

# STATES OF JERSEY



## DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – COMMENTS

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Presented to the States on 23rd September 2016  
by the Economic Affairs Scrutiny Panel

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STATES GREFFE

## COMMENTS

### Background

The [Draft Medium Term Financial Plan Addition for 2017 – 2019 \(P.68/2016\)](#) (“MTFP Addition”) was lodged by the Council of Ministers on 30th June 2016. The implications of the MTFP Addition for Economic Development, Tourism, Sport and Culture (“EDTSC”) were discussed in detail with the Minister at a Quarterly Public Hearing with the Economic Affairs Scrutiny Panel on 6th July. Members subsequently received a private briefing from the Assistant Chief Minister (Senator P.F.C. Ozouf) and his Officers on 27th July concerning the areas of Financial Services, Digital, Competition and Innovation (“FSDCI”), previously based in Economic Development but now located within the Chief Minister’s Department. (The Economic Affairs Panel retained the responsibility for scrutinising FSDCI matters following the Transfer of Functions in January 2016.)

The Panel has received advice and assistance with its review from Mr. Stuart Fair of the Chartered Institute of Public Finance and Accountancy (“CIPFA”), who has also assisted other Panels. Mr. Fair provided a report to the Panel which is appended to these comments for reference (**Appendix 1**).

### Purpose of the review

The Panel’s terms of reference for this review followed a formula agreed between the Corporate Services Scrutiny Panel and other Scrutiny Panels, reflecting the fact that Corporate Services would undertake a global review of the MTFP Addition, while other Panels would contribute using their knowledge of individual departments to investigate aspects specific to their areas of responsibility.

### Terms of Reference

#### MTFP Addition

#### Economic Affairs Scrutiny Panel

**For each Department or function within its remit<sup>1</sup>, the Panel will examine:**

- 1. The efficacy/appropriateness of proposed savings to be delivered during the period 2017–2019**
- 2. Any material changes or risks to service delivery**
- 3. How proposed spending will be funded**
- 4. Relevant impact assessments undertaken by Departments to substantiate proposed savings/funding**

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<sup>1</sup> Economic Development, Tourism, Sport and Culture – full department remit; Chief Minister’s Department – Financial Services, Digital, Competition and Innovation functions only

The States' approval of the overall Medium Term Financial Plan (2) in 2015 having defined the size of the overall financial envelope for departmental spending, the Panel saw its role in this review as being more about general oversight of departmental financial planning, and whether this was appropriate, rather than an in-depth study of departmental budgets. The present review was therefore intended to identify whether any decisions taken in respect of spending or savings risked having a significant impact on the ability of departments to maintain existing services, if any changes appeared to be counter-productive, or if any new commitments might stretch departments beyond their ability to deliver.

### **Information gap**

It quickly became apparent from the draft MTFP Addition and Addenda that there was surprisingly little detailed information included concerning the areas in the Panel's remit. The Panel's adviser commented that the detail was so scant on efficiency savings, that in the context of changing the law to facilitate an extra year of work on the MTFP Addition he found the submission to be very disappointing; he would have expected far more information.

Despite taking advantage of the opportunities presented by meeting with relevant Ministers and their Officers, and requesting further clarification, the Panel found it hard to gain a very clear picture of the respective positions of the two departments in its remit within the MTFP Addition. The problem may partly arise from the nature of the work they undertake. Also, in the case of Economic Development, Tourism, Sport and Culture, substantial changes to department responsibilities have yet to be completely assimilated following the Transfer of Functions. However, the longer the Panel looks at the MTFP Addition the more questions arise, raising doubts both as to whether it is capable of delivering the savings and efficiencies that have been promised, and whether some of these measures are in fact necessary or appropriate.

The following comments highlight aspects where members and the Panel's adviser have identified positive progress, and others which raise potential or actual concerns; some of the latter are considered serious enough to require urgent attention.

### **Financial Services, Digital, Competition and Innovation (FSDCI)**

These functions have benefited from specific protection by way of investment from the Economic and Productivity Growth Drawdown Provision ("EPGDP") Fund from the cuts that have been applied to some other departments, as the Council of Ministers has taken the view that they are key to growing the Island's economy. The Panel agrees that Finance and developing technology/Fintech industries represent the best opportunities for growth for Jersey and, as such, supports the decision to protect targeted spending in this area. The Panel notes that while the FSDCI budget is planned to increase by £11,000 per annum from 2017 – 2019, this is based on the need to cover expected inflationary increases affecting Supplies and Services.

Income for the period is shown as £303k per annum, based on what is understood to be a conservative estimate of income from OFCOM, the UK communications regulator, for licence fees collected on behalf of the States. The level of this income varies from year to year, but commonly exceeds the stated figure.

Of the section's annual budget totalling some £7.5 million, £6,249,200 per annum for the period 2017 – 2019 relates to grants to third-party agencies tasked with delivering States' economic policies. The grants comprise £4.8 million to Jersey Finance, £825k to Digital Jersey, £253k to the Jersey Financial Services Commission, and £300k to the Channel Islands Competition and Regulatory Authority.

Staffing currently supports 12 FTE and 2 staff on temporary secondment from industry. No staff cuts are anticipated under MTFP efficiency savings.

The Panel's adviser has commented that there appears to be some lack of clarity over the use of underspends or increases in income, which tend to be used to expand department activity. It is felt that there may be a need to quantify the benefits of any additional spending to ensure that it delivers positive outcomes over and above targeted aims.

This links to a more general query about the transparency of results in this area. It is understood that much of the work is carried out in a highly competitive arena, and confidentiality can be vital to the success of new policies and products. Such commercial sensitivity can create some difficulties in ensuring full public accountability.

That said, the Panel agrees with its adviser that performance management in this area should not be overlooked. This is unarguably the most critical sector for the future prosperity of the Island, and as such the Panel is reassured by the enthusiasm of the Assistant Chief Minister for his role, and the calibre of the small team entrusted with ensuring its success. However, such a fast-moving and technical area presents significant risks as well as rewards, and the States will need evidence to be fully confident that all resources deployed are meeting (or hopefully exceeding) their objectives.

It also seems to Panel members that there may be scope for a greater degree of transparency and more extensive reporting of achievements in this area. This could potentially demonstrate more tangibly to the Public (and States Members) what has been achieved through investment in these growth areas, and particularly the extent and rapidity with which the finance industry in the Island is diversifying and developing. It might also help to offset public concerns about the risks of over-dependence on one sector of the economy.

The Panel's adviser has drawn attention to some minor inconsistencies in the narrative describing potential for growth during the MTFP period. Realistically, the Panel believes that all expectations are likely to be significantly affected by the impact of Brexit as and when it proceeds over the coming years, so concern over relatively minor variations at this point is probably redundant.

More detailed observations from the Panel's adviser regarding information about FSDCI contained in the MTFP Addition can be found in his report, appended to these Comments at Appendix 1.

## **Economic Development, Tourism, Sport and Culture**

EDTSC is in a very different position compared with 2 years ago. As part of the Transfer of Functions the responsibility for Digital, Competition and Innovation was moved to the Chief Minister's Department (where Financial Services had already been relocated), while Sport and Culture were transferred into EDTSC from the Education portfolio. This involved a significant shift of staffing and budgets, most notably to accommodate the arrival of over 100 Sport staff in the Department.

However, in terms of the MTFP Addition, the Department will see net expenditure fall by some £880k from 2016 – 2019, the planned reduction being the second largest of all departments (after Social Security). Department staffing is planned to reduce from 137.7 FTE to 118.3 FTE; amongst other changes, 13 vacant posts in Sport will not be filled.

