

# STATES OF JERSEY



## **JERSEY INNOVATION FUND: ESTABLISHMENT, FUNDING AND OPERATION (P.124/2012) – AMENDMENT**

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**Lodged au Greffe on 17th April 2013  
by the Minister for Treasury and Resources**

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**STATES GREFFE**

JERSEY INNOVATION FUND: ESTABLISHMENT, FUNDING AND  
OPERATION (P.124/2012) – AMENDMENT

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**PAGE 2, PARAGRAPH (c) –**

For the words “in accordance with the Operational Terms of Reference set out in the Appendix” substitute the words “in accordance with the Revised Operational Terms of Reference set out in the Appendix to the amendment of the Minister for Treasury and Resources dated 17th April 2013”.

MINISTER FOR TREASURY AND RESOURCES

## **REPORT**

### **1. Introduction**

Following the lodging of P.124/2012 on 20th November 2012, the Economic Affairs Scrutiny Panel undertook a review with the following terms of reference –

1. To undertake an examination of key elements of the proposals to create a Jersey Innovation Fund (JIF), including –
  - eligibility criteria and how ‘innovation’ is defined for the purpose of the Fund
  - the constitution and role of the ‘Innovation Board’, and the associated role of the Minister for Economic Development
  - the appropriateness of increased risk in the investment of public funds, and how such risk will be managed
  - the processes to manage the Fund’s income and its operational costs.
2. To establish what work has been undertaken on plans to enable equity investment, and what work remains to be completed.
3. To examine how the Jersey Innovation Fund compares to similar initiatives in relevant jurisdictions.

The detailed review, which included meetings with Ministers and senior officers from the Economic Development, Treasury and Resources and Chief Minister’s Departments and key external stakeholders, resulted in a report being published on 27th March 2013.

The Scrutiny Report’s findings and recommendations have been welcomed by the Minister and, as a consequence, changes have been made to reflect fully or partially the recommendations made. The changes have led to the “Operational Terms of Reference” included in P.124/2012 being revised.

As a result, this amendment to P.124/2012 has been brought forward to replace the previously lodged “Jersey Innovation Fund, Operational Terms of Reference, September 2012” with the “Revised Operational Terms of Reference, Jersey Innovation Fund Grants and Loans – Phase 1, April 2013”.

## **2. Summary of changes to the Operational Terms of Reference to reflect the Scrutiny Panel's recommendations**

The areas of change in the Operational Terms of Reference to incorporate Scrutiny's recommendations are as follows.

### Eligibility

- (i) The criteria have been amended to encourage applications from individuals, sole traders, all types of partnerships, any business registered in Jersey, or any organisation from the third sector.
- (ii) Access to the JIF will not be limited to projects in high-value sectors. Eligibility criteria have been changed to encourage applications for projects from any sector with high-growth potential that will create jobs for locals.

### Level of funding support

- (i) To be consistent with the Minister for Treasury and Resources' maximum lending limits under the Public Finances (Jersey) Law 2005, the maximum loan or grant available will remain at £500,000.
- (ii) The proposed minimum level of £20,000 has been removed to encourage applications from early stage or small projects.

### Corporate Governance

- (i) To strengthen the Board, the number of private sector members has been increased to a minimum of 4 inclusive of the independent Chair.
- (ii) Consideration will be given to commissioning organisations such as Jersey Business Ltd., Digital Jersey and the States Rural Economy Team to provide ongoing aftercare and monitoring functions.

Some of the Scrutiny recommendations refer to Phase 2 of the project which, subject to States approval, will allow the JIF to make equity investments and move it towards a Partnership Model. During the development of the Proposition and Report for Phase 2, all the Scrutiny Panel's recommendations will be carefully considered and, where appropriate, adopted.

## **3. Financial and manpower implications**

There are no additional financial or manpower implications for the States arising from this amendment.

#### **4. Conclusion**

The recommendations made by the Economic Affairs Scrutiny Panel have been welcomed; and the changes made will, in Phase 1, improve access to the JIF and increase the amount of investment in all areas of innovation, which overall should drive growth and create new exciting job opportunities for locals.

The Operational Terms of Reference, Application Forms and all supporting documentation have been amended to reflect the changes in eligibility, level of funding and corporate governance recommendations.

**APPENDIX**

**Revised  
Operational Terms of Reference**

**Jersey Innovation Fund  
Grants and Loans – Phase 1**

April 2013

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## 1. Strategic context

On 17th July 2012, the States approved a new Economic Growth and Diversification Strategy (P.55/2012). The key objectives of the Strategy are to deliver growth, improve competitiveness, diversify the local economy and create employment. This will be achieved by the States working in partnership with the private and third sector organisations to deliver 4 strategic aims –

1. Encourage innovation and improve Jersey's international competitiveness;
2. Grow and diversify the financial services sector capacity and profitability;
3. Create new businesses and employment in high value sectors;
4. Raise the productivity of the whole economy and reduce the reliance on inward migration.

To support the delivery of these aims, the EGDS proposed the creation of the Jersey Innovation Fund (JIF) to increase innovation in the Jersey economy and, by doing so, increase the Island's productivity, economic diversity and competitive advantage. The relevant extract from the EGDS is included at Appendix 1.

The JIF will be capitalised with an initial £5 million allocation in the Medium Term Financial Plan (MTFP). Projects eligible for funding will range from direct business support for start-up, growth and inward investment through to strategic infrastructure in the private, public and third sector projects.

**Success for the Jersey Innovation Fund will be to encourage investments into areas of innovation that will deliver a competitive advantage for Jersey, attract additional private sector investment, attract high-value inward investment businesses and raise the productivity of local organisations, resulting in more job opportunities for locals.**

## 2. Laws and Articles that allow for the Fund to be created

The Fund will be established pursuant to Article 3(3)(a) of the Public Finances (Jersey) Law 2005.

## 3. The Jersey Innovation Fund's operating model

The principle of Governments encouraging, supporting and making investment into innovation is not a new concept; indeed Jersey is unusual in not having such support available to support economic development. The UK, Malta and Singapore are 3 good examples where government funds have, with significant success, been used to boost innovation. Whilst there are some common features, each jurisdiction has a unique operating model, eligibility and assessment criteria designed to support the specific priorities and objectives of the jurisdiction. That being said, analysis of Innovation Funds from across a number of jurisdictions allows operating models to be characterised into 3 main types:



### *3.1 The Fund of Fund*

**A Government Fund managed by public sector fund managers who make strategic investments in a number of established private sector Venture Capital funds.** The Government funding is directed towards Venture Capital funds that are of strategic importance; for example technologies or renewable energies. Coupled with private sector funding these privately managed funds invest in private sector businesses. All investments are equity finance arrangements where a share in the company is taken in return for the investment. The returns on any Government investments are linked to the overall performance of the venture capital fund and not linked to any one specific organisation.

### *3.2 The Partnership Fund*

**A Government managed fund that invites private sector venture capital fund managers to submit applications for co-funding to increase the availability of risk capital for early-stage and high-growth companies.** Government does not own any equity in the private enterprises; this is retained by the venture capital organisation. Returns on any investments are linked to either the overall performance of the venture capital fund or a specific organisation.

