Cabinet Office

Government of Jersey
Union Street
St Helier
JE2 3DN

Deputy I Gardiner
Chair of Public Accounts Committee

Via Email

26 August 2025

Dear Deputy Gardiner

Arm's Length Bodies, Grants and Subsidies Review

Thank you for your letter dated 5th August 2025. Please find responses to the Committee's questions below.

1. **Please can you provide us with all Memorandums of Understanding that exist between Government and Arm's Length Bodies (ALB's). Please also share any drafts or changes that planned or new MOUs that have been put in place.**

   Memoranda of Understanding outline the relationships between States owned Entities and the Government of Jersey. The existing Memoranda of Understanding (MoUs) between the Minister for Treasury & Resources and the wholly-owned States owned entities were published on 29 April 2022 and can be found here - States Assembly | R-56-2022

   New and updated MoUs are being finalised in fulfilment of the requirement for a three-yearly review. The Corporate Services Panel has received the benefit of a private briefing on the new MoU process and content. It is anticipated that the new MoUs will be in place by the end of September 2025 and it is the intention of the Minister to publish them like the 2022 versions.

2. **Have any periodic reviews taken place of ALB's since 2020 and can the PAC be provided with the outcomes of these reviews?**

   The Public Finances Manual includes a principle that Accountable Officers should exercise a risk-based approach to assurance, governance and the oversight of operational and financial performance of Arm's Length Bodies.

   Prior to the issue of the February 2025 version of the Public Finances Manual section on Arm's Length Bodies, which was extensively revised following publication of the 2024 C&AG report, the PFM required a six-monthly assessment of operational and financial performance and an annual assessment to consider whether the ALB remains the optimal route to service delivery.

   The February 2025 version of the Public Finances Manual includes enhanced oversight requirements; that Accountable Officers should consider carrying out structured reviews of any or all Arm's Length Bodies for which they are responsible and listed in the section (with the exception of Specific States owned entities) on either a periodic or ad hoc basis. The requirement for the annual assessment remains.

A Review of Sport and Physical Activity in Jersey was published in November 2023 and is published on gov.je. Aside from this, I am not aware of any specific reviews that have been or are planned to be undertaken by Accountable Officers.

However, I have been clear with Accountable Officers about the need to ensure that all initiatives, including funded partnerships, contribute to the strategic objectives of the Council of Ministers and deliver value for money. On this basis, I am aware that Accountable Officers and Ministers are keeping the effectiveness of these sorts of structures under regular review, often without the requirement for formal reviews.

a. **We note from the Executive Response to the C&AG report (please see appendix one of this letter) that recommendation two was agreed in principle subject to a proportionate approach being developed for inclusion within the Public Finances Manual. Please can you confirm if this approach has been agreed and implemented and provide details as to how it is expected to operate?**
   See response to Question 2.

b. **What reviews are planned to be undertaken by Accountable Officers in relation to the ALB's that operate within their remit as a result of this approach?**
   See response to Question 2.

3. **Can you provide the PAC with the remuneration framework for senior executives and chief executives of States established delivery entities and States established independent bodies and officer holders which was noted as already being in place in the Executive Response to the C&AG report?**
   The Executive Response noted that a remuneration framework for States owned entities is in place. The remuneration framework is appended to this letter and is shared with the Committee on a private and confidential basis.

   This remuneration framework does not apply to States established delivery entities and States established independent bodies and officer holders. In relation to those groups of bodies, the Public Finances Manuals was updated on from 1st August 2025 and describes that written agreements governing the relationship with each Arm's Length Body must include arrangements for approval of executive remuneration, including any approvals needed from the responsible Accountable Officer and relevant Minister. Inclusion of such information will be dependent on when extant agreements are due for renewal.

   a. **What has been the outcome of the States Employment Board commissioned work in relation to the pay and terms and conditions of Directors and Non-Executive Directors of ALB's? Please can any documentation or reports relating to this be shared with the PAC.**
      The States Employment Board has expressed interest in this matter and has initiated work to review pay, terms, and conditions across Arm's Length Bodies.