### **Staff vacancies – the elephant in the room**

With regard to staff numbers in particular, the adviser has highlighted the number of vacant posts within departments identified within the MTFP Addition, which the Panel would characterise as an 'elephant in the room' that up until now has not been acknowledged.

In the case of EDTSC, a table depicting the States of Jersey FTE Analysis for June 2016 showed 13.7 vacancies at Economic Development, or 11% of its funded establishment budget. This percentage puts it towards the higher end amongst States departments, although the actual numbers involved are relatively small compared with others. For example, 405.9 FTE vacancies (14.8%) were reported within Health and Social Services, and 114.6 (20.8%) at the Department for Infrastructure. The same table suggested that a total of 897 posts out of a budgeted total of 6,950 in the public sector were actually vacant. The Panel finds these figures astonishing.

Even assuming that some proportion of these vacancies may be filled by temporary arrangements (such as zero-hour, part-time or temporary contracts), as they are understood to be fully-funded they represent a massive sum of States resources which is allocated to departments, but not actually being used for the intended purpose. It is understood from the Corporate Services Scrutiny Panel that an update on overall vacancies has been promised, but this seems unlikely to be received prior to the scheduled debate on the MTFP Addition.

The lead-up to MTFP 2 was characterised by revelations about the so-called 'black hole' that had suddenly been recognised in Jersey's finances (notwithstanding that much of the apparent shortfall related to future planned investment). This was followed by the message that public belt-tightening would be vital to address the shortfall, and warnings of essential new health and waste charges.

It now appears that findings about the level of vacant posts within establishment budgets could undermine the argument for raising new charges. Some preliminary estimates put the total sums tied up in budgets for vacant posts in the region of £45 million. This figure must raise serious questions about the need to raise extra money by applying what are effectively new taxes on the Public, particularly since the disclosure in initial presentations of the MTFP Addition that the need for the health charge had apparently dropped by a half, from some £30 million to around £15 million.

The Panel considers that an urgent explanation is now required as to how this situation has arisen, together with a comprehensive (and preferably independently validated) re-appraisal of the state of Jersey's finances. This should be carried out before any further talk of new taxes or charges being imposed on the general Public, and certainly before any such charges are approved by the States.

It seems to the Panel that the urgency of the need for savings and efficiencies, and thus the necessity for new taxes or charges, may have been significantly exaggerated in the MTFP, for whatever reason. Unless the matter of funding for vacant posts is investigated and resolved satisfactorily, this will undoubtedly further undermine public confidence in the Council of Ministers.

### **Non-staff savings**

There also appears to be some lack of clarity in the reporting of departmental non-staff savings for the period, and exactly how these are to be achieved. The relevant entries are pitched at a very high level and give no detail; referring, for example, to 'continued restructuring of EDTSC' and 'further reduction in budgets across the department'. The Panel's adviser considers that the entries may indicate some 'unrequired budgetary resource' being available, similar to the situation regarding unfilled vacancies. However, the apparent aim to continue with proportionate reductions across the department until 2019 makes it hard to pinpoint where these may impact on service delivery.

A savings target of £958k has been reduced by £200k to allow for an allocation of £160k to Jersey Heritage to support the Archive, and £40k to the Jersey Arts Trust. However, with one notable exception discussed below, the overall allocation to grant funding will reduce over the period. It is not clear how this will affect the organisations concerned, or the Department's targets for partnership arrangements with them, but grant funding to Jersey Business is planned to fall by £75k; Locate Jersey and Business Development will see funding reduce by £241k, and the RJA&HS will lose £25k.

### **Fit for the Future and funding for sports travel grants**

During its quarterly public hearing with the Minister in July, the Panel was informed that a sum of £300k per annum would be saved by reducing the allocation for the 'Fit for the Future' strategy from £750k per year in the previous MTFP to £450k. Members were told at the time that this would involve a significant reduction in travel grants, but that there was still about £100,000 available for off-Island travel, compared with £225,000 that had been made available in the run-up to the Island Games.

The Department further explained that while off-Island travel was important, it was very expensive and there was a need for realism in the current financial climate. Other areas – such as supporting clubs on-Island, the Inclusion Project, and physical literacy for young people at primary school needed support.

The Panel felt at the time that this represented a reasonable and balanced judgement. Sports travel grants generally support participants, already at a competitive level within the local sports scene, who may benefit from experience elsewhere. This is a fairly select group. While the ability to send promising athletes away to compete or train elsewhere

may be nice to have, in the Panel's view it should take second place to supporting sport within the Island.

### **Problem solved?**

However, on 14th September 2016, to the surprise of the Panel, the Department announced through the media that it had been able to find a solution for sports travel grant funding in 2017 and beyond. The Panel promptly queried the details behind the announcement, as it seemed inconsistent with the information previously received.

A submission was received from the Department on 19th September (see **Appendix 2**). It explained that the information given to the Panel in July had been incorrect; the £100,000 referred to then was reduced in 2016 as part of CSR savings, and the balance remaining in 2017 had been recommended by the Jersey Sport Shadow Board to be reprioritised for other activities.

It was further stated that the funding now identified for sports travel grants will come from underspends on programmes or activities across the Department that are unlikely to be used in 2016; the Panel has been told that the activities affected have either been delayed in starting or have been deemed of lower priority than had been the case at the time the 2016 Business Plan was put together (in summer 2015).

The total funding for travel grants would now be £125,000 for 2017, with Treasury approval for similar amounts in 2018 and 2019, subject to the Department being able to identify underspends within its MTFP 2 Addition cash limits of this scale. The Panel was advised that the Sports Advisory Council would continue its role in advising on grant allocation throughout 2017, with the probability that the proposed new independent sports organisation, Jersey Sport, would be requested to take on grant distribution from 2018 onwards.

### **Funding from 'underspends'**

It seems very surprising to the Panel that the Department could be able to fund sports travel totalling some £375,000 over 3 successive years, simply out of departmental underspends and reprioritisation of activities. Members consider that if departmental budgets can encompass underspends of this magnitude, there must be something amiss with departmental planning. Realistically, it may be that some of this funding arises from the situation already described with regard to vacant posts; however, in the absence of any hard evidence, the Panel would simply observe that the ability for a department to 'find' £125,000 per year without any apparent difficulty seems at odds with the strict stance on savings and efficiencies within the MTFP.

Further, a statement from the Department that the funding arises from programmes or activities across the Department that have 'either been delayed in starting or have been deemed of lower priority than had been the case at the time the 2016 Business Plan was put together' seems to indicate a potential lack of rigour or discipline in the planning of such activities. Whatever the specific details, the Panel finds the explanation less than satisfactory, and contrary to the ethos supposedly at the heart of the MTFP.

At the public hearing in July, the Panel was also told that the Department would be using £181,500 from the Public Sector Reform budget for a review of infrastructure and planning for Sports and Culture, which was expected to result in annual savings of £200,000. No detail was available to substantiate these figures.

### **Departmental savings**

Page 67 of the MTFP Addition Addendum states –

*‘The Department is committed to save £2.76 million over the MTFP 2017 to 2019. These savings will be achieved by a combination of staff and non-staff efficiencies, reduction in grant funding, continued restructuring across the Department and, as a last resort, income generated through increased charges.’*

When pressed at the public hearing on whether a failure to meet its savings target of £2.76 million over the term of the MTFP would result in increased charges, the response was that this would be an absolute last resort; but clearly it was not being ruled out. Given the latest indication that the Department can lay hands on significant sums when it needs to, the Panel assumes that there could be no reason for active consideration of any increased charges during the period of the MTFP.

