

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY, 7th NOVEMBER 2006

Question

- (a) Following the launch of the Enterprise and Business Development Strategy and its associated initiatives, including the Jersey Innovation Initiative, the Pilot Small Firms Loan Guarantee scheme and the Jersey Export Development Initiative, would the Minister inform members what financial resources are required for the overall strategy, broken down to show the amounts for each of the individual initiatives, and would he indicate what proportion of the sums required are –
- (i) new funding, and, if so, when and how these funds were agreed; or
- (ii) redirected from existing funding elsewhere in the Department, stating how much has come from which areas?
- (b) Would the Minister indicate how the Strategy and its associated initiatives are to be delivered and how many, and which, staff will be involved? Would he state whether staff have been redeployed from the delivery of existing schemes, such as the Jersey Business Venture and, if so, from which schemes. Are any existing schemes to cease as a result of the new Strategy?
- (c) Will the Department need to assess which businesses are likely to succeed before allowing them to participate in these initiatives and, if so, is this an appropriate rôle for his Department?

Answer

- (a) The total financial resource shown in the approved States Strategic Plan required to deliver the recently launched Enterprise and Business Development Strategy is approximately £2.4 million. This is out of the allocated £16 million Economic Development budget which itself is undergoing a fundamental Zero based budgeting approach. This sum has been allocated against the following existing and new initiatives:

Initiative	Cost	Initiative Status
Encourage Jersey university students to return to the Island through the Jersey Undergraduates Internship Scheme	£120,000	Existing scheme
Create employment opportunities with structured work related training paths with the Jersey Apprenticeship Scheme	£330,000	Existing scheme
Improve business practices and bench mark against quality standards	£70,000	Existing scheme
Complete the 2007 Employers Skills Gap analysis	£80,000	Existing scheme
Continue to invest in sector specific work related training programmes, eg. Health Care NVQ's, hospitality training, employment practices and health and safety.	£330,000	Existing schemes
Recognise excellence in both the community and business environments through the Jersey Enterprise Awards	£5000	Existing scheme
Continue to support the Jersey Business Venture	£85,000	Existing scheme

Improve access to business finance with the introduction of a Small firms Loan Guarantee Scheme, a business angels network and by establishing links to the British Venture Capital Association	£200,000	New initiatives
Encourage inward investment from high yield low foot print businesses	£100,000	New initiative
Open a first stop business centre	£225,000	New initiative
Encourage research investment into new technologies and innovative ideas through the Jersey Innovation Initiative	£120,000	New initiative
Encourage the growth in exports through the Jersey Export Development Initiative	£250,000	New initiative
Enhance the existing and develop new advisory service for would be entrepreneurs and new businesses	£200,000	New initiative
Introduce a business incubator to provide business with access to suitable start-ups premises	£75,000	New initiative
Work with Educations Sport and Culture to enhance existing and develop new Enterprise Education programmes.	£140,000	New initiative
Develop Business to Business opportunities so encourage clusters of business development opportunities	£70,000	New initiative
Total cost	£2,400,000	

The Economic Growth Plan that was approved by the States outlined the cost of delivering an Enterprise and Business Development Strategy. These new costs were subsequently refined and, as shown in the States Strategic Plan that was approved on 14 September 2006, the budget for delivering the Enterprise and Business Development Strategy was increased by approximately £1 million. Since then, the whole Department has been engaged in a rigorous business planning process to ensure that the entire cash limit is targeted towards delivering the approved States Strategies. The 2007 Business Plan is in the process of being finalised.

The existing 2006 budget of £1.4 million shown as allocated to the Training and Employment Partnership (TEP) area of the Department is subsumed within the new total for Enterprise and Business Development, which will continue to have responsibility for the development of workforce skills as a key component of the Strategy. There will not be any adverse impact on the Department's commitment to workforce development.

- (b) The delivery of the Strategy and its associated initiatives will require the opening of a new Business Centre. Working alongside organisations such as the Jersey Business Venture, and with use of modern technology, this first-stop-shop will deal with all business enquires, deliver customers, needs and manage the portfolio of products and services described in the Strategy.

The staff employed within the Training and Employment Partnership have already started to deliver parts of the Strategy. The existing staff complement is 5.5 FTE and the Chief Executive Officer is currently in discussion with the Chief Minister's Department to increase the Department's total head count by 4.5 FTE in order to deliver the new Strategy fully. The cost of the additional staff has been factored into the overall delivery cost of the Strategy, as shown in the table above.