### *3.3 The Government Fund*

**A fund that provides financial support in the form of repayable loans and/or non repayable grants direct into a private sector enterprise. The fund is normally managed by an independent Board with members from both the public and private sector.** The returns made on loans are linked to combination of arrangement fees, interest rates and special clauses allowing it to benefit from any increases in value, sales growth, or the licensing of any intellectual property.

An example of each is provided at Appendix 2.

The Public Finances (Jersey) Law 2005 provides the legal framework to both establish the JIF and allow the Fund to provide support for projects in the form of loans or grants. Existing legislation would not allow the JIF to be used to make investments in private enterprise in exchange for equity in the business.

As a consequence, it is proposed that the JIF will launch and initially operate as a Government Fund (see 3.3 above) making available financial support in the form of repayable loans or non-repayable grants (Phase 1). The assumption is that the majority of support will be provided in the form of repayable loans with conditions that allow the JIF to realise enhanced returns if the business were to be successful and/or sold for significant gain. It is envisaged that non repayable grants will only be considered in exceptional circumstances.

Following the launch of the JIF, the Treasury and Resources and Economic Development Departments will develop, in consultation with stakeholders, the necessary Report and Proposition for States approval, which will allow the JIF to make equity investment in privately-owned business (Phase 2). This will require an element of the JIF to be operated as a Partnership Fund, as described in 3.2 above. The aim is that the Minister for Treasury and Resources will bring forward the Proposition

and Report and to the States of Jersey for approval of this element of the JIF within 6 months of the launch of the Fund.

The aim of the JIF is that it should be self-replenishing. As a consequence, most grants and loans are expected to have conditions that allow the JIF to realise enhanced returns if the business were to be successful and/or sold for significant gain. In all cases any returns from clauses attached to any grants or loans will be returned back to the Fund. The income from interest on loans and royalties alone is not anticipated to cover annual operating and write-off costs. The development of the Fund to allow it to make equity investments (Phase 2) will support the aim of the Fund becoming self-replenishing.

#### **4. Grants and Repayable Loans**

Within the first 6 months of operation, the types of financial support available from the JIF will be restricted to repayable loans and non-repayable grants. In both cases the Minister for Economic Development will have the option to approve specific clauses or conditions to safeguard the States of Jersey and allow it to benefit from any significant increase in the value of the enterprise, a move to another jurisdiction, a significant increase in revenues, or other commercial opportunities resulting from the original investment.

The option to provide either a repayable loan or grant provides the opportunity to support fully commercial projects in innovation or projects that would not proceed without assistance from the JIF. In all cases projects supported by JIF must clearly demonstrate that they have the potential to deliver economic and commercial returns. The assumption is the majority of support offered will be through repayable loans with grants only offered in exceptional circumstances.

Any financial support offered (loan or grant) will comply with all aspects of the Public Finances (Jersey) Law 2005 and States of Jersey Financial Directions. Any grant or repayable loan would be the subject of a detailed Funding Agreement. Each Funding Agreement will be unique to the project and include details of any specific clauses, the rights and obligations of both parties and contain the following as a minimum –

- Name of the investee
- Description of the financial support (loan/grant)
- Purpose of the loan or grant
- States strategic aims and objectives supported
- Amount of the support
- Payment terms and timing
- Repayment terms of the loans
- Interest rates of approved loans
- Royalty obligations
- Other Special conditions attached to the funding support
- Treatment of royalty or loan defaults
- Arrangements for repayment or early repayment
- Explanation of the corporate governance framework
- Explanation of disclosure of the support in the States of Jersey Annual Accounts

- Clear explanations of what each party is expected to provide, including any reports and/or statements
- Any conditions attached to the support and criteria for measurement of whether investment conditions have been fulfilled
- Arrangements for repayment of the loan or grant in the event of non-performance or non-compliance
- Rights of access for Departmental officers and the Comptroller and Auditor General
- Arrangements for the purchase and disposal of any assets to be acquired using the grant
- Details of any security which may be required to secure the Loan.

#### 4.1 Definitions of the types of financial support available

##### Loans

Loans are defined as a sum of money advanced from the Fund to a party for a limited period of time and repaid with interest calculated on the balance outstanding. **There is no minimum amount** and, to be consistent with Minister for Treasury and Resources' lending limit under the Public Finances (Jersey) Law 2005, the maximum JIF loan is £500,000.

##### Loan Policies

- ☐ There is no minimum Loan.
- ☐ The maximum Loan is £500,00.
- ☐ The maximum repayment period is 5 years.
- ☐ The minimum repayment period is 12 months.
- ☐ Initial draw-down of the Loan must be made within 6 months of the Loan Agreement and Royalty agreements being signed and returned to the JIF Executive Officer.
- ☐ Final draw-down must be within 12 months of the Loan and Royalty Agreements being signed.
- ☐ All Loans will be subject to an interest charge.
- ☐ Interest rates will be fixed for the full term of the Loan.
- ☐ Interest rates on all Loans will be recommended by the JIF Board.
- ☐ Holiday Repayment Period on Loan Facilities must be for no longer than 12 months after the initial draw-down.
- ☐ Interest rates will be calculated on the amount of capital outstanding at the end of each calendar month.
- ☐ All applicants receiving a Loan may be required to enter into a Royalty Agreement.
- ☐ Any available security should be used to secure the Loan.

##### Obligation to pay interest on all loans

The company receiving a loan from the Fund will be obliged to pay interest on the amount borrowed. The terms and interest rate will be determined through consultation between the Board, the Treasurer of the States and the Minister for Economic Development, and agreed on a case-by-case basis.

### Termination of a Loan policy

Either party to an approved Loan may at any time by notice in writing, and without the need to provide any reason therefore, specify to the other party a Termination Date which shall be not less than 6 months from the date on which such notice is given. In all cases the Loan and any interest due will have to be repaid in full to the JIF.

An organisation in receipt of a Loan may request an early repayment or settlement figure. This settlement figure will be calculated by the Treasury Department.

### Grants

Grants are defined as a transfer of money to an individual or entity in return for future compliance with certain conditions relating to the project. There is no minimum grant and, to be consistent with Minister for Treasury and Resources' lending limit under the Public Finances (Jersey) Law 2005, the maximum JIF grant is £500,000.

### Grant Policies

- ☐ There is no minimum Grant.
- ☐ The maximum Grant is £500,000.
- ☐ Draw-down of the Grant must be made within 6 months of the Grant Agreement and Royalty agreements being signed and returned to the JIF Executive Officer.
- ☐ All applicants receiving a Grant may be required to enter into a Royalty Agreement.

## **5. Obligation to payment of royalties**

Based on the recommendation of the JIF Board, the Minister for Economic Development may require the successful applicant to pay royalties on income revenues generated by the project. The scale and scope of royalty payments will be defined in the Funding Agreement.

## **6. Eligibility**

6.1 Any individual, sole trader or any type of organisation or business can apply for JIF support. To apply, the applicant must –

- ☐ complete and sign the JIF Application Form;
- ☐ demonstrate: that without JIF support the project will not proceed, or will proceed at a significantly reduced scale or to slower timescales;
- ☐ disclose all forms of potential security;
- ☐ agree to supply any additional information requested by the JIF Executive or Board during the due diligence and assessment processes;
- ☐ have obtained the required business licence in accordance with the Regulation of Undertakings Law (for trading organisations only);
- ☐ clearly demonstrate how the innovation investment will create new jobs;

- ☐ demonstrate the growth potential for the project;
- ☐ disclose all other forms of security that could be used to secure the Loan.

