



Economic and International Affairs Scrutiny Panel

Proposed Government Plan 2024 - 2027 Review

Witness: Assistant Chief Minister with responsibility for Financial Services

Monday, 20th November 2023

Panel:

Deputy M.R. Scott of St. Brelade (Chair)

Connétable R. Honeycombe of St. Ouen

Witnesses:

Deputy E. Millar of St. John, St. Lawrence and Trinity, Assistant Chief Minister

Mr. R. Corrigan, Chief Officer, Department for the Economy

Ms. H. de la Cour, Director, Financial Services

Mr. I. McDonald, Associate Director, Financial Crime Strategy

[13:00]

Deputy M.R. Scott of St. Brelade (Chair):

Thank you and welcome to this hearing of the Economic and International Affairs Scrutiny Panel. The aims of this hearing are to gather evidence as part of the proposed Government Plan 2024 - 2027 review and to ask additional questions specific to the legislative priorities and ongoing work of the Assistant Chief Minister with responsibility for Financial Services. I request that everybody makes sure that their devices are on silent so hopefully we do not get disturbed. The hearing is being filmed and streamed live, I believe, and being recorded and a transcript will be published afterwards on the States Assembly website. For the purposes of the recording and the transcript, I would be grateful if you ensure that you state your name and role. We will begin with introductions and I suggest that panel members introduce ourselves followed by the ministerial team. I am Deputy Moz Scott, chair of the Economic and International Affairs Scrutiny Panel.

Connétable R. Honeycombe of St. Ouen:

I am Richard Honeycombe, the Connétable of St. Ouen.

Assistant Chief Minister:

Elaine Millar, Minister with responsibility for Financial Services.

Chief Officer, Department for the Economy:

Richard Corrigan, Chief Officer, Department for the Economy.

Director, Financial Services:

Helen de la Cour, Director of Financial Services.

Deputy M.R. Scott:

We have an interesting echo there. I do not know if that can be resolved.

Associate Director, Financial Crime Strategy:

Ian McDonald, Associate Director for Financial Crime Strategy.

Deputy M.R. Scott:

Thank you very much. The first group of questions are general questions on planning in respect of the Government Plan. Minister, from a financial services perspective, what discussion and influence have you had in the formation of the proposed Government Plan 2024 - 2027?

Assistant Chief Minister:

In respect of financial services, we have the 2 particular funding business cases, which were for Jersey Finance and for the newly independent Financial Intelligence Unit. We have a process and we follow the same process with these that we follow with all business cases where they came forward as a principle and we identified the ones that would then be taken forward into formal business cases. I met with the director of the Financial Intelligence Unit to discuss his business case and to discuss what was in it, what was needed, just to make sure that I could absolutely support it, and the same with Jersey Finance. We also had meetings with them to discuss what they needed and their request for funding. Those business cases then went into the overall process and were discussed by the Council of Ministers and selected and have been awarded the funding as set out in the Government Plan.

Deputy M.R. Scott:

Thank you. Could you please talk us through the consideration you undertook in approving the expenditure items and their quantification?

Assistant Chief Minister:

I think that for a lot of it you rely in part on what the business is telling you it needs. To me, I am satisfied that we need an organisation like Jersey Finance. Jersey Finance plays a very valuable role in promoting our industry internationally in multiple jurisdictions and I think it does a very good job of doing that. The Financial Intelligence Unit, also I think there is a clear need particularly to meet international standards for the F.I.U. (Financial Intelligence Unit) to become independent, to come out of being a part of States of Jersey Police and become a self-standing organisation, which could then operate much more effectively as a national intelligence agency, both for reputational purposes and also just to really do our part in the fight against financial crime, which is very important from our perspective as an international finance centre.

Deputy M.R. Scott:

Thank you. How does the proposed revenue expenditure meet the needs of the Common Strategic Policy 2023-2026, for example to develop a more sustainable, innovative, outward-facing and prosperous economy?

Assistant Chief Minister:

I think we will contribute to that objective. Financial services, obviously what we want to do is we want a diverse economy but equally we have to recognise that financial services plays a major part in our economy. It is essential that we encourage that industry to develop, to become more sustainable, to become more productive, to make better use of technology. That is where Jersey Finance hopefully will play a part in terms of encouraging that, more use of fintech, regtech, and also just making sure that the industry remains healthy. On the kind of regulatory side, which is also critical to our success as an international finance centre and our continuing to be regarded as a well-regulated player by the international community, the F.I.U. will play a very valuable role there in terms of collecting, analysing, sharing intelligence about financial crime. So I think they both contribute to that objective of ensuring a sustainable financial services industry within a sustainable and developing wider economy.

Deputy M.R. Scott:

Thank you. Is there sufficient funding in the proposed Government Plan to meet all the priorities identified in your ministerial plan? By that, I mean the relevant section of the plan for the Chief Minister.

Assistant Chief Minister:

I do not have the plan in front of me. I think for Jersey Finance, their involvement in anything that is in the ministerial plan would be on a kind of consultative basis. The funding that they have will be for them to go and develop ... will be for them to go out and conduct their objectives, which is about representation of the industry, promoting the industry.

Deputy M.R. Scott:

Just the relevant paragraphs were: "Maintaining and enhancing Jersey's position as a leading and well respected international finance centre while responding to the needs of Islanders to access financial services products." That extended to opportunities to take advantage of fintech and Open Finance. I just wanted to check. You said you did not have it in front of you. It included pension regulation, MONEYVAL.