      The response to Question 3 outlines the change to the Public Finances Manual introduced on 1st August 2025 that will make it mandatory for grant funding agreements (for Arm's Length Body and all grant agreement of £250,000 or more) to include provision for executive remuneration, aligning with existing arrangements for States-owned entities. Reports submitted to the States Employment Board are appended to this letter and are shared with the Committee on a private and confidential basis.

This proposal addresses a key recommendation from the Comptroller and Auditor General's (C&AG) 2024 report on the Oversight of Arm's Length Bodies.

b. What oversight, if any, does the Government of Jersey have in relation to the award of bonuses for Senior Executives within the ALB's?

The remuneration framework for States owned entities includes specific principles and guidance around incentive schemes. In terms of wider Arm's Length Bodies, at present, there is limited oversight of the pay, terms, and conditions.

4. How are you ensuring better co-ordination between Government Departments and States Owned Entities for the provision of social housing for purchase, property management for HCJ staff accommodation, housing policy and land use policy? (Recommendation 10 of the C&AG report).

As described in the Executive Response, the Strategic Housing and Regeneration Team in the Cabinet Office is responsible for coordinating housing policy from within Government and with States owned entities. Whilst this is principally guided by the Minister for Housing, it ultimately straddles several Ministerial portfolios, and with this, sometimes gives rise to competing demands for prioritisation.

The Strategic Housing and Regeneration Team holds regular sessions to ensure information and departmental requirements are shared across the organisation, which enables those requirements to be factored into government policy development and strategic business planning activities with the States owned entities.

5. Please can you provide an update on what action has been taken in relation to Recommendation Seven of the C&AG report?

Recommendation Seven of the C&AG report relates to the Public Finances Manual. As a result of this recommendation the Arm's Length Bodies section of the Manual was extensively revised, with changes going live in February 2025. These changes included:

- New categories for (and lists of) bodies (based on C&AG report):
  - States owned entities
  - States established delivery entities
  - States established independent bodies or office holders
- Revised list of risks.
- Periodic structured reviews now a principle.
- List of responsible Accountable Officers for each body now in Supporting Documents.
- Changes to requirement for written agreements. Model agreement and user guide in Supporting documents for bodies receiving grant funding over £1 million per year.
- Changes to requirement on annual assessments – must now use the Grant Pre-Payment Checklist in Supporting documents.
- Reduction in number of governance checklists (in Supporting documents) from two to one (to be used for bodies receiving grant funding over £1 million per year).
- New requirement on reporting by Arm's Length Bodies.

Further changes to the section were made in August 2025, largely because of further C&AG recommendations and discussion:

- Clarification that ALBs and Grants sections of the PFM apply where an ALB receives a grant.
- Minor change to definition to ensure it correlates to the list of bodies.

- Change to make it mandatory for written agreements to include arrangements for approval of executive remuneration.
- Change to make it mandatory for written agreements to include arrangements for identification and management of conflicts of interest.

The C&AG is always specifically consulted on proposed changes to the Public Finances Manual, and there is good dialogue between the Treasury and the C&AG's office.

The section can be found here https://www.gov.je/Government/PlanningPerformance/PublicFinances/Pages/PublicFinanceManual.aspx#ExpenditureArmsLengthBodies.

6. **What processes do you have in place for agreeing additional funding for ALB's (examples are noted in relation to 'top-up' grants for some ALB's within the 2024 Annual Report and Accounts) and what processes do you have in place to agree funding increases for ALB's?**
   The process to determine the need for top up grants is in line with the Public Finances Manual. All potential grants are appraised in detail, based on the financial need and specific circumstances of why an Arm's Length Body might require additional funding. Examples include requests to take on additional activity, offsetting costs that cannot be managed within reduced budgets, or pressures such as uncontrollable increases in operating costs. These factors are balanced against the risk and benefit profile of maintaining or varying levels of service delivery, and the associated impacts on budgets and community outcomes.

   a. **Please can you explain how risk is considered when awarding funding increases or additional funding to ALB's, both in respect of service delivery and impact on Government?**
   See above.

   b. **What work, if any, has been undertaken to develop and implement mechanisms to link investment and funding to agreed outcomes measures and performance expected from ALB's? (Recommendation Eight of the C&AG report).**
   The Public Finances Manual changes that went live in February 2025 included changes to requirements for written agreements. This describes that specific service measures should be included in written agreements, that are linked to the delivery of government strategic and operational policy objectives, which we consider addresses the recommendation of the C&AG.

