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Deputy Moz Scott
Chair, Economic and International Affairs Scrutiny Panel

By email

15th November 2023

Dear Deputy Scott

Re: Follow-up questions from recent Public Hearing

Thank you for your letter dated 3rd November, outlining follow-up questions after the Public Hearing on the 26th October. Please see below responses to each question in turn:

Government Plan 2024 – 2027 Jersey Finance Expenditure Bid

1. The majority of funding for Jersey Finance is gained through the Government of Jersey Grant; what analysis has been undertaken to establish value for money and the Return on Investment of this funding: for example, has any independent cost benefit analysis and/or economic impact assessment been undertaken and, if so, can this/these please be provided?

Jersey Finance undertakes a role that would otherwise be fulfilled within Government. This reflects models in many other jurisdictions, including Guernsey, the Cayman Islands and other similar international finance centres (“IFCs”), including the City of London.

The grant funding provided to Jersey Finance is subject to the requirements of the Public Finances (Jersey) Law 2019. The need for the grant funding is subject to assessment prior to release of any monies. This involves the scrutiny of financial information, Key Performance Indicators (“KPIs”) and corporate governance policies. Additionally, the Department for the Economy is invited to quarterly Jersey Finance Board meetings and has full oversight of information contained within board papers. As Minister with responsibility for financial services, I hold partnership meetings with the CEO and Chair of the Board bi-annually. These all serve as means to assess the cost benefit analysis of the arrangement, albeit by a different name.

We continue to see growth in the financial services sector. This growth is not accidental, and Jersey Finance continues to play a significant role in influencing this growth. This includes increased funds under investment management to £30.2bn at the end of 2022, a £6.6bn increase since 2018. Bank deposits have also increased by almost £4bn in the same period. The Jersey Private Fund continues to be successful with 638 registered at 31 December 2022.

2. What percentage of overall grant funding to Jersey Finance is expected to be applied towards payroll costs, lease costs, travel costs and money spent on advertising the Island abroad?

The Jersey Finance Annual Report provides a breakdown of expenditure of Jersey Finance, including payroll and marketing expenses. A copy of the same can be found [here](#).

3. Please clearly outline the benefits that will be achieved through the proposed additional grant funding, in addition to the current allocated funding?

It should be noted that there have been changes to the Jersey Finance grant funding, as additional funding provided to Jersey Finance as part of the Economic Recovery funding post pandemic has now been withdrawn. Additionally, under the previous Government of Jersey Medium Term Financial Plan funding model, the funding provision for Jersey Finance was based on four-year averaging.

As a result of the above, the £750,000 proposed in the Government Plan does not result in increased funding for Jersey Finance.

The role of Jersey Finance differs to that of the Department, in that it is the representative body for the finance and professional services industry and is responsible for promotion of the industry. The Department is responsible for development of policy and legislation for the industry.

The continued work of Jersey Finance will be to promote Jersey's reputation as a well-regulated and successful IFC both in Jersey and overseas. This includes through the recently launched Jersey Finance Singapore Office, which was previously funded through Economic Recovery

4. How will the proposed additional grant funding increase economic productivity in Jersey, in addition to the funding allocated in the previous Government Plan?

Growth in economic productivity is not something specifically measured in relation to the work of Jersey Finance.

5. What Key Performance Indicators will you be tracking to evidence the benefit of the proposed additional grant funding, in addition to the funding allocated in the previous Government Plans?

As noted above, the Department monitors the performance of Jersey Finance against KPIs periodically, including at the point of assessing grant payments and at quarterly Jersey Finance Board meetings.

A number of the Jersey Finance KPIs are specified in its [Annual Report](#).

Further KPIs for Jersey Finance will be determined once its business plan is finalised. As per the current arrangement, these will be tracked by the Department during grant appraisals, at partnership meetings and quarterly Board Meetings.

6. How has growth in sector Gross Value Added (GVA) been identified as directly attributable to the activities of Jersey Finance and how will it be, moving forward?

Growth in sector GVA has not been directly attributed to activities of Jersey Finance at this time. As the Panel will appreciate, a number of factors will impact GVA, including interest rates.

7. Is the proposed additional grant funding sufficient to meet the aspirations of Jersey Finance and Ministers?

In preparing the Government Plan, Ministers faced a significant number of bids for additional support. Ministers have evaluated and assessed each request for support and have reached a suitable outcome which reflects the needs and impact of each bid.

