

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON MONDAY 30TH JANUARY 2017**

Question

Will the Chief Minister confirm the dates since November 2011 (inclusive) on which Senators P.F.C. Ozouf, A.J.H. Maclean and L.J. Farnham were appointed as either a Minister or Assistant Minister, including the positions to which they were appointed; and will the Chief Minister inform members who signed off the loans to Applicants A to F, as described in Appendices 1 and 2 to 'Jersey Innovation Fund' (R.3/2017)?

Will he further advise –

- (a) what factors influenced the interest rate (from 4.5% to 9%) on these loans;
- (b) why the ability to take equity in the companies was not pursued;
- (c) why no royalty agreements were sought; and
- (d) why only one loan was phased and why personal guarantees were sought on only 2 loans?

Answer

Senator A.J.H. Maclean	18 November 2011	Appointed Minister for Economic Development
	6 November 2014	Appointed Minister for Treasury and Resources
Senator L.J. Farnham	29 November 2011	Appointed Assistant Minister for Home Affairs
	6 November 2014	Appointed Minister for Economic Development
Senator P.F.C. Ozouf	17 November 2011	Appointed Minister for Treasury and Resources
	24 November 2014	Appointed Assistant Minister for Economic Development
	17 November 2014	Appointed Assistant Minister to the Chief Minister

The following Ministerial Decisions approved the offering of loans to JIF applicants:

Ministerial Decision - Loan A	Senator A.J.H. Maclean
Ministerial Decision - Loan B	Senator A.J.H. Maclean
Ministerial Decision - Loan C	Senator P.F.C. Ozouf
Ministerial Decision - Loan D	Senator L.J. Farnham
Ministerial Decision - Loan E	Senator L.J. Farnham
Ministerial Decision - Loan F	Senator P.F.C. Ozouf
Ministerial Decision - Loan G	Senator L.J. Farnham

- a) Interest rates on individual loans were recommended to the Accounting Officer by the Jersey Innovation Fund Advisory Board. The recommendation would be based upon a range of factors including strength of the business, anticipated risks and available security;
- b) From a review of Advisory Board minutes, the idea of taking equity positions was first discussed by the Advisory Board in April 2014 and a number of times thereafter. Having recognised on several occasions that a legislative change was needed to permit an equity position in companies, action was not taken by officers to bring the legislative changes forward.

A specific 'debt to equity' conversion clause was incorporated within the documentation for one loan although no legislative change was brought to the States Assembly that would permit triggering of this clause. This is now being developed as part of the remediation process.

- c) The status of royalty agreements is specifically dealt with in Section 7 of the Comptroller & Auditor General ("CAG") report dated 12th January 2017. Royalty agreements were discussed for some loans but not all. Reasons for not pursuing included possible borrower resistance and unavailability of relevant documentation.

Advisory Board opinion was divided on the value of securing royalties and none were secured as a condition of individual loans.

- d) Phasing of loan disbursement was discussed in several cases and implemented in one case. It is, however, unclear from the Advisory Board minutes why phased drawdown was not actively discussed and considered in every case.

The Advisory Board also considered whether to advance the full amount of borrowing requested.

Once again, minutes of the Advisory Board do not reveal consistency of discussion around taking available security, including personal guarantees. There is a minuted discussion around the need to develop more of a policy on this and the associated consideration of interest rates if security is taken. This is commented upon at section 9.3 of the CAG report