STATES OF JERSEY

ARM'S LENGTH BODIES, GRANTS AND SUBSIDIES (P.A.C.1/2026): EXECUTIVE RESPONSE (P.A.C.1/2026 RES.) – COMMENTS

Presented to the States on 8th April 2026
by the Public Accounts Committee

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Comments

The Public Accounts Committee (PAC) presented the Executive Response (P.A.C.1/2026 Res.) to its report Arm's Length Bodies, Grants and Subsidies (P.A.C.1/2026) on 26th March 2026.

The PAC is pleased to note that eight of the 12 recommendations it made following the Arm's Length Bodies, Grants and Subsidies Review (the Review) have been agreed or agreed in part, and welcomes the Government's assertion that the recent growth of the public sector is unsustainable, that the operating landscape is overly complex and that that there is a need for a strategic review of public service architecture. However, the Committee is disappointed that the Executive Response has not agreed with four recommendations which aimed to improve the transparency of the Arm's Length Body (ALB) landscape, strengthening Key Performance Indicator (KPI) guidance, and ensuring more rigorous and timely strategic reviews. The PAC maintains that continued improvements in these areas are required, especially given the large amount of funding provided through grants, equating to £67 million in 2024.[1]

The PAC has given further consideration to the Executive Response since its presentation and has agreed to present these comments to highlight further points for reflection by the Government of Jersey (the Government).

Partially Agreed

The PAC recommended that the Government should consider whether existing grant allocations would be better suited to a contract of service, or vice versa and further clarity must be established in the Public Finances Manual (the PFM) to differentiate the two **(R4)**. The Executive Response identifies that the new funding decision framework is designed to give greater clarity to correct classification, however that the Government does not believe that wholesale review of all existing grants by the end of 2026 would represent sufficient benefits to warrant the resources needed to undertake. The Committee accepts that Accountable Officers will utilise the decision support when entering into new agreements or considering renewal of expiring agreements, and that this will naturally take place in the coming years, particularly given the majority of grant agreements are re-agreed on an annual basis.

Similarly, in its response to the PAC's recommendation to include a small number of clearly defined performance measures explicitly linked to Island Outcomes in agreements, and include annual reporting against those measures, **(R7)**, the Government has indicated that although it partially agrees with the recommendation, existing agreements will not mandatorily be transferred onto new agreement templates ahead of their anticipated review. The PAC is content that the agreements will be updated to include such measures, assumably by its initial timeframe of the 2027 financial year, given that the majority of agreements are re-considered on an annual basis in any case.

The PAC is of the opinion that the Principal Accounting Officer must endeavour to ensure that consideration of the classification of funding as a contract for service

[1] States of Jersey Group, 2024 Annual Report and Accounts

or grant, and introduction Island Outcome performance measures, have been practically implemented during the natural renewal of grant agreements moving forward.

The PAC notes that the Executive Response has only partially accepted the recommendation to formulate a plan to undertake periodic strategic reviews of each ALB **(R5)**, identifying that a review of the public service architecture, including ALBs and funded bodies is being undertaken and that options are being developed for the next Council of Minister to decide upon.

In making the recommendation the Committee was cognisant of both the review of the public service architecture and need for the Council of Ministers to decide upon this in the future. The PAC is still of the belief that periodic strategic reviews of each ALB moving forward is required to mitigate the risk of ALBs continuing to be funded or supported when not providing value for money for Islanders.

The Committee is aware that Accountable Officers should already consider strategic reviews of bodies under the current PFM, yet more stringent and timely reviews are required to help avoid the complex and unsustainable ALB landscape currently experienced. The PAC has purposely not stated a specific timeframe for strategic reviews to be undertaken, as it cognisant that, due to the resource implications, these should be prioritised on a risk basis.

As outlined in the Committee's Report, the value of such strategic reviews has clearly been identified by the success of the Review of Sport and Physical Activity in Jersey, which proved to be effective for the organisation, the Government, stakeholders and users, with Jersey Sport outlining:

> *"In November 2023 the government of Jersey launches a comprehensive Review of Sport and Physical Activity in Jersey, conducted in collaboration with Jersey Sport. The review resulted in 22 recommendations aimed at improving the organisation's operating model to better deliver value for money. By August 2024, all recommendations had been successfully implemented, resulting in a significantly more aligned organisation - both to its original remit and to the evolving needs of its stakeholders."*[2]

The Committee recommends options presented to the future Council of Ministers include the choice for periodic strategic reviews to be established and undertaken moving forward.

The Government, in response to **Recommendation 11**, which was to undertake an internal review to identify potential areas of savings within the ALB estate, has identified that it agrees with the principle of undertaking a strategic review and that this is underway. However, the Executive Response identifies that the timescale is not agreed given that any policy decision will be that of the incoming Council of Ministers following the June election. The PAC made the recommendation in order that Government Officers provide options to the incoming Council of Ministers, which can be anticipated to have been appointed in the week commencing 29th June 2026.

[2] Submission – ALB Review - Jersey Sport – 31 August 2025

The PAC maintains that the Government's internal review of the public service architecture, or its sections relating to ALBs and funded bodies, should be completed by 30th June 2026 in order that the new Council of Ministers can make their decisions in a timely manner.