Assistant Chief Minister:

Yes, Jersey Finance plays ... those things will be driven by Government in terms of bringing forward the legislation on pension regulation. Jersey Finance often plays a kind of conduit role when we do consultations. They will go out and sometimes they will act as a conduit for industry feedback on consultations. That does not stop industry coming directly to us. Often they will come directly to us where they have views on matters. So I think the funding that is there for Jersey Finance ...

Assistant Chief Minister:

Sorry, Minister, I was just asking whether it covered all the priorities in the plan, so it was not actually a question specifically about Jersey Finance.

Assistant Chief Minister:

Apologies.

Deputy M.R. Scott:

I think I will move on. Constable Honeycombe will be asking more questions about value for money and other aspects of the plan.

The Connétable of St. Ouen:

Good afternoon, Minister.

Assistant Chief Minister:

Good afternoon, Constable.

The Connétable of St. Ouen:

The Government Plan identifies value for money savings within financial services of £132,000 in 2024. Please can you outline how these savings will be made?

Assistant Chief Minister:

I think that is a particularly operational matter so, Richard, is that something you or Helen could help with, please?

Chief Officer, Department for the Economy:

Yes. Connétable, the Government of Jersey is committed to a value for money programme across all departments and the Treasury has allocated a proportionate share to all budgets across government departments. In that regard, Deputy Millar's portfolio here is no different. There is a pro rata cut year on year of the money that is available in terms of base budget to Deputy Millar for financial services, just as there will be cuts made against 2023 budgets in other departments such as Health, Education and so on and so forth. We will achieve that just simply by ruthlessly prioritising our projects, ensuring we continue to drive best value for money in any external procurement where we have to bring in perhaps external professional advice or secondees and also we have asked that Jersey Finance takes a small share of that as well as one of the grant recipients from Government. It is not ideal in some respects but it is something that we all have to take across Government just to try to keep a lid on overall growth and expenditure.

The Connétable of St. Ouen:

It is not really a value for money saving. It is an actual cut in budget. Is that what I am understanding?

Chief Officer, Department for the Economy:

It is a reduction in the headline budget from 2023 to 2024. The way that we will deliver that is in terms of value for money, so making sure that we can deliver the Minister's full plan. We are looking to box smart, I suppose, in terms of the work that we deliver in-house versus any work that we might in the past have commissioned from outside the organisation.

The Connétable of St. Ouen:

Thank you.

Deputy M.R. Scott:

Sorry, Constable, could I just ask a follow-up question here? I am just aware that you are on one hand approving a bid for Jersey Finance and on the other hand saying that you are looking for Jersey Finance to take its share. Is that not essentially cancelling out this saving to some extent?

Chief Officer, Department for the Economy:

You might argue just in terms of a net transaction that that is partially the case but as with all of the arm's-length organisations, we are asking them to be more efficient in what they do, to look very carefully at every line of their expenditure and look to find efficiency savings so that the budget they do receive can stretch as far as possible before asking for any further growth in expenditure from Government. In this case, Jersey Finance's 2024 budget will be marginally less than the budget available to them in 2023 and I think that reflects a real terms cut in the money that is available to them.

Deputy M.R. Scott:

Thank you.

The Connétable of St. Ouen:

Minister, we discussed the Financial Intelligence Unit in our last meeting as well as in our recent correspondence by letter. Can you confirm under which head of expenditure the funding for the F.I.U. would sit?

Assistant Chief Minister:

I presume that would be under financial services. Is there a head of expenditure ... I think the head of expenditure for financial services.

The Connétable of St. Ouen:

How is the office location being funded, noting that your letter of 15th November indicated that the premises lease cost is zero per cent?

Assistant Chief Minister:

I think they will move to other premises in due course. I am not sure where those premises are going to be. I guess they will be sharing premises with another agency perhaps. Ian, do you know that?

Associate Director, Financial Crime Strategy:

Currently the F.I.U. is located within the police headquarters and so clearly that is done at no cost. The F.I.U. will ultimately be moving to new premises but that is a piece of work that is currently ongoing. It is part of an ongoing project of work to continue and ultimately complete the full separation of the F.I.U. so, as Deputy Millar says, they will move to new premises. Those premises are yet to be identified. There is ongoing work to try and identify those premises in the future and in all likelihood they will be sharing premises with other agencies but at this moment in time the F.I.U. remains co-located with the police and that does not incur a cost.

[13:15]

Deputy M.R. Scott:

Can I ask a question here? Just given that there is some sort of interaction, I believe, between the unit and the police, would moving premises be an efficient move or not?

Associate Director, Financial Crime Strategy:

It is both efficient and necessary. It is efficient from the police point of view because the police get some office space back that was otherwise currently being occupied by the Financial Intelligence Unit. It is also more efficient or will be better for the Financial Intelligence Unit so that they are in control of their own space and in fact perhaps co-located - although, as I say, that is a piece of ongoing work - with an agency that more directly aligns with their work. Ultimately there will be efficiencies at both ends of that, both to the police and to the F.I.U.

Deputy M.R. Scott:

Thank you.

The Connétable of St. Ouen:

You indicated in your letter of 15th November that the separation of the F.I.U. from the States of Jersey Police is ongoing. Although we understand it is no longer part of S.o.J.P. (States of Jersey Police) can you confirm that further funding will be required in the future?

