

STATES OF JERSEY



PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024): TWENTIETH AMENDMENT

JERSEY BUSINESS AND DIGITAL JERSEY SAVINGS

Lodged au Greffe on 11th November 2024
by the Economic and International Affairs Scrutiny Panel
Earliest date for debate: 26th November 2024

STATES GREFFE

PROPOSED BUDGET (GOVERNMENT PLAN) 2025-2028 (P.51/2024):
TWENTIETH AMENDMENT

1 PAGE 2, PARAGRAPH (g) –

After the words “Summary Tables 5(i) and (ii) of the Report” insert the words–

“, except that, for the purpose of maintaining the Government of Jersey grants to Jersey Business and Digital Jersey at a sufficient level, in Summary Table 5(i) –

- (i) the expenditure for ‘Economic Development, Tourism, Sport & Culture’ should be increased by £286,000; and
- (ii) the expenditure for ‘Central Reserve’ should be decreased by £286,000.”

2 PAGE 4, PARAGRAPH (o) –

After the words “as set out in the Appendix to the accompanying Report” insert the words –

“, except that, on page 47, figures in the line “Arm’s Length and Regulatory Organisations” in Table 14 should be reduced by £286,000 in each year”.

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 2025 – 2028 (entitled “Budget 2025-2028”) 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 2025 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 approve the proposed Changes to Approval for financing/borrowing for 2025, 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 approval amounts.

- (c) to approve the transfers from one States fund to another for 2025 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law.
- (d) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2025 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 31st December 2024 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31st December 2025.
- (e) to approve a transfer from the Consolidated Fund to the Agricultural Loans Fund in 2025 of up to £2 million, subject to a decision of the Minister for Treasury and Resources based on availability of funds in the Consolidated Fund as at 31st December 2024 in excess of estimates provided in this plan, or from budgeted underspends identified before 31st December 2025;
- (f) to approve each major project that is to be started or continued in 2025 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.
- (g) to approve the proposed amount to be appropriated from the Consolidated Fund for 2025, 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, for the purpose of maintaining the Government of Jersey grants to Jersey Business and Digital Jersey at a sufficient level, in Summary Table 5(i) –
 - i) the expenditure for ‘Economic Development, Tourism, Sport & Culture’ should be increased by £286,000; and
 - ii) the expenditure for ‘Central Reserve’ should be decreased by £286,000.
- (h) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2025 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report.
- (i) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2025 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.
- (j) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2025 as set out in Appendix 2 – Summary Table 8 to the Report.
- (k) to approve an updated and consolidated policy of the Strategic Reserve Fund as follows:

“The Strategic Reserve Fund, established in accordance with the provisions of Article 4 of the Public Finances (Jersey) Law 2005, is a permanent reserve only to be used:

- i. in exceptional circumstances to insulate the Island’s economy from severe structural decline such as the sudden collapse of a major Island industry or from major natural disaster.
 - ii. if necessary, for the purposes of providing funding (up to £100 million) for the Bank Depositors Compensation Scheme established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009, including to meet the States contribution to the Scheme and/or to meet any temporary cash flow funding requirements of the Scheme.
 - iii. to support the development of future healthcare facilities and the borrowing costs for such work, in line with a financing strategy agreed by the Assembly;
 - iv. as a holding fund for any or all monies raised through external financing until required, and for any monies related to the repayment of debt raised through external financing used to offset the repayment of debt, as and when required; and
 - v. in accordance with Article 24 of the Public Finances (Jersey) Law 2019, where the Minister for Treasury and Resources is satisfied that there exists an immediate threat to the health or safety of any of the inhabitants of Jersey, to the stability of the economy in Jersey or to the environment, for which no other suitable funding is available.”
- (l) to approve the transfer to the Strategic Reserve of the amounts due as a result of the move from prior-year basis taxation after 31st December 2025, as and when these payments are received (estimated at £280 million).
- (m) in relation to the new Government Headquarters (office), to approve;
- i. the exercising of the option to acquire the new Government Headquarters (estimated at £91 million), by the Public of the Island, in line with the pre-agreed terms; and
 - ii. the acquisition of the new Government Headquarters as an investment of the Social Security (Reserve) Fund (including authorising the meeting of expenses incurred in connection with the acquisition); and
 - iii. the subsequent leasing of the new Government Headquarters by the Public of the Island from the Social Security (Reserve) Fund, with commercial terms to be agreed between the Minister for Infrastructure (on behalf of the Public) and Minister for Social Security and the Minister for Treasury and Resources (both on behalf of the Fund); and
- (n) in relation to the new Government Headquarters, to authorise H.M. Attorney General, the Greffier of the States, the Ministers for Infrastructure, Social Security and Treasury and Resources, and the Public of the Island, to enter into such arrangements, including financing, and pass any contracts as are necessary to put into effect paragraph (m).

