

Grants and Subsidies – Follow Up

30 April 2025

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Report by the Comptroller and Auditor General: 30 April 2025

This report has been prepared in accordance with Article 20 of the Comptroller and Auditor General (Jersey) Law 2014.

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Summary

Introduction

1. Providing grants to third parties is an important means by which governments and public sector bodies deliver their policy objectives. To ensure that those objectives are secured economically, efficiently and effectively it is important to have the right controls in place, from design of grant schemes through to evaluation of their impact.
2. In December 2017, the then Comptroller and Auditor General (C&AG) issued a report on *Grants and Subsidies*. The report considered the development, oversight, management and evaluation of grants and subsidies awarded to third parties by the Government of Jersey.
3. In December 2022, I issued a report on *Grants to Arts, Heritage and Culture Organisations*. The report considered the effectiveness of the plans and processes in place to implement, and monitor delivery of, the new Arts and Heritage Strategies adopted by the Government of Jersey.
4. The Government continues to make extensive use of grants and subsidies to third parties. Exhibit 1 summarises the value reported in the 2023 States of Jersey Group Annual Report and Accounts.

Exhibit 1: 2023 Grants and Subsidies Payments

Categories	Value	Comment
Significant grants greater than £75,000	£62,063,000	Comprises 47 individual grants, of which four relate to the Jersey Overseas Aid Commission (value: £17,210,000)
Significant grants where individual grants are less than £75,000 but in total greater than £75,000	£11,593,000	Comprises 15 schemes that provide grants to multiple individuals / organisations
Other (including grants less than £75,000, adjustments and eliminations)	£447,000	
Total	£74,103,000	

Source: Jersey Audit Office analysis of States of Jersey Group Annual Report and Accounts 2023

Key Findings

5. Implementation of my previous recommendations has been tracked through the Government of Jersey's Recommendations Tracker. In addition, Commercial Services has monitored delivery of six recommendations which fell within its responsibility as part of a review for continuous improvement. The Department for the Economy uses the Recommendations Tracker to monitor the implementation of the recommendations from my audit of *Grants to Arts, Heritage and Culture Organisations*.
6. The 2017 C&AG Report on *Grants and Subsidies* made 17 recommendations in respect of the overall arrangements within the States to ensure the right controls are in place for the design of grant schemes. Progress has been made in implementing these recommendations, in particular in relation to updating the Public Finances Manual (PFM) with the best practice identified in my predecessor's report.
7. There is no clear and consistent States-wide approach or framework against which decisions are made in determining how to deliver services to Islanders. This creates a gap in the support available to officers when they need to decide if the use of a grant or grant scheme is the most effective solution to deliver the intended outcome, rather than through, for example, a contract for services.
8. A decision-making framework for grant funding would provide a roadmap for mature and effective decision making, by ensuring that grants are assessed, appraised and awarded in a consistent manner and support projects most likely to deliver expected outcomes to Islanders. As part of this, definitions and terminology used in both awarding grants and setting up grant schemes need clarification. This would in turn allow the principles and requirements in the PFM for new and existing grants and grant schemes to be streamlined.
9. How conflicts of interest are managed varies across Government departments and across grants. In the sample of grants I reviewed, I could find no record of how conflicts of interest within the States (officers, Ministerial and other States Members) are assessed, documented and evaluated. This exposes the States to a range of reputational risks including a perception of bias and unfairness and eroding public confidence in the integrity of the decision making process relating to the award of grants.
10. Work undertaken by Commercial Services in response to recommendations from my predecessor and from Internal Audit provides a positive basis on which to continue to improve the governance of grants and grant schemes. To support this however there is a need to revise the PFM section on grants to develop a more

proportionate, risk-based approach for the review of existing grants and grant schemes.

11. There is no consistency in how agreed outputs or outcomes are recorded between the Government and the grant receiving entity. I noted the use of different documents to record the agreement, and in seven of the twelve grant agreements tested key performance indicators were largely in narrative form which makes them more difficult to measure effectively.
12. Commercial Services has developed a form for new grant scheme consideration and approval, supported by template agreements, taking into account that schemes vary in size. In addition, there is a model agreement for Arm's Length Bodies receiving grant funding of more than £1 million. The consideration and approval form is detailed and covers the principles and requirements of the PFM. However, the one completed form in my sample had limited evidence to support the responses in the form. This reduces the reliance that can be placed on whether the principles and requirements have been appropriately considered.
13. The PFM requirements for new schemes reinforce the need for grant schemes to be linked to organisational objectives and contribute to the strategic aims, priorities and desired outcomes of the States. However, neither the consideration and approval form, nor the grant agreement templates, specifically reference the Jersey Performance Framework and Island Outcomes.
14. A small number of organisations receive grant funding from more than one Government department. There is an opportunity to streamline processes and oversight for both Government and the grant receiving bodies by identifying a lead officer that engages on behalf of Government with the grant recipient.
15. There may be benefit in introducing a more specific option to evaluate grants and grant schemes, against agreed risk criteria, to identify those which should be reviewed at least annually, and those which could be reviewed less frequently. This will allow a greater focus on those grants and grant schemes that are at a higher risk, either financially or in terms of non-delivery of the intended outcomes.
16. As data analytics functionality continues to develop, further analysis should consider what other expenditure, for example through contracts for services, is paid to bodies that also receive grant funding. This will provide a deeper understanding of the relationship between the Government and the grant receiving body. It could also inform the risk-based assessment of existing grants and grant schemes.
17. In relation to my 2022 report on *Grants to Arts, Heritage and Culture Organisations*, progress has been made in responding to the recommendations. I noted the development of a grant analysis framework and reporting process for

arts and heritage grants, which has led to greater consistency in the grant appraisal processes. However, the Government has not yet put in place clear implementation plans for the Arts and Heritage Strategies to demonstrate how the objectives of each Strategy will be delivered. There is also more work required to identify performance measures focussed on outcomes rather than inputs and volumes.