Assistant Chief Minister:

I think some further funding will be needed going into 2025-26 as the F.I.U. is established as a self-standing unit. It is now independent on a statutory basis and going forward it will need some additional staff and I think those have been ... that will happen over a period of time, an increase in size of the unit will increase over a period of years. They also will need some further training and they will need some further I.T. (information technology) support. I think they are currently on the States of Jersey Police system, so they will move on to their own freestanding I.T. systems and they may need further software to help with analysis of intelligence information. So I think 2024 is a kind of first step for them in terms of really separating from the police, so there will be a transition as they move to being fully independent. I think the business plan does indicate further funding over 2025 and 2026 for that to happen.

The Connétable of St. Ouen:

Is the proposed funding at present going to be sufficient to meet the aspirations of the Financial Intelligence Unit?

Assistant Chief Minister:

I think it is for 2024. I think we are happy that they have the funding they need for 2024 and then as they develop and mature there may be need for further funding in future years.

The Connétable of St. Ouen:

Do you know if there is any zero-based budgeting taking place by the unit?

Assistant Chief Minister:

I am not sure. Richard, are you able to help with that? I guess they must be on a zero basis.

Chief Officer, Department for the Economy:

There has been a thorough review of the scale of resources available to Jonathan and the leadership team at the F.I.U. versus the size of Jersey as an I.F.C. (international finance centre) and looking at areas where there are potential gaps in cover now in terms of what we would wish to be able to deal with in the F.I.U.'s capabilities versus where we think new capabilities will need to be added over time. There has been a structural review but it has not been done on the basis of Z.B.B. (zero-based budgeting). Recognising that while Z.B.B. is an often-used scheme, it invariably generates an outcome that is more than the current budget rather than less, so as an efficiencies measure it tends not to be the most effective.

Deputy M.R. Scott:

How much of the funding is an actual requirement compared to a nice to have?

Chief Officer, Department for the Economy:

Sorry, we missed the first part of the question. We are having to switch off the microphone just so that we do not get the feedback. Apologies, Chair.

Deputy M.R. Scott:

How much of the funding is a requirement compared to a nice to have?

Chief Officer, Department for the Economy:

Everything that is in for 2024 is what we see as a necessity. We do not think there is anything as nice to have. As Deputy Millar already referenced, we would be looking to incrementally grow on a need-to-do basis in 2025 and 2026 to ensure that the F.I.U. is fully resourced for the challenges as we see them because the threat picture is, of course, an emerging picture all the time.

The Connétable of St. Ouen:

Can you please outline if the results of the key performance indicators indicated in your letter of 15th November will be publicly available?

Assistant Chief Minister:

I am just wondering with the F.I.U. whether it is necessarily good to publish things. I would imagine to the extent they are publishable they will be.

The Connétable of St. Ouen:

Thank you. I will hand back to Deputy Scott.

Deputy M.R. Scott:

I will ask a follow-up question there. When might you expect these K.P.I.s (key performance indicators) to be made publicly available?

Associate Director, Financial Crime Strategy:

I would imagine that probably the most appropriate place for those will be the F.I.U. annual reports.

Deputy M.R. Scott:

Thank you. I am going to ask questions in respect of the additional grant funding sought for Jersey Finance. You indicate in your letter of 15th November that you hold partnership meetings with the C.E.O. (chief executive officer) and chair of the board of Jersey Finance biannually. What policy direction do you give to the organisation informing its ongoing work programme?

Assistant Chief Minister:

I do meet with them. I have met with them relatively recently. I am trying to think how many meetings I have had with them since February. I probably have had 2 and then there are various other meetings I have with Jersey Finance. I think in terms of they have an overall objective which is clearly set out and I think we largely leave them to do that work and set their own objectives.

Deputy M.R. Scott:

What would you say to people who might say that that is the tail wagging the dog?

Assistant Chief Minister:

Well, Jersey Finance does have, I think, clearly stated objectives which are set out in their founding documents. They will come and discuss their objectives with us and I think it is right as they are an industry ... they are partly funded by the industry and I think it is right that they should then have an element of deciding themselves, with their industry stakeholders, the direction they want to go in.

Deputy M.R. Scott:

To what extent do you go into the rationalisation of their priorities?

Assistant Chief Minister:

Rationalisation, in terms of why they are doing what they are doing?

Deputy M.R. Scott:

Yes. You have got a fairly broad remit in terms of Jersey Finance and you apparently discuss its ongoing work programme and it is meant to be delivering ... that is another question, perhaps, but insofar as you are considering it to be delivering policy, including part of the Common Strategic Policy, how do you look at the priorities and the way they rationalise it?

Assistant Chief Minister:

We discuss with them what they are doing and, as I said in the letter, how they prioritise is for them. We look at K.P.I.s. If we thought they were not meeting the K.P.I.s we would discuss that, but beyond that I think it is still for them to decide where they want to put the resource. For example, at the moment they are putting resource into ... we have the new presence in Singapore, so they are putting resource into Singapore and Asia because they have that presence and they are wanting to get the best value out of it. They have done the office ... the presence in New York we think is producing very, very well. It is really for Jersey Finance to decide which location and how they want to develop. It is not Government telling them what to do and them doing it.