6.2 The Application shall only be eligible for a Loan if –

- ☐ the aggregate amount of the requested JIF support Loan and/or capable of being advanced to such Applicant under any other States of Jersey scheme is an amount which does not exceed £500,000;
- ☐ the initial draw-down for the Project will be made no later than 6 months after the date of the Loan Agreement being signed;
- ☐ the application is for a Loan Facility in sterling;
- ☐ the project will be delivered within the Bailiwick of Jersey;
- ☐ the applicant agrees, if requested, to sign a Royalty Agreement as determined by the JIF Board.

6.3 The Application shall only be eligible for a Grant if –

- ☐ the applicant can justify and demonstrate that the project will not generate sufficient income to repay a loan within the first 5 years of the Project starting;
- ☐ the aggregate amount of the requested JIF support Grant and/or capable of being advanced to such Applicant under any other States of Jersey scheme is an amount which does not exceed £500,000;
- ☐ the initial draw-down for the Project will be made no later than 6 months after the date of the Grant Agreement being signed;
- ☐ the Project will result in significant economic spillovers in Jersey during the first 5 years of the project commencing;
- ☐ the project will deliver an economic competitive advantage to the Island;
- ☐ the project will be delivered in the Bailiwick of Jersey;
- ☐ the project, within the first 5 years, will result in the creation of new jobs (direct or indirect employment).

## 7. Due diligence

7.1 Every Applicant must –

- ☐ complete and sign the JIF Application Form;
- ☐ provide copies of the current Regulation of Undertakings business licence (applies to established business only);
- ☐ supply a copy of the company's Memorandum and Articles of Association (applies to established business only);
- ☐ for all collaborative applications supply copies of all partnership agreements;
- ☐ provide details of all other sources of funding including copies of all agreements;
- ☐ disclose any debentures or securities taken or charges placed;

- ☐ disclose full details of any guarantees provided by the principle(s), directors to secure other funding for the project;
  - ☐ disclose details of all principal(s) and or shareholders including their residential address;
  - ☐ supply a copy of the latest audited accounts (established business only);
  - ☐ supply financial forecasts for a minimum of 3 years or the life of the project (if greater than 3 years).
- 7.2 All Applicants will be subject to background checks including but not limited to credit rating, tax/social security and financial.
- 7.3 Applications made by 2 or more organisations must be accompanied by copies of audited accounts for every partner.
- 7.4 Applications made by a subsidiary company must supply a copy of the parent company's accounts.

## **8. Assessment framework**

To demonstrate the extent to which an application might meet the criteria of the Fund, the independent JIF Board will have a consistent and objective methodology to compare projects which may exhibit quite different characteristics.

In particular, the JIF Board will have a robust approach to considering the impact a project might have on employment, competitiveness and innovation, plus an objective measure of whether a project can be considered to encourage high-value-added, high quality or high productivity activity. The Board will also consider the likely short- and long-term commercial viability of the project.

### **8.1 Assessment policies**

- ☐ Every application will be subject to a full economic assessment.
- ☐ Economic assessments will be completed by the States of Jersey Economic Adviser's Unit.
- ☐ The economic assessment will be presented as a written report to members of the JIF Board.
- ☐ The JIF Board may, or if requested to do so by the Economic Adviser or the Minister for Economic Development, commission experts to provide specialist technology, financial or legal advice.
- ☐ The JIF Board is responsible for assessing the applicant's business plan, including but not limited to: its commercial viability, the market opportunity and size, the competition if any, the capability and experience of the project team, and any identified or unidentified risks.
- ☐ The JIF Board must review and consider all forms of security disclosed or available.

In order to complete a thorough assessment of all potential projects, certain information will be required. A summary of the information required for every project is set out below.

## 8.2 The Applicant

- Name of applicant
- Economic sector
- Country of residency/ownership
- Recent Trading Results & projections
- Three years' company accounts, including the most recent audited accounts.(not applicable for would-be-entrepreneurs or start-ups)
- Business Plan with sales projections and commentary explaining any change in revenues, costs, margins, etc.

## 8.3 The Project (proportionate to the size and complexity of the proposed project)

- Description of project
- Details of any additional facilities/plant/buildings required
- Rationale for the project/what alternative projects have been considered?
- Will the project result in any new products or services?
- Timescales
- Amount and type of assistance sought
- Other sources of finance and the need for further finance
- Clear evidence that any other necessary funding has been secured
- Evidence that all alternative funding has been exhausted (e.g. letters from bank)
- Evidence that further funding is required (demonstrable finance gap)
- Supply chain expenditure – any inputs purchased from local companies
- Innovation – existing level of innovation and what innovation will be undertaken as part of the project. Details of any specific expenditure on innovation
- Training/Skills Development – Details of any training that will be undertaken – general/specific, on the job/classroom, qualifications, etc.
- Knowledge Transfers – Is there any collaboration with other businesses or knowledge bases?
- Counterfactual – What will happen in the absence of assistance and what is the rationale/evidence for this?
- Market analysis of current and anticipated market share, main competitors, etc.
- Employment Impacts – Number of Full-Time Equivalent staff – job titles, wages, skill levels, longevity, recruited from locally-qualified or non-local population.

## 8.4 The Assessment

- Commercial  
Commercial/Market Assessment – How realistic are the trading forecasts?
  - Is there a market for the product?
  - Is the market growing?
  - Who are the main competitors?
  - What is the likely response of competitors?
  - Are there any risks to the market, e.g. exchange rate risks
  - Technical Assessment – how innovative is the project?

#### Viability/Sustainability

- Will the project earn sufficient profits to be sustainable?
- Are trading forecasts realistic based on the market prospects?
- Assessment of the quality of the management team.
- Are financing arrangements sustainable?

#### Environmental/Social Factors

- Economic
  - Incremental Value Added
    - Difference between the value added of the project and the counterfactual
    - Will value added be scored high/medium/low compared to Jersey average?
- Wider Costs/Benefits
  - Supply Chain – value added of any additional spend in the local supply chain
  - Opportunity Cost
    - For locally qualified employees, the opportunity cost is the most likely alternative employment (or unemployment) to the project.
    - For non-locally qualified employees, the opportunity cost is the potential to import labour for a different project/firm, potentially in a different sector.
  - Innovation Spillovers
    - Scored high/medium/low potential for spillovers, based on the characteristics.
    - Monetised where possible, based on the level of expenditure.
  - Training Spillovers
    - Scored high/medium/low potential for spillovers, based on the type of training.
  - Other Wider Impacts
    - Only wider impacts, e.g. displacement from other Jersey business, competition impacts, etc.
- Budgetary Impacts
  - Cost of Assistance, including all costs to other parts of government
  - Direct Revenues – e.g. loan repayments, royalties, dividends
  - Tax Impacts – income tax, corporate tax, potential GST impacts.
- Employment Impacts
  - Number and timing of creation of new FTE jobs
  - Sustainability of jobs
  - Quality of jobs
    - Skills (high, medium, low)
    - Productivity at end of project (plus assessment of high, medium or low)
    - Average wages (high, medium, low)



- Additionality
  - Will the project go ahead without assistance?
  - What is the return on investment without support?
  - How risky is the project?
  - Is alternative finance available?
  - Is there another, more profitable location outside Jersey?