8. What actions are being undertaken by Jersey Finance to prioritise the work it undertakes?

The work of Jersey Finance is aligned to the Government Plan and the Common Strategic Policy. While the Department tracks KPIs set for Jersey Finance and I meet with Jersey Finance specifically for partnership meetings bi-annually, prioritisation of its work is a matter for Jersey Finance.

9. What specific work on FinTech and Sustainable Finance is the growth bid intended to cover?

Jersey Finance is finalising its Business Plan for 2024 onwards. It is anticipated that the Business Plan will be finalised once approved by the Board in November. FinTech and Sustainable Finance remain priorities for the Department and Jersey Finance.

10. What alternative means of funding, funding levels, and corresponding outcomes, were identified and considered during the application for the additional grant funding?

I anticipate that Jersey Finance will be increasing membership fees, as is ordinary course. As noted in the Annual Report, Jersey Finance also receives income through sponsorship and other marketing opportunities provided to its membership.

11. What horizon scanning does Jersey Finance do that might not reasonably be undertaken by private sector businesses themselves?

The Department does not hold information relevant to this question. Jersey Finance may be able to provide further information to assist the panel. Horizon scanning would, however, be just one activity provided by Jersey Finance to support the industry and is likely to be considered ancillary to its main activities.

12. What would the ramifications be should the proposed additional grant funding not be approved?

As noted in response to question 3, the Panel should be mindful that this does not represent "additional" funding for Jersey Finance.

Should the Assembly be minded not to support the funding bid for Jersey Finance, Jersey Finance would be limited in the scope of activities it is able to undertake in 2024. It may then be necessary for the Government to take responsibility for delivery of some of those activities.

13. What quantitative economic analysis has been undertaken to determine the potential economic impact of a. the proposed additional grant funding; and b. the investment in presences in Singapore and Sub-Saharan Africa, and how will this be tracked in the coming years?

A business justification case was completed and submitted to support the grant funding request. This includes economic analysis of GVA and fiscal contributions by the sector and forecasting undertaken by the Income Forecasting Group.

Similarly, a business case was prepared in relation to investment in both Singapore and Sub-Saharan Africa.

The Department will continue to assess and track the position through agreed KPIs, grant appraisals, partnership meetings and attendance at Jersey Finance Board meetings.

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

The analysis forms part of the business justification case. No further analysis is available at this time.

Government Plan 2024-2027 Financial Intelligence Unit

1. What percentage of overall grant funding is expected to be applied towards additional payroll costs, premises lease costs, new technology costs, additional training costs and self-promotion costs?

- New Staff costs = 42.6%
- Premises Lease costs = 0%
- New Technology costs = 24.96%
- Additional Training costs = 11.44%
- Self-Promotion costs = 5.1%

2. Please clearly outline the benefits that will be achieved through the proposed funding mechanism, as opposed to continued funding through the States of Jersey Police Head of Expenditure?

The FIU is no longer part of the SoJP and it became an autonomous and independent agency in July 2023 by virtue of statutory amendments passed by the Assembly. As such it requires to be both independent and suitably funded. This is a responsibility of the Chief Minister under legislation (delegated to myself as Assistant Chief Minister). Continuing to fund the FIU through the SOJP is no longer practicable or appropriate given its change in status; the change of head of expenditure is aligned with those changes.

Overall, the change is designed to ensure that expenditure can be focussed on relevant priorities of the FIU (aligned to the Government strategic plan, national risk assessments and the wider international threats we face as an IFC), rather than be considered alongside the other funding requirements of the States of Jersey Police.

a. Will there be any additional costs incurred by the States of Jersey Police to facilitate the split or compensate for reduced resourcing?

The FIU only employs one police officer which is a legislative requirement.

All other FIU staff are States employees and are not SoJP employees.

SoJP deliver ad-hoc business support, but the FIU are taking more of this on, ensuring that there is little impact on SoJP resources and requirements.

The continuing work towards the separation of the FIU from the SoJP is ongoing. Once full separation has occurred and the FIU is no longer housed in the SoJP building (a project being delivered over time), SoJP will make cost savings as they will retain IT, facilities and furniture, office space and business support services that will all, necessarily, be delivered directly from and by the FIU. This will be aligned to appropriate budget increase requests for the FIU as the project progresses, which will occur over time.

3. Please can you identify how the Financial Intelligence Unit interacts with the Law Officers' Department's Economic Confiscation Unit (ECCU) and Mutual Legal Assistance (MLA) teams, noting the proposed additional revenue expenditure I-LOD-GP24-003 LOD – Moneyval?