Deputy M.R. Scott:

Could it not be regarded insofar as it is setting its own K.P.I.s that it is marking its own homework?

Assistant Chief Minister:

Well, no, because we are looking at the K.P.I.s. I think there is a difference between ... there is the K.P.I.s, what you are delivering and the objectives and priorities of how you delivered it. They have some input in how they do their work and how they actually go about delivering the K.P.I.s.

Deputy M.R. Scott:

Thank you. In the letter you indicate anticipation of increased Jersey Finance membership fees as well as receipt of income through sponsorship and other marketing opportunities provided to its membership. What consideration and challenge did you give to these alternative means of funding prior to approving the bid?

Assistant Chief Minister:

I think Jersey Finance has always charged a membership fee. I do not believe it has ever been entirely government funded. It was always established on the basis that there would be a fee for membership and industry pays for membership of Jersey Finance. I think the director, the C.E.O. of Jersey Finance if he was here would tell you that they have had very good retention rates and I think they see that as being one of their success factors, that membership has stayed solid, that members are not leaving, that members are satisfied with what they are getting from Jersey Finance, because they do act as an information resource. They provide services to the industry, so industry are willing to pay those extra fees. Industry are also willing to provide sponsorship for particular events. If Jersey Finance want to have an event in Singapore, there will be industry participants who are happy to put in sponsorship to have their name in lights, if you like, at the event.

Deputy M.R. Scott:

To what extent did you suggest that maybe in the alternative, as a way of reducing this growth bid, that they increase membership fees or look to more sponsorship?

Assistant Chief Minister:

I am sure they will look to more sponsorship, but the problem with membership fees is that it is another cost to a business which already has high costs of doing business in the Island. Again, I do not think it is for Government to tell Jersey Finance to increase ... if we say to Jersey Finance: "Go off and double your membership fees" and they lose half their membership who decide it is no longer worth it, that would be entirely counterproductive. So Jersey Finance, I think, has to set its own membership fees at a level that they think the membership will bear. I do not know what the membership fees are. I do not know if Richard would know that, but I think they will look to other opportunities. I think they do look to opportunities to raise funds through industry by sponsorship and participation in events as well as through membership fees and it continues to do that.

Deputy M.R. Scott:

In terms of challenging their growth bid, did you ask: "Have you looked to the increase of your membership fees?" I am just saying that this is Government putting money towards this growth bid as an alternative.

Chief Officer, Department for the Economy:

Chair, if I might come in at this point. I think it is important to recognise that what is characterised as a growth bid in the Government Plan for 2024 onwards is replacing other forms of funding that Jersey Finance has had, the net effect of which is that Jersey Finance will receive less money in 2024 from Government than it received in 2023. Therefore, that does apply pressure to Jersey Finance to push membership fees up, to raise more money through having sponsors of the various events, such as their large London private wealth event or if they are doing overseas roadshows.

Over the years, Jersey Finance has been successful at growing the share of overall income that they get from member firms versus the government grant. That said, the government grant is an important investment in our future for the prosperity of the financial services sector here in the Island in a very competitive landscape. The total budget available to Jersey Finance is a far more modest sum than key competitors such as Luxembourg.

Deputy M.R. Scott:

In respect of this shortfall, was the question actually asked?

Chief Officer, Department for the Economy:

Yes, the question is always asked through the partnership meetings, through the attendance as observer at Jersey Finance board meetings, on the presentation of their annual business plan to the Minister and also on presentation of their annual report for the year that has just gone.

Deputy M.R. Scott:

What was the response in terms of the suggestion that they increase membership fees to help cover a shortfall?

Chief Officer, Department for the Economy:

To the Minister's earlier point, there is always a healthy tension of putting rates up by enough that maintains the number of members and raises fees overall in terms of the total income rather than just puts up the fee and loses membership and, therefore, loses overall income. There is a sort of pressure point there to put fees up by enough to close that revenue gap out but not by too much so you suffer a loss of members.

[13:30]

Deputy M.R. Scott:

What was the advice?

Chief Officer, Department for the Economy:

The advice is always to grow the revenue that they have from non-government sources but nonetheless Government continues to make a significant investment in Jersey Finance because it is an investment in the prosperity of this very important sector.

Deputy M.R. Scott:

Can I understand? The question was asked of Jersey Finance: "Have you considered in the alternative putting up membership fees?" Basically their retort was that this could lose membership.

Assistant Chief Minister:

No, that is not what we are saying.

Deputy M.R. Scott:

Sorry, perhaps we could just be clear whether you asked the question and what the response was?

Chief Officer, Department for the Economy:

Jersey Finance will put up membership fees year on year but what we are saying is putting up the fee for any one firm ... if you put that fee up 10 per cent firms may accept that, if you put it up 50 per cent firms may not accept that and may choose not to be a member in the following year and, therefore, you suffer an overall drop in revenue. That is an undesirable state of affairs, so the pressure is on Jersey Finance to put fees up by enough that see their overall revenue grow by an appropriate figure and ideally does not increase their reliance on Government to any extent.

Deputy M.R. Scott:

Okay. If I understand it, the nature of the bid that you have approved you believe that that puts pressure on them to consider this as an issue as a way forward?

Assistant Chief Minister:

Yes.

Deputy M.R. Scott:

Okay, thank you. Was any consideration given to Jersey Finance reserves?