Conclusions

18. The use of individual grants or grant schemes is a valuable part of the States' framework for service delivery, regulation and resilience. Effective oversight, governance and accountability arrangements are essential in order to ensure grant receiving bodies use the funding in line with overall States objectives, including demonstrating improved outcomes for Islanders.
19. A number of the recommendations from the previous reports have been implemented or are in progress. However, there is further work required to demonstrate compliance with the requirements of the PFM and there are opportunities to enhance efficiency and value for money in the oversight and use of grant funding.

Objectives and scope of the audit

20. This follow up audit has assessed:

- the progress made in implementing agreed recommendations from the 2017 and 2022 C&AG Reports
- the extent to which the recommendations as implemented have addressed the improvement areas identified in the Reports; and
- the adequacy of plans for the implementation of any outstanding recommendations.

21. In doing so, the audit evaluated:

- the effectiveness of the States' overall arrangements for the development, oversight, management and evaluation of grants and subsidies awarded to third parties; and
- the effectiveness of the arrangements for a sample of grants and subsidies against the criteria used in the 2017 Report and updated as appropriate against more recent good practice. This included good practice developed by the UK National Audit Office and adapted to be proportionate to Jersey.

22. The audit considered arrangements across a sample of departments and a sample of grants and subsidies schemes. The samples were selected from the Department for the Economy, the Children, Young People, Education and Skills Department, and the Cabinet Office (see Exhibit 2).

Exhibit 2: Sample of grants and subsidies reviewed

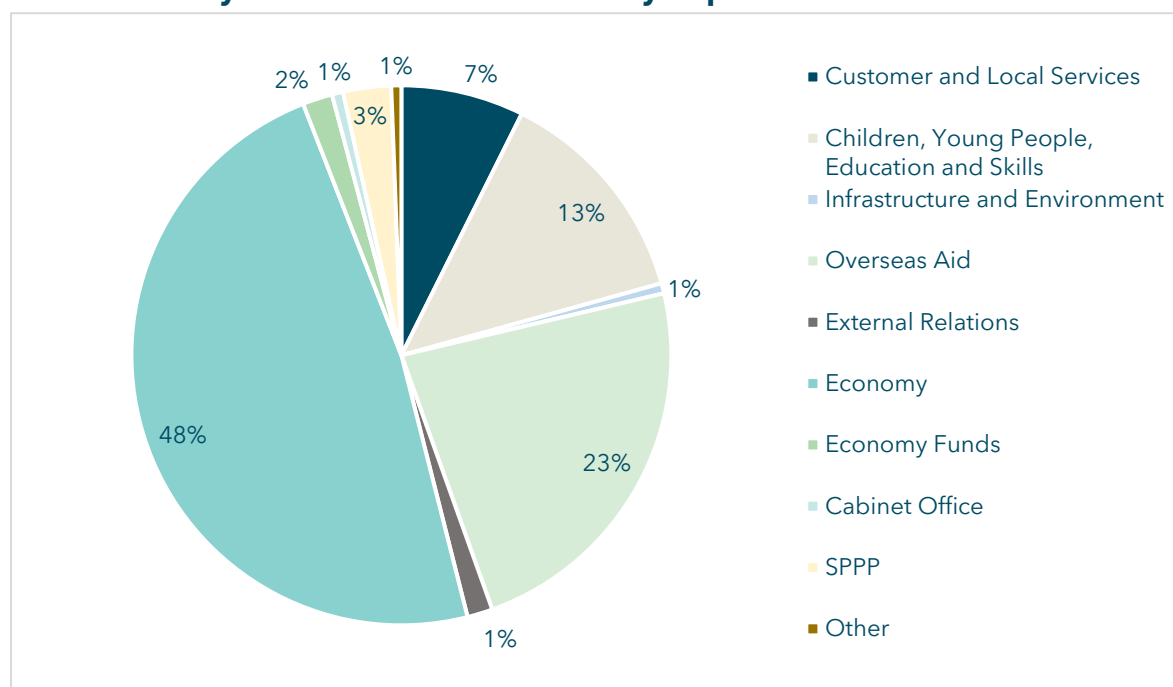
Department	Receiving body	Value in 2023
Economy	Jersey National Park	£250,000
	Rural Initiative Scheme	£1,026,000
	Rural Support Scheme	£3,046,000
	Marine Support Scheme	£321,000
	Jersey Finance Limited	£6,354,000
Children, Young People, Education and Skills	Beaulieu Convent School	£2,367,000

Department	Receiving body	Value in 2023
	Digital Jersey (Geek Academy)	£435,000
	Brighter Futures	£332,000
	Jersey Cares	£500,000
Cabinet Office - Office of the Chief Executive	Provision for Pilot Scheme (includes two grants)	£497,000
Cabinet Office - Strategic Planning, Policy and Performance	Jersey Advisory and Conciliation Service	£455,000

Source: Jersey Audit Office fieldwork

23. The Department for the Economy awarded 50% of grants and subsidies by value in 2023, as shown in Exhibit 3.

Exhibit 3: Analysis of Grants and Subsidies by Department



Source: Jersey Audit Office analysis of States of Jersey Group Annual Report and Accounts 2023

24. Implementation of previous C&AG recommendations has been monitored through the Government of Jersey's Recommendations Tracker. In addition, Commercial Services has monitored delivery of six recommendations which fell within its responsibility as part of a review for continuous improvement. Separately, the Department for the Economy has overseen the implementation of the recommendations from my audit of *Grants to Arts, Heritage and Culture*

Organisations. I have reviewed these monitoring documents to inform my evaluation of the progress made by the Government in delivering the improvements expected from implementation of the recommendations.

25. The monitoring undertaken by Commercial Services to assess progress made in implementing the recommendations from my predecessor's report in 2017 includes an assessment of the current governance arrangements for approving new grants and monitoring existing grants. This has concluded that arrangements continue to be applied inconsistently. A number of recommended actions have been identified by Commercial Services to improve the governance of grant funding. Officers note these will be refined in line with other work on the oversight and management of grant schemes by the Treasury and Exchequer Department following the completion of this follow up audit.
26. My audit did not extend to the Jersey Overseas Aid Commission, nor did it cover the States of Jersey response to the areas for consideration identified in my Thinkpiece *Governance and Accountability of Independent Bodies and Office Holders* (December 2022).

