Future Economy Programme and Common Strategic Policy.

5. *Please explain the extent to which you anticipate the three strategies to overlap and why they are being developed as separate strategies?*

There will naturally be some overlap between the Visitor Economy Strategy and Digital Economy Strategy in particular as both will be closely aligned with the Future Economy Programme. It should be recognised however that the hospitality sector, digital sector and sporting community have differing needs and challenges and merit independent strategies to ensure sufficient detail and focus.

6. *What value are the three strategies expected to provide for the taxpayer in addition to the value to be obtained from delivering the short-term/medium term initiatives to be identified?*

The strategies are designed to support their respective sectors to enable them to address challenges to their economic viability and find new opportunities. While the sectors themselves provide economic value in the form of employment opportunities and associated income tax and social security contributions their value for Islanders is far broader than solely economic growth.

The visitor economy sector plays a crucial role in underpinning the Island's connectivity as well as providing a vibrant social and hospitality environment for Islanders.

The digital economy forms an important part of the Future Economy Programme as digital adoption and automation are vital to improving productivity across all sectors.

The Elite Sport Strategy will ensure that athletes born in Jersey are not disadvantaged compared to their peers in the UK who can more readily access opportunities to develop their skills and careers.

I-DFE-GP24-002 Rural and Marine Economy

It should be noted that following the States Assembly's adoption of P.74/2023 as Amended, the level of financial support for the rural and marine economy is subject to increase in 2024 and thereafter in line with RPIx for the duration of the Government Plan. These changes will be brought forward via an Amendment to the Government Plan from the Council of Ministers with future increases (tied to RPIx) currently unknown.

The figures provided below therefore reflect the position within the Government Plan as lodged and will likely be subject to updates following the Government Plan debate in December.

7. What alternative means of funding, funding levels, and corresponding outcomes, were identified in consideration for the proposed increase in revenue expenditure?

As the Panel will be aware, business justification cases submitted as part of the Government Plan process (and shared with Scrutiny Panels) include alternative options for Ministers to consider as part of the policy development process. In reaching their decisions the Council of Ministers have had to balance the competing needs of different departments with the availability of resources and the deliverability of priorities.

8. Can you please outline what, should the Government Plan be adopted as proposed, the total monetary support for the Rural and Marine Economy will be for the years 2024 to 2027 and how this compares to the monetary support for the years 2020 to 2023?

The below table provides the total monetary support provided for the rural and marine economy for the years 2020-2027. The figures for 2024 onwards reflect the Government Plan as proposed. Further to the adoption of P.74/2023 as amended the Council of Ministers will be bringing forward proposals to increase the total support to £6.7m in 2024 with further uplifts in line with RPIx to follow.

The below figures exclude staff costs but do include both the Jersey National Park and Farm Jersey which represent a small percentage of the rural and marine economy budget.

Year	Total monetary support
2020	£2,288,900.00
2021	£2,202,797.13
2022	£2,267,000.00
2023	£3,471,500.00
2024	£4,386,000.00
2025	£4,286,000.00
2026	£4,286,000.00
2027	£4,286,000.00

9. How is this expenditure anticipated to be split between Rural Economy and Marine Economy and what additional value to the taxpayer and the economy will it produce?

Funding under the Rural Support Scheme and Marine Support Scheme is broken down as follows for 2024:

Rural Support Scheme (RSS) £850,000

- Environment and Landscape Credits £550,000
- Food Resilience Credits £200,000
- Social and Skills Credits £100,000

Marine Support Scheme (MSS) £300,000

Under the RSS and MSS funding is provided based on a credit system which awards public money based on the delivery of public goods including but not limited to environmental management, improvements to soil health, carbon neutral agriculture and aquaculture, public access to the countryside, and food security.

10. Please can you provide the tangible benefit outcomes that will be provided through the proposed revenue expenditure and identify how each of these will be tracked over the life of the Government Plan, for example what performance measures will be in place?

a. What targets are included in these?

