STATES OF JERSEY

PROPOSED GOVERNMENT PLAN 2024-2027 (P.72/2023): TWENTY-SEVENTH AMENDMENT JERSEY BUSINESS REVENUE EXPENDITURE

Lodged au Greffe on 28th November 2023
by the Economic and International Affairs Scrutiny Panel

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2024-2027 (P.72/2023): TWENTY-SEVENTH AMENDMENT

1 PAGE 2, PARAGRAPH (h) –

After the words "set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report" insert the words –

", except that, in Summary Table 5(i), the Head of Expenditure for Economic Development, Tourism, Sport & Culture should be reduced by £150,000 and the Central Reserve should be increased by £150,000".

2 PAGE 3, PARAGRAPH (l) –

After the words "as set out at Appendix 3 to the Report" insert the words –

", except that the revenue expenditure growth item "I-DFE-GP24-003 Jersey Business - Core Grant Funding", identified in Appendix 3: Supplementary Financial Table, should be reduced by £150,000 for each year with these funds being held in the Central Reserve until a business case for this growth is agreed by the States Assembly".

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 2024 – 2027 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 2024 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;

(b) to refer to their Act dated 30th September 2016 and to approve the application of existing resources for work on the development of 'user pays' charges in relation to all aspects of waste, including commercial and domestic liquid and solid waste;

(c) to approve the proposed Changes to Approval for financing/borrowing for 2024, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;

(d) to approve the extension of the use of the existing Revolving Credit Facility to include the provision of funds that would otherwise be implemented through bank overdraft or bank overdraft facilities under Article 26 (1)(a) of the Law, should they be needed, subject to the limits outlined in that article;

(e) to approve the transfers from one States fund to another for 2024 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law;

(f) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2024 of up to £25 million, subject to a decision of the Minister for Treasury and Resources based on the availability of funds in the Consolidated Fund as at 31 December 2023 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31 December 2024;

(g) to approve each major project that is to be started or continued in 2024 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;

(h) to approve the proposed amount to be appropriated from the Consolidated Fund for 2024, 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 5(i) and (ii) of the Report, except that, in Summary Table 5(i), the Head of Expenditure for Economic Development, Tourism, Sport & Culture should be reduced by £150,000 and the Central Reserve should be increased by £150,000;

(i) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2024 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;

(j) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2024 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;

(k) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2024 as set out in Appendix 2 – Summary Table 8 to the Report; and

(l) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2024-2027, as set out at Appendix 3 to the Report, except that the revenue expenditure growth item “I-DFE-GP24-003 Jersey Business - Core Grant Funding”, identified in Appendix 3: Supplementary Financial Table, should be reduced by £150,000 for each year with these funds being held in the Central Reserve until a business case is agreed by the States Assembly.

REPORT

Background

This amendment, if adopted, will hold the proposed revenue expenditure I-DFE-GP24-003 Jersey Business – Core Grant Funding from the Economic Development, Tourism, Sport & Culture head of expenditure included the proposed Government Plan 2023-2027 (P.72/2023) (the Government Plan) within the Central Reserve.

The Panel has agreed that insufficient evidence and information has been provided to support the business case for this and one other revenue expenditure growth bid in the context of the Common Strategic Policy and other terms of the Panel's review and therefore considers that the additional funds sought should be held in reserve until such time as this evidence and information is provided by the Minster for Sustainable Economic Development (the Minister) or the Council of Ministers.

Rationale

The Panel believes that care should be given prior to the increase of departmental heads of expenditure, noting the difficulty in reducing these once agreed. As such, in-depth analysis should be undertaken to provide evidence to allow proper consideration prior to a decision being made.

The Panel holds concerns in a number of revenue expenditure areas, which will be highlighted within separate comments in due course. However, during its review of the Government Plan the Panel has identified areas of proposed revenue expenditure that have not been evidenced in a sufficient manner to merit support at this stage.

Jersey Business

The Panel was concerned to see an additional revenue expenditure bid following the previous increase in the core grant provided to Jersey Business (JBL) in the Government Plan 2023-2026, particularly following points made within its report (S.R.22/2022) and an amendment raised in respect of the bid last year by the Panel Chair as an independent member. The Panel understands that justification for the need of additional revenue expenditure is to match funding demands to allow JBL to continue its operations, with some additional services.

The Panel therefore questioned the additional benefits which will be provided for by the funding and has been informed that Key Performance Indicators (KPIs) will remain the same, with larger reach, where possible. However, the Minister has been unable to provide economic evidence as to measurable benefit for the Island's economy of the actions of JBL, merely highlighting the actions undertaken.