## 9. Recommendation and approval framework

The JIF Board, after completing the appropriate levels of due diligence and assessment, will determine if the project should be rejected or proceed with a recommendation to the Minister for Economic Development to approve the project using the Business Case Template attached at Appendix 3. The recommendation, signed by the Chair, will include all terms, conditions, interest rates, repayment term on loans, royalty obligations, security requirements and special clauses that are to be attached to offer of support.

### 9.1 JIF Board Recommendation Policies

The JIF Board must only make a recommendation to the Minister for Economic Development to approve an application if it is of the opinion that the –

- ☐ Applicant has a viable business proposition.
- ☐ Applicant will be able to meet its repayment obligations for the Loan.
- ☐ Applicant is unlikely to secure funding from other sources.
- ☐ Provision of debt financing to the Applicant is an appropriate means of financing. For the avoidance of doubt, where the provision of debt financing is only one of a number of elements of an overall financing package, the JIF Board must be of the opinion that the provision of a Loan is an appropriate element of such financing package.
- ☐ Individual or organisation receiving the Loan is able to meet its debts as they fall due and will not, as a consequence of entering into the proposed loan facility, cease to be able to meet its debts as they fall due.
- ☐ Economic assessment undertaken is positive and confirms the project has the potential to positively contribute to the Jersey economy.

The JIF Board's recommendation, or not, to approve a Loan must be in writing to the Minister for Economic Development and accompanied by a business case signed by the JIF Board Chairman. The recommendation will include –

- ☐ the amount of the Loan;
- ☐ based on the information provided by the Treasury Department, shall recommend the interest rate for the Loan;
- ☐ details of how any available security should be secured;
- ☐ any holiday period for both the Loan and interest repayments;
- ☐ proposals for multiple draw-downs subject to the final draw-down being no later than 12 months from the Facility Letter;
- ☐ confirmation that the Applicant has a viable business proposition with the potential to positively contribute to the Jersey economy;

- details of the success criteria for the project (jobs and revenues) any wider economic benefits;
- all information, clauses, terms and conditions that should be included in the Royalty Agreement.

The Minister for Economic Development, if he approves the Board recommendation, will record his decision by signing a Ministerial Decision. There is no right of appeal against either the Board's recommendation or the Ministerial Decision.

## 10. Management and Governance of the JIF

A new independent Innovation Board (“**the JIF Board**”) will be established. The JIF Board will consist of a minimum of 4 private sector members (including an independent chair) plus, in an *ex-officio* capacity, one representative from Treasury and Resources, the Economic Advisory Unit and the Economic Development Department's Chief Officer. The JIF Board will review every application and make recommendations to the Minister for Economic Development to approve or reject an application. The JIF Board will not have authority to approve any funding. The Minister for Economic Development will have sole responsibility for approving or rejecting all grants or loans from the Fund and recorded by signing a Ministerial Decision

The Economic Development *ex-officio* representative on the Board is also the Department's Accounting Officer. To protect this position, avoid any possible conflicts of interest and to allow the Chief Officer to provide independent advice to the Minister for Economic Development, the Chief Officer will not have any voting rights in his capacity as a JIF Board member.

The private sector representatives will play a critical role in assessing the likely success of the project, so extensive commercial experience in a related role will be a pre-requisite.

The JIF Board will be supported by a JIF Executive, provided by the Economic Development Department. The JIF Executive will be responsible for administrative, secretariat functions and managing the due diligence processes. In addition, the JIF Executive will have responsibility for managing the aftercare, monitoring and reporting to the JIF Board on all supported projects on a regular basis. This may include commissioning organisations such as Jersey Business Ltd., Digital Jersey or the States Rural Economy Team, to provide the ongoing aftercare.

The JIF Executive will also have lead responsibility for –

- Receiving and co-ordinating all applications
- Undertaking initial and appropriate levels of due diligence
- Preparing the Business Case on behalf of the JIF Board for the Minister's consideration
- Preparing the Funding Agreement in association with the Law Officers' Department
- Managing aftercare and ongoing monitoring of approved projects, or as appropriate arranging for aftercare to be managed by third-party organisations, such as Jersey Business Ltd. or Digital Jersey

- Establishing a risk register for all projects
- Managing the risk register, which must be updated every 6 months, and notifying the JIF Board, Minister for Treasury and Resources, Treasurer of the States and Minister for Economic Development of any changes
- Drafting the Annual Report for the JIF Board to approve.

The JIF Board, as appropriate, will also draw on other expert opinions to provide comprehensive due diligence when considering and assessing applications. This will include, but not be limited to, technical expertise, market intelligence, financial due diligence, and company or patent searches.

In every case and during the assessment process, the States of Jersey Economic Adviser's Unit will undertake an economic impact assessment and present a written report to the JIF Board, which they will use in considering and assessing the project from an economic prospective.

The JIF Board, after being fully satisfied with the due diligence checks, reviewing the expert and economic opinions and a detailed analysis of the proposal, will make a recommendation to the Minister for Economic Development to approve or reject the project. The recommendation will be presented using the Business Case template (Appendix 3) which is based on H.M. Treasury Green Book best practice.

The JIF Board, which will act in an advisory capacity, will be responsible to the Minister for Economic Development. The JIF Board will, at all times, ensure that the JIF operates within both the Public Finance Laws and any current or future Financial Directions. Board Members will also operate within an approved corporate framework and publish an Annual Report that will be presented to the States.

Private sector Board Members will be appointed through a process overseen by the Appointments Commission. Public sector Board Members will be appointed by the Minister for Economic Development. Board Members will not be remunerated.

Board members will be appointed for a period not exceeding 3 years. A member of the Board will cease to serve before the 3 year term if –

- they resign;
- they cease to be employed as a civil servant of the States Department they are representing;
- with respect to a private sector representative, they commence employment with the States of Jersey as a Civil Servant.

Board members will be expected to declare an interest and not consider an application where there is any risk of a conflict of interest. Conflict arises where an individual's obligation to further the purposes of the JIF Board is at odds with their own financial interests. For this reason, members will have to abide by the 7 principles of public life set out in the Nolan Report, attached at Appendix 4.

## **11. Risk**

No form of financial support comes without a level of risk. It is acknowledged by the nature of the projects supported that some will fail. This may result in a loan not being repaid, the non-payment of royalties, or a grant supported project not delivering the desired outcomes.

Although the pre-investment due diligence, plus the post-investment monitoring and assessment process are designed to minimise risks, it is important to acknowledge that it is impossible to operate a fund of this type without accepting some level of risk.

During the due diligence and assessment process the JIF Board will consider all available security available and recommend to the Minister for Economic Development if and how any available security should be used to reduce any risk to the JIF.

## **12. Scope of the Fund**

The Fund will be used to support projects across all sectors, including the public and thirds sectors, but targeted and prioritised towards –

- Attracting new innovative businesses to the Island. This is an important part of the inward investment proposition and supports Government's commitment to enhancing its ability to attract and create new jobs.
- Assisting would-be-entrepreneurs and early stage start-up enterprises to invest in innovation.
- Established businesses with growth potential to invest in innovation.
- Research projects that may improve the Island's competitiveness.
- Enabling investments in infrastructure.
- Establishing better links with universities with the objective of commercialising academic IP.