Further to the answer to question 9, support provided under the RSS and MSS is tied directly to the delivery of measurable public goods with funding contingent on the delivery of these services.

11. What is the anticipate revenue return from investment in the Rural and Marine Economy?

Money provided under the Rural Support Scheme and Marine Support Scheme is provided in the form of grants and no direct financial return is associated with this. This grant model notwithstanding there are significant returns from the public investment in the rural and marine economy sectors detailed in response to question 9.

I-DFE-GP24-003 Jersey Business – Core Grant Funding

12. What Key Performance Indicators (KPIs) will you be tracking to evidence the benefit of the proposed increase in core grant, in addition to the funding allocated in the previous Government Plan?

KPIs are set and agreed with Jersey Business (JBL) as part of annual business planning process. These KPIs are focused on the priorities and associated activities of the organisation the following year, funded through their total 'core' grant amount and are designed to meet Ministers' priorities as outlined in the CSP, Government Plan, Ministerial Delivery Plans and any other relevant Government strategies, such as the Strategy for Sustainable Economic Development. The funding allows JBL to sustain and in some cases grow activity planned in 2024 onwards therefore current outcome-focused KPIs will remain the same as per their business plan, but will have a larger reach where growth is possible.

13. How will the KPIs demonstrably relate to the objective of increasing productivity in real terms identified in the Common Strategic Policy (CSP) and to GVA as a key indicator identified in the CSP?

As outlined in Q12, the KPIs are developed around activity that is designed to support Ministerial objectives. JBL have 3 focused outcome areas for 2024, one of which is productivity. This directly links to the Delivery Framework for the Sustainable Economic Development Strategy which clearly identifies JBL's role and importance in supporting this objective stating; *"Working closely with our delivery arm in Jersey Business will be vital in supporting all our businesses to become more productive, to contribute to and benefit from the growth of our economy."*

14. How has impact on Jersey's economic growth of funding to Jersey Business provided in previous Government Plans been measured and can this data please be forwarded?

Jersey's economic growth is measured by Statistics Jersey in the annual GDP and GVA publications which can be found [here](#). Jersey Business' performance is measured as part of their annual report and accounts which include detailed information about their work and engagement with industry.

15. What quantitative economic analysis has been undertaken to determine the potential economic impact and return on investment of the proposed increase in core grant, and how will this be tracked in the coming years?

It is important to recognise that the increase in Jersey Business's core grant does not represent an increase in overall grant funding received from Government when compared to 2022 – rather the bid is designed to ensure that Jersey Business can continue to deliver its much-needed services to businesses. Over 80% of Jersey Business' income is spent directly on the delivery of support which is tracked via the organisation's annual report and accounts.

To provide some examples, in 2022, Jersey business delivered:

- The business improvement programme generating approx. £458,000 of forecast savings for participating companies.
- 704 business enquiries were handled by the information service.
- 7,769 guides and templates were downloaded from the Jersey Business website.
- Information provided via the Jersey Business website in 65,469 sessions.
- 74 different businesses attended one of Jersey Business's programmes.
- 155 individuals gained new skills by participating in a programme.

The desired impact of this funding is therefore to prevent a decline in the services offered and ensure that Jersey Business can continue to support sustainable economic growth.

16. What alternative means of funding, funding levels, and corresponding outcomes, were identified in application for the increase in the core grant?

JBL is currently fully funded by Government. Going forward, with a view to maximising 2024-2027 funding, the organisation will be exploring additional avenues for supplemental funding. This might include funding from commercial partners, engaging with sponsors, and forging relationships with businesses. Diversifying their funding sources will enable them to ensure the sustainability and growth of their initiatives, unlocking new opportunities for innovation and impact in the future but this must be balanced by a need for the organisation to remain an 'independent' voice within the business community.