Chief Officer, Department for the Economy:

As accountable officer, I look at the Jersey Finance reserves every year and that is a decision because while we may agree the budget for a grant in a Government Plan process, grants are still allocated on the basis of need rather than risk. Therefore, if there were significant reserves in any one organisation it is down to the Minister and the accountable officer to determine if that grant is needed in its full amount or if the grant can be scaled back. Now, it is important to recognise that with all the arm's-length organisations there is an extensive level of corporate governance and information they need to provide to Government that means that we are not necessarily getting the grant out the door on 1st January every year. Therefore, there is an acceptance that they will typically carry around 2 months worth of expenditure in reserves to allow for the timing of cash flow between requesting the grant and getting the grant such that you do not see a stalling of activity in the first month or 2 of the year when they might want it for deeper into the year for sponsorship of events or marketing campaigns.

Deputy M.R. Scott:

Where were they in respect of the number of months of expenditure reserves?

Chief Officer, Department for the Economy:

Typically that has been held at around about 2 months worth of expenditure. We can revert with the exact figures from the current financial forecasts that Jersey Finance gives to us. They provide a quarterly view of budget for the year, actual spend for the year and the forecast impact that would have on reserves at year end. Then they produce all of that into their annual report each year.

Deputy M.R. Scott:

So you took this into account in terms of the bid?

Chief Officer, Department for the Economy:

Yes.

Deputy M.R. Scott:

Will the proposed revenue expenditure in Jersey Finance's actions result in the creation of new employment across the sector?

Chief Officer, Department for the Economy:

Well, that is certainly what we hope to see. I think it is important to recognise that employment in the financial services sector is currently at a highwater mark and the challenge we have is securing and retaining the right calibre of people in the industry to support its continued growth. Jersey Finance is an important part of ensuring that the jurisdiction markets its strengths well on the international stage and that that brings in new business that creates employment opportunities for Islanders.

Deputy M.R. Scott:

You yourself have mentioned the pressures on the labour market. Is an increased demand on the labour market beneficial in that respect?

Chief Officer, Department for the Economy:

If we stop growing employment then we start to slow down the rate of tax take coming into government and we stymie our own growth as a financial services sector. The Minister might wish to talk about the meeting she had with a professional services firm last week. They talked about the way they are embracing artificial intelligence and investing significantly in that but they still see their

headcount requirement in Jersey rising by about 25 per cent over the next 5 years despite their investment in technology.

Deputy M.R. Scott:

Headcount of 25 per cent over 5 years and that is in the case of one firm. Just in terms of trying to square this because on one hand we are talking about the desirability of increasing labour and on the other hand Government is promoting the productivity savings of regtech including the introduction of a super deduction. There seems to be a bit of a contradiction here. Does increasing jobs in the finance industry run contrary to the ambition to increase productivity through fintech?

Assistant Chief Minister:

No, I do not think it does because we still want the industry to grow and fintech and regtech will help increase productivity. It may not necessarily reduce headcount. Instead of the people that they have sitting there and filling in forms and ticking boxes, they are off doing more value-added work that is better for the industry all round. Productivity, while it will release people from admin work, it will improve our international competitiveness, we would hope, but there will still be a need for growth. We still want the industry to grow and the industry very much wants to grow and their challenges are the same as everybody else. One of the things we talked about last week was school leavers. How do you attract school leavers into those services? How do you attract school leavers into ... we know there is a demand for compliance people there. There is a very good career to be had in compliance, it appears to me, so how do we persuade young people that those are careers they want to follow? We do want to increase productivity but that does not necessarily have to come at the cost of headcount or a reduction in headcount and a ceiling on growth.

Deputy M.R. Scott:

What priority should be placed on continued funding of Jersey Finance Limited compared to other arm's-length organisations?

Assistant Chief Minister:

As Minister for Financial Services, I think it is absolutely crucial. Jersey is not alone in having an organisation like Jersey Finance. They have one in the City of London, Singapore, Cayman and other jurisdictions have bodies that go out and promote the Island internationally. It is sometimes difficult to measure exactly the benefit but I think if you just look at the overall picture of the industry in Jersey, it has a very high level of deposits, it has a very, very high level of assets managed or intermediated through Jersey and there is still a demand for our services. I think Jersey Finance plays a key part in continuing to maintain and develop the industry.

Deputy M.R. Scott:

Could you provide commitment that any further revenue expenditure will clearly outline the funding previously agreed such as that which is proposed in this Government Plan?

Assistant Chief Minister:

Sorry, can you say that again, please, Deputy?

Deputy M.R. Scott:

Could you provide commitment - or could you commit, I will say now - that any further revenue expenditure will clearly outline the funding previously agreed such as that which is proposed in this Government Plan? I think really it is in terms of the nature of the bid as it is being set out and the way it references previously agreed funding.

Assistant Chief Minister:

I am being dense, I am sorry. I am not getting your question. The 2024 funding is what has been allocated and proposed for 2024 and there will be an annual ... clearly it is reviewed every year.

Deputy M.R. Scott:

Okay. I can probably follow that one up in writing because I think it is more of a follow-up.

Assistant Chief Minister:

I do not know if I am just being dense or if Richard ... sorry.

Deputy M.R. Scott:

No problem. The actual business plans are confidential, so in terms of explaining things further I have to be careful not to reveal content too much, so we can come back to you on that. That is fine.