Detailed findings

27. I have structured my findings into the key elements of an effective grants and subsidies framework shown in Exhibit 4.

Exhibit 4: Elements of an effective grants and subsidies framework



Source: Jersey Audit Office

Overall principles and framework

28. The 2017 Report on *Grants and Subsidies* made five recommendations in respect of the overall arrangements within the States to ensure the right controls are in place for the design of grant schemes. Progress against these recommendations is summarised in Exhibit 5. Progress has been made in implementing the recommendations, in particular in relation to updating the Public Finances Manual (PFM). However, there is more to be done to ensure the requirements within the PFM are followed in practice.

Exhibit 5: Progress against the 2017 recommendations associated with overall principles of grant and subsidy funding

Recommendation	Current position	Evaluation
R1 Clarify the scope and review the definition of payments treated as 'grants and subsidies'.	Recommendation closed by the Government of Jersey.	<p>Implemented</p> <p>The glossary of the PFM defines the characteristics of discretionary financial benefits, discretionary grants, grants, grant schemes and sponsorships. A recent update to the PFM includes a table of characteristics to distinguish between a contract and a grant.</p> <p>There is no definition of a subsidy. However, there is limited use of this term within the PFM and officers are currently proposing to remove any references.</p>
R2 Ensure that payments that are in substance contracts are effectively managed as such.	Recommendation closed by the Government of Jersey.	<p>Partially implemented</p> <p>The recent update to the PFM includes a table of characteristics to distinguish between a contract and a grant.</p> <p>My testing of a sample of grants awarded in 2023 identified instances where terminology remains confused. There remains a need to set clear definitions to manage grants and contracts appropriately.</p>
<p>R3 Reflect in the revised Financial Direction 5.5 the elements of best practice for scheme design included in this section:</p> <ul style="list-style-type: none"> • consideration of alternative mechanisms for funding • identification, assessment and mitigation of risks • learning from other grant schemes 	Recommendation closed by the Government of Jersey.	<p>Implemented</p> <p>All points raised in the original recommendation have been reflected in the PFM requirements for new grant scheme awards.</p>

Recommendation	Current position	Evaluation
<ul style="list-style-type: none"> • stress testing • anti-fraud strategies • establishing evaluation and review processes • identifying the target population for grants • balancing the uptake of grants against the cost of administration • involvement of market sector expertise and reflecting it in scheme design • consideration of other grants and support available to market participants; and • forecasting and monitoring of scheme uptake. 		
R12 As part of the design of grant schemes routinely consider the cost of grant administration.	Recommendation closed by the Government of Jersey.	Partially implemented The PFM requires the assessment of new schemes to “balance the uptake of grants against the cost of administration”. In my review of two new grant schemes awarded in 2023, it is unclear how this requirement is evidenced.
R15 Develop an overall States wide framework for grants	Recommendation remains open. The Government is awaiting the results of this follow up audit.	Not implemented

Source: Jersey Audit Office analysis

29. The States have not developed an overall States wide framework for grants in response to the previously agreed recommendation. Current guidance is set out in the PFM, which includes a section on Grants and Sponsorships (together referred to in the PFM as grants). This applies to discretionary financial benefits paid to third parties, whether in the form of grants, sponsorships or subsidies. A separate

section of the PFM sets out the arrangements that apply to Arm's Length Bodies which are funded through grants from the States. The PFM sets out the principles and requirements which have to be followed by Accountable Officers in all States Bodies as defined in the Public Finances (Jersey) Law 2019 and all States Funds created in accordance with the Public Finances Law.

30. The PFM identifies characteristics that define a discretionary financial benefit and states that for the avoidance of doubt the definition excludes contracts for services and social or community benefits. A recent update to the PFM includes a table of characteristics to distinguish between a contract and a grant. The glossary within the PFM defines the characteristics of discretionary financial benefits, discretionary grants, grants, grant schemes and sponsorships. My work indicates that there is an opportunity to distinguish more clearly within the Grants and Sponsorships chapter in the PFM which requirements relate to which form of grant funding arrangement. There is no definition for subsidy included in the PFM and in practice, almost all schemes included in the note relating to grants and subsidies included in the States of Jersey Group Annual Report and Accounts are described as grants. I note also there is a current proposal by officers to remove the reference to subsidy from the PFM. Clarifying the terminology used in the PFM section on Grants and Sponsorships will enable appropriate and proportionate monitoring and oversight controls for each type of grant funding.
31. In my report *Commissioning of Services* (July 2024) I found that the States of Jersey use four delivery models to provide services to Islanders:
 - direct provision of services by Government and Non-Ministerial Departments
 - provision of services by States owned or States established entities (with financial support from Government in the form of grants)
 - provision of services by external on-Island entities with financial support in the form of grant funding; and
 - provision of services by external on-Island and off-Island entities bought through contracts for services awarded following consideration of competitive tendering needs.
32. Within that July 2024 report, I recommended that departments should formally document and capture the rationale behind why a particular delivery action is chosen. The Government's Executive Response to the recommendation indicated that this is already a requirement within the procurement strategy. However, I note such strategies are only required after a decision has been made to procure services. While the PFM provides directions on the activities that should be undertaken when spending public money, it does not include a requirement to document the rationale behind the chosen service delivery model.

33. There is no clear and consistent States-wide approach or framework to document the initial decision in determining how services are delivered to Islanders. This creates a gap in the support available to officers when they need to decide if the use of a grant or grant scheme is the most effective solution to deliver the intended outcome, rather than through, for example, a contract for services. In my fieldwork, I found that terminology can be used interchangeably, for example a variation provided to the grant awarded to one body was described as a contract variation.
34. A decision-making framework for grant funding would provide a roadmap for mature and effective decision making, by ensuring that grants are assessed, appraised and awarded in a consistent manner and support projects most likely to deliver expected outcomes to Islanders. It would demonstrate to grant receiving bodies that there is a fair and equitable process for securing funding and allow applicants to understand how decisions are made. Developing such a framework should sit alongside clarifying the terminology used in both awarding grants and setting up grant schemes. It provides an opportunity to review and streamline the principles and requirements in the PFM and to document an efficient and effective process to review and monitor ongoing grant arrangements.
35. The implementation of a framework will:
- enable Accountable Officers to demonstrate more clearly how they have discharged their responsibilities under the Public Finances (Jersey) Law 2019 and the PFM
 - provide greater certainty and clarity to grant receiving bodies; and
 - ensure a consistent approach to the award and management of grants and grant schemes across all Government departments.