17. Should the proposed increase in core grant not be approved, please can you provide details of:

a. potential staff headcount reduction

b. loss or reduction of services to clients;

c. estimated impact on economic productivity in Gross Value Added terms and value of exports; and

d. other economic consequence

In the event that the grant is not allocated, JBL would face the necessity of downsizing its workforce by three employees, representing a significant 19% reduction in headcount. Alternatively, it would need to cut back on client support delivery by an equivalent level. This scenario would result in a substantial 50% reduction in both productivity and leadership support for businesses.

While it is challenging to precisely gauge the impact of this, the estimate of the potential consequences are:

- Impact of not running the Business Improvement Programme: a potential loss of £625,000 in net profit for businesses without improved productivity (20 x £25k).
- Impact of not running Leading Growth: a shortfall in support for 20-25 leaders seeking guidance and development.
- Impact of JBL reducing headcount by three employees: a reduction of 5,472 hours in support for the 2,500 businesses JBL influences.

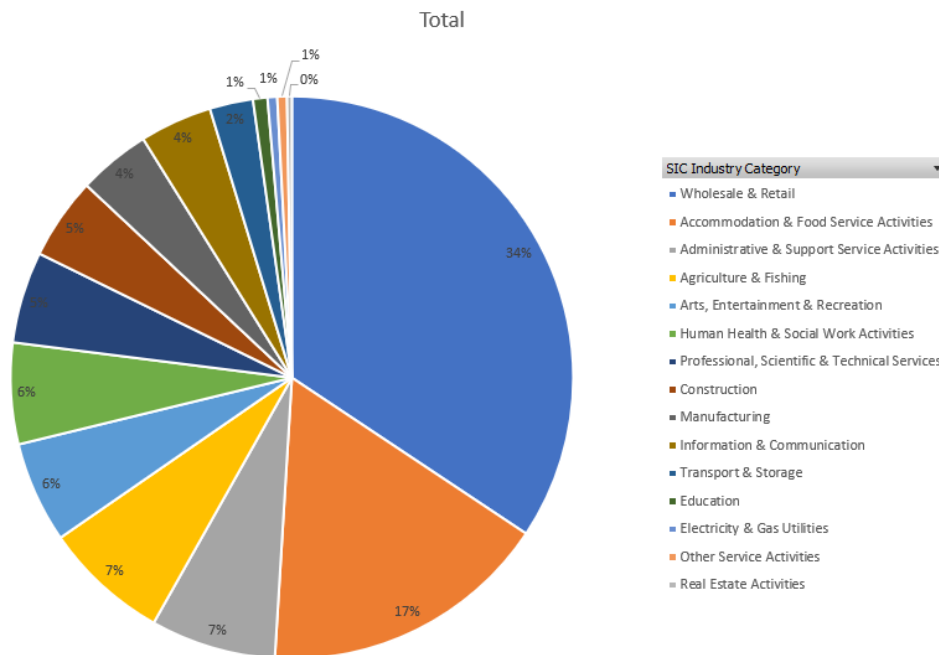
It's important to recognize that reducing the level of business support may not appear to have an immediate impact but would mean that there is limited support provision for the 8200 business in Jersey, 89% of which have fewer than 9 employees. JBL's funding goes into direct service provision emphasizing the critical need for the experienced support and development provided by the JBL team.

18. Has any estimated economic return on investment or economic impact assessment been sought by the Department or the Minister in respect of the growth bid and, if so, can this please be provided?

Please see answer to question 15.

19. Please provide a percentage breakdown of:

a. numbers of businesses advised or supported in different sectors;



b. use of allocated funding to businesses in different sectors; and

It is not possible to accurately record data in this way – support provided can be tailored to be sector specific but most support is sector-agnostic as it addresses cross cutting business need.

c. the tax take of businesses advised by Jersey Business in the last five years or other examples of direct contribution to economic growth? If, in the form of jobs, how specifically are those jobs regarded as of economic value in the tight local labour market?

Businesses supported by Jersey Business do not pay corporate income tax therefore tax 'take' is not available for each business. JBL's support is provided at an individual business level, which collectively supports economic growth – for example through the productivity and efficiency improvements identified by the 17 businesses who participated in the 2022 Business Improvement programme, estimated at over £450,000.