   However, the workstream described in the Executive Response on appraising social value for suppliers using a financial methodology has not been prioritised at this time alongside other government business. Whilst there is potential for enhancing the measurement and reporting of social value, and understanding investments vs outcomes, its implementation may be reconsidered should resources become available in future planning cycles.

7. **Please can you provide an update, where applicable, to the areas of consideration set out in the C&AG Thinkpiece from 2022 'Governance and Accountability of Independent Bodies and Office Holders'. The Executive Response is attached at appendix two and a separate update form has been provided for ease.**
   As noted in the Executive Response to this Thinkpiece, implementation of legislative amendments to the constitution of independent bodies, which was required by the majority of

the C&AG's suggested actions, is a matter for the Council of Ministers to determine. Since 2022, ministers have decided to prioritise some legislative changes in this area.

The States Assembly approved amendments to the Statistics and Census (Jersey) Law 2018 (P.29/2024) which addressed the statutory independence of the Chief Statistician and clarified the role of the new Statistics Council. These amendments addressed the C&AG's suggested actions by:

- requiring the Chief Minister to provide the States Assembly with 2 weeks' notice of their intention to appoint a Chief Statistician;
- implementing a 9-year term-limit for the office of the Chief Statistician;
- implementing a transparent way of funding the Office of Chief Statistician via the process established under Schedule 6 to the Public Finances (Jersey) Law 2019; and
- introducing a provision to specify that States of Jersey employees working for Statistics Jersey or shall be treated as if they the staff of the Chief Statistician

As was committed to in the Executive Response, when amendments to legislation have been proposed, the opportunity has been taken by ministers to consider amendments to the governance arrangements for independent bodies. For example, instead of implementing hospital and ambulance regulation via amendment Regulations, the Minister for the Environment has lodged a draft amendment (Draft Regulation of Care (Jersey) Amendment Law 202-) to the Regulation of Care (Jersey) Law 2014 in order to update the governance arrangements for the Jersey Care Commission.

Amendments to the Comptroller and Auditor General (Jersey) Law 2014 are also proposed in the Chief Minister's Legislative Programme which would, if approved, address points raised in this Thinkpiece.

Other examples of actions in response to this report include:

- The Public Finances Manual section on Arm's Length Bodies has been revised and includes a list of those bodies which aligns with a further report from the C&AG as well as references to reporting requirements;
- The Public Finances Manual now includes a supporting document showing Accountable Officer responsibility for the relationship with Arm's Length Bodies listed in the Manual; and
- There have been several discussions with the C&AG on reporting requirements for independent bodies. These will be addressed in proposed amendments to the C&AG Law.

8. **How are you enforcing the States decision that all organisations in receipt of grant funding over £75,000 are required to report to the States Assembly?**

   The Accountable Officer is responsible for engaging with the relevant organisations to obtain accounts. In most cases, provision of accounts will be a requirement of written grant agreements, and as such, there is a possibility that further grant funding will be withheld if accounts are not received. For the organisations listed in the Public Finances Manual that receive grant funding, there was 100% compliance at the time of the last reporting period – see response to Question 8b.

   a. **What are the consequences to organisations that do not provide their reports on time?**

      See response to Question 8.

   b. **Noting the publication of R.155/2024 which provides details of all accounts published between 2020 and 2022, when is it intended to publish details for 2023 and 2024 as**

well as the list of organisations that did not submit their reports before the 30th September deadline set out in the PFM?

R.23/2025 was published in February 2025 and includes details for 2023. Only one grant recipient was listed as not having provided accounts as of the report date.

The Public Finances Manual cut-off has not passed for 2024 accounts. The information will be presented to the Assembly in due course.

Yours sincerely

Andrew McLaughlin
Chief Executive and Head of the Public Service

D +44 (0)1534 440129
E andrew.mclaughlin@gov.je