Recommendation

- R1** Implement a decision-making framework for the assessment, appraisal and award of grants and grant schemes.

Scheme establishment

36. The elements of best practice for scheme design, as recommended in the 2017 C&AG report, are included in the PFM as requirements before new grant schemes are awarded. However, my review of two new grants issued in 2023 identified there are weaknesses in the documentation against PFM requirements.
37. In 2023, five new grants over £75,000 were awarded, with ten new grant schemes where the individual values are below £75,000 but the scheme cumulatively exceeds £75,000. I have reviewed two of the five new individual grants, both of which are managed within the same department, Children, Young People, Education and Skills (CYPES). In each case, the grant was made as a short term mechanism to continue services previously provided under contracts, with the intention of tendering the services during 2025.
38. The grants have been set up differently:
 - a grant of £332,000 to Brighter Futures is supported by a grant application and a service level agreement; and
 - a grant of £500,000 to Jersey Cares was set up as a partnership agreement.
39. In both cases, I have noted evidence of regular performance review being completed within CYPES. However, neither grant award is supported by documentation which fully demonstrates how the detailed PFM requirements for new schemes were assessed before the award was given, or why there is a difference in the type of agreement between the Government and the grant recipient.
40. Both new grants demonstrate how the funding is linked to the strategic aims and priorities of the States of Jersey, identify the population who will receive support from the grant funding and include some details on how outcomes will be measured and evaluated. However, a significant number of the PFM requirements, for example alternative mechanisms for funding, balancing the update of grants against the cost of administration and experiences learned from other grant schemes, among others, are not covered.
41. In my view, the PFM requirements for new grant schemes are overly detailed and complex. There are 17 requirements for new grant schemes, regardless of size.
42. Commercial Services has sought to improve the level of assurance for new grant funding schemes through developing a SharePoint site for grants. This includes details on types of grants, a new grant scheme approval process, grant application and agreement templates and information on the difference between a grant agreement and a contract for services. I note the template for new grant scheme

consideration and approval is largely aligned to the PFM requirements. However, Commercial Services has also identified challenges with consistent application of this guidance.

43. In my sample of existing grants awarded in 2023, I noted that each could be traced back to an over-arching document which set out the strategic aims and priorities of the States. In addition, there are detailed Arm's Length Body and grant policies, procedures and advice which support the administration of grant funding arrangements. These include:
- an Arm's Length Body governance risk and compliance checklist
 - a financial governance document for the Provision for Pilot Schemes; and
 - Schemes of Delegation for CYPES, the Department for the Economy and the Cabinet Office which include a section on grants that references back to meeting the requirements of the PFM.
44. The variety of documentation used in the grants included in my audit sample confirms the inconsistency in overall governance arrangements for individual grants and grant schemes, which has also been identified in the assessment undertaken by Commercial Services.
45. The assessment completed by Commercial Services during 2024 which looked at progress in meeting the recommendations made by my predecessor in 2017 identifies a number of actions for continuous improvement. These include the opportunity to create and roll out granting practitioners' guidance, aligned to the PFM requirements, to support individuals overseeing the approval and ongoing monitoring of grants. Officers have identified that the grants section of the PFM would benefit from a strategic review to streamline and better define the requirements in relation to both new, and existing, grants and grant schemes. This is not yet planned and there would be significant benefit if this review were undertaken alongside further development of guidance held on the Commercial Services SharePoint site for grants. Officers note the proposed actions will be refined following the completion of this follow up audit in line with other work on the oversight and management of grant schemes by the Treasury and Exchequer Department. Taking such a joined up approach will better enable the requirements to be supported by appropriately designed processes and procedures.

Recommendations

- R2** Critically evaluate and simplify the principles and requirements set out in the PFM, including clarifying the terminology and definitions used for the different forms of grant funding.
- R3** Implement the actions identified by Commercial Services to improve the consistency of documentation to meet the PFM requirements for new grants and grant schemes.

Assessment and award

46. The 2017 Report on *Grants and Subsidies* made two recommendations in respect of the overall arrangements within the States to ensure the right controls are in place for making decisions in relation to grants. Progress against these recommendations is summarised in Exhibit 6. Progress has been made in implementing the recommendations, in particular in relation to updating the PFM. However, there is more to be done to ensure the requirements within the PFM are followed in practice.

Exhibit 6: Progress in recommendations relating to grant award decisions

Recommendation	Current position	Evaluation
R11 Reinforce the mechanisms for monitoring compliance with corporate requirements following the roll-out of the revised Financial Direction 5.5, including: <ul style="list-style-type: none"> consideration of conflicts of interest; and undertaking due diligence. 	Recommendation closed by the Government of Jersey.	Partially implemented Both points raised in the original recommendation have been reflected in the PFM requirements for new grant scheme awards. My review of a sample of grants indicates inconsistency in the way in which conflicts of interest are documented.
R13 Reflect in the revised Financial Direction 5.5 the elements of best practice for evaluation included in this section: <ul style="list-style-type: none"> inclusion of appropriate value for money measures for grants in funding agreements and subsequent use of those measures; and systematic quality checks for all larger grants. 	Recommendation closed by the Government of Jersey.	Implemented Both points raised in the original recommendation have been reflected in the PFM requirements for new grant scheme awards.