The Panel’s adviser has pointed to an ‘acute lack of substance’ behind departmental savings figures. Further comments on these issues appear in his report to the Panel (see Appendix 1).

### **Rural Economy Strategy**

The Panel notes the forthcoming update of the Rural Economy Strategy (RES), which was due to expire at the end of 2015, but was extended for a further year to allow more time to be spent on plans for its replacement. The MTFP Addition makes reference to this as a commitment, but other than showing a reduction in the budget for rural support between 2017 and 2019, there is little or no further information available. The Panel is due to review the new RES before its introduction at the beginning of 2017, but members question whether it is appropriate for the States to effectively be asked to endorse a budget for the new policy within the MTFP Addition, without having any idea of what it will contain.

### **Conclusions**

#### **Financial Services, Digital, Competition and Innovation**

The Panel understands and supports the decision to protect FSDCI from efficiency savings under the MTFP Addition, due to the importance of its work in delivering opportunities for growth to the Jersey economy. This section is responsible for the powerhouse of the Island’s economy and, as such, deserves first call on whatever resources are needed; although the Panel notes that it currently appears to operate with a remarkably small and effective organisation. As discussed above, there may be some room for improved transparency in reporting, such as a more concerted effort to convey (hopefully positive) performance and achievements against better defined targets to both the States and the Public in the future. However, the Panel is persuaded that in general terms, support for these functions appears appropriate and well-targeted.



## **Economic Development, Tourism, Sport and Culture**

Given the various concerns outlined above, it should be clear that the Panel believes there are issues that need to be addressed within EDTSC. The pattern of devolving responsibilities to partner organisations continues, with Jersey Sport as the latest example still to be developed. The Panel awaits details as to its proposed structure and responsibilities. However, the Department's role seems increasingly to be as a conduit for States funding and policy oversight to such partners, rather than delivering services itself.

As such, the efficiency savings targets included in the MTFP Addition come as no real surprise; although the ease with which these appear to have been accommodated, while still apparently permitting the Department to find significant extra funds for sports travel grants, could imply that budgets to date have been generous. This suggests that there may still be room for further cuts without affecting services.

Based on information received to date, the Panel believes there must be some doubts over whether the Department is providing value for money in its current form. Ministerial responsibilities presently include oversight of several areas of activity where real influence seems limited, and/or progress is hard to grasp. The Panel considers that there could be benefits to a broad re-appraisal of the role of the Department to see if any more of its existing responsibilities would be better placed with other departments or organisations.

### **Arm's length organisations**

The Panel understands that outsourcing to third parties can be a rational step to reduce costs and direct involvement in the delivery of government policies, and bring about greater efficiency. With regard to future moves towards arm's length organisations taking over further responsibilities previously undertaken by the Department, the Panel notes that the Comptroller and Auditor General is currently conducting a 'Review of Arms-Length Organisations' (ALO) which are either substantially funded by the States or have a statutory power to raise funds to meet their costs. The objectives of the review are understood to include the effectiveness of existing arrangements, both as to governance and accountability for ALOs and the scope for achieving efficiencies. The Panel welcomes this review and will await its recommendations with interest.

### **Financial Planning and Efficiency Savings**

Based on the limited evidence presented within the MTFP Addition, and somewhat unsatisfactory explanations now received regarding sports travel grants, the Panel has concerns about the adequacy of financial planning and controls within EDTSC, and potentially its ability to identify and deliver appropriate efficiency savings.

However welcome it may be to sports associations, to the Panel the announcement regarding grant funding for sports travel raises further questions, not only about the reliability of the Department's financial controls, but also the robustness of the MTFP process. This, in turn, raises members' concerns about whether there may be other anomalies, similar to the situation surrounding vacant posts, remaining to be uncovered.

## **Vacant Posts**

Finally, the Panel cannot ignore the significance of its adviser's findings on the scale of vacant posts across the public sector. On 13th September 2016, the Corporate Services Scrutiny Panel lodged an amendment to address both the high level of vacancies within departments and the important implications this has concerning whether new public charges for health (in particular) are either necessary or appropriate (Draft Medium Term Financial Plan Addition for 2017 – 2019 (P.68/2016) – eighth amendment, [P.68/2016 Amd.\(8\)](#)). The Panel expects to lend its full support to this initiative.

States of Jersey  
States Assembly

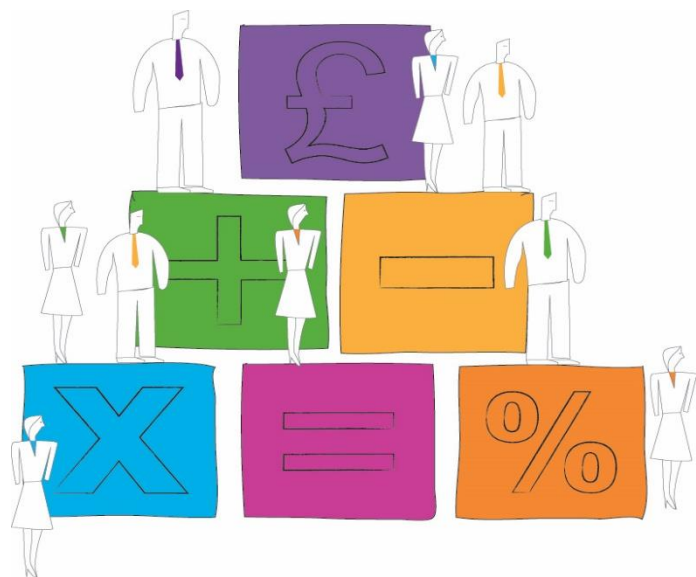


États de Jersey  
Assemblée des États

## States of Jersey Economic Affairs Scrutiny Panel

### MTFP Addition 2016 – 2019

September 2016



**CIPFA (Chartered Institute of Public Finance and Accountancy)**

77 Mansell Street

London E1 8AN

**Phone:** 020 7543 5600

CIPFA FINANCE ADVISORY SERVICE

**Email:** [stuart.fair@cipfa.org](mailto:stuart.fair@cipfa.org)

- 1.1 In May 2016, the States of Jersey commissioned CIPFA Business – Finance Advisory (the commercial arm of the Chartered Institute of Public Finance and Accountancy) to support the work of the Economic Affairs Scrutiny Panel in the Review of the Medium-Term Financial Plan Addition submission MTFP 2016 – 2019.
- 1.2 This paper highlights high level issues that we believe merit Scrutiny Panel consideration. The predominate focus of this work relates to the department of Economic Development, Tourism, Sports and Culture (EDTS&C) although scope necessarily includes the Financial Services, Digital, Competition and Innovation (FSDCI-covering Digital, Innovation, Financial Services and Competition Team) within the Chief Minister’s Department –<sup>2</sup>

States Funded Bodies	Approved Total Net Expenditure	Indicative Total Net Expenditure	Indicative Total Net Expenditure	Indicative Total Net Expenditure
	Revised 2016 £'000	2017 £'000	2018 £'000	2019 £'000
<b>Ministerial Departments</b>				
Chief Minister	26,860.1	26,664.9	26,677.5	26,134.7
- Jersey Overseas Aid Commission	10,337.7	10,339.6	10,341.3	10,342.4
External Relations	1,740.7	1,752.9	1,763.1	1,770.1
Community and Constitutional Affairs	49,270.5	49,131.8	49,069.9	48,288.0
Economic Development, Tourism, Sport and Culture	19,144.4	19,287.3	18,656.8	18,257.1
Education	103,660.1	106,671.7	108,231.7	109,098.4
Department of Environment	5,205.4	5,953.1	5,643.7	5,029.4
Health and Social Services	203,776.8	209,763.5	225,190.8	234,722.6
Infrastructure	40,137.1	40,302.0	36,544.7	30,125.0