Assistant Chief Minister:

Okay, thank you.

Deputy M.R. Scott:

I will move on to the next question. Your letter of 15th November identifies that further key performance indicators for Jersey Finance will be determined once its business plan is identified. Why has a justification business case been approved without production of a business plan?

Assistant Chief Minister:

I think the business plan has been worked on. I think Jersey Finance have already been doing that and I think from memory what they do is they do a 4-year business plan and they have been

developing that. What they are anticipating doing will be built into the request for funding for 2024 and we will see that in November.

Deputy M.R. Scott:

You had not seen content of this business plan when you approved the funding?

Assistant Chief Minister:

I think there will be elements of it in the business case. The business case will set out elements of the business plan.

Chief Officer, Department for the Economy:

Minister and Chair, if I may, again we must bear in mind that this is less money in 2024 than in 2023, so in many respects the key performance indicators that existed for 2023 remain apposite into 2024 with a broadly similar schedule of activity that Jersey Finance would do next year as they have done this year and will have to find some efficiencies in how they deliver that full programme of services. Secondly, I think, Chair, the timing of the Government Plan cycle is a process that kicks off early summer and runs through the summer period such that a Government Plan can be lodged with the Greffe in early September, allowing time for Scrutiny to do its work. The timetable for business plans from arm's-length organisations is typical that those come in towards the back end of quarter 4 each year, are approved by their board and presented to the Minister for consideration. That reinforces my earlier point that just because the Government Plan sets in place a level of expenditure for any one organisation, it remains at the discretion of the Minister and the accountable officer working together as to whether that full allocation is made to any one organisation or not.

Deputy M.R. Scott:

What specific actions does the department want Jersey Finance to deliver and why has it not produced K.P.I.s for them now?

Chief Officer, Department for the Economy:

There was a broad steer that is given to Jersey Finance through our attendance at the partnership meetings and at the board meetings and we were asking for that to be taken into account in presentation of a business plan for Government and that Government will then determine the extent to which that business plan will be funded either wholly or partly.

Deputy M.R. Scott:

Can we again be clear? The business case that is provided to us is confidential. It can be useful, however, for certain content to be clarified in a public hearing. Might you be minded to mention any specific actions or things that you want Jersey Finance to deliver?

Assistant Chief Minister:

As I said in the letter, I think continuing work on fintech, how we take that forward, and sustainable finance. Jersey Finance has done a lot of work on sustainable finance, certainly in terms of the sustainable finance awards just about a month ago that I went to, which were very successful. Those are still things that are important for them to be doing as well as the general promotional work.

Deputy M.R. Scott:

What are your aspirations for Jersey Finance in terms of measurable targets?

Assistant Chief Minister:

I think it can be difficult to measure some of what they do specifically because they can go out, they can have an event in Singapore, for example, where there are lots of big players from Singapore, lots of partners from professional services firms, large accountants, who then choose, as a result of that, to structure a fund through Jersey as opposed to through another jurisdiction. We will not necessarily have visibility of that. It is sometimes difficult to link new work coming in because often the firms will like to claim it as their own, if you like. It is sometimes difficult to identify specific pieces of business coming to Jersey because of something Jersey Finance has done but I think it is very clear that the work they do in promoting the Island is viable and it does bring people here. Richard, would you like to add to that?

Deputy M.R. Scott:

Sorry, can I just interrupt here because basically in the Common Strategic Policy there is a section which is about monitoring impact and it does have a section for Economy and Skills which says: "Increase total G.V.A. (gross value added) per person, increase the number of persons with qualifications, increase the percentage of Islanders who see Jersey as the right place to build their careers, increase productivity in real terms and reduce skills shortages in key sectors." Might you see anything in the way of that?

[13:45]

Chief Officer, Department for the Economy:

Yes, one of the measures that we look at with Jersey Finance very closely is the value from their most expensive resources. That is those people based in their U.K. (United Kingdom) and overseas offices that are taking the message out face to face to new contacts in their areas. Jersey Finance measures that through something called economic value add where they look to understand the level of fees that have been generated directly for a member firm through a referral that Jersey Finance has made or, in the case of inward investment, how many jobs have been created and an

estimate of the tax take that those jobs will add into the Treasury's coffer. That is one example of a measure. When you have an organisation that is largely a marketing and promotional body and is marketing globally you cannot secure an impact assessment of every single pound of marketing spend. What you are trying to do is understand wherever you can the greatest possible detail. Spend, for example, on social media activity they measure through the level of interaction that users are having with them on various platforms in social media and the level of followership that they are creating. There are a whole variety of measures that Jersey Finance use internally to manage their different teams and to ensure that they are driving the greatest possible effectiveness of their activity.

Deputy M.R. Scott:

Is it possible to share some of that information about economic value added?

Chief Officer, Department for the Economy:

That is not my information per se but I am sure we could arrange a private briefing from Joe Moynihan, the chief executive of Jersey Finance, with the panel.

Deputy M.R. Scott:

Okay, thanks. Your letter identifies that fintech and sustainable finance remain priorities for the department and Jersey Finance. What specific actions is the department seeking with Jersey Finance in respect of these that the growth bid intends to cover specific actions of fintech and sustainable finance? Specific actions in terms of fintech and sustainable finance, please?

Assistant Chief Minister:

Richard, can you help with that, please?

Chief Officer, Department for the Economy:

Helen is going to talk about sustainable finance.