Source: Jersey Audit Office analysis

47. Management of conflicts of interest is a normal part of business in government, particularly in a smaller jurisdiction such as Jersey. The consequence of not recognising or mitigating conflicts can damage the reputation of, and undermine confidence in, Government decision-making and oversight. It is therefore important that all bodies giving and receiving public funding have appropriate systems and processes in place to manage conflicts effectively.
48. The States Employment Board published six Codes of Practice in January 2023 which apply to all employees of the Board in public service in Jersey. Specifically, the *Code Standards in Public Service* references the requirement for public servants to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
49. The PFM now includes a section on Conflicts of Interest, setting out clear expectations which apply to all staff, with certain exceptions where alternative arrangements apply. Ministers and Assistant Ministers are bound by their own Code of Conduct and Practice, and declarations of interest for all States Members are published on the States Assembly website.
50. From my review of the grants sampled in this audit, the treatment of conflicts of interest is variable across Government departments and across grants. Only four of the 12 grants selected in my review included a section on conflicts of interest. There was no evidence of consideration in any of the other grant schemes reviewed.
51. For the grants which did consider conflicts of interest, three considered only the conflicts of interest process within the grant receiving body, and one contained no documentation beyond noting that conflicts of interest are managed. None included evidence of any consideration of conflicts of interest within the States either at officer or Ministerial and other States Members level.
52. Failing to be clear that either there are no conflicts of interest or, where they exist, making sure they are declared and properly managed exposes the States to a range of reputational and financial risks. These include a perception of bias and unfairness and the potential erosion of public confidence in the integrity of the decision making process relating to the award of grants. Including a mandatory section on conflicts of interest in standardised documentation for all grant applications and ongoing performance monitoring will enable effective management of declarations and mitigations.
53. For each of the grants, or grant schemes, selected in my sample, I assessed whether the grant funding agreement included appropriate value for money measures, such as agreed outcomes. I noted there were signed agreements in place between the Government and the grant receiving entity for 11 of the 12 grants reviewed. One grant was not supported by a signed agreement with the

grant funded body. Although there was a well documented assessment to support the rationale for the funding provided in this instance, the lack of a signed agreement increases the risk that the grant receiving entity is not properly held to account for the delivery of the agreed outcomes.

54. There is no consistency between the Government and the grant receiving entity in how agreed outputs or outcomes are recorded. I noted the use of different documents to record the agreement: such as partnership agreements, service level agreements, economic frameworks or more informal documentation. In addition, I note there is a model agreement for Arm's Length Bodies receiving grant funding of more than £1 million. As a consequence there is an inconsistent approach in documenting the expected outcomes from the grant funding. Of the 12 grants I reviewed, two had no obvious agreed Key Performance Indicators (KPIs), and in seven agreements the KPIs were largely in narrative form which makes them more difficult to measure effectively.
55. The consideration and approval form developed by Commercial Services for new grants and grant schemes includes three templates to encourage best practice between the Government of Jersey granting departments and their grant recipients:
 - grant application form (under £25,000)
 - grant agreement (£25,000 to £75,000); and
 - grant agreement (above £75,000).
56. The grant scheme consideration and approval form is detailed with two checklists that cover both the principles and the requirements contained in the PFM. The checklists are designed to be answered as yes, no or not applicable and there is a column for comments. The one example of a completed form in my sample had limited evidence in the comments column to support the response selected. This reduces the reliance that can be placed on whether the principles and requirements have been appropriately considered.
57. The granting practitioners' guidance proposed by Commercial Services should enable more transparency, consistency and accountability across Government departments and help ensure that grant funding is delivering the outcomes expected.

Recommendation

- R4** Document the evaluation of potential conflicts of interest between the States of Jersey and the grant receiving entity as part of grant approval.

Work planned that should be prioritised

- P1** Create and roll out granting practitioners' guidance aligned with the PFM requirements.

Grant monitoring and payment

58. The 2017 Report on *Grants and Subsidies* made ten recommendations in respect of the overall arrangements within the States to ensure the right controls are in place for monitoring and paying grants. Progress against these recommendations is summarised in Exhibit 7. Progress has been made in implementing the recommendations, in particular in relation to updating the PFM. However, there is more to be done to ensure the requirements within the PFM are followed in practice.

Exhibit 7: Progress in recommendations relating to grant monitoring and payment

Recommendation	Current position	Evaluation
R4 Reinforce the mechanisms for monitoring compliance with corporate requirements following the roll-out of the revised Financial Direction 5.5, including: <ul style="list-style-type: none"> the need for a transparent linkage of grant schemes to organisational objectives; and the need to ensure that grants are used only for their intended purpose. 	Recommendation closed by the Government of Jersey.	Implemented <p>The points raised in the original recommendation are included in the PFM requirements for new grant scheme awards. The PFM also requires Accountable Officers to review existing grant schemes against the requirements for new schemes at least annually.</p> <p>My review of a sample of grants indicates inconsistency in the documentation for new grants against the requirements of the PFM.</p>
R5 Undertake a corporate review of grants and other support to identify the total level of support to individual bodies and whether that is in line with organisational objectives.	Recommendation closed by the Government of Jersey.	Implemented <p>Commercial Services carried out a review of grants awarded between 2021 and 2023.</p>

Recommendation	Current position	Evaluation
<p>R6 Reflect in the revised Financial Direction 5.5 the elements of best practice for scheme oversight included in this section:</p> <ul style="list-style-type: none"> • overarching principles driving governance arrangements • mechanisms by which grant recipients account for their performance • provisions on measurement and delivery of objectives • specific provisions on risk management • requirements in relation to collation and use of management information; and • requirements in relation to the collation, recording and use of information received from whistleblowers. 	Recommendation closed by the Government of Jersey.	<p>Partially implemented</p> <p>The points raised in the original recommendation are included in the PFM requirements for new grant scheme awards, with the exception of whistle-blowing requirements.</p>
<p>R7 Review the range of existing governance arrangements for individual grants and grant schemes and justify differences by reference to business need.</p>	Recommendation has been re-opened by Government and is being considered by Commercial Services in its management of outstanding recommendations in relation to grant funding.	<p>Not implemented</p>