## **13. Financial and manpower implications**

### Financial costs

There will be financial costs associated with the operation and management of the Fund, particularly relating to due diligence, assessment and approval of applications e.g. company searches, background checks, market research, credit checks, legal costs and specialist advice. It is intended that EDD will meet these costs in the first instance and on an annual basis recharge them to the Fund. The Economic Development Department estimates the cost for managing an estimated 10 applications a year will be no greater than £100,000 per annum.

### Manpower implications

The operation of the Fund will place manpower demands on the Economic Development, Treasury and Resources and Law Officers' Departments and the Economic Adviser's Unit. It is estimated that the total man-hours will cost £50,000 per annum. This cost will not be recharged to the Fund and will be included within the relevant Department's year-end accounts.

#### **14. Reporting and Audit**

Copies of the signed minutes of all JIF Board meetings will be sent to the Minister for Economic Development. All reports published will comply with the normal States of Jersey reporting practices.

##### Reporting Policies

The JIF Board will provide the Minister for Economic Development and the Treasurer of the States with a written report no later than 31st January and 30th July for every year the JIF is in operation. Each report as a minimum must include –

- ☐ a full financial statement on the income and expenditure of the JIF;
- ☐ a list of all approved Loans including information on repayment schedules;
- ☐ a report on all defaults, non-repayments, repayment delays, loan restructuring or write-offs;
- ☐ a progress report on every Project supported by a Loan;
- ☐ details on any other changes in circumstance.

Every organisation in receipt of a Grant or Loan must provide quarterly progress reports. As a minimum, each report must include –

1. Progress against the original Project plan noting all key milestones
2. A financial analysis of spend and income compared with the original forecast
3. A progress report on all new innovation
4. Details of any changes in Key Staff
5. Details on any change to the company's Board of Directors.

All organisations in receipt of a Loan or Grant must provide an annual Loan/Grant Assurance Statement to the JIF Executive Officer, confirming how the Loan/Grant has been spent and the outcomes achieved in comparison with the original plans. The Assurance Statement must be signed by the Directors of the organisation and received by the JIF Executive Officer by 31st March of the year following the signing of the Loan and Royalty Agreements.

##### Audit and provision of information policies

At such frequency and such times as the States of Jersey Audit Committee may from time to time determine, in its absolute discretion may conduct an audit of the JIF.

At such frequency and such times at the States of Jersey may from time to time determine, in its absolute discretion, conduct an audit or all or any approved Loans.

The Comptroller and Auditor General at his discretion can audit the JIF.

## **15. Breaches and Remedies policies**

- 15.1 Any project breach, delay, significant change, as determined by the JIF Board, which is continuing unremedied and unwaived, the JIF Board will, at its discretion, determine what steps, if any, are to be taken to remedy the relevant breach or to seek to prevent, or minimise the risk of, any possible re-occurrence of such breach. This can include recommending to the Minister for Economic Development the termination of the Funding Agreement.
- 15.2 An information disclosure breach during the application process, as determined by the JIF Board, that is deemed to be inaccurate or misleading in any way, will result in any application being rejected. An information disclosure during the term of an approved Loan could result in the termination of a Loan agreement, resulting in a demand for immediate repayment for the outstanding amount.
- 15.3 A Funding or Royalty Agreement repayment breach will result in the Treasury following its standard policies on debt recovery. Any change from the standard Treasury policies will require a recommendation from the JIF Board and a Ministerial Decision from the Minister for Economic Development.

## **16. Liabilities**

The Funding, Loan and Royalty Agreement must ensure the States of Jersey, the JIF and JIF Board Members shall have no liability to the organisation in receipt of a loan whether in contract, tort (including negligence or breach of statutory duty) or otherwise.

## **17. Governing Laws and Jurisdictions Policies**

The Laws governing all documentation, Loan or Royal Agreement shall be governed and construed in accordance with Jersey law.

## EXTRACT FROM P.55/2012

**Strategic Aim 1: Encourage innovation and improve Jersey's international competitiveness**

The States has a role to play, in partnership with business, in encouraging innovation that will improve the Island's competitive advantage in an increasingly competitive international market place. Innovation encompasses a wide range of activities from research and development, to organisational change, training, testing, marketing and design. It contains products, services and other solutions that that can be new to the business or the international market. Businesses commonly under invest in innovation and, as a consequence fail to realise their potential. Government policy and financial intervention can remove barriers, bottlenecks or obstacles that impede the innovation process.

To achieve this strategic aim, a new Innovation Fund is proposed. The aim of the Fund is to support innovation and will be available to support a wide range of activity from direct business support to strategic infrastructure investments, in the private, public and third sectors. The one consistent factor of policies that merit support will be that they improve the rate of innovation in Jersey and lead to significant employment creation.

The priority is to:

- 1.1 Establish a new Innovation Fund pursuant to Art. 3(3)(a) of the Public Finances (Jersey) Law 2005 – managed by EDD, with an independent Board including EDD, Treasury and Resources, and Chief Ministers' Department representatives and non-Executive Directors drawn from the private sector. The Board will have responsibility for evaluating all applications for support and, following thorough analysis, making recommendations to the Economic Development Minister. The fund will make investments in private and public sector projects to drive greater innovation in Jersey and improve competitive advantage.*

The Minister for Treasury and Resources will bring forward detailed proposals for the Innovation Fund to the States for approval in the fourth quarter of 2012 however the Fund will have the following structure:

- Investments will only be made in projects that clearly demonstrate a significant leverage in terms of improving Island competitiveness, infrastructure improvements, developing innovation and diversification towards high value activity that creates good jobs for local people. Projects will also have to demonstrate how the investment will deliver wider economic benefits to the Island.
- The fund will be used to support projects across all sectors, from enabling investment in ICT infrastructure, to additional support to attract innovative businesses to the Island

- The Innovation Fund will increase the availability of risk capital for high value growth companies, and is central to the Islands strategy for economic growth and diversification. The fund will support private, public and third sector projects that can clearly demonstrate the following:
  1. Creation of employment for Jersey residents
  2. Return on investment in terms of economic benefit for every £1 spent from the Fund
  3. A quantifiable impact on competitiveness and innovation in sectors which Jersey can demonstrate a comparative advantage (measured by increased market share)
  4. Encouraging high value added, high quality, high productivity economic activity
  5. A strong case for States support through alignment with States Strategic Plan priorities, in particular in areas where market failure is presenting a barrier to innovation.
  
- The Fund will be used to support projects across all sectors through:
  1. Additional support to attract new innovative businesses to the Island.
  2. Direct support to innovative businesses that may be unable to find finance.
  3. Finance for research and development opportunities.
  4. Enabling investment in ICT infrastructure.
  5. Seed funding for new products/services/processes.
  6. Funding for businesses to establish better links with university research
  
- Eligibility will not be sector-specific but all applications for support must demonstrate, as a minimum:
  1. The impact directly/indirectly in terms of expected profits/revenues/employment in future years.
  2. What efforts have been made to access private sector funding
  3. Why private sector funding is not available
  4. How the project will bring wider benefits to the Jersey economy
  5. What funding is necessary and how the Island will benefit
  
- Applications will be assessed on a consistent and objective basis and only projects that meet the required criteria and score highly will be progressed. In particular:
  1. Dedicated Officer support will check and make sure compliance in terms of information/key criteria (those that do not will not go forward to the Officer Board).
  2. The Officer Board will consider applications and decide whether they merit more detailed consideration.
  3. Projects that merit further consideration would be assessed on their net economic impact by the Economics Unit and in terms of financial code, etc. by Treasury and Resources (and other officers where appropriate).



