



States Greffe: Scrutiny

Deputy Susie Pinel
Minister for Treasury & Resources

By email

28th May 2021

Dear Minister

Corporate Services Scrutiny Panel
Fiscal Stimulus Fund - Tranche 2 Allocation Recommendations

The Panel wishes to express its thanks to you and your officers for your attendance at the public and private hearings on Wednesday 26th May 2021 to discuss the Fiscal Stimulus Fund (the Fund). The Panel has reviewed the Tranche 2 preliminary recommendations of the Fiscal Stimulus Oversight Group (FSOG) on allocations of the Fund and wishes to make the following comments for your consideration.

Firstly, the Panel would like to reiterate its following concerns:

- The Fund continues to risk being allocated without a great deal of diversification of benefit across sectors especially those significantly affected by the Pandemic and demographics such as gender and younger age groups of the Island;
- The Fund fails to seize the opportunity to use public finances in a visionary and innovative way, to benefit the island in both the short and long-term, despite being provided with a report by the Economic Council to assist in defining such a vision; and,
- Utilisation of the Fund for States' Bodies and arm's-length organisations which has risked financing projects that should appear in the Government Plan.

The Panel wishes to highlight the following observations:

Strategy

Since the establishment of the Fund, through the States Assembly's adoption of P.128/2020 in November 2020, it would appear that the Island has moved forward in relation to the economic situation now faced due to the COVID-19 pandemic. It has now been over six months since its establishment, it remains unclear to the Panel the financial position of the Fund and the amount that has been drawn down by projects.

There appears to be sufficient optimism from the construction sector, significantly benefiting from tranche one of the Fund, which would suggest that the need for additional immediate short-term fiscal stimulus measures in this area should not be a priority.

This optimism is highlighted in statistics provided as part of the Jersey's Business Tendency survey released in March of this year and from the amount of Capital Projects being progressed, including those by states-owned entities. It is clear when viewing this data that the construction industry has maintained relatively high optimism throughout the pandemic when compared to hotels, restaurants and bars, or wholesale and retail. Although the Panel is accepting that there will be some wider economic benefit of construction projects through employee spending, it is perceived by the Panel that this will be minimal and its fiscal stimulus impact will be particularly difficult to track.

The Panel maintains concerns that the number of construction project bids not only focuses the Fund to that sector but also risks elongating projects due to lack of capacity, even of smaller construction firms.

Furthermore, the Panel maintains concern that certain projects which require planning permission risk missing deadlines due to the drawn-out process of receiving that approval, which will only be worsened if there are a large number of planning applications being made during 2021. The Panel suggests that funding is made available to the planning department in order to ensure that the resources of Government do not delay the process for either the public or private sectors.

The Panel would suggest that the priority should be to consider projects within the context of the wider strategies outlined by the Economic Council in December 2020 report entitled New Perspectives – Critical Considerations for Sustainable Economic Growth and funding linked to economic recovery which was allocated in the Government Plan 2021-24 or should be put forward for the Government Plan 2022 – 2025.

Decision Making

The Panel notes that decisions on how the Fund have and will be allocated, differs from those fiscal stimulus measures previously implemented by the Government of Jersey. Although this has helped to negate risks of failure of the fund it can be pointed out that it is a very bureaucratic process as seen by the delay in recommendations of the FSOG and of actual allocation of monies.

It is noted that the detail required for large business cases have made production and review of the bids difficult. It is the view of the Panel that existing protocol within the Public Finances Manual was designed to make processes easier and as such governance of the Fund less bureaucratic. Therefore, the Public Finances Manual should have enabled the acceptance of more targeted documentation from bidders, especially at the application stage and this should have been reflected in P.128/2020.

The large business cases, as pointed out in the Public Hearing, may have caused the exclusion of smaller organisations and caused bids to be simple “off the shelf” items that should have been allocated funds through a Government Plan. This may have further stifled the potential innovative use of the Fund in creative and diverse projects.