### High Level issues

- 1.3 For the purposes of the Economic Affairs Scrutiny Panel we have identified that the primary issues relates to the following:-
- Protected Budgets – FSDC&I
  - Efficiency Savings – Staff Movements
  - Efficiency Savings – robustness of non-staff budget proposals- including impact on bodies dependent on Grant and Subsidies
  - Sports Funding Growth tracking

### Protected Budgets – FSDC&I

- 1.4 It is clear that the work of the Finance Industry Unit incorporated within the Chief Minister’s Department within the Digital, Innovation, Financial Services and Competition Team have been given specific protection

<sup>2</sup> MTFP II Addition – Summary Table A – Total States Net Expenditure – Page 141

within the MTFP due to the clear importance of the industry relative to the entire Jersey economy:

*“The Council of Ministers concluded that a proposal to protect from an element of savings the base budgets of the External Relations Department and the Digital, Innovation, Financial Services and Competition Team within Chief Minister’s Department was likely to offer better support for the economy than likely new initiatives from these areas. It was similarly recognised that the growth bid in respect of the implementation of the McKinsey recommendations was well aligned with the criteria of the EPGDP and should be prioritised over any new bids”.*<sup>3</sup>

- 1.5 The MTFP II Addition includes a clear commitment to support employment growth and expansion across the Finance Industry and related Fintech industry:

*“As well as investing in health, education, St. Helier and the need to maintain in the Island’s infrastructure as set out in the MTFP 2016–2019, the Strategic Plan sets out how Council of Ministers will rectify this productivity performance and optimise economic growth by:*

- *Promoting jobs and growth in the technology sector, with a particular focus on Fintech.*
- *Delivering and further enhance the existing Financial Services Policy Framework*
- *Promoting higher productivity in all economic strategies, including the new Tourism, Retail and Rural Economy Strategies*
- *Developing a new and challenging Enterprise Strategy, a new Innovation Strategy and attracting more inward investment*
- *Reviewing and upgrading the existing Skills Strategy*
- *Developing a new Competition Framework and reviewing opportunities to promote competition*
- *Identifying and addressing barriers to work for key groups*
- *Adopting environmental management principles to help improve productivity and efficiency and attract environmental businesses in line with our economic growth objectives”*<sup>4</sup>

*“Between 2017 and 2019 the FSDCI budget will grow by £11,000 per annum, reflecting inflationary increases in the growth funding allocated to implementing the Financial Services Industry Policy Framework(How much are these inflationary increases?). Other areas of the budget, including grant payments to delivery partners, will remain fixed and*

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<sup>3</sup> MTFP II Addition – Page 57

<sup>4</sup> MTFP II Addition – Economic Background and outlook page 39

*efficiencies will be delivered to manage the impact of inflation (how will these efficiencies arise?).”*

*“The FSDCI has been protected from savings requirements by investment from the Economic and Productivity Growth Drawdown Provision (EPGDP), a central fund established to promote economic growth and increases in productivity. This decision was taken after a review of applications to the EPGDP, which concluded that the existing work conducted by the FSDCI Team to support economic growth presented better economic value than the new initiatives that were likely to be forthcoming.”*

- 1.6 By subjective analysis relevant FSDCI Budgets covering 2017 – 2019 are split as follows:

<b>Operating Cost Categories</b>	<b>Budget 2017</b>	<b>Budget 2018</b>	<b>Budget 2019</b>
Income	-303,300	-303,300	-303,300
Staff Costs	1,128,200	1,128,200	1,128,200
Supplies and Services	481,200	492,200	503,200
Administrative Expenses	3,500	3,500	3,500
Grants	6,249,200	6,249,200	6,249,200
<b>Total</b>	<b>7,558,800</b>	<b>7,569,800</b>	<b>7,580,800</b>

- 1.7 There is obvious consistency across the annual £7.6m commitment to this activity which suggests a sustained level of activity until 2019. We understand that the staffing budget supports 12.0 FTE and 2 contract staff on secondment from industry. There is no requirement to offer up staff post savings as part of the States Efficiency initiative relating to MTFP II Addition. In addition to sustaining current staffing levels, estimates for Supplies and Services are scheduled to be uplifted in 2018 by approximately 4.5% on a £471,200 base for 2017, then followed by a further 2.2% to reach a base of £503,200 in 2019. We have not been able to find any evidence on how such uplifts have been calculated.
- 1.8 A key aspect of the work of the team is to manage key delivery partner relationships with a view to optimising the economic impact of financial services, digital and competition. The income provision of £303,300 is made up of income from OFCOM, the UK communications regulator, which collects spectrum license fees on behalf of the States of Jersey. We are led to believe that such fees are usually exceeded although there is a level of variability depending upon ‘demand-driven factors’. Where income is exceeded the unit will actively seek to reinvest the additional funds in expanding activity.

1.9 Grant provision estimates totalling £6.249m relate to the following:-

- £253,600 Jersey Financial Services Commission
- £300,000 Channel Islands Competition and Regulatory Authority
- £825,000 Digital Jersey
- £4,870,600 Jersey Finance

1.10 Our evidence suggests that any underspending on grant/running costs (or over recovery of income) is actively used to fund an expansion of activity. Underspending may be attributed to slippage but such underspends are typically counterfactual savings rather than cashable savings. Whilst there may be a strong argument to suggest that optimising resources requires full spending of all available resources – budgetary provision, unless there is strong evidence that there is a demonstrable benefit to operational performance by using such unrequired provision – such a practice may encourage sub-optimal budget behaviours.

1.11 Despite a clear direction of travel on Financial Services we do not have sight of any performance management arrangements over the delivery of the service – in terms of achievement measured against definable output targets that demonstrates the real payback of investing in this critical area. As a consequence there is a distinct lack of clarity on the cost/benefits of investing in Financial Services. For example on tax there are mixed messages and current expectations on tax yields do not reflect the ‘growing’ economy narrative. Indeed within the Fiscal Policy Panel’s Annual Report – August 2016, Financial Services profits appear to follow a consistent position and follow a more general company profits position touching 3% in both 2018 and 2019 despite no real GVA growth over this period:

**Figure 1.20<sup>5</sup>**

Central economic assumptions						Return to trend	
	2014	2015	2016	2017	2018	2019	2020
Real GVA	4.9	0.9	0.4	0.0	0.0	0.0	0.0
RPI	1.6	0.6	2.2	3.3	3.0	3.3	3.3
RPIY	1.6	0.6	2.3	3.4	3.0	3.0	3.0
Nominal GVA	6.6	1.5	2.7	3.4	3.0	3.0	3.0
Company profits	12.3	-2.7	2.8	2.9	3.0	3.0	3.0
Financial services profits	19.4	-7.5	2.6	2.8	3.0	3.0	3.0
Compensation of employees	2.1	5.3	2.6	3.8	3.0	3.0	3.0
Employment	2.3	1.9	0.5	0.0	0.0	0.0	0.0
Average earnings	2.6	1.8	2.1	3.8	3.0	3.0	3.0
Interest rates (%)	0.5	0.5	0.4	0.1	0.1	0.2	0.4
House prices	3.0	4.0	4.0	3.0	3.0	3.0	3.0

% change year on year unless otherwise stated, bordered numbers indicate outturns.