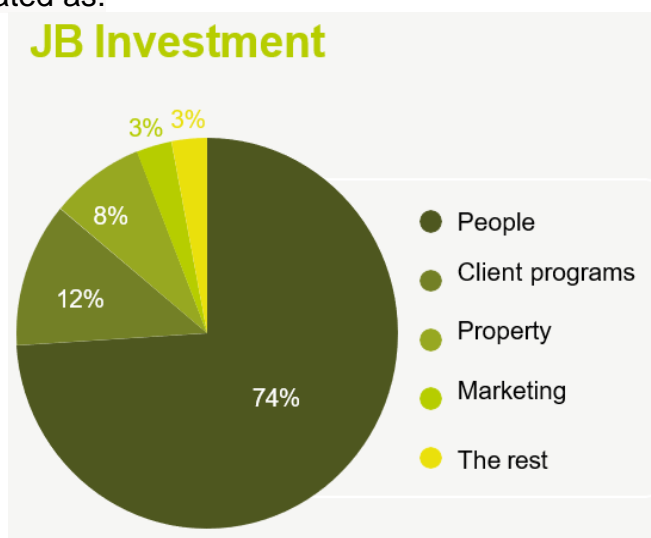
20. Please provide a breakdown of anticipated apportionment of core and additional funding between:

- a. staff salaries and pension contribution payments, split between back office and advisory roles, including finance and HR functions;*
- b. programmes and specialist expertise or support delivered by external advisers; and*
- c. board costs*

The JBL team resource and allocation in 2024 is shifting to the following to enable greater outputs and lowered costs to serve:

- **Central function:** for design, delivery, and insights (the heart of JBL, empowering and enabling the team) this will be 19% of the team (formerly 15%)
- **Engagement and Promotion team:** the voice of JBL that connects and engages with our stakeholders and clients. This is 19% of the team (formerly 15%)
- **Client Relationships Team:** The Face of JBL providing the human connection that builds trust and shares knowledge.

82% of income is invested in delivering advice and support directly to businesses. This support is delivered by the Jersey Business team, which collectively has 500 years of business experience, and by specialist partners who deliver projects and agile programs. Only 18% of funding is invested into business operations. The % breakdown across the organisation is estimated as:



All financial information for JBL is publicly available in their annual report, which can be found on the website www.jerseybusiness.je. From the 2022 Annual Report, the following information is available - Non-Executive board members are paid a fee which increases annually in line with the annual increment given to the Jersey Business employees. In 2022 the total Non-Exec fees represented less than 1.5% of the total budget. Executive board members' remuneration consists of a salary and a 7.5% contribution towards a private pension. Jersey Business does not have a company pension scheme.

21. Please provide an estimate of the percentage reach of Jersey Business amongst total local businesses, through mailing lists, broken down into business sectors, size of businesses and export value.

JBL has a marketing mailing list of 2407 people which serves as a vital channel for delivering essential updates to businesses across the island. They pride themselves on an open rate of over 50%, which is a significant indicator of appetite and engagement and far in excess of industry standards. Moreover, JBL extends its reach by maintaining separate mailing lists for the Retail and Hospitality sectors, tailoring the information to provide specific

and invaluable updates to businesses within these industries. The 2024 business plan provides further breakdown of segmentation and analytics.

22. Please provide a copy of any analysis undertaken of the risk that the additional funding sought for Jersey Business will not contribute significantly to the Island's economic growth?

Any additional funding to JBL goes to the provision of support to individual businesses. This support can range from start-up advice to growth or export plans, support with staffing or premises, productivity, leadership or sustainability for example and there is limited 'risk' that this will not support positive growth in the economy. Equally, the support can be around financial literacy or reshaping business plans to downsize or safely close, which will not necessarily 'contribute' to economic growth but may support the prevention of decline or stagnation.

Project – Jersey Opera House

23. How have the cost estimates for the project been assessed and reviewed to establish they represent best value for money?

