

**STATEMENT TO BE MADE BY THE CHIEF MINISTER  
ON TUESDAY 2ND MAY 2017**

**Jersey Innovation Fund**

When I last spoke to Members about the Innovation Fund in January this year, I expressed my disappointment at the serious failures highlighted in the Comptroller and Auditor General's report. While the concept of the fund was a good one, there were deficiencies in governance and management. The report found that the States-approved terms of reference were not translated into properly robust operating procedures, clear accountabilities, effective monitoring and timely reporting mechanisms.

I can now confirm receipt of the review into ministerial involvement that was conducted by Jessica Simor QC of Matrix Chambers in the United Kingdom. A copy of her report will be presented today.

The review focussed on the actions of Ministers from conception of the Jersey Innovation Fund, through the lodging, Scrutiny, re-lodging and debate processes - as well as the implementation and more recent day to day management of the Fund.

Having carefully considered the findings, I would like to update members on the actions I will take, but first here are some of the report's key findings:

- there was confusion over which Minister had ultimate legal responsibility for loan decisions and confusion over which officers answered to which Ministers
- the current political system makes it difficult for the Chief Minister to reallocate ministerial responsibilities
- delay in transferring functions between Ministers complicated the lines of command. There was more than a year of confusion over which Minister was ultimately responsible for the fund and it created uncertainty for reporting lines
- while Ministers have ultimate responsibility for the work of their Departments, they are obliged to listen to their officers and have the right to expect that the advice they are given is accurate.
- Ministers are ultimately responsible for the action of their Departments – so Ministers, or Assistant Ministers with delegated responsibility, need to inform themselves of what their Departments are doing
- officers could see that the Operational Terms of Reference were not working as well as they should, however no-one pointed out these difficulties to the relevant ministers. The report finds that the reason for this was the lengthy political process required to amend terms of reference that have originally been agreed by the States Assembly.
- The report is clear that Senator Ozouf understood, on the basis of what he was told, that the JIF was functioning effectively and he took action as soon as he discovered otherwise

I am awaiting two separate reports concerning the role of officials in relation to the Fund and concerning the financial status of the Fund. These are expected shortly.

Sir, I would now like to bring specific issues to the attention of Members and explain what action I have taken.

**1. Establishment of the Fund**

The Jersey Innovation Fund was established following a considerable collective effort that culminated in amended Proposal 124/2012 being approved by this Assembly by 41 votes to 1. Considerable effort was put in by the Economic Development Department, Treasury & Resources and Scrutiny to bring the amended proposal to this Assembly. From the point of approval onwards, the Operating Terms of Reference became the responsibility of this Assembly.

Sir, this is an important distinction for Members to understand as the report found that any deficiencies in the Operating Terms of Reference were collectively the responsibility of this Assembly rather than of any individual Minister or Assistant Minister. That does not, however, excuse subsequent gaps in oversight and implementation.

## 2. Responsibility for the Fund

Sir, it was my intention, after the 2014 election, that Senator Ozouf would oversee all matters relating to innovation. As a step in that direction he was appointed Assistant Economic Development Minister for an interim period, before the JIF was to be transferred to the Chief Minister's department. At the point of transfer Senator Ozouf would have responsibility in his capacity as Assistant Chief Minister. Indeed until mid-2015 it was intended that he would have full ministerial responsibility as head of a new Ministry.

That transfer was delayed from November 2014 until January 2016. This was because although my intention to re-arrange Governmental responsibilities was announced in November 2014, the transfer of functions was not agreed by this Assembly until 16th December 2015. This created a significant degree of confusion as to which Minister held ultimate responsibility for the fund.

It is clear that the interim solution, with Senator Ozouf as Assistant Minister for Economic Development with responsibility for Digital, Competition and Innovation, lasted far longer than had originally been envisaged and caused problems with reporting lines, including the reporting lines of officers.

For a range of reasons, legal responsibility for JIF did not pass to Senator Ozouf until April 2016. He then came to this Assembly on 14th June 2016 to make a Statement on the Fund.

In taking this responsibility, Senator Ozouf proceeded to ask questions about how the Fund was being managed. This led to a change of Accounting Officer and the commissioning of independent forensic reviews into each borrower. I then commissioned three independent reviews in January 2017.

## 3. Code of Conduct and Practice for Ministers and Assistant Ministers R.11/2015 and earlier 2006 version

Sir, we serve as Ministers and Assistant Ministers within a Code of Conduct and Practice that has been laid before this Assembly. The Code places a number of expectations and responsibilities on our shoulders.

Paragraph 2 of the 2015 Code clearly states *'Whether in person or through their Assistant Ministers, Ministers have a duty to the States Assembly to account for matters for which they are responsible, including for the policies, decisions and actions of the departments and agencies which discharge their responsibilities.'*

Sir, Ministers are generally responsible for policy and officers for implementation. In this instance, implementation has failed to deliver the desired policy outcomes for innovation and good governance. Senators Farnham and Maclean were responsible for the policies, decisions and actions of the Economic Development Department during their time as ED Ministers.

While I remain confident in their abilities, I am writing to each of them to express my disappointment with the shortcomings of oversight and governance in their department in respect of JIF.

In addition, the 2015 Code makes clear that *'Ministers and Assistant Ministers should record*

*decisions in compliance with the “Ministerial Decisions Guidelines” issued by the Chief Minister, as included as Appendix 3 and updated periodically.’ This is a change from the 2006 Code in that there is now a requirement for a proper record to be held.*

#### **4. Other relevant matters**

Much has been said and written about the Jersey Innovation Fund by members of the public, this Assembly and local media. Senator Ozouf bore a considerable brunt of this criticism and I know this has been a very difficult period for him.

During the sitting of this Assembly on 17th January 2017, Senator Ozouf stepped aside from his position as Assistant Chief Minister to ensure that a fair and objective review could take place. This was an honourable course of action and one that I hope is properly recognised by Members. Senator Ozouf has maintained a dignified silence throughout the period of this review and it is a matter for him to determine whether he wishes to make a separate statement in the future.

Sir, it would be wholly unreasonable to hold Senator Ozouf accountable for all actions that took place before the legal transfer of responsibility - despite a mistaken view that delegation had already been granted.

It was my intention, after the last election, to appoint Senator Ozouf into a Ministerial position with clear, unequivocal responsibility for Innovation and other policy areas. I remain very firmly of the view that Senator Ozouf has a great deal to offer our island and this Assembly. I will be discussing with colleagues what future role Senator Ozouf might play.

#### **Machinery of government**

It is clear from this report on the Innovation Fund that our political system needs reform in the interests of accountability and efficiency. I am absolutely committed to bringing forward changes to ensure that the Assembly and government function for the benefit of islanders, and that we use the talents of all Members who wish to be involved in government.

I plan to bring forward proposals to change the machinery of government and remove the divide between ministers, assistant ministers and Scrutiny. I will consider alternatives to the Troy rule and collective responsibility, and I will propose that the Chief Minister should be able to amend ministerial functions and departments by order.

Sir,

This report on the Innovation Fund has revealed a cumbersome political system that prevents the government from adapting promptly to changing requirements. I will be proposing changes that enable each new government to decide how to conduct its business, that will streamline decision making, and better serve our community.