Given the competitiveness of the inward investment market it is particularly important that the proposed Jersey Innovation Fund has access to significant resources, of a scale capable of standing comparison with competitor offerings.

Evidence from the UK, Singapore, Malta, Northern Ireland and elsewhere clearly demonstrates that an Investment Fund can make a real difference by supporting the wide range of policies intended and enhance the rate of innovation. The Funds being managed in the aforementioned jurisdictions vary in size and eligibility. Details of these Innovation Investment Funds and the benefit are detailed in Appendix 1.

Whilst the scale of the problems in Jersey do not match those in the UK Europe or elsewhere it is essential that sufficient resources are allocated to the Innovation Fund to deliver results and attract matching investment. In this respect it is proposed that the new Fund be created with an initial investment of £10 million from Treasury.

The performance of the Innovation Fund will be monitored by the Treasury and investments in the Fund will be subject to annual audit, the results of which will be presented to the States.

**Success for this Strategic Aim will be to have established a fund, and assessment framework, that could be used for strategic investments into innovation and new technologies that would deliver a competitive advantage for Jersey, attract additional private sector investment and create new high value businesses resulting in significant new job opportunities in a more diversified economy.**

## EXAMPLES OF INNOVATION FUNDS

### Model 1: The Fund of Fund

An example: The UK Innovation Investment Fund (UKIIF)

The UK Innovation Investment Fund operates on a Fund of Funds structure which means it does not invest directly in companies, but rather invests in a small number of specialist, private sector technology funds that have the expertise and track record to invest directly in technology businesses. By increasing the supply of venture capital to these funds the UKIIF drives investment in high growth businesses, start-ups and spin-outs which are finding it difficult to raise finance in the current economic climate

The UKIIF had an initial investment of £150 million from H.M. Government, and has the ambition of increasing the value of the Fund to £1 billion. This money is invested in a small number of technology venture capital funds, operated by experienced and successful venture capital fund managers, with the expectation that the majority of the money would be invested in sectors such as life sciences, low carbon and clean technologies, ICT and digital and advanced manufacturing. The underlying funds are invested in companies that require equity finance at all stages of development, from seed and early-stage funding through to later stage financing.

Types of investments – Equity finance

### Model 2: Partnership Fund

Example Innovation Fund Ireland

Ireland has up to €250 million available and runs along 2 parallel tracks. The first one comprises a €125 million pool of funds provided by the Exchequer and managed by Enterprise Ireland. Managers of private equity funds/firms are invited to submit applications. Successful applicants who receive an investment from Enterprise Ireland will have to commit to investing an equivalent amount in Irish companies or companies with significant Irish operations over the lifetime of their fund.

The second one is for a similar amount and designed to allow Ireland's National Pension Reserve Fund to make a similar level of commercial investments.

Fund managers must meet, at a minimum, the following criteria to be considered for investment:

- ☐ An established global profile and network with a reputation for market leadership in venture capital investment.
- ☐ A proven track record of raising funds and generating superior returns for investors.
- ☐ A capacity to access high potential international investment opportunities with an investment team capable of attracting world-class entrepreneurs.
- ☐ An intention to establish a new and substantial presence in the venture capital market in Ireland and a willingness to invest a meaningful proportion of their

venture capital fund in Irish companies or companies with significant Irish operations

The Innovation Fund Ireland has been created to increase the availability of risk capital for early-stage and high-growth companies, and is central to the Irish Government's strategy for economic recovery. Government does not own any equity in the private enterprises benefiting from the risk capital available from the fund.

### **Model 3: The Government Fund**

An example from the Office of the Chief Scientist, Israel

The Office of the Chief Scientist (OCS) of the Ministry of Industry, Trade and Labour (MOITAL), empowered by the Law for the Encouragement of Industrial Research & Development 1984 (R&D Law), oversees all Government sponsored support of R&D in the Israeli industry. This broad spectrum support stimulates the development of innovative state of the art technologies, enhances the competitive power of the industry in the high-tech global market, creates employment opportunities and assists in redressing Israel's balance of payments. In addition to its domestic activities, the OCS is involved in a myriad of bi- and multi-national industrial R&D agreements.

The OCS annually supports hundreds of projects from incipient concepts within a pre-seed framework followed by support of incubator and start-up companies through autonomous industrial R&D enterprises. The support is directed toward the development of novel products based on new and innovative technologies throughout the entire industry, in well-established as well as new companies and in both the high-tech and traditional sectors. This support also extends to a broad range of co-operative ventures with foreign commercial entities. The support is structured and delivered via a wide range of separate schemes – (a few examples below).

#### **1. Pre-Competitive R&D Support via:**

Magnet Consortium Supports the formation of consortia made up of industrial companies and academic institutions, in order to jointly develop generic, pre competitive technologies. The duration of a Magnet Consortium is 3–5 years.

Grants are up to 66% of the approved budget for industry and up to 80% for the academic institution. No royalty payments.

Katamon Promote water technology projects by triple cooperation between industrial company, academic research group and water infrastructure company. Project's budget is up to US\$1M, and its duration is up to 30 months. Grants are up to 50%. No royalty payments.

Research Institutes: Supports R&D programs carried out by Research Institutes Grants are up to 90% of approved budget.

## 2. Pre-Seed

Tnufa: Encourages and supports technological entrepreneurship and innovation at pre-seed stage. Assists individual inventors and start-up companies during early stages of projects. Includes evaluation of technological and financial feasibility preparation of patent proposal for submission to authorities, construction of prototype, preparation of business plan, establishing contact with the appropriate industry representatives as well as attracting investors. Grants of up to 85% of approved expenses for a maximum of \$50,000 for each project. Royalty Payment conditions can apply

### Europe's R&D Framework Agreement – ISERD

Grants to SMEs are 75% of the full cost with real overheads. Large industrial partners will receive 50% of the full cost with real overheads.

### Eureka

Eureka is the largest European program for Industrial R&D, supported by nearly 40 member states. Israel is a full member in Eureka since 2000. Being non-bureaucratic and SME friendly, over 40% of Eureka project participants are small/medium enterprises (SME) – including start-up companies.

Israeli companies participating in the program receive R&D grants from the OCS.

### Bi-national Funds

The programs enable the participation in joint R&D projects with foreign counterparts.

Grants are up to 50% of R&D expenses of each company from each state.