Recommendation	Current position	Evaluation
<p>R8 Reinforce the mechanisms for monitoring compliance with corporate requirements following the roll out of the revised Financial Directions 5.5 proportionate to the size of the grant awarded, including:</p> <ul style="list-style-type: none"> critically reviewing annual accounts provided by grant recipients obtaining evidence that grants have been used only for their intended purpose; and holding formal monitoring meetings with grant recipients. 	Recommendation closed by the Government of Jersey.	<p>Implemented</p> <p>The points raised in the original recommendation are included in the PFM requirements for new grant scheme awards.</p>
<p>R9 Share across the States good practice on the collation, evaluation and reporting of monitoring information on grant awards.</p>	Recommendation remains open.	<p>Not implemented</p>
<p>R10 Reflect in the revised Financial Direction 5.5 the elements of best practice for scheme management included in this section:</p> <ul style="list-style-type: none"> robust assessment of the capacity and capability of 'delivery partners' ongoing monitoring of whether controls operated by 'delivery partners' are effective consideration of the use of a wider range 	Recommendation closed by the Government of Jersey.	<p>Implemented</p> <p>The points raised in the original recommendation are included in the PFM requirements for new grant scheme awards.</p>

Recommendation	Current position	Evaluation
<p>of sanctions and rewards; and</p> <ul style="list-style-type: none"> consideration of the volume and nature of resources required to administer grants. 		
<p>R14 Review the cost and effectiveness of existing quality checks across larger grants and grant schemes and reconsider quality checks in light of that review.</p>	<p>Recommendation closed by the Government of Jersey.</p>	<p>Implemented</p> <p>This is included in the PFM requirements.</p> <p>However, my review of a sample of grants indicates inconsistency in how this is undertaken, and there is scope to reassess the ongoing quality monitoring arrangements, including taking account of proportionality.</p>
<p>R16 At Corporate Management Board level, develop a corporate action plan to address the recurring weaknesses in the management of grants and monitor its implementation.</p>	<p>Recommendation closed by the Government of Jersey.</p>	<p>Partially implemented</p> <p>There is no formal corporate action plan as envisaged by this recommendation. The management and oversight of grant funding continues to be identified as an area of weakness by Internal Audit in its annual opinion.</p> <p>Commercial Services has monitored the implementation of this recommendation and identified areas for continuous improvement.</p>
<p>R17 Take further steps to instil from the top of the organisation a consistent culture of good governance across all departments.</p>	<p>Recommendation closed by the Government of Jersey.</p>	<p>Partially implemented</p> <p>The recommendations from the 2017 report relating to the governance framework have been implemented in the PFM. However, my review of a sample of grants indicates inconsistency in compliance with the requirements.</p>

Source: Jersey Audit Office analysis

59. The PFM requirements for new schemes reinforce the need for grant schemes to be linked to organisational objectives and contribute to the strategic aims,

priorities and desired outcomes of the States of Jersey; and that grants are only used for their intended purpose. From my review of the two new grants included in my sample, I note that both met these requirements to an extent. The new grant scheme consideration and approval form developed by Commercial Services also ensures that this is considered before an award is made.

60. However, neither the consideration and approval form, nor the grant agreement templates, specifically reference the Jersey Performance Framework and Island Outcomes. The agreement form for grants below £25,000 requires an assessment of how the grant will contribute to the delivery of the strategic priorities and common themes of the relevant department and the States of Jersey. But this consideration is less explicit in the agreement templates for grants between £25,000 and £75,000, or over £75,000.
61. Analysis undertaken by Government indicates there are bodies which receive grants from more than one Government department. The level of funding varies, and the Government's data indicates that only a very small number of bodies receive funding of more than £75,000 from more than one department. However, there is a risk that, without a consistent approach across Government, receiving funds from different departments could inhibit the successful development of partnership working to deliver improved outcomes for Islanders:
 - for Government: inefficiency in the strategic oversight and operational monitoring associated with each grant or contract and a potential risk associated with departments providing funding for the same activity; and
 - for the grant recipient: managing requests for information, potentially requiring different data, which take time and resource away from delivering the service.
62. There is an opportunity to streamline processes and oversight for both Government and the grant receiving bodies, for example by identifying a lead officer that engages on behalf of Government with the grant recipient. This would improve clarity about, and management of, risks associated with grant recipients receiving grants from more than one department, or receiving multiple grants from the same department, and potentially also providing services under contract.
63. There has been limited progress in developing a consistent culture of good governance in relation to grants across all departments. The Chief Internal Auditor has included grants and contract management as a key area of risk with improvement required in her annual report and opinion for the last three years. Commercial Services has undertaken a review of outstanding recommendations from the 2017 C&AG report on *Grants and Subsidies* and from the work of Internal Audit. This review has included some analysis of the management and financial information available for grants. This work provides a starting point for the

development of more robust management information, using the functionality of the new ledger system, to support the management and oversight of the use of grant funding.

64. In response to my predecessor's report, the PFM was updated to reflect the best practice elements for scheme oversight, monitoring compliance with corporate requirements and scheme management. Each grant or grant scheme in my sample was supported by documentation that demonstrated evidence of ongoing monitoring and oversight. The documentation varied from formal half yearly appraisals in advance of the grant funding payment, to more informal notes of meetings such as the use of emails as a form of evidence. It is important that monitoring and oversight arrangements are proportionate to the size and risk of the grant funding agreement, but there is scope to standardise the documentation to ensure compliance with oversight requirements can be more easily evaluated. There may be benefit in aligning the monitoring requirements to the same three levels of grant used in the approvals process. For example, a more detailed checklist used for the grants greater than £75,000, with a more streamlined requirement for grants of less than £25,000.
65. The PFM requires that:
- "the Accountable Officer must review existing grants schemes against the requirements for new schemes at least annually. Any requirements not met must be documented, and the Accountable Officer should consider whether to amend the scheme."*
66. Only five new grants and ten new grant schemes were included in the disclosures within the 2023 States of Jersey Group Annual Report and Accounts. The total value of these was £8.2 million, representing 11% of the £74.1 million total value of grants disclosed. Existing individual grants and grant schemes therefore represent 89% of the value disclosed in the Annual Report and Accounts, ranging from £70,000 to £9.7 million.
67. The PFM includes a principle that grants should be periodically reviewed, but there is no specific requirement in the PFM to review discretionary grants (that is, grants that are not under a scheme). Officers have noted that such grants are effectively treated as a one-off decision each year. This approach is different from the requirement for existing grant schemes.
68. Given the number of individual grants over £75,000 and the number of grant schemes (as set out for 2023 in Exhibit 1), there could be benefit to introducing a more specific option to evaluate individual grants and grant schemes, against agreed risk criteria, and identify those which should be reviewed at least annually, and those which could be reviewed less frequently. This will allow a greater focus

on those grants and grant schemes that are at a higher risk, either financially or in terms of non-delivery of the intended outcomes.

