

**STATEMENT TO BE MADE BY THE CHIEF MINISTER  
ON TUESDAY 17TH JANUARY 2017**

Jersey Innovation Fund

It has been extremely disappointing to see the serious failures highlighted in the Comptroller and Auditor General's report on the Jersey Innovation Fund. While the concept of the fund was a good one, and this kind of scheme works well in many countries, we have been let down by inadequate management and governance.

Although the fund was established with terms of reference that were reviewed and amended by Scrutiny, then approved by the States Assembly, its subsequent operation has lacked rigour.

Supporting innovation involves careful weighing up of evidence and ideas and not every new start-up or young business will succeed. However there were not strong enough controls in place for the use of this fund.

The Advisory Board was made up of successful entrepreneurs, business professionals and officers. The report identifies issues in translating the States Assembly approval of the terms of reference into robust operating procedures, clear accountabilities, effective monitoring and timely reporting mechanisms. I'm sure that all those involved in the day to day running of the Fund would look back on this period and consider what more could have been done, both individually and collectively.

Some of the information highlighted in the report is not a surprise. Senator Ozouf brought in an external firm of accountants in February 2016 to look into the existing loans and no new loans have been approved since 2015. The Fund's Advisory Board was dissolved last year and we have accepted the report's findings.

The Treasury has made provision for bad debt in 2015 and 2016. This is a cautious approach and it doesn't mean the loans will not be paid back. Subsequent repayments could bring the debt down considerably.

I have now initiated three reviews into different aspects of the report's findings to establish how a good idea became a badly managed project.

First – the States Chief Executive has engaged the services of an independent, UK-based, former employment lawyer to review the actions of all those civil servants involved in the fund, to assess whether there are any disciplinary issues to deal with.

Secondly – the Chief Executive has employed an external accountant for a period of three months to review all the financial arrangements States departments have with external bodies, to ensure appropriate levels of compliance and governance are in place. This will include all grants, loans and any other kind of financial arrangement between States departments and charities, companies or not-for-profit organisations. This work will be carried out with the support of Treasury staff.

And finally - I am commissioning an investigation into whether any political involvement contributed to the failings identified.

Despite the absence of personal criticism of him in the report Senator Ozouf has accepted the recommendations of the Comptroller & Auditor General in full and is offering to step aside from his responsibilities as Assistant Chief Minister.

This is an honourable offer, to allow this review of political involvement to examine individual actions objectively and report to me without fear or favour. I have approached the Law Officers Department to identify someone with the appropriate skills to carry out this review

I am grateful to Senator Ozouf for his work on the Fund. Since taking full legal responsibility for the fund in January 2016 Senator Ozouf has not approved any new loans, he has brought in external accountants to review the existing loans and accounting officer responsibility has been transferred to the States Chief Executive.

If any of these three reviews uncover information that requires action to be taken, we will take that action.

Many of the Report's recommendations have already been implemented since the States Chief Executive took over as Accounting Officer for the Fund in November 2016. We will now consider any further steps that are required to implement the Report's recommendations and we will incorporate the recommendations into any future schemes proposed to support enterprise and innovation.

We are also taking expert advice on how we can improve our wider support for innovation in Jersey and maximise its economic benefits.

The Innovation Fund was established to support new business ideas to help boost our economic performance and to create new and exciting jobs for Islanders. Tera Allas pointed out in the Jersey Innovation Review that while we have the fundamentals required for a highly successful, innovative economy there are signs that this is not translating into economic growth.

There is much more to innovation than securing funding for businesses and we will continue to implement the 33 recommendations from Tera Allas on all aspects of innovation.

There is a role for governments to get involved in promoting innovation, as they do across the globe, but we must learn from the failings of this Fund and reconsider what we should do in Jersey.

Supporting new business ideas is never going to be straightforward but it is essential if we are to maintain a healthy, growing economy that provides rewarding jobs for islanders.