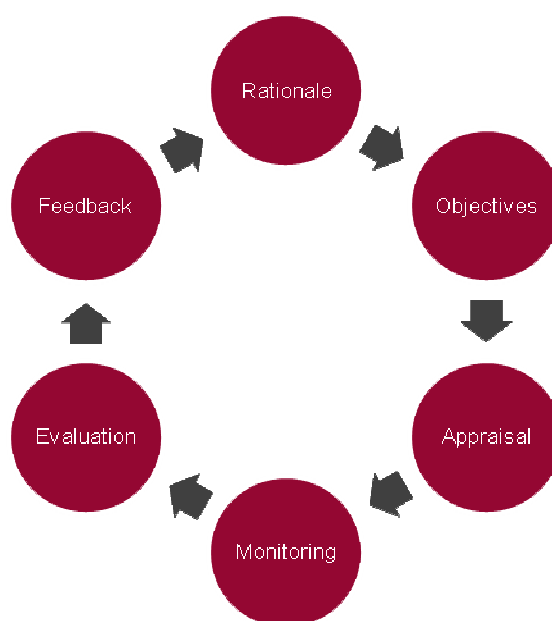
The CSO invests approximately €230–460 million each year through various support mechanisms projects in traditional industries, and innovation projects in the fields of nanotechnology, biotechnology and clean-tech sectors. Each scheme has its own assessment evaluation and assessment criteria. Israeli firms applying for a grant can receive up to 50% of the project costs. In exchange, the firms are obliged to pay royalties if the project's outcomes become commercial. The royalty agreements are a condition of the grants or loan and act as the safeguard for longer term rewards.

All applications for funds are considered and approved by a Research Committee. Membership includes the head of administration of the fund, 2 representatives of the Ministry and Trade, 2 representatives of the Ministry of Finance, 2 representatives from the private sector, and a representative from the public with at least 10 years experience in business or industrial management. Appointment to the Committee are for a 3 year period.

The UK Regional Growth Fund (RGF) represents a prime example of the type of Fund under consideration. This £2.4 billion fund operating across England from 2011 to 2015 supports projects to create economic growth and sustainable employment in local communities. The first 2 rounds of RGF have been very successful – conditional allocations were made to 176 bidders which will leverage over £7.5 billion of private sector investment and deliver around 330,000 jobs.

## H.M. TREASURY GREEN BOOK BEST PRACTICE

The UK Treasury “[Green Book](#)” is widely acknowledged as best practice for public sector investment appraisal. There are 10 key steps for preparing a Business Case and these steps form part of the “Green Book’s” Appraisal and Evaluation Cycle, which they formalise as the acronym “ROAMEF”. ROAMEF stands for (Rationale, Objectives, Appraisal, Monitoring, Evaluation and Feedback). This is shown within the “Green Book” as:



The 10 key steps are:

1. Strategic Context
2. The Need for Investment / Disinvestment or Policy Development
3. Objectives & Constraints
4. Identify Options
5. Identify & quantify option costs and benefits
6. Appraise Risks
7. Calculate NPV & assess uncertainties
8. Identify non-monetary costs & benefits
9. Presenting the results of the option appraisal
10. Action / Project Plan for implementation

### **1. Strategic Context**

The opening section will clearly define the project and describe where it fits within the strategic context of EDD. The case must be consistent with our objectives and should clearly demonstrate and evidence this.

### **2. The need for Investment, Disinvestment**

The Business Case should present the rationale for the proposal, clearly stating why we need to invest in this project. Remember – public funding should not displace private sector funding and you will need evidence of market failure to support your case. The case should also consider the opportunity cost for the department of investing or disinvesting in other projects and prioritising this project against other demands.

### **3. Objectives and Constraints**

This section of the Business Case clearly states the project objectives, i.e. what the proposal intends to achieve. This should be stated in terms of outcomes, outputs and targets that must be measurable.

### **4. Identify Options**

It is important to demonstrate that you have considered all the options including the “Do Nothing” option. There are always at least two options a “Do Nothing” and “Do Something”.

### **5. Identify Options and Quantify their Costs and Benefits**

Quantify the benefits and costs of each option for the duration of the project.

### **6. Appraise the Risks**

Identify the key risks and assess their likelihood and impact should they occur. For complex and very large schemes, there are numerous techniques of appraising risk including undertaking a sensitivity analysis and an optimism bias.

### **7. Calculate NPV & Assess Uncertainties**

Appraising the use of States cash and apply a Discounted Cash Flow Analysis, sometimes referred to as DCF. Again, your Finance team will help you with this.

### **8. Identify Non-monetary costs & benefits**

For each option, it is important to assess the non-financial impacts, such as the consequences for local employment and other social considerations including those environmental, economic, political and legislative.

### **9. Presenting the Results of the Option Appraisal**

The ultimate outcome of the Business Case is to decide which option to select (including the “Do Nothing” Option).

### **10. Action/Project Plan for Implementation**

An action/project plan agreed with key milestones in order to ensure that the project is viable. Used to evaluate and monitor its progress during and after implementation.

**NOLAN PRINCIPLES**

Principles of Public Life:

- ☐ Selflessness – Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- ☐ Integrity – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- ☐ Objectivity – In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- ☐ Accountability – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- ☐ Openness – Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- ☐ Honesty – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- ☐ Leadership – Holders of public office should promote and support these principles by leadership and example.

## APPENDIX 5

### APPLICATION BUSINESS CASE TEMPLATES

#### Economic Development Department Business Case

Project Name	Submitted by	Project Sponsor	Project Code
<i>Insert Project name</i>	<i>Name of Manager e-mail address Tel No</i>	<i>Insert Sponsored Project Director name &amp; contact</i>	<i>EDD Co-ordinator will provide Code – See Jane De La Haye on 01534 440665 j.delahaye2@gov.je</i>

Recipient of Funding	
Internal	
External	

#### The need for Investment

*The States of Jersey (SOJ) have clearly defined priorities & objectives. Economic Development Department (EDD) main focus is (1) & (2) in the boxes below. Please describe how your project will contribute to these priorities.*

##### (1) Get people into work

*For example. Does this project create or safeguard jobs?*

##### (2) Managing population growth & immigration

*For example. Does this project train local people to fulfil a skill gap?*



*The other SOJ proprieties are listed below. Again, please describe how your project may contribute to these priorities?*

- (3) Promoting family & community values
- (4) Reform Health & Social Services
- (5) House our Community
- (6) Reform Government & the Public Service
- (7) Sustaining long term planning

*Specify how the project meets these priorities (if any).*

The EDD key objectives are;

1. *Encourage innovation & improve Jersey's international competitiveness*
2. *Grow the financial services sector capacity and profitability*
3. *Create new businesses and employment in high value sectors*
4. *Raising productivity in the whole economy and reducing the reliance on inward migration*
5. *Continue to improve the efficiency and effectiveness across the department*

Please describe below your project contributes & supports any or all of these?

*Specify how the project meets these objectives.*

## The Project Benefits

*Against the Strategic priorities & EDD's key objectives, please **quantify** the outputs or outcomes of your proposal, for example, Number of jobs safeguarded or new businesses created & in what time period.  
Ensure they are consistent with SOJ & EDD priorities & objectives*

## Project Description

*Briefly describe the project (Max 150 Words on this form as a summary, but you can submit a submission as an Appendix if it is appropriate.)*

## If this is a 3<sup>rd</sup> Party Project? ( i.e. Grant, Subsidy, Sponsorship, Gift)

- *Provide details of the Grant & type.*
- *Why do they need the funding? Evidence this with the latest financial statements or audited accounts.*
- *Why this organisation?*
- *You need to show some evidence that there has been some due diligence been completed and that there are effective controls in place to ensure delivery and effective use of public money in accordance to SOJ Financial Directions 5.5.*
- *You have the option for the sections below for the 3<sup>rd</sup> party to complete these on your behalf, but these must be signed off by your Sponsoring Director.*

## Have you consulted with key stakeholders?

*For example, Scrutiny, Police, Economic Adviser, HR, Education, Health, Planning, Legal etc.  
If so, please describe and evidence (Appendix).*