The Panel has questioned JBL's reach within the business community, being informed that JBL have a reach of approximately 2500 businesses, out of 8310 'active' undertakings that employ staff, equating to roughly 30%. The Panel also notes with some apprehension that, whilst JBL's customer satisfaction survey scores remain relatively positive they have fallen in recent years, for example in how well client needs are met, dropping from 8.5 in 2021 to 7.9 in 2022 and in Net Promoter Score, dropping from 64 to 55 in the same timeframe.

The Panel understands that, since the incorporation of JBL in 2011, there has at best been a stagnation of the Island's economic productivity as seen in Figure 1., with any increase in Gross Value Added (GVA) per Full Time Equivalent employee (FTE) mainly attributable to the Financial Services Sector owing to factors outside its control. Counting administrative and support services and other service activities, it appears that JBL interaction with that sector would equate to less than 8% of JBL's work.[1] The Panel would also highlight that a recent Government of Jersey blog identifies that there was a negative 4% growth in the Island's productivity outside monetary intermediation (rise in interest rates) in finance.

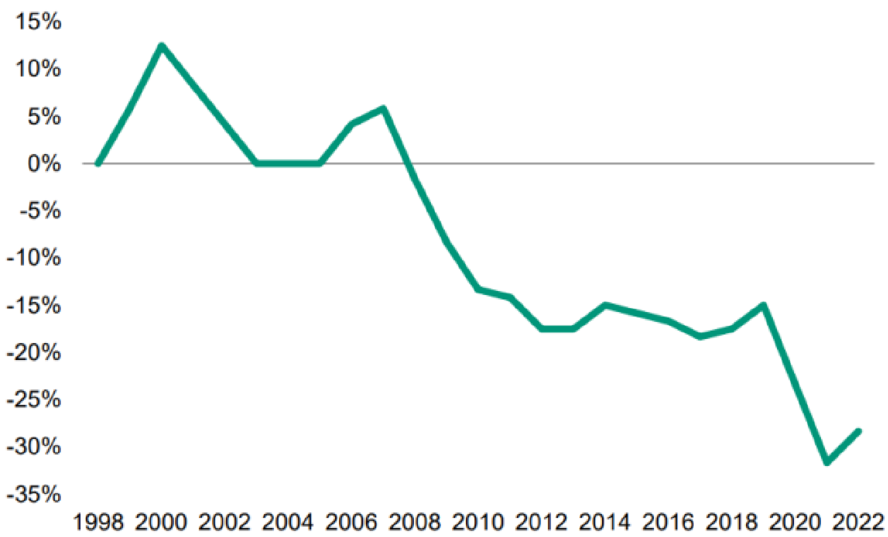

Fig. 1 Cumulative change in GVA per FTE in real terms, 1998 – 2022

The Panel therefore would question whether JBL's operation, whilst noble and appreciated by a selection of businesses, can adequately aid in the Common Strategic Priority of developing a more sustainable, innovative, outward-facing and prosperous economy or the Minister's stated aim of increasing economic productivity.

The Panel has been informed that removal of this funding will mean that JBL would face downsizing its workforce by three employees, or the need to cut back client support delivery. The Panel would suggest that further prioritisation of the JBL's existing budget is used to meet the aims most beneficial to the Island's economy, with the organisation also exploring additional avenues for supplemental funding outside of its government grant.

The Panel would recommend that the previously indicated Arm's Length Organisation Review, which was narrowed to an independent review for Jersey Sport,[2] is conducted as to the operations and value of JBL prior to further funding being made available to the organisation. However, noting the stated requirement for funding, the Panel proposes that this revenue expenditure growth item should be held in reserve and that a full business case for the increase in JBLs core grant with supporting justification evidence and delivery plan be provided to the Assembly for agreement prior to the funding being supplied. This business case should include:

[1] Letter - MEDTSC to EIA re Government Plan - 13 November 2023
[2] Transcript - Quarterly Hearing with the Minister for Economic Development, Tourism, Sport and Culture - 25 October 2023

- full costing;
- anticipated economic return of the expenditure;
- estimated impact on GVA, taking into account the staffing crisis across all business sectors; and,
- where possible, calculation of tax benefit to the Government of Jersey provided by employees of JBL's clients.

This amendment does not negate the core grant of £1.56 million to JBL agreed in the Government Plan 2023-2026.

Conclusion

The Panel believes that revenue expenditure growth should be fully supported via tangible evidence as to its benefit, aims and key outputs, prior to being proposed or agreed. As such, the Panel has identified two areas of revenue expenditure that should be held in reserve until the provision of further evidence and information to the States Assembly.

Financial and staffing implications

Financial and staffing implications may be faced in the provision of further evidence and information. Although not directly impacting upon the Government of Jersey, Jersey Business Limited will also face financial and staffing decisions as highlighted within this report.