There are a number of projects that link to wider Government strategy, specifically culture and sport. Although some business cases mention these, the Panel are concerned that the culture strategy is still being developed and therefore allocations from the Fund may be premature as alternatives may be proposed through the recommendations of that strategy.

The Panel is somewhat surprised and disappointed that the decision was not made to directly advertise the Fund to specific elements of Jersey's economy outside of construction following the large number of construction project bids made in Expression of Interest, in both Tranches.

Performance Management

The Panel wishes to again reiterate the importance of monitoring of those projects allocated grants through the Fund to ensure that investment of the borrowed money is not frivolous nor fruitless. The Panel has been reassured that monitoring of the projects will be taking place and is pleased to be informed that the “Perform” system will be used to track and report progress.

Looking Forward

The Panel notes, as discussed in its recent public hearing with yourself, that although the FSOG have made preliminary recommendations for Tranche 2 allocations of the Fund, there will remain a proportion of the Fund that so far has not been recommended for assigned. It can be pointed out that many of those projects not yet recommended are indeed construction projects.

The Panel would strongly recommend that no further allocations are made past those preliminary recommendations outlined by the FSOG in the documents received by the Panel on 17 May 2021. It is understood that additional recommendations are being considered by the FSOG and the Panel would request that it be briefed on the merits of including those projects if progressed.

The Panel requests that clarification is given on the proposed use of the unassigned portion of the Fund, should a line be drawn under grant allocations. It is the understanding of the Panel that any residual funds remaining in the Fund will be paid into the Consolidated Fund, no later than 31 December 2022. The Panel enquires if you would plan, or be required, to seek approval by the States Assembly to take action in this regard, again highlighting that £39.5 million has been already approved to aid in economic recovery through the Government Plan 2021-24.

Should your intention be to continue to use the public finances held in the Fund to issue grants the Panel would strongly ask you to ensure that it is used in such a way that it matches the points that the Panel has previously raised. This would include:

- avoiding further support of the construction industry
- communication of the opportunity of funding directly to sectors outside of construction
- forward thinking and innovative use of public finances to meet overarching strategies and Common Strategic Policies
- investment in skills, research, digital and the environment
- ensuring funding is used to support gender equality and younger Islanders

This should aid in laying the foundations for a more sustainable and resilient economy in Jersey and meet the fiscal stimulus around the world that is targeting innovative projects including those around climate change, gender equality, disease prevention, health promotion, reskilling and upskilling workforces, digital transformation, societal equality and sustainable housing programmes.

Continued Scrutiny Oversight

The Panel looks forward to the first quarterly update from the FSOG as identified in P.128/2020, requesting that you highlight when the first of these will take place to the Panel and how many of these are predicted to take place over the life of the Fund. As outlined, there is some overlap due to the nature of the projects with wider economic recovery, the Panel therefore suggests that the Economic and International Affairs Panel be invited to receive these updates so that they can be kept informed of project elements falling under their remit. The Panel also notes that the minutes of the FSOG should be made available to it on a three-monthly basis, as agreed in P.128/2020, and as such requests that these be forwarded.

The Panel notes that the FSOG will be meeting monthly to review progress of the projects, it would be useful to the Panel if the FSOG Programme Manager be available to brief it following those meetings to ensure the Panel is fully versed on the status of the Fund and the Panel would

appreciate it if you could ensure this is arranged by officers. The Panel conclude that this should include monthly updates on the amount drawn down from the Fund.

The Panel have also concluded that they would like to gain further clarification from you on the process in which funding will be removed if an organisation does not keep to an agreed project delivery plan or grant agreement. The Panel would therefore request that the templates of the three types of grant agreements, described in the recent public hearing, be forwarded for review, and would be grateful if any individual elements of concern included in finalised grant agreements can be highlighted. Furthermore, the Panel requests confirmation, and copies, if any of the project delivery plans have been updated.

The Panel hopes that these comments are helpful at this point and awaits confirmation of the final recommendations of the FSOG.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Moore', with a stylized flourish at the end.

Senator Kristina Moore
Chair, Corporate Services Scrutiny Panel