Note: Changes in profits, earnings, employment costs and house prices are in nominal terms

Sources: Economics Unit calculations and Panel judgement

<sup>5</sup> Fiscal Policy Panel – Annual report 2016 – Page 25

1.12 Indeed the MTFP II Addition suggests that Financial Services profit growth is “now expected to be slightly faster in 2015 given the latest expectations in the Business Tendency Service” (Page 164 of the MTFP Addition) and actual expectations on Page 165 are lower (even pre-Brexit). Notwithstanding increased uncertainty, Financial Services is undoubtedly the most prominent driver of the economic activity in Jersey, is fiercely competitive and highly specialised.

1.13 We completely understand the commercially sensitive complexities within this interaction which the unit achieves and the difficulties in maximising industry presence yet being completely publically accountable for performance. The States should be commended in its approach to trying to optimise Jersey’s positioning and leverage within this industry and the unit will undoubtedly play a critical role in this endeavour – indeed the importance of the unit may be absolutely fundamental to the island’s medium to longer term economic wellbeing. However, it would be our view that more needs to be done to highlight actual performance of the unit and clarify the value of its work. Where underspending, for whatever reason creates additional funds, there should be demonstrable transparency around the reallocation of such resources in a way that shows the extent to which priority outcomes objectives are being fully achieved.

#### Efficiency Savings – Staff Movements

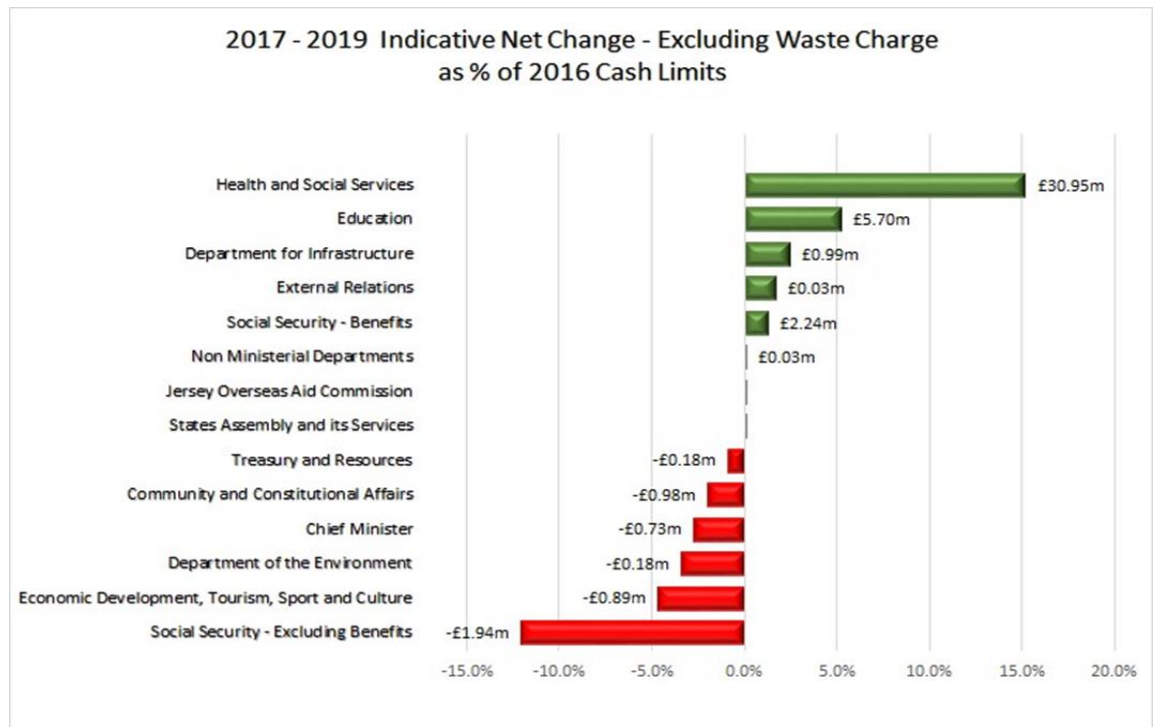
1.14 In context overall adjusted indicative Net Expenditure for EDTSC falls to £18.257m in 2019 from a revised 2016 net expenditure position of £19.144m:

States Funded Bodies	Approved Total Net Expenditure	Indicative Total Net Expenditure	Indicative Total Net Expenditure	Indicative Total Net Expenditure
	Revised 2016 £'000	2017 £'000	2018 £'000	2019 £'000
<b>Ministerial Departments</b>				
Chief Minister	26,860.1	26,664.9	26,677.5	26,134.7
- Jersey Overseas Aid Commission	10,337.7	10,339.6	10,341.3	10,342.4
External Relations	1,740.7	1,752.9	1,763.1	1,770.1
Community and Constitutional Affairs	49,270.5	49,131.8	49,069.9	48,288.0
Economic Development, Tourism, Sport and Culture	19,144.4	19,287.3	18,656.8	18,257.1
Education	103,660.1	106,671.7	108,231.7	109,098.4
Department of Environment	5,205.4	5,953.1	5,643.7	5,029.4
Health and Social Services	203,776.8	209,763.5	225,190.8	234,722.6
Infrastructure	40,137.1	40,302.0	36,544.7	30,125.0

1.15 This represents a £887,300 reduction of 4.6% by year four of 2019. In comparative terms EDTSC, including indicative allocations for pay and central growth the department’s net change position is the second



highest, in terms of retrenchment on the movement in indicative Departmental Expenditure Limits (DEL) to 2019<sup>6</sup>:



1.16 Indicative savings on EDTSC FTE staff are highlighted as being only 7.0 FTE staff reducing the departmental establishment to 118.3 after 'machinery of government' changes of some 12.4 FTE. There are 13 vacant posts in Sports which EDTSC will not fill and 1.4 FTE which will be eliminated:

States Funded Bodies	Approved 2016 FTE from MTFP	Service Transfer and Other Changes	Indicative Growth	Indicative Savings (up to)	Revised 2017 - 2019 FTE for MTFP Addition (up to)	Establishment FTE (up to)	Contingency FTE
		2017 - 2019	2017 - 2019	2017 - 2019	2017 - 2019		
<b>Ministerial Departments</b>							
Chief Minister	235.3	11.5	-	(20.5)	226.3	226.3	
- Jersey Overseas Aid Commission	1.5	-	-	-	1.5	1.5	
External Relations	7.0	-	-	-	7.0	7.0	
Community and Constitutional Affairs	699.0	0.5	-	(33.5)	666.0	651.1	14
Economic Development, Tourism, Sport and Culture	137.7	(12.4)	-	(7.0)	118.3	118.3	
Education	1,719.4	-	31.2	(26.6)	1,724.0	1,724.0	
Department of the Environment	114.9	14.0	-	(8.0)	120.9	115.9	5
Health and Social Services	2,748.0	(11.5)	59.5	(12.0)	2,784.0	2,756.0	28
Department of Infrastructure <sup>5</sup>	551.9	(3.0)	-	up to (103.5)	up to 544.9	544.9	
Social Security	253.0	-	-	(15.0)	238.0	238.0	
Treasury and Resources	200.9	1.0	-	(21.0)	180.9	180.9	
<b>Non Ministerial States Funded Bodies</b>							