A full Public Finance Manual tender on the portal was carried out to ascertain standard market value of the preferred bidder. This included Preliminaries, labour rates, overhead and profit margin.

24. Please outline any planning undertaken to ensure the costs of future maintenance of the building will be covered in the future?

A sum was included in the Outline Business Case for the ongoing maintenance of the building. However, as the project is a Design and Build, the full and final design is yet to be presented for approval. The scope and client brief has been produced with Jersey Property Holdings to ensure the best economic and efficient system is procured. When the final design is presented for approval by GoJ this will be scrutinised by Property Holdings' maintenance team to ensure it is in line with all current processes and efficiencies.

Project – Elizabeth Castle

25. How have the cost estimates for the project been assessed and reviewed to establish they represent best value for money?

A similar process was applied by Jersey Heritage Trust, as was the case for the Jersey Opera House refurbishment project.

26. Please outline any planning undertaken to ensure the costs of future maintenance of the castle will be covered in the future?

When JHT took over management and maintenance responsibility of the castles (P218/1996 - Elizabeth Castle and Mont Orgueil Castle: Cession of Usufruct), an Ancient Monument Fund was established, based on a percentage of revenue from admissions. It is anticipated that this fund will support the ongoing maintenance of the renovation works as well.

Unsuccessful bids

The Panel have requested a summary of the unsuccessful bids which is provided below.

Following the initial business case commissioning process, the Council of Ministers reviewed the total of growth bids received during a Government Plan workshop considering the overall scale of investment and impact on the financial envelope, as well as public sector headcount. The scale of growth bids submitted through the initial commissioning process, was determined to be both unaffordable and undeliverable with available resources. The Council of Ministers therefore agreed to hold Ministerial working groups to review the growth bids initially requested, with each session seeking to prioritise investment requests considering;

- impact that could be achieved for Islanders
- need for additional funding
- deliverability
- willingness to raise taxes/charges to fund the initiative

27. Jersey Heritage Trust Pre -87 Pension Deficit

This was an invest to save bid relating to Jersey Heritage's obligations under the Public Employee's Pension Fund. Jersey Heritage was established in 1983 and is an admitted body under the fund. When the decision was made to move the pension payments from revenue to a pension fund, Jersey Heritage had up to five individuals on the scheme. In 2006, it was determined that those organisations that were admitted bodies, under the scheme, should take a share of the Pre-87 pension liability. Jersey Heritage was therefore liable for a share. However, it was determined that the level would be based on current employee numbers on the scheme (38 members of staff), rather those on the scheme in 1987. This has left Jersey Heritage with a disproportionately large annual liability which, if paid for the full course, up to 2083, will incur a significant large portion of the annual grant. By repaying the debt early, it was anticipated that up to £13.5m could be saved against the 2083 figure.

28. Future Economy Programme - Staff Costs

This bid related to the existing costs for the three members of the current Future Economy Programme team which had previously been funded from money allocated in the 2020-23 Government Plan. This bid was therefore submitted to ensure the work of the FEP could continue. The costs associated with the bid have subsequently been absorbed within the existing Departmental budget, negating the need for a separate bid.

29. Events Development Action Plan

This bid sought funding to develop a strategic approach to event procurement and development. Work in this area will be undertaken during 2024 using existing resources with work on bespoke events legislation and accompanying policy likely to be undertaken over the next few years.

30. Visitor Economy Infrastructure Fund

This bid was submitted in anticipation of the completion of the Visitor Economy Strategy to provide funding to enhance the Island's hospitality offering.

31. Jersey Competition and Regulatory Authority

This bid sought a modest uplift in the JCRA's grant in line with inflation.

32. Development of Jersey as a Regional Economic Hub

This bid sought funding to build on existing work to enhance Jersey's economic and connectivity links with its near abroad and particularly Northern France.

I hope the above provides clarity to the areas you have raised.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K. Morel', written in a cursive style.

Deputy Kirsten Morel

Deputy Chief Minister

Minister for Economic Development, Tourism, Sport and Culture

E k.morel2@gov.je