"I-LOD-GP24-003 LOD – Moneyval" is not related to this bid in any way. The naming of the LOD bid may be somewhat confusing as that bid is actually designed to increase the

resources of the mutual legal assistance team in line with current domestic pressures and the risk profile Jersey is currently facing.

The core function of the FIU is to disseminate intelligence in relation to money laundering and terrorist financing. The main recipient of FIU intelligence disseminations is ECCU.

All incoming MLA requests are reviewed by FIU to identify any intelligence that the FIU might already hold. Furthermore, intelligence disseminated by the FIU to other FIUs abroad regularly results in those jurisdictions submitted MLA requests to Jersey.

a. The Proposed Government Plan 2024- 2027 Annex identifies that this funding will allow for an additional civilian investigator, to allow for a greater number of financial crime cases to be investigated, increase the speed at which current cases are investigated and enable more efficient cooperation with overseas jurisdictions. Please can you identify what procedures are in place to avoid duplication whilst promoting collaboration of work by the FIU in this area?

There will be no duplication. The FIU receives, analyses and disseminates intelligence. It does not conduct investigations. The roles of the FIU and investigating agencies (such as ECCU) are distinctly different and separate from each other. There is regular engagement between the agencies, through groups such as the JAM (Joint Agency Meeting – involving both the FIU and all law enforcement agencies) to ensure collaboration and cooperation between authorities on ongoing matters.

4. What Key Performance Indicators will you be tracking to evidence the benefit of the proposed funding?

The recently established Financial Crime Agencies Review Group (“FCARG”), a group Chaired by the Government pursuant to a MOU, aims to ensure financial crime agencies are adequately fulfilling their functions. On this basis, the FIU will be required to report on a quarterly basis, in relation to the following metrics;

- New Suspicious Activity Reports received.
- Other reports received.
- Intelligence disseminations (numbers; recipients – domestic/international).
- Consent Regime (ongoing case numbers including timelines)

5. What actions are being undertaken by Financial Intelligence Unit to prioritise the work it undertakes?

The FIU is undertaking a comprehensive and broad review of all aspects of its work and historic and current focus. This is intended to ensure the FIU better understands the threat faced by the jurisdiction and is established, trained and capable of effectively delivering its core requirements to an appropriate standard.

The FIU is fully reviewing, rationalising and changing its receipt, triage and prioritisation processes to make this clearer, aligned to the jurisdictions national risk assessments and international insight on threat dynamics and relevant to what is likely to require more intelligence research and analysis.

6. What alternative means of funding, funding levels, and corresponding outcomes, were identified and considered during the in application for the proposed funding?

The funding bid included options for both greater and lesser funding levels. The option selected was one of the lower-level options, as it was understood that there were competing calls on limited government resources. It is acknowledged that further FIU funding growth may be better delivered as an incremental rise, demonstrating impact and effect before growing further capability.

7. What would the ramifications be should the proposed funding not be approved?

If the funding were not approved there would be continued challenges to the FIU fulfilling its core functions as mandated by statute. This would also present challenges to the reputational position of Jersey as a leading IFC which could be undermined and the ability of the FIU to undertake its role effectively (and in line with international standards) would be severely compromised. This would potentially have impacts for [our ongoing MONEYVAL evaluation but also for future Moneyval evaluations, where the approach of the Government to funding the FIU would be relevant. Resource considerations in the FIU are a significant part of any mutual evaluation report and process and this will be the same situation for Jersey.

8. What quantitative economic analysis and economic impact assessment has been undertaken to determine the potential impact of the proposed funding, what is the definition of success in respect of it and how will this be tracked in the coming years?

Intelligence impact, by its nature, is difficult to quantify. However, internal FIU analysis of how the use of improved technology, sources and training will provide the following estimated outcomes:

- Drive efficiencies on research v analysis. The increased resource will change the distribution between research and analysis. Currently research is @ 70% of time and analysis @ 30%. The intention is that this will be reversed, thereby focussing on analysis, insight and effectiveness rather than information collection.
- 3 x Increase of on-island intelligence analysis capability.
- 4 x the intelligence insight of complex cases progressed to investigative agencies
- 4 x Faster identification of financial crime risk and escalation to mitigate
- 4 x increase in risk identification of complex risk.
- 5 x increase in the quality and depth of intelligence reporting to JFSC and ECCU.

In light of the detailed responses provided above, I would be grateful if you could reconsider the need for a Public Hearing on these issues. If any further information is required, we would of course be happy to provide this.

Yours sincerely



Deputy Elaine Millar
Assistant Chief Minister