Not Agreed

The Government has not agreed with the Committee's recommendation for criteria to allow determination of subsidy, subsidies or subsidised services to be included in the PFM **(R1)**. The Executive Response outlines that all payments that could be considered as subsidies could also be considered grants to support costs, in part or in full, to achieve a particular policy objective or economic outcome. The Committee is generally accepting of this point, cognisant that strategic review of the ALB and government funding, as well as annual grant agreement procedure, should consider the financial support that is provided by the Government. Further the Committee welcomes the commitment to publish payments that could be considered a subsidy as part of a new Grants Payments Annex to the Annual Report and Accounts 2025 that has been given in the Executive Response.

However, the PAC would highlight that subsidised services are still mentioned within the income section of the PFM, relating to reasons for charging at less than full cost recovery (emphasis added):

> *"subsidised services: examples are where a subsidy is provided to a* ***third sector organisation*** *to enable that organisation to function properly and not be a burden on the States of Jersey, discounts to support vulnerable groups e.g. those over or under a certain age"*

The PAC suggests that the Government further update the Public Finances Manual to clarify that subsidised services should be considered in grant application.

The Committee was disappointed to observe that the Executive Response rejected its recommendation to publish a complete list of those entities or offices acting as an ALB and identify the relevant Government Accountable Officer for each **(R2)**, with the PAC highlighting that this would enable public awareness and tracking of the landscape. The Government identifies that it considers sufficient information is already published in that the PFM, including a list of Accountable Officers for the relationship with ALBs and that the Annual Report and Accounts lists the Accountable Officers for departments making grants.

The PAC identified 49 entities or offices acting as an Arm's Length Body in its own report,[3] and believes that an accountable officer should be readily identifiable for each of these. The Committee purposefully did not recommend that the PFM include the full list, noting that the current list of List of Accountable Officers stands at 10 ALBs,[4]

[3] P.A.C.1/2026
[4] Arm's Length Bodies: List of Accountable Officers, PFM supporting documents

cognisant of the apprehension of the potential resource implications that this may bring about. However, the PAC is still of the opinion that publication of a complete list of those entities or offices acting as an ALB and the relevant accountable officer will allow for public awareness of the number, type and responsible officer for these bodies. Furthermore, the PAC believes that the increased public awareness provided by the publication of a list would enable easier identification of the appropriate point of contact for feedback, complaints or compliments in relation to an ALB or grant recipient.

The PAC is surprised that a list of entities or offices acting as an ALB, and the relevant Accountable Officer, is not held by the Government, and, if this is the case, would firmly recommend that one is created, and subsequently made publicly available.

The PAC is dissatisfied to note that the Government has rejected its recommendation to form guidance on KPI metrics and ensure a common reporting format for primary KPIs (R6). The Committee recognises the unique nature of different ALBs and that specific KPIs will of course vary across those funded by the Government, and that grant agreements are required to include appropriate KPIs for performance monitoring. However, the PAC had made this recommendation to provide guidance on what are appropriate KPIs to ensure these are set in such a way that they are sufficiently useful in providing oversight of the success of the ALBs through benchmarking, allow for deconfliction of objectives and are not self-fulfilling.

The Committee notes with some concern that the Executive Response identifies that Commercial Services' reviews of agreements may identify that quality of KPIs is lacking in some instances, although a wholescale exercise of compliance would not be proportionate due to resources required, and that in these instances colleagues will work with Accountable Officers to ensure KPIs are sufficiently focused.

The PAC therefore maintains that the Government should form guidance on KPI metrics in order for Accountable Officers to be better informed when agreeing these with ALBs. This will allow for: greater holistic consideration, benchmarking and deconfliction of ALB and grant funding objectives, should the Government choose to undertake these in the future.

The Committee notes that the Executive Response identifies that whilst the principle of introducing tenure limits for all States established independent bodies and office holders seems reasonable, prioritisation of updating several pieces of individual legislation does not seem proportionate to benefit and therefore the Government has not agreed with Recommendation 10. The Committee was cognisant of the resource implications of legislative changes in introducing tenure limits, which is why it recommended consideration in the first instance. The PAC recalls that the C&AG identified that this should be an area for consideration in 2022, to which the Government responded:

> *"This will be implemented on a case-by-case basis, when existing legislation in being reviewed and when legislation is being proposed to establish new independent entities."* [5]

[5] R.174/2023 Res.

The PAC remains of the opinion that the Government should, by the end of the year, consider the introduction of tenure limits for all States established independent bodies and office holders. This does not mean that tenure limits should be immediately introduced, but as and when the new Council of Minister's legislative programme allows.

Conclusion

In summary, the Public Accounts Committee welcome the Government's engagement with the findings of its Arm's Length Bodies, Grants and Subsidies Review and is encouraged by the acceptance, in full or in part, of the majority of its recommendations. This will strengthen funding frameworks, improve agreement structures, and review Arms' Length Bodies as part of the wider public service architecture. These efforts, if fully implemented, have the potential to deliver meaningful improvements in accountability, transparency and value for money for Islanders.

However, the PAC remain concerned that four recommendations have not been agreed, particularly those aimed at improving the transparency of the Arm's Length Body landscape, strengthening KPI guidance, and ensuring more rigorous and timely strategic periodic reviews. The Committee reiterates its view that without these measures, risks relating to oversight, duplication, and inefficient use of public funds will persist. The PAC also maintains that critical elements of the Government's ongoing internal review should be completed in advance of the new Council of Ministers taking office, to ensure informed and timely decision-making.

The Committee therefore urges the Government to reconsider its position on the recommendations not agreed. Given the continued strain faced across public finances the PAC will highlight the points raised to its successor so that it can monitor progress closely and remain committed to supporting the development of a more coherent, transparent and accountable system for the oversight of Arm's Length Bodies and grant allocation.