- (o) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2025-2028, as set out in the Appendix to the accompanying Report, except that, on page 47, figures in the line “Arm’s Length and Regulatory Organisations” in Table 14 should be reduced by £286,000 in each year.

REPORT

The Government's Proposed Budget 2025-2028, lodged as [P.51/2024](#) (hereafter the 'Budget') currently identifies £1 million of savings for 2025, 2026 and 2027 to be made through reductions to Arm's Length and Regulatory Organisations. The purpose of this amendment is to reduce the amount of savings proposed to be made through the reduction in the Government of Jersey grants to Jersey Business and Digital Jersey.

Background

During the course of its review of the Budget, the Economic and International Affairs Scrutiny Panel (hereafter the 'Panel') received evidence that indicates the proposed reduction in grants to Jersey Business and Digital Jersey by £571,000 will negatively impact their operations to such a degree that the Panel is sufficiently concerned that the Island's future economy may be impacted.

The Panel questioned the Minister for Sustainable Economic Development (hereafter 'the Minister') during a hearing on 25th October 2024, and was informed that there were risks in terms of future productivity and viability:¹

***The Minister for Sustainable Economic Development:** There are. Whenever you change a budget to the negative side, it brings some element of risk, but that is why we are looking at the structures of those A.L.O.s and trying to understand if that is the best way for them.*

The Budget further identifies that the Economy Department has committed to reviewing how its Arm's Length and Regulatory Organisations operate, and how savings could be delivered by those agencies through improved sharing of resources and cross-organisational working.

However, whilst the outcome of these reviews are still pending, it is proposed by the Budget that £1 million saving will be found in 2025, 2026 and 2027, though this will be unallocated in both 2026 and 2027.

The Panel has written to Jersey Business and Digital Jersey to ascertain the impact of the proposed grant reductions and is grateful for the responses given, including confidential submission. Although the Panel is unable to specify the full impact of the reduction given the sensitive nature of the information, the Panel would highlight that any significant lowering of funding will likely have negative implications on the operations of Jersey Business and Digital Jersey, despite continued efforts by the organisations to meet service demands. This has been confirmed by Digital Jersey who have indicated that in the event of cuts beyond a modest level there will be substantial impact on their effectiveness and a significant risk to morale that may hinder retention of their core asset, the excellent and dedicated team.²

The Panel wishes to emphasise that the economic future is uncertain and that now is not the time to cut spending on services that stimulate the Island's economy.

¹ [Transcript - Proposed Budget 2025 - 2028 Review - Minister for Sustainable Economic Development - 25 October 2024](#)

² [Submission - Proposed Budget 2025 - 2028 Review - Digital Jersey - 11 November 2024](#)

Jersey Business

The Panel wishes to highlight that Jersey Business provides independent, confidential advice and support to a significant number of businesses in Jersey, across all sectors and at all stages of the business lifecycle. The Panel is of the view that the organisation will continue to aid in meeting the aspirations of the Future Economy Programme and wider Government of Jersey priorities, including the focus on skills development, enhancing opportunities for business and strengthening Jersey's international reputation.

The Minister has previously highlighted the value of Jersey Business and defended the grant it receives, stating:³

As the arm's-length organisation responsible for providing support to local companies, particularly small and medium-sized businesses, Jersey Business is playing a vital role in helping Jersey's economy to stabilise and grow. This follows the sustained economic shocks of COVID-19, Brexit, the Ukraine conflict, the cost-of-living crisis and ongoing recruitment pressures in the Island. The combination of these impacts means that to ensure businesses are future-proofed and ready to adapt to further change, able to remain competitive and embrace new ways of working, such as automation, it is essential they are supported.

The Panel understands that Jersey Business has been a key partner in delivering a number of Government of Jersey programmes, such as the Productivity Support Scheme, Export Strategy and mitigating Barriers to Business. Furthermore, it has been indicated to the Panel that Jersey Business is due to aid in the provision of support from the Government of Jersey during the transition from the minimum wage to a living wage, potentially furthering pressure on the organisation's resources.

Digital Jersey

The Panel is of the view that Digital Jersey will prove invaluable in meeting the aspirations of the Future Economy Programme and wider Government of Jersey priorities. Their primary objectives are:⁴

- to support sustainable economic growth in Jersey's digital sector
- to enable a connected, digital society and enhanced quality of life
- to establish Jersey as an internationally well-regarded digital centre

These match Government of Jersey priorities of focusing on skills development, enhancing opportunities for businesses and strengthening Jersey's international reputation. This support and investment is anticipated to help in the maintenance and building of the Island's economy, particularly through increased productivity for which technology can enable greatly. Indeed, the Panel notes that the information and communication sector has grown by roughly 10% (of Gross Value Added) between 2021 and 2023,⁵ and may well prove to be a significant economic driver moving forward.