The delivery of the Strategy will not require the redeployment of any staff from existing schemes such as the Jersey Business Venture, nor will it result in any existing scheme having to cease.

- (c) All of the product set that forms the components of the Enterprise and Business Development Strategy are designed to comply with States Financial Directions for the award of grants. All products are subject to eligibility criteria and evaluation based upon business plans and/or detailed proposals. All products will be delivered by business advisors acting as account managers located in the new business contact centre to be developed at Jubilee Wharf following EDD relocation in early 2007. In addition to existing staff, who will

receive additional training in investment evaluation, a small number of new posts will be created to deliver greater business advice capacity within EDD. This service will complement the current Jersey Business Venture which is a grant funded private sector organisation. I am also keen to develop the JBV's important role in advice to small and medium sized businesses.

The objective of the Enterprise and Business Development Strategy is to assist businesses in the non-financial services sector in order to facilitate the diversification of the sectoral and tax base of Jersey's economy. In doing so, the strategy will increase the productivity and profitability of existing Jersey businesses, increase the export trade potential of Jersey's products and services and deliver increased business birth-rate. This type of economic development activity, with its requirement to assess the ability of "businesses to succeed", is the norm in international jurisdictions, both small and large. In the UK alone there are nine English Regional Development Agencies (RDAs) reporting to the Office of the Deputy Prime Minister plus government economic development agencies in Scotland, Wales and Northern Ireland. Regional Government Economic Development Agencies in Europe number many hundreds and global organisations number in the thousands. An example of the activities of one of the English RDAs can be found at <http://www.southwestrda.org.uk/>

Applications for all products in the Enterprise and Business Development Strategy will be subject to a thorough assessment. In the case of the Small Loans Guarantee Scheme (SFLGS), it is important to note that the Department is underwriting funding that will be provided by Jersey banks. The banks will use their existing risk management processes to evaluate the commercial viability of applications prior to seeking approval from the Department. Similar schemes, operated by the DTI in the UK have proven to be very successful with failure rates of between 2 and 3%. Eligibility criteria for the SFLGS are:

- The borrower must be registered under Part II of the Regulation of Undertaking and Development (Jersey) Law 1973.
- The licence must have been issued by the Regulation of Undertakings and Development Office, and the undertaking commenced, within the previous 5 years.
- The principal owner(s) of the undertaking must be resident and domiciled in Jersey.
- The guarantee is for a maximum of 75% of a business loan.
- The guarantee can be used as security for business loans of between £5,000 and £250,000.
- The loan must be repaid within a minimum of 2 and maximum of 10 years.
- The borrower can have more than one guarantee, but within the maximum £250,000.
- Annually, the borrower pays to the Government a 2% premium on the value of the outstanding loan.
- Interest rates and loan repayment periods are negotiated between the lender and the borrower and are not influenced by Government.
- A number of sector-specific restrictions will apply.

Evaluation of other forms of grant support delivered through products such as the Jersey Export Development Initiative (JEDI) and the Jersey Innovation Initiative (JII) will also be based on defined eligibility criteria and delivery of results.

Strategic objectives, product details and eligibility criteria for the JEDI product are:

- Advice and support to new and less experienced exporters.
- Information and contacts to help identify and research overseas markets.
- Links to global networks which will help identify new markets.
- Financial assistance to help develop Jersey's export trade will also be available. An eligible company or individual will be entitled to claim support up to a maximum of £10,000 based on the following formula:

50% of the total eligible costs for the first claim
40% of the total eligible costs for the second claim
30% of the total eligible costs for the third claim
20% of the total eligible costs for the fourth claim
10% of the total eligible costs for the fifth claim

Who is eligible?

- Any Jersey registered business, whose beneficial owner is a Jersey resident.
- Any would-be entrepreneur who has been resident in Jersey for 5 years.

Strategic objectives, product details and eligibility criteria for the JII are:

- Advice and guidance to new and less experienced inventors.
- Contacts who can advise on how to exploit ideas.
- Professional advice on how to protect an invention.

Financial assistance to help stimulate and develop innovation will also be available. In total, an eligible company, or individual, will be entitled to claim support up to a maximum of £5,000 based on the following formula:

- 50% of the total eligible costs for the first invention
- 25% of the total eligible costs for the second invention
- 15% of the total eligible costs for the third invention
- 10% of the total eligible costs for the fourth invention

Who is eligible?

- Any Jersey registered business whose beneficial owner is a Jersey resident.
- Any would-be entrepreneur, or inventor, who has been resident in Jersey for 5 years.