Director, Financial Services:

The sustainable finance role continues to support industry work and engagement on this. There is the sustainable finance steer co-group that Jersey Finance is leading on together with ... I am going to get the name wrong, future sustainable group, looking at how you manage that growth through the sector from a low level into the more senior routes as well. They are doing a lot of work around education on sustainable finance to support the growth of this particular sector within the industry here as well.

Deputy M.R. Scott:

Thank you. To what extent do you regard Jersey Finance as an industry representative body and to what extent is it a delivery hub?

Chief Officer, Department for the Economy:

Sorry, go on, Deputy. I was changing over the speakers here in the room.

Assistant Chief Minister:

I am not sure on delivery. It is there to promote the industry widely, to represent the industry. It does that. It will do that in terms of, as I said earlier, acting as a conduit for consultation where there are industry bodies and members who have issues with what Government are doing with new legislation who want to participate in consultation. They are representative in that respect. We will listen to Jersey Finance and we have listened over the course of this year. Jersey Finance have been in to discuss member concerns about legislative changes, so they do that role, but they are there to promote the industry and to sell our industry as a whole in other jurisdictions.

Deputy M.R. Scott:

Thank you. I am going to pass on to Constable Honeycombe now to continue this question.

The Connétable of St. Ouen:

Minister, insofar as Jersey Finance is an industry promotion body, why are banks and businesses in the Island not promoting themselves directly and competitively?

Assistant Chief Minister:

I think the answer is that they are. I think the banks and our financial services industry does do a huge amount. Often when they are sponsoring, if we talk about sponsorship, if a bank said: "We will sponsor a Jersey Finance event" that means that they have their name billed in all the literature for that event, so there is promotion there. They do absolutely promote themselves. I think that is why we need a body like Jersey Finance that represents the whole industry because there will always be very much bigger players who have very big marketing budgets and who could basically suck up all the competition, if you like. This helps promote some of the smaller players. We have a number of ... I know the term "globally significant" and I will not say that, that but there are a number of financial services in the Island who do have global reach. There are other smaller independent businesses and I think it is right that as a jurisdiction we have a body promoting everyone so that we do not become dependent on a handful of very big players because that would expose us to those big players if they subsequently decided that Jersey was not a jurisdiction for them.

Chief Officer, Department for the Economy:

If I may just add to that as well, the large banks, the large global trust companies, the large international law firms, they all spend considerably promoting their brands internationally but they are jurisdictionally agnostic inasmuch as it does not really matter to their partner in Singapore whether they book that business with a colleague in the Cayman Islands, Bermuda or Jersey. Jersey cannot be jurisdictionally agnostic. We have to promote Jersey as the jurisdiction of choice and that is why we work effectively and Jersey Finance works effectively with these international brands and the Jersey leg of their business to provide them with platforms internationally where they can talk very specifically about the merits of structuring in Jersey versus other jurisdictions that could be chosen instead.

The Connétable of St. Ouen:

If the role of it is to promote Jersey as a jurisdiction, why is this work not undertaken by External Relations?

Chief Officer, Department for the Economy:

The Minister for External Relations does help. Governments tend not to do promotion directly. Many governments have economic development agencies that undertake that work on their behalf and that is exactly the model that we have here with Jersey Finance as our economic development agency promoting the financial services sector. They work closely with External Relations where there are potential barriers to business in a particular geography or where they need support from the U.K. Government or indeed the host government to ensure that Jersey firms have access to those markets, either in a trade agreement sense or more generally in terms of cross-border marketing restrictions. There is collaboration with External Relations but importantly this is people with an industry background and a deep industry understanding in Jersey Finance promoting to counterparts with a similar deep understanding in those international markets.

Assistant Chief Minister:

I will just add, Constable, I have done a couple of trips that are primarily financial services based, you might say, but I have both times been supported by someone, by an officer from External Relations who has helped with the interaction with governmental bodies in the relevant jurisdiction. We do work together with External Relations and they have provided very helpful support.

The Connétable of St. Ouen:

Thank you. What would be the implications of Government undertaking the responsibility of delivering some of Jersey Finance's activities?

Assistant Chief Minister:

I think it just slightly clouds the picture for Government. As Richard just said, to be going in trying to sell an industry, which is private sector, might look a bit peculiar, which is why it sits better in an independent agency.

The Connétable of St. Ouen:

In your letter you identify that we continue to see growth in the financial services sector and assert that growth is not accidental and Jersey Finance continues to play a significant role in influencing its growth. A recent Government of Jersey blog identifies that the financial and legal and accounting sector grew by 18 per cent in real terms to £2.4 billion in 2022. However, this blog identifies this growth largely being due to factors external to the sector such as interest rates rising. Furthermore, it highlighted that this also drives apparent productivity increases in the financial services sector, which was otherwise at best flat. Given that the Government's analysis on an economic blog showed that the most recent growth in the financial sector was due to increased interest rates, as it is outside Jersey Finance's control, to what extent can it be identified that the activities of Jersey Finance have led to an increase in bank deposits? Could this indicate that financial services growth identified in your letter is potentially coincidental and that the actions of Jersey Finance have not greatly influenced real terms G.V.A. increases, particularly within productivity on the Island?

Assistant Chief Minister:

That was a very long question.

The Connétable of St. Ouen:

It was.