69. The review undertaken by Commercial Services as part of monitoring the implementation of recommendations from the 2017 Report on *Grants and Subsidies* included an analysis of grant spend data and the governance arrangements in key departments: Economy, CYPES, and the Cabinet Office. The analysis focussed on expenditure contained within the general ledger grant codes. As data analytics functionality continues to develop, further analysis should also consider what other expenditure, for example through contracts for services, is paid to bodies that also receive grant funding. This will provide a deeper understanding of the relationship between the Government and the grant receiving body. It could also inform the risk-based assessment of existing grants and grant schemes.
70. The Commercial Services review identified recommendations and potential future workstreams as part of continuous improvement, including:
- new grant definition
 - revised granting requirements, in line with the PFM
 - development of grant data processing guidance; and
 - guidance around compliance monitoring and control.
71. Commercial Services assesses that the benefits of this would include elimination of duplication of grant funding, reducing the administrative burden for both the Government and grant receiving bodies, and reducing the risk of fraud and error.
72. The work by Commercial Services in response to previous recommendations by my predecessor and Internal Audit provides a positive basis on which to continue to improve the governance of grant and grant schemes. To support this, there is a need to review the PFM, not only to streamline the requirements for new grants and grant schemes, but also to develop a proportionate approach for the review of existing grants and grant schemes.

Recommendations

- R5** Require specific consideration of the Jersey Performance Framework and Island Outcomes in the grant approval process.
- R6** Set clear requirements in the PFM for regular monitoring of existing individual grants and grant schemes awarded, proportionate to the size of grant and the type of service being delivered.
- R7** Develop data analytics to identify total expenditure, either through grant funding or contracts for services, paid to grant receiving bodies.

Work planned that should be prioritised

- P2** Implement the recommendations from the continuous improvement review of grant arrangements completed by Commercial Services.

Area for consideration

- A1** Identify a lead officer to oversee approval and monitoring processes with grant recipients where they receive funding from more than one department.

Follow up – Grants to Arts, Heritage and Culture Organisations

73. In my report *Grants to Arts, Heritage and Culture Organisations* (December 2022) I made seven recommendations, one of which was rejected by Government, and one was partially accepted. Exhibit 8 sets out the current status of the recommendations.

Exhibit 8: Progress in the implementation of recommendations in respect of Grants to Arts, Heritage and Culture Organisations

Recommendation	Current position	Evaluation
R1 Undertake further analysis to review and assess options for all Jersey arts venues.	Recommendation closed by the Government of Jersey.	In progress The action is ongoing. The Department for the Economy notes that there is active discussion about options for all Jersey arts venues as part of the annual budget discussion and agreement process.
R2 Prepare and publish implementation plans for both the Arts and the Heritage Strategies. These implementation plans should include: <ul style="list-style-type: none"> • prioritised and costed actions • clarity on alignment of workstream and task and finish group proposals with priority themes • indicative implementation timetables; and • clearly allocated responsibilities. 	Recommendation noted as ongoing by the Government of Jersey.	Not implemented Officers note that implementation plans are included within the annual business plans of the bodies receiving grant funding and the Departmental Business Plan. This is a helpful development to demonstrate how individual organisations intend to implement their own strategies in line with the States of Jersey overarching strategy. However, this does not meet the expectation of my recommendation: that the Government should produce structured and costed plans to support the delivery of the objectives set out in the published Arts and Heritage Strategies.

Recommendation	Current position	Evaluation
R3 Review all arts and heritage KPIs to ensure that data is readily available and a baseline is determined as a reference point for trend measurement.	Recommendation closed by the Government of Jersey.	<p>In progress</p> <p>Officers noted in their response to the recommendation that all grants awarded are supported by KPIs, reviewed in formal six-monthly appraisal meetings with grant funded bodies.</p> <p>I reviewed the KPIs included in the 2024 business plans for two bodies. Both plans included measurable KPIs. However, they continue to focus more on input and volumes rather than being outcome focussed.</p>
R4 Develop a holistic approach to grant funding of the three main arts bodies which recognises individual offers as well as the collective contribution to delivery of the Arts Strategy.	Recommendation closed by the Government of Jersey.	<p>In progress</p> <p>A new grant analysis framework and reporting process has been introduced within the Department for the Economy.</p> <p>All grant appraisals are undertaken twice a year using a consistent template. This includes some assessment of how the grant receiving body is performing against the Common Strategic Policy Priorities and the priorities within the Arts Strategy.</p> <p>However, as the development of outcome measures related to the Strategy is limited in business plans, it is difficult to assess how this is reflected in the appraisals undertaken.</p>
R5 Introduce a requirement for each ALB to submit a formal grant funding request with business case and needs assessment each year. The formal request should include details of: <ul style="list-style-type: none"> the funding being requested 	Recommendation closed by the Government of Jersey.	<p>In progress</p> <p>A new grant analysis framework and reporting process has been introduced by the Department for the Economy for grant funding to arts, culture and heritage bodies. Each Arm's Length Body is required to submit a formal grant funding request, including a business plan, which sets out the funding requested. From my review of</p>

Recommendation	Current position	Evaluation
<ul style="list-style-type: none"> the outcomes that will be achieved with the funding granted; and how those outcomes contribute to the implementation of the relevant Arts or Heritage Strategy. 		<p>the grants awarded to two organisations in 2024, I noted that the measures included in the business plans continue to focus more on input and volumes rather than outcomes.</p> <p>There was a clearer link between the business plan and the relevant Strategy for one body. However, the link was less clear for the second organisation reviewed.</p>
R6 Liaise with each ALB and encourage development of longer-term business plans with stretched targets that link to the Arts and Heritage Strategies.	Recommendation rejected by the Government of Jersey.	<p>Recommendation rejected by Government</p> <p>However, the Department for the Economy has monitored progress in implementing this recommendation.</p> <p>Officers have expressed a desire to move towards longer term strategic business plans, aligned with the Arts and Heritage Strategies. There is some evidence that ALBs are developing longer term strategies, but officers acknowledge that it is difficult for ALBs to be confident in longer term funding decisions as the Government Budget is finalised late in the calendar year.</p>
R7 Put in place a mechanism to agree maintenance responsibilities and liabilities for the Opera House.	Recommendation noted as ongoing by the Government of Jersey.	<p>In progress</p> <p>There are ongoing discussions between the Department for the Economy, Jersey Property Holdings and Jersey Opera House Limited to agree an operational lease, post the completion of the refurbishment project. The Tracker notes this was due to be completed by end January 2025. This was still ongoing at the time of drafting this report.</p>

