

# STATES OF JERSEY



## GOVERNMENT PLAN 2020–2023 (P.71/2019): SIXTH AMENDMENT

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Lodged au Greffe on 8th November 2019  
by the Economic and International Affairs Scrutiny Panel

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STATES GREFFE

**1 PAGE 2, PARAGRAPH (c) –**

After the words “of the Report” insert the words “, except that in Summary Table 3(i) the Head of Expenditure for the Office of the Chief Executive shall be reduced by £150,000 on the basis that a Financial Stability Board (as described on page 60 of Appendix 4 to the Report) will not be established, with other affected lines in Summary Table 3(i) to be updated accordingly”.

**2 PAGE 3, PARAGRAPH (i) –**

After the words “Appendix 4 to the Report” insert the words “, except that on page 60 of Appendix 4 the action entitled “Establish a Financial Stability Board” shall be deleted”.

**ECONOMIC AND INTERNATIONAL AFFAIRS SCRUTINY PANEL**

**Note:** After this amendment, the proposition would read as follows –

**THE STATES are asked to decide whether they are of opinion –**

to receive the Government Plan 2020–2023 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2020 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law; and
- (b) to approve each major project that is to be started or continued in 2020 and the total cost of each such project, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 – Summary Table 2 to the Report; and
- (c) to approve the proposed amount to be appropriated from the Consolidated Fund for 2020, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law and set out in Appendix 2 – Summary Tables 3(i) and (ii) of the Report, except that in Summary Table 3(i) the Head of Expenditure for the Office of the Chief Executive shall be reduced by £150,000 on the basis that a Financial Stability Board (as described on page 60 of Appendix 4 to the Report) will not be established,

with other affected lines in Summary Table 3(i) to be updated accordingly; and

- (d) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2020 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 4 to the Report; and
- (e) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2020 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 5 to the Report; and
- (f) to approve –
  - (i) the establishment of a “Climate Emergency Fund”, in accordance with the provisions of Article 6 of the Law, as set out at Appendix 3 to the Report; and
  - (ii) the estimated income and expenditure proposals for the Climate Emergency Fund for 2020 as set out in Appendix 2 – Summary Table 6 to the Report; and
- (g) to approve the amounts to be transferred from one States fund to another for 2020 in line with Article 9(2)(b) as set out in Appendix 2 – Summary Table 7 to the Report; and
- (h) to approve the estimated income and expenditure of the Social Security, Health Insurance and Long-Term Care Funds for 2020 set out in Appendix 2 – Summary Tables 8(i), (ii) and (iii) to the Report, with –
  - (i) the estimated income to be raised from existing social security contributions defined in the Social Security Law and the proposed changes to contribution liability; and
  - (ii) the estimated expenditure to be paid to support the existing benefits and functions defined in the Social Security Law, the Health Insurance Law and the Long-Term Care Funds and new benefits, if any, to be paid from the Funds; and
- (i) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2020–2023, as set out at Appendix 4 to the Report, except that on page 60 of Appendix 4 the action entitled “Establish a Financial Stability Board” shall be deleted.

## REPORT

The Panel has reviewed the project “Financial Stability Board” (“FSB”). The project seeks additional investment to establish a Board as recommended in the ‘Boleat’ report in 2011. In total, the business case for the project seeks to secure –

- £150,000 in 2020
- £150,000 in 2021
- £150,000 in 2022
- £150,000 in 2023.

In response to the ‘Boleat’ report, the Government established an interim FSB in 2012 but the Chief Minister advised that, due to a lack of definition and funding, the interim FSB faded away. It is envisaged that the FSB would include similar objectives to the iFSB and that it would be independent, providing detached advice to the Government, with a Chairperson, 2 *ex-officio* members (namely the Chief Executive Officer of the Jersey Financial Services Commission), a representative of Government, 2 independent members, and the secretariat.

The Panel notes that on 26th July 2019, the Chief Minister signed a [Ministerial Decision](#) for the establishment of the Jersey Financial Stability (Shadow) Board. It is understood that the Shadow Board was established as an interim measure until formal arrangements for the FSB had been put in place. In that regard, the Chief Minister advised that a proposition would be lodged in 2020 to enable the Board to become statutory.

The Ministerial Decision explains that the resource implications for the Shadow Board are an annual budget of £150,000 to fund the Board and a full-time (secretariat) officer. Therefore, it seems that work is already being undertaken to establish the FSB, albeit in shadow form, and to employ a full-time (secretariat) officer before the funding in the Government Plan is approved by the States.

### Rationale

The Panel believes that the Government already has the resources in place to manage the risks spoken of in the Ministerial Decision; indeed, 50 years of success in the financial services sector have shown that successive Island governments are suitably ‘plugged in’ to the institutions that regulate, promote and make up Jersey’s financial services sector, to develop policy that ensures financial stability. In short, there is nothing that the proposed FSB would provide that is not already being provided for within Government and industry.

In this Government Plan ([P.71/2019](#)), Islanders are already contributing £5.63 million to Jersey Finance<sup>1</sup>, an increase of 17% on 2019. An extra £1.5 million for the Jersey Financial Services Commission (“JFSC”)<sup>2</sup> to prepare the industry for Moneyval assessments, on top of which, the JFSC has reserves of £6.4 million.

There is no doubt that the Island’s Government needs to support the financial services industry. Equally, there is no doubt that it is doing so, as the funding provided to the industry in the Government Plan attests to.

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<sup>1</sup> [R.91/2019](#) – Jersey Finance Growth (figure includes base budget), p.67

<sup>2</sup> [R.91/2019](#) – Anti-Money Laundering/Countering the Financing of Terrorism, p.66

Through its existing institutions: private companies with their extensive economic research units, industry associations, the Government's own economists, Jersey Finance and the JFSC, the Island already has ample expertise to guide it through rocky economic waters and, should the Government and industry feel that more is needed, then they should arrange for this through the existing resources available to them, rather than demanding more.

Indeed, the JFSC already has a statutory duty to provide advice with regard to risks facing the Island's financial services sector, as stated in the [Financial Services Commission \(Jersey\) Law 1998](#), which requires (under Article 5 – Functions of the Commission) that –

- “(1) The Commission shall be responsible for –
- (a) the supervision and development of financial services provided in or from within Jersey;
  - (b) providing the States, any Minister or any other public body with reports, advice, assistance and information in relation to any matter connected with financial services;”.

The Law continues by laying out the guiding principles by which the JFSC shall operate, which includes “reducing risk to the public”, “protecting the integrity of Jersey”, and having regard for the “best economic interests of Jersey”.

As Members can see, the Island is already very well-served in terms of statute and institutions that are capable, able and required to offer the Government the kind of advice that is expected to be sought via the proposed Financial Stability Board.

As such, there is no justification for the requirement to establish the FSB. The only justification given to this Panel has been the recommendation made in the ‘Boleat’ report in 2011, but this is not in the public domain and has not been provided to the Panel.

## **Conclusion**

The Panel highlights the fact that the Government failed in its first attempt at establishing an interim FSB, which “faded away” due to a lack of definition and funding.

It is noted that this project seeks funding and plans for the Board to become statutory. The Panel has lodged this amendment to remove it completely from the Government Plan, because it is clear that resources are already available within Government and the financial services sector to establish a panel or committee to provide the advice being sought.

## **Financial and manpower implications**

In terms of the plan to appoint a full-time secretariat officer (as per the Ministerial Decision detailed above), the business case states that the recruitment has been delayed due to the minor shortfall on the original request (£50,000). Therefore, there are no financial or manpower implications arising from this amendment.