³ [Hansard 13th December 2023](#)

⁴ [Digital Jersey, Annual Report 2023](#)

⁵ [GVA \(Market\) by sub-sector in real terms, opendata.gov.je](#)

Proposed Savings

On 28th October 2024, the Panel wrote to the Minister requesting a breakdown by organisation of the proposed £571,000 reduction in grants, as discussed during the Public Hearing on 25th October 2024.⁶ In the Minister's response, dated 8th November 2024, specific amounts were not specified, however it was highlighted that:⁷

Discussions on annual budgets are conducted regularly with ALOs in line with the governance structure and relationship to their lead Department. This is the same for discussions between the Department for the Economy and Digital Jersey and Jersey Business. Funding allocation and the strategic and delivery priorities of each organisation are all part of those discussions.

The Panel understands that agreement of the core grants for 2025 has not yet been achieved. The Panel would surmise that this uncertainty impedes operational planning of the Arm's Length Organisations for the coming year, which it understands are currently being finalised. Digital Jersey have further indicated:⁸

There have been informal discussions with officers during which Digital Jersey was informed that the Government Plan included an overall total savings target of £1m from the following ALOs – Jersey Finance, Visit Jersey, Digital Jersey & Jersey Business – shared on a prorated basis according to existing funding.

Officers had therefore verbally indicated a figure in the region of 6-7% for Digital Jersey (£140,000- £160,000) as a maximum reduction and, notwithstanding the contractual position, the Board has been willing to discuss how Digital Jersey can support the achievement of the overall savings target.

The Panel is disappointed that confirmation of the proposed reduction in grants for both Jersey Business and Digital Jersey has not been given, and strongly recommends that the Minister progresses discussions of the core grant levels for each of the organisations.

Although the Panel gave consideration to proposing the maintenance of Digital Jersey and Jersey Business grants at their 2024 level, the Panel is cognisant of the pressure on the Government of Jersey's expenditure. The Panel has therefore agreed that a slight reduction is a sensible compromise to meet these saving aspirations whilst also allowing for sufficient funding for continued operations of the organisations.

As such, the Panel has proposed to reduce the anticipated savings made through the reduction in grants to Jersey Business and Digital Jersey by half: from £571,000 to £285,000. The Panel proposes to fund this expenditure through a reduction in the Central Reserve which includes £5 million to cover any unforeseen expenditure in 2025. This would meet the indicated a figure in the region of 6-7% grant reduction for Digital Jersey (£140,000- £160,000) expectation identified by Digital Jersey.

The Panel would have, in the first instance, preferred to propose separate amendments for a reduction in the savings for both Jersey Business and Digital Jersey to allow for separate debates by the States Assembly. However, as discussion on the saving amounts

⁶ [Transcript - Proposed Budget 2025 - 2028 Review - Minister for Sustainable Economic Development - 25 October 2024](#)

⁷ [Letter - Minister for Sustainable Economic Development to EIA Panel re Budget 2025-2028 hearing - 08 November 2024](#)

⁸ [Submission - Proposed Budget 2025 - 2028 Review - Digital Jersey - 11 November 2024](#)

for each of the organisations is ongoing, the Panel is unable to specify accurate figures for each of these and would expect the Minister to undertake the negotiations in a fair and timely manner.

The Panel further anticipates that more certainty should be provided to Arm's Length Organisations following a review of their operations by the Government of Jersey and recommends that the Minister provides clear communication and confirmation of grant funding to the organisations in good time including commitment to future years when able.

Conclusion

The Panel believes that the reduction of the Government of Jersey grants to Jersey Business and Digital Jersey are ill advised. Therefore, it proposes to amend the Budget to maintain the grants at a higher level to allow sufficient funding to those organisations. The Panel, cognisant of the saving aspirations of the Government of Jersey, has agreed that a smaller reduction in the core grants for those organisations is acceptable. The Panel therefore proposes that the anticipated savings be reduced by half from £571,000 to £285,000.

Financial and staffing implications

This amendment increases the Head of Expenditure of Economic Development, Tourism, Sport & Culture by £286,000 and reduces the Central Reserve by £286,000. The Panel has been informed that a reduction in the Central Reserve will potentially hamper the Government of Jersey's ability to respond to financial pressures in future, which have previously been met through reserve heads of expenditure and sums carried forward from unspent budgets, which will likely be unavailable in 2025 due to overspends and other pressures in 2024.

Children's Rights Impact Assessment

A Children's Rights Impact Assessment (CRIA) has been prepared in relation to this proposition and is available to read on the States Assembly website.