Assistant Chief Minister:

There will have been growth by virtue of interest rates in bank deposits but I think there are other aspects of the industry that are not driven necessarily by interest rates. For example, with the funds under management in a fund industry there may be a factor through interest rates but I think there is also, I believe, underlying growth. Richard, can you add anything to that?

Chief Officer, Department for the Economy:

Yes. While very respectful of the nature of the question, I hope we would all recognise that by doing no marketing you almost certainly ensure that you have no growth and if you have no growth you are in retreat versus other jurisdictions because you will see a progressive runoff of the legacy book that you have here in the Island and, therefore, a decline in income tax, a decline in employment and so on and so forth. It is important that we are out there marketing and competing with other jurisdictions for a share of the business that is being written because that both helps to replace the runoff of older business that may change as well as hopefully ensuring that we have a place in the

future when people are making decisions about a choice of jurisdiction in which to base their fund, their private wealth, their corporate structure or their bank deposit. The significant growth that we saw in the last set of G.V.A. figures was growth that we entirely anticipated and in much the same way that we have told previous Economic and International Affairs Scrutiny Panels the industry was not unproductive simply because of low interest rates, we would not say that it is highly productive just because interest rates have suddenly bounced and bounced quite markedly. There are a number of other measures of the financial services sector that are important reference points such as the volume of assets under administration and the number of jobs that we have. We must remember that it is those jobs that pay a significant proportion of the Government's overall tax receipts.

The Connétable of St. Ouen:

Thank you. Can you provide an example of Jersey Finance K.P.I.s that link to economic productivity in light of the Government blog?

Chief Officer, Department for the Economy:

I think I provided that earlier on by talking about the economic value add as a measure of the activity that takes place overseas and the extent to which Jersey Finance brings in new roles through inward investment and also through increased business volumes in the jurisdiction. That is something that could be explored in a bit more detail in a private briefing with the panel, as I suggested.

The Connétable of St. Ouen:

Thank you. What is the most economic productive activity of Jersey Finance that Government would be minded to support if activities had to be restricted?

Chief Officer, Department for the Economy:

I think that is very difficult to say. One end of Jersey Finance's activities is, for example, digital marketing, which is a very cost effective way of reaching a very big audience. Equally that is quite a scattergun approach in terms of your ability to land a message that is sufficiently well nuanced to the individual that you are speaking to, but nonetheless it is cost effective and it has significant reach. You may determine that to be a productive activity. On the other hand, a face-to-face meeting taking place over the horizon somewhere in the Middle East or Asia or in New York that generates a new private equity fund that is domiciled in Jersey, that generates hundreds of thousands of pounds of annuity revenue for the Island, may be considered to be the most productive aspect of it. The reality is that you do not have one without the other. You need to be doing the broad marketing of the brand and the proposition and you need to be appropriately prioritising that relatively expensive face-to-face contact on the ground in an overseas market. That is something that the executive team at

Jersey Finance look to ensure has the right scale of priorities in their overall activities and business plan.

The Connétable of St. Ouen:

Thank you very much. I will hand back to Deputy Scott.

[14:00]

Deputy M.R. Scott:

Thank you, Constable. Just following up on the Constable's questions ... although I think what I might just say is we are coming to end of our scheduled time and I have got just 2 questions. Are you willing to hang on for another 10 minutes and hopefully we can get these out of the way? I would be grateful for that.

Assistant Chief Minister:

Yes. I am just checking that it is for everybody.

Deputy M.R. Scott:

That is great. Thank you. The point that was made about we have got this flatness in the finance ... I think I will follow that up in a different way. I will go on to these questions. What is the expected increase in bank deposits or value of new business arising from the investment in Singapore and sub-Saharan Africa? How was this quantified and what form is this new business expected to take?

Chief Officer, Department for the Economy:

There is no specific targeting of a level of bank deposits, for example. It is impossible to be so prescriptive when you are marketing in that way overseas. You are looking for a general uplift of the activity that is conducted between one jurisdiction and another. If you are in a fund structure or a trust structure, that typically will create fees and revenues across various parts of the sector but it is not as prescriptive as targeting a certain volume of bank deposits to increase from Kenya or from Singapore.

Deputy M.R. Scott:

Okay. Are you as Minister challenging Jersey Finance to demonstrate value for money?

Assistant Chief Minister:

Yes, I am sure we will be, yes, going forward.

Deputy M.R. Scott:

Will there be a value for money review of Jersey Finance?

Assistant Chief Minister:

As Richard has said, the funding they are having this year is not what they had last year. They will have to make efficiencies like other departments. They are almost having their own value for money target in terms of the slight reduction in funding.

Deputy M.R. Scott:

I was referring more to the Chief Minister's initiative of launching a value for money review. I understand that you are not proposing one then in the case of Jersey Finance. Has Jersey Finance been requested to undertake zero-based budgeting?

Assistant Chief Minister:

Not that I am aware. Richard, do you know that? I do not believe so.

Chief Officer, Department for the Economy:

No. I thought we covered that earlier on but, no, they have not.

Deputy M.R. Scott:

Well, that is the end of the questions. Thank you very much, Minister, for attending our hearing today and for addressing all these questions. Thank you to all the supporting officers who have joined us online and who are behind the scenes as well and have contributed today, and to any members of the public who choose to watch this hearing, which I now will declare closed. Thank you very much.

[14:02]