Source: Jersey Audit Office analysis

74. Progress has been made in responding to my previous recommendations and the Department for the Economy monitors their implementation. I noted the development of a grant analysis framework and reporting process, which has led to more consistency in the grant appraisal processes. However, the Government has not yet put in place clear implementation plans for the Art and Heritage Strategies to demonstrate how the objectives of each Strategy will be delivered.
75. There are clearer links between the grant receiving body business plans and the Strategies, although this could be developed further. The business plans I reviewed as part of this follow-up audit included measurable KPIs. However, they continue to focus more on input and volumes rather than being outcome focussed.
76. The final recommendation in relation to the Jersey Opera House remains open as there are ongoing discussions in relation to the maintenance responsibilities and liabilities of the Opera House.

Appendix One

Audit Approach

This audit used a combination of a result-oriented approach and a system-oriented approach.

The audit used the following criteria:

1. The States have a clear strategy/vision for the use of grant and subsidy funding.
2. Departments maximise public value by considering all funding options before providing grant funding and/or subsidies.
3. Planning and design of grants and subsidies are strategic, proportionate and outcome focussed.
4. Appropriate monitoring arrangements are in place to assess compliance with financial controls and ensure outcomes are achieved.

The approach included the following key elements:

- review of the implementation of previous C&AG recommendations, including an assessment of the extent to which the recommendations as implemented have addressed improvement areas
- review of key documents
- testing of a sample of grants and subsidies using the initial criteria; and
- interviews with officers.

The grants selected for review were:

Department	Receiving body	Value in 2023
Economy	Jersey National Park	£250,000
	Rural Initiative Scheme	£1,026,000
	Rural Support Scheme	£3,046,000
	Marine Support Scheme	£321,000
	Jersey Finance Limited	£6,354,000
Children, Young People, Education and Skills	Beaulieu Convent School	£2,367,000

Department	Receiving body	Value in 2023
	Digital Jersey (Geek Academy)	£435,000
	Brighter Futures	£332,000
	Jersey Cares	£500,000
Cabinet Office - Office of the Chief Executive	Provision for Pilot Scheme (includes two grants)	£497,000
Cabinet Office - Strategic Planning, Policy and Performance	Jersey Advisory and Conciliation Service	£455,000

The documents reviewed included:

- documentation on approval and oversight of grant awards such as partnership and grant agreements, Government agendas and meeting notes, grant appraisals and grant assurance statements
- documentation relating to the management of individual bodies, including grant applications, business plans, performance reports and performance information
- Economic Framework for the Marine Environment
- Economic Framework for the Rural Environment 2022
- Internal Audit reports relating to grant procedures and individual grant schemes
- Ministerial Decision (MD-TR-2020-0023) Allocation of General Reserve Funding for Provision of Pilot Schemes to the Office of the Chief Executive
- Provision for Pilot Schemes – financial governance
- Public Finances Manual and supporting guidance and frameworks
- Schemes of Delegation for Cabinet Office, Children, Young People, Education and Skills, and Department for the Economy; and
- the reported progress on the recommendations from:
 - *Grants and Subsidies* (December 2017)
 - *Grants to Arts, Heritage and Culture Organisations* (December 2022).

The following people contributed information through interviews or by correspondence:

- Assistant Chief Executive
- Business and Governance Officer to the Council of Ministers
- Chief Internal Auditor
- Director of Corporate Policy
- Director of Strategic Procurement
- Head of Business Management and Governance, Department for the Economy
- Head of Finance Business Partnering, Office of the Chief Executive
- Head of Financial Governance
- Head of Local Economy
- Head of the Office of the Chief Executive
- Head of Transformation, Commissioning and Partnerships, Children, Young People, Education and Skills
- Senior Commercial Lead/Commercial Lead, Commercial Services

The fieldwork was carried out by an affiliate working for the Comptroller and Auditor General, in June 2024 to March 2025.

Appendix Two

Summary of Recommendations, Work planned that should be prioritised and Area for consideration

Recommendations

- R1** Implement a decision-making framework for the assessment, appraisal and award of grants and grant schemes.
- R2** Critically evaluate and simplify the principles and requirements set out in the PFM, including clarifying the terminology and definitions used for the different forms of grant funding.
- R3** Implement the actions identified by Commercial Services to improve the consistency of documentation to meet the PFM requirements for new grants and grant schemes.
- R4** Document the evaluation of potential conflicts of interest between the States of Jersey and the grant receiving entity as part of grant approval.
- R5** Require specific consideration of the Jersey Performance Framework and Island Outcomes in the grant approval process.
- R6** Set clear requirements in the PFM for regular monitoring of existing individual grants and grant schemes awarded, proportionate to the size of grant and the type of service being delivered.
- R7** Develop data analytics to identify total expenditure, either through grant funding or contracts for services, paid to grant receiving bodies.

Work planned that should be prioritised

- P1** Create and roll out granting practitioners' guidance aligned with the PFM requirements.
- P2** Implement the recommendations from the continuous improvement review of grant arrangements completed by Commercial Services.

Area for consideration

- A1** Identify a lead officer to oversee approval and monitoring processes with grant recipients where they receive funding from more than one Department.



JERSEY AUDIT OFFICE

LYNN PAMMENT CBE
Comptroller and Auditor General

Jersey Audit Office, De Carteret House, 7 Castle Street, St Helier, Jersey JE2 3BT
T: +44 1534 716800 E: enquiries@jerseyauditoffice.je W: www.jerseyauditoffice.je