<sup>6</sup> MTFP Addition – Page 52

1.17 The 7.0 FTE staff are represented within the overall Efficiencies table for EDTSC:

Department	2015/2016 Saving £'000	2017 Saving £'000	2018 Saving £'000	2019 Saving £'000	Total FTE Impact
<b>Economic Development, Tourism, Sport and Culture</b>					
<b>Efficiencies</b>					
Impact of the cessation of annual inflationary increases over plan period		186.0	425.0	576.0	3.0
Service delivery changes and restructure of Corporate overheads. Including:		32.0	218.0	408.0	1.0
General efficiency of supplies and Services		30.0	87.0	134.0	1.0
Reduction of 1 post and restructure in Trading Standards		-	100.0	100.0	-
Service Delivery changes and restructure of Shipping Registry		-	-	79.0	-
Service Delivery changes and restructure of Aircraft Registry		63.0	63.0	63.0	1.0
Reduction in grants - Culture		29.0	34.0	39.0	1.0
Service Delivery changes and review of scope of operations in Sport		98.0	235.0	393.0	
Reduction in grant - Jersey Business		66.0	66.0	75.0	
Reduce funding to Locate Jersey and Business Development		101.0	181.0	241.0	
Maintenance of support for the Jersey Destination Plan. Agreed efficiency savings in events.		145.0	255.0	375.0	
Reduction in grant RJA & HS		8.0	16.0	25.0	-
<b>Total Efficiencies</b>		<b>758.0</b>	<b>1,680.0</b>	<b>2,508.0</b>	<b>7.0</b>
<b>Savings</b>					
Review of Sport and Culture			200.0	200.0	-
<b>Total Savings</b>		<b>-</b>	<b>200.0</b>	<b>200.0</b>	<b>-</b>
<b>Sub Total: Economic Development, Tourism, Sport and Culture</b>		<b>758.0</b>	<b>1,880.0</b>	<b>2,708.0</b>	<b>7.0</b>
2015 -2016 savings	1,835.0	1,835.0	1,835.0	1,835.0	
<b>Total: Economic Development, Tourism, Sport and Culture</b>	<b>1,835.0</b>	<b>2,593.0</b>	<b>3,715.0</b>	<b>4,543.0</b>	

1.18 The allocation of staff does not reconcile exactly to the posts tracker table within Page 69 of the MTFP Addition Addendum:

Adjusted 2016 FTE	<b>137.7</b>
Economic Growth	-1.5
Tourism, Destination & Marketing	-1.5
Policy & Regulation	1.5
Rural Support	0.1
Sport	-13.0
2017 FTE	<b>123.3</b>
Policy & Regulation	-4.0
2018 FTE	<b>119.3</b>
Policy & Regulation	-1.0
2019 FTE	<b>118.3</b>

1.19 Overall departmental staff costs are expected move as follows<sup>7</sup>:

2016	2017	2018	2019
£6,552,500	£5,610,400	£5,509,600	£5,353,900

1.20 In terms of the expected profile of savings it is not clear how the movement between 2018 and 2019 can be achieved by only one member of staff. Page 67 of the MTFP Addition Addendum states that:

*“The Department is committed to save £2.76 million over the MTFP 2017 to 2019. These savings will be achieved by a combination of staff and non-staff efficiencies, reduction in grant funding, continued restructuring across the Department and, as a last resort, income generated through increased charges.”*

1.21 Savings of this magnitude and those required in the above table including £2.708m in 2019 together with existing 2015 savings approved of £1.835m, provide a £4.543m challenge by 2019. As staff savings are likely to account for a minority proportion of the required efficiency savings through the 7.0 FTE posts our focus has been on the identification of planned non-staff savings. The character/designation of some of the major efficiency savings lines appear to be more ‘opaque’ particularly around the detail behind the Non Staffing element of each of these efficiency lines. The relationship between Staff and Non Staff savings is illustrated in the following table:

Department	Staff savings				Non-Staff savings				Total Savings			
	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Economic Dev, Tourism, Sport and Culture	1,567	1,728	1,826	1,325	268	865	1,889	3,217	1,835	2,593	3,715	4,542

1.22 Overall the FTE numbers within the MTFP 2 Addition relating to approved structures do not illuminate the extent that vacancies are being carried (and financed). The following table shows that some 897 FTE posts were vacant as at June 2016 representing some 12.9% of the overall staffing establishment. The detail across departments and services is outlined below:

<sup>7</sup> MTFP Addition Addendum Page 71 – Statement of Comprehensive Net Expenditure (Extract)

## States of Jersey FTE Analysis – June 2016

<b>Ministerial Departments</b>	<b>Budget</b>	<b>Actual</b>	<b>Vacancies</b>	
Chief Minister's Department -	242.1	203.0	39.1	16.1%
<i>Non Min SFB-Overseas Aid</i>	1.5	1.0	0.5	35.1%
Comm and Const Affairs (CCA)	700.1	643.6	56.5	8.1%
Department of the Environment	114.9	103.2	11.7	10.2%
Department for Infrastructure	551.9	437.2	114.6	20.8%
Economic Development	124.4	110.7	13.7	11.0%
Education, Sport & Culture	1,719.5	1,537.7	181.8	10.6%
Health & Social Services	2,748.0	2,342.1	405.9	14.8%
Social Security	253.0	230.4	22.6	8.9%
Treasury and Resources	205.9	186.3	19.6	9.5%
<b>Non Ministerial States Funded</b>	<b>235.7</b>	<b>213.3</b>	<b>22.4</b>	<b>9.5%</b>
<i>Bailiff's Chambers</i>	10.0	10.0	0.0	0.0%
<i>Law Officers' Department</i>	72.0	66.1	5.9	8.2%
<i>Judicial Greffe</i>	46.9	40.6	6.3	13.5%
<i>Viscount's Department</i>	21.9	21.8	0.1	0.3%
<i>Official Analyst</i>	9.4	6.2	3.2	34.0%
<i>Estab. of H.E. Lt. Governor</i>	13.7	13.1	0.6	4.3%
<i>Data Protection</i>	1.0	1.0	0.0	0.0%
<i>Probation Service</i>	32.3	29.9	2.3	7.2%
<i>Comptroller &amp; Auditor General</i>	1.0	0.6	0.4	40.5%
<i>States Assembly</i>	27.5	23.9	3.6	13.0%
<b>Sub Total (1)</b>	<b>6,897.0</b>	<b>6,008.6</b>	<b>888.4</b>	<b>12.9%</b>
<b>States Trading Operations</b>	<b>Budget</b>	<b>Actual</b>	<b>Vacancies</b>	
Jersey Car Parks	24.0	19.0	5.0	20.8%
Jersey Fleet Management	29.0	25.0	4.0	13.8%
<b>Sub Total (2)</b>	<b>53.0</b>	<b>44.0</b>	<b>9.0</b>	<b>17.0%</b>
<b>Grand Total</b>	<b>6,950.0</b>	<b>6,052.6</b>	<b>897.4</b>	<b>12.9%</b>

1.23 Machinery of Government (MoG) changes have obviously made year on year comparisons difficult. From the above table Economic Development was carrying 13.7 FTE vacancies or 11.0% on a funded budgeted establishment of 124.4 FTE. As highlighted above within paragraph 1.17 there is an intention to reduce the budgeted establishment by 7.0 FTE excluding Sports where there are 13 vacant posts which will not be filled.

1.24 Given the significant level of current vacancies as at June 2016 the proposals on staff savings we are assuming that there are no obvious concerns on adverse impacts on service provision. Given that full funding is provided for vacancies it may well be the case that the budget process does not fully equate resourcing with need. In such context there is the very real possibility that savings may be delivered without undue effort which would not necessarily set the right culture and incentives to improving efficiencies in the delivery of the service.