## Project Objectives & Constraints

*Describe the objectives of this project and any constraints.*

Objectives	Measures – Lead & Lag
<i>Objective 1</i>	
<i>Objective 2</i>	
<i>Objective 3</i>	
<i>Objective 4</i>	
Constraints	

## Options Summary *(there are at least two)*

		Costs	Benefits	Preferred Option Ranking (i.e. 1 to 5)
<i>1</i>	<i>Do Nothing</i>			
<i>2</i>				
<i>3</i>				
<i>4</i>				
<i>5</i>				

## Recommendation of the preferred option

*State why the preferred option scores more highly against the evaluation criteria than the other options.*

## Option 1 – Do Nothing

### 1.1 Describe the Option

*Description of Option*

### 1.2 Key Assumptions

*Describe the key assumptions*  
*Service required*  
*Growth / saving assumptions*  
*Timing*  
*Revenue streams*

### 1.3 Key Financial Indicators

*Capital / Set up Cost*  
*Revenue Costs*  
*NPV if required*

### 1.4 Risk Assessment

*What are the potential risks*  
*How will they impact*  
*How likely will it occur*

### 1.5 Assessment against the project objectives

*This scoring can be used for assessing and ranking your chosen options.*  
*The preferred option should closely meet with the project objectives.*  
*You may wish to Weight your score in terms of importance of your objectives, but this must be the same for each option so that there is a like for like comparison. If so please describe the weighting criteria.*

<i>Project Objectives</i>	<i>Weighting</i>	<i>Score Against Objective</i>	<i>Weighted Score</i>
<i>Objective 1</i>			
<i>Objective 2</i>			
<i>Objective 3</i>			
<i>Objective 4</i>			
<b>TOTAL WEIGHTED SCORE</b>			

## Option 2 –

### 1.1 Describe the Option

*Description of Option*

### 1.2 Key Assumptions

*Describe the key assumptions*  
*Service required*  
*Growth / saving assumptions*  
*Timing*  
*Revenue streams*

### 1.3 Key Financial Indicators

*Capital / Set up Cost*  
*Revenue Costs*  
*NPV if required*

### 1.4 Risk Assessment

*What are the potential risks*  
*How will they impact*  
*How likely will it occur*

### 1.5 Assessment against the project objectives

*This scoring can be used for assessing and ranking your chosen options.*  
*The preferred option should closely meet with the project objectives.*  
*You may wish to Weight your score in terms of importance of your objectives, but this must be the same for each option so that there is a like for like comparison. If so please describe the weighting criteria.*

<i>Project Objectives</i>	<i>Weighting</i>	<i>Score Against Objective</i>	<i>Weighted Score</i>
<i>Objective 1</i>			
<i>Objective 2</i>			
<i>Objective 3</i>			
<i>Objective 4</i>			
<b>TOTAL WEIGHTED SCORE</b>			

## Option 3 –

### 1.1 Describe the Option

*Description of Option*

### 1.2 Key Assumptions

*Describe the key assumptions*  
*Service required*  
*Growth / saving assumptions*  
*Timing*  
*Revenue streams*

### 1.3 Key Financial Indicators

*Capital / Set up Cost*  
*Revenue Costs*  
*NPV if required*

### 1.4 Risk Assessment

*What are the potential risks*  
*How will they impact*  
*How likely will it occur*

### 1.5 Assessment against the project objectives

*This scoring can be used for assessing and ranking your chosen options.*  
*The preferred option should closely meet with the project objectives.*  
*You may wish to Weight your score in terms of importance of your objectives, but this must be the same for each option so that there is a like for like comparison. If so please describe the weighting criteria.*

<i>Project Objectives</i>	<i>Weighting</i>	<i>Score Against Objective</i>	<i>Weighted Score</i>
<i>Objective 1</i>			
<i>Objective 2</i>			
<i>Objective 3</i>			
<i>Objective 4</i>			
<b>TOTAL WEIGHTED SCORE</b>			

## Option 4 –

### 1.1 Describe the Option

*Description of Option*

### 1.2 Key Assumptions

*Describe the key assumptions*  
*Service required*  
*Growth / saving assumptions*  
*Timing*  
*Revenue streams*

### 1.3 Key Financial Indicators

*Capital / Set up Cost*  
*Revenue Costs*  
*NPV if required*

### 1.4 Risk Assessment

*What are the potential risks*  
*How will they impact*  
*How likely will it occur*

### 1.5 Assessment against the project objectives

*This scoring can be used for assessing and ranking your chosen options.*  
*The preferred option should closely meet with the projects objectives.*  
*You may wish to Weight your score in terms of importance of your objectives, but this must be the same for each option so that there is a like for like comparison. If so please describe the weighting criteria.*

<i>Project Objectives</i>	<i>Weighting</i>	<i>Score Against Objective</i>	<i>Weighted Score</i>
<i>Objective 1</i>			
<i>Objective 2</i>			
<i>Objective 3</i>			
<i>Objective 4</i>			
<b>TOTAL WEIGHTED SCORE</b>			

## Option 5 -

### 1.1 Describe the Option

*Description of Option*

### 1.2 Key Assumptions

*Describe the key assumptions*  
*Service required*  
*Growth / saving assumptions*  
*Timing*  
*Revenue streams*

### 1.3 Key Financial Indicators

*Capital / Set up Cost*  
*Revenue Costs*  
*NPV if required*

### 1.4 Risk Assessment

*What are the potential risks*  
*How will they impact*  
*How likely will it occur*

### 1.5 Assessment against the project objectives

*This scoring can be used for assessing and ranking your chosen options.*  
*The preferred option should closely meet with the project objectives.*  
*You may wish to Weight your score in terms of importance of your objectives, but this must be the same for each option so that there is a like for like comparison. If so please describe the weighting criteria.*

<i>Project Objectives</i>	<i>Weighting</i>	<i>Score Against Objective</i>	<i>Weighted Score</i>
<i>Objective 1</i>			
<i>Objective 2</i>			
<i>Objective 3</i>			
<i>Objective 4</i>			
<b>TOTAL WEIGHTED SCORE</b>			



## Project Plan for recommended option

*The Project Plan demonstrates how the proposal is going to be delivered.  
You will need to identify key personnel roles i.e. Who is doing what and when.*

*You may want to include a detailed Project Plan as an Appendix.*

*In simple terms we are at least looking for:*

Key Milestones	2012	2013	2014

## Quantify Project Resource Requirements

*Insert cost details & timescale  
For example.*

	2012 (£)	2013 (£)	2014 (£)
<i>Capital Costs</i>			
<b>TOTAL CAPITAL COST</b>			
<i>Revenue Costs</i>			
<i>Set up one off costs</i>			
<i>Staff Costs</i>			
<i>Other recurring costs</i>			
<i>Eg Marketing</i>			
<i>Maintenance</i>			
<b>TOTAL REVENUE COST</b>			

## Key Risks

List the Key Risks to this Project.  
You may want to include a full Risk Assessment, which assesses each risk, and how these risks can be mitigated.

## Signature & Date

Signature

Date

## Office Use Only

Received

Date

Validated by

Action

Accept

Reject

Other

Please specify

Approved by ED  
Minister

Signature

Date

Name & Position

Version

Date

Changed by

Changes

PROCESS MAP SUMMARY