#### **Efficiency Savings – robustness of non-staff budget proposals**

1.25 There is a lack of precision within the ‘Financial Narrative’ particularly on how such required level of non-staff savings are going to be achieved. Indeed an extract from the Addendum provides a high level approach between years as<sup>8</sup>:

- Continued restructuring of EDTSC and delivery of Public Sector Reform Programme
- Further reduction in budgets across the department consistent with the removal of non-staff inflation in the period 2017-2019
- Reduction in funding for some directly delivered services
- Reduction in budgets for some grant funded organisations

1.26 Previously agreed recurring savings – (included within the total savings of £4.5m by 2019) from 2015-2016 of £1.835m remain and are indicative of unrequired budget relative to the existing level and quality of service provision. We do not have sight of the latest quarterly financial performance report. However, anecdotally we are aware that anticipated departmental net expenditure may be lower than overall budgetary provision for the service. This may indicate that there is unrequired budgetary resource available – viz the high level of vacancies. In context, the 2015/16 agreed £1.835m annual savings appears to be ‘salami sliced’ in application and it is unclear what, if any, negative impacts on service provision has arisen/will arise as a result of this sustained reduction in resources to 2019.

1.27 It is noted that an agreed 2017 recurring savings target of £958,000 has been reduced by £200,000 to £758,000 to facilitate the allocation of some £160,000 to Jersey Heritage Trust to maintain Jersey Archive and an allocation of £40,000 to Jersey Arts Trust. Indeed the downward movement in the budget line relating to Grants and Subsidies Payments between 2017 and 2019 is £378,000 or 2.7%:

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<sup>8</sup> MTFP Addition Addendum – Page 68 – Financial Narrative

2017	2018	2019
£13,836,500	£13,626,500	£13,458,500

1.28 It will be interesting to note how this reduction is going to impact the delivery of departmentally related strategic goals as there is likely to be direct impacts on the groups relying upon this funding. This in turn may have an adverse effect upon the delivery of key priorities. The following non-staff efficiency savings proposals scheduled to crystallise in 2019 are extracted from the relevant table highlighted in paragraph 1.18 above<sup>9</sup>:

- Service Delivery changes and review of scope of operations in Sport – £393,000
- Reduction in grant – Jersey Business – £75,000
- Reduce funding to Locate Jersey and Business Development – £241,000
- Maintenance of support for the Jersey Destination Plan – £375,000
- Reduction in Grant – RJA & HS – £25,000

1.29 It is unclear how each of these efficiency savings lines are going to be achieved in the context of resulting impacts on service provision. Within the MTFP II addition, details on these specific proposals are extremely limited. On grant provision, it is unclear what arrangements are in place to secure performance management in the attainment of organisational goals and objectives. We are assuming that the 13 vacant posts relating to sport are not included within the first line above as the relevant table within page 152 of the MTFP II Addition does not have any FTE consequences for this initiative.

1.30 In addition to expected recurring savings of “£814,500 in 2017, the Department has committed to further recurring savings of £923,000 together with an additional £200,000 income target (total £1.12 million) in 2018.”<sup>10</sup> The additional line on savings relating to £200,000 suggests a “Review of Sports and Culture”<sup>11</sup>. We are uncertain whether this relates to the additional income target. In any event there is an acute lack of substance behind these non-staff related efficiencies and savings.

<sup>9</sup> MTFP II Addition – Appendix 2 – Page 152

<sup>10</sup> MTFP Addition Addendum – Page 68 – Financial Narrative

<sup>11</sup> MTFP II Addition – Appendix 2 – Page 152

## Growth Funding

- 1.31 It is noted that “Total growth funding of £450,000 will be allocated each year from 2017–2019 to maintain funding for the “Fit for Future” sports strategy. It should be noted that this growth allocation is £300,000 less than that allocated in the previous MTFP.”<sup>12</sup> It is also noted that the addendum states that “Over and above the £450,000 allocated in each year of the MTFP Addition, no additional growth funding will be allocated to EDTSC in 2019.”<sup>13</sup> However, within Figures 24, 25 and 26,<sup>14</sup> Sports Strategy Funding of £450,000 appears only in 2017 in Figure 25 and is omitted from 2018 and 2019 – Summary Table D – Summary of Proposed Growth.<sup>15</sup>

## Growth Funding – Reinstatement

- 1.32 We have just been advised that £125,000 of the reduction in growth funding of £300,000 has been reinstated to fund sports travel grants which would have been included within the previous growth provision of £750,000. We further understand that this decision was approved by the Chief Minister and Treasury & Resources and is predicated upon further savings commensurate with the £125,000 being generated from the department’s overall budget. This was explained as follows:-

*“As part of the consultations with the sports sector by the Jersey Sport Shadow Board and following feedback direct to the Department, it became clear that removing travel grants completely would cause considerable hardship for certain sports or individuals and the Assistant Minister requested Officers in EDTSC to try to find a solution that would help restore grant funding to the 2014 levels.*

*Following a review of the Department’s programme spend at the end of August, it became clear that there were underspends in certain areas of operation across the Department, owing to either delays in starting activity or changes in delivery, that were unlikely to be required in 2016. Agreement was reached with Treasury and the Chief Minister that these funds could be carried forward into 2017, specifically for the purpose of providing the sports travel grants.”*

- 1.33 There appears to be some confidence in the department’s ability to generate a further £125,000 on top of the committed level of savings incorporated in paragraph 1.17 within the overall MTFP II Addition

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<sup>12</sup> MTFP Addition Addendum – Page 68 – Financial Narrative

<sup>13</sup> MTFP Addition Addendum – Page 68 – Financial Narrative

<sup>14</sup> MTFP Addition II – Pages 64 and 65

<sup>15</sup> MTFP Addition II – Page 144

commitments of £2.593 in 2017, £3.715m in 2018 and £4.543m in 2019. This late change (mid-September 2019) is indicative of a lack of detailed financial planning as well as rigour/challenge in the budget setting process. The admission that such budgetary resource can be funded from “... *either delays in starting activity or changes in delivery, that were unlikely to be required in 2016*” points to a lack of real rigour in budget setting and the management of resources.

### Concluding Comments

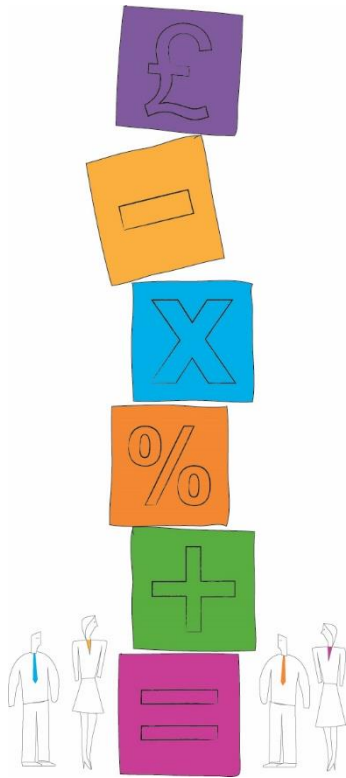
- 1.34 In relation to the critical work of the FSDCI Unit and the vital importance of its work in positioning the island on Financial Services it is a matter of policy that this service should be provided with protective status in terms of not being required to deliver cashable efficiency savings. The work of the unit in optimising leverage within the global Finance industry is obviously deemed vital/critical to the well-being of the island’s economy. Given the nature of such work there will be a requirement to operate in ways that are not consistent with typical public sector norms. We believe more needs to be done to highlight actual performance of the unit and how its work delivers outcomes for Jersey – i.e. how it meets corporate objectives. On FSDCI budget management there should be improved transparency and accountability around how it reallocates unused resources in a way that demonstrates that priority outcomes and objectives are being fully achieved.
- 1.35 In comparative terms, EDTSC as a service, appears to have the second highest negative movement in Departmental Expenditure limits with retrenchment being just short of some 5% to 2019. Within the MTFP II Addition and MTFP II Addition Addendum documents there is a distinct lack of detail in how the efficiency savings are going to be achieved/delivered. Indeed there appears to be a general absence of precision and there is an implied admission of uncertainty – “*as a last resort, income generated through increased charges*”.<sup>16</sup> This general lack of detail is disappointing in the context that Members approved a request to change the prevailing legislation on the lodgement of the detail behind the MTFP to allow for a further year to enable officers to produce detailed estimates and associated option for 2017, 2018 and 2019.

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<sup>16</sup> MTFP Addition Addendum - Page 67



- 1.36 The ability to readily dispense with some 13 Sports posts suggests that there will be no marked impact on service delivery and that there may have been previous over provision within the staffing establishment. Some of the efficiency savings have the appearance of being more aspirational than founded on firm plans that are going to be executed in delivering the profile of savings over the period to 2019. This lack of clarity does not allow objective judgement on how service delivery will be affected by these proposals. If service delivery is not compromised by the prevailing high level of EDTSC vacancies including Sports staff vacancies, there may be little to do to achieve the required level of staff related efficiency savings.
- 1.37 Whilst there is some difficulty in assessing the impacts on service delivery from proposals relating to staff efficiency the position is even less clear on non-staff related savings. There is virtually no narrative on the expected impacts on funded bodies or how such reductions impair or enhance the delivery of critical strategic objectives. The late change in reinstatement of £125,000 to fund sport travel grants predicated on a commensurate level additional savings is of significant concern. This late change and the expectation that this can be readily accommodated by yet more 'savings' casts significant doubt over the effectiveness of the budget setting process and associated financial strategy formulation for this service.
- 1.38 Wider economic development, tourism and sport are key priorities for the island yet it is difficult to discern how the proposed level of departmental funding is going to impact these important areas.



**Registered office:**  
77 Mansell Street, E1 8AN  
T: 020 7543 5600  
[www.cipfa.org](http://www.cipfa.org)

## Sports Travel Grants: submission to the Economic Affairs Scrutiny Panel from Economic Development, Tourism, Sport and Culture.

The Assistant Minister with responsibility for Sport, confirmed to the Sports Advisory Council (SAC) on Tuesday evening that the Department had found funding that would allow the continuation of grant funding for sports clubs, organisations and competitors travel, at a reduced level beyond 2016.

Historically until 2014, grant funding of £125,000 was made available to the SAC for them to support Islanders competing off-Island. Clubs, organisations and individuals make applications for grants to the SAC, who assess need alongside availability of funding and make recommendations as to the level of support to be made available.

In the run-up to the 2015 NatWest Island Games, the Council of Ministers agreed Growth Funding for 2014 and 2015 of £750,000, which included a component of £200,000 for sports travel grants in order to allow Islanders access to a greater level of international competition, as a means of improving individual performance prior to the Games. The additional £750k funding - from which the additional £200k came – was funded from MTFP 1 contingency and therefore was time- limited.

There is evidence increased funding for sports travel grants was one of several factors that led to the outstanding performance of the Jersey team at last year's Games.

In late 2015, the Assistant Minister successfully secured approval for the level of Growth Funding to be maintained at the same level for 2016, allowing sports grants to the value of £275,000 to be made available this year, however leaving the possibility that all of the Growth Funding might be removed thereafter.

Historically, Growth Funding (at £750k level) was used to deliver the following activities:

- |                              |                                                                                           |
|------------------------------|-------------------------------------------------------------------------------------------|
| 1. Clubmark & Events         | <i>Club/Association development and Quality Assurance</i>                                 |
| 2. Community Sport           | <i>Sport in the Community/'Friday Night Football'</i>                                     |
| 3. Inclusion                 | <i>Making Sport available to disadvantaged parts of the community</i>                     |
| 4. PE & School Sport         | <i>Specialist PE delivery and training for non-PE teachers in Primary Schools</i>         |
| 5. School Swimming           | <i>Swimming teaching to Primary schools</i>                                               |
| 6. Exercise Referral         | <i>Provision of exercise and lifestyle training to identified primary school children</i> |
| 7. High Performance Sport    | <i>Grant towards provision of specialist, high performance training</i>                   |
| 8. Travel/Competition Grants | <i>Financial assistance helping Islanders to train/compete off-Island</i>                 |

Earlier this year, the Department made a case for Growth Funding to be continued throughout the 2017-19 MTFP 2 Addition period, eventually securing - with the assistance of the Chief Minister and Treasury Minister – COM approval of Funding for a further three year period, at a lower level of £450,000 pa.

In terms of adapting service delivery to funds available in the period 2017-19, priority was given to activities 1-6 in the list above, meaning that funding for High Performance Sport and Travel/Competition Grants would not be available after 2016.

As part of the consultations with the sports sector by the Jersey Sport Shadow Board and following feedback direct to the Department, it became clear that removing travel grants completely would cause considerable hardship for certain sports or individuals and the Assistant Minister requested Officers in EDTSC to try to find a solution that would help restore grant funding to the 2014 levels.

Following a review of the Department's programme spend at the end of August, it became clear that there were underspends in certain areas of operation across the Department, owing to either delays in starting activity or changes in delivery, that were unlikely to be required in 2016. Agreement was reached with Treasury and the Chief Minister that these funds could be carried forward into 2017, specifically for the purpose of providing the sports travel grants.

In answer to the Economic Affairs Scrutiny Panel specific questions the answers are outlined below:

**Where the money is coming from?**

As outlined above, from underspends on programmes or activities across the Department that are unlikely to be used in 2016

**What impact this will have on other priorities?**

Minimal as the activities affected have either been delayed in starting or have been deemed lower priority than had been the case at the time the 2016 Business Plan was put together (Summer 2015)

**What is the total sum that will now be made available for sports travel grants (bearing in mind that the Panel was told at the last public hearing that there was still £100,000 within the Fit for the Future budget available for this)?**

£125,000 for 2017, with Treasury approval for similar amounts in 2018 and 2019, subject to the Department being able to identify underspends within its MTFP2 Addition cash limits of this scale

The answer that I gave to the Panel was misleading because at the time I was not fully briefed on the Jersey Sport Shadow Board proposals in their early draft Report. The £100,000 that I referred to was reduced in 2016 as part of CSR savings and the balance remaining in 2017 I understand, has been recommended by the Shadow Board to be reprioritised for other activities in its final report.

**How the funds will be distributed, as the Assistant Minister appears to have suggested that there will be some clubs who can afford to pay their own way and others who may need help?**

The Assistant Minister has indicated that the Sports Advisory Council will continue its role in advising on grant allocation throughout 2017, with the probability that the proposed new independent sports organisation, *Jersey Sport* being requested to take on grant distribution from 2018 onwards.

It is true that there is a disparity between individual sports in terms of their ability to be able to support competitors to travel off-Island in order to compete

**Would this involve any element of means-testing, at club or individual level?**

*As I recall there was also comment at the hearing to the effect that the money could be better targeted, which may be relevant.*

There will be no formal element of means testing applied to grant allocation.

The Assistant Minister has requested that the SAC devise a methodology for distributing sports travel grants that is more equitable and fair for allocations in 2017.

It should however be recalled that SAC has historical experience of carrying out such a function at a similar level in 2014, therefore should be in a position to revisit the criteria in place then and decide whether these need amending