STATES OF JERSEY

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

Presented to the States on 26th March 2026
by the Public Accounts Committee

STATES GREFFE

FOREWORD

In accordance with paragraphs 69-71 of the Code of Practice for engagement between 'Scrutiny Panels and the Public Accounts Committee' and 'the Executive', the Public Accounts Committee (PAC) presents the Executive Response to the PAC report titled: Arm's Length Bodies, Grants and Subsidies (P.A.C.1/2026) presented to the States Assembly on 13th February 2026.

The PAC will review the response to this report and will consider publishing further comments in due course.

Deputy I. Gardiner
Chair, Public Accounts Committee

Chief Executive - Executive Response to PAC report: Arm's Length Bodies, Grants and Subsides Review Report [P.A.C.1/2026]

Summary of response:

The Government of Jersey welcomes the Public Accounts Committee review of Arm's Length Bodies, Grants and Subsides. The observations and recommendation support the Government's view that the recent growth of the public sector is unsustainable and that the operating landscape is overly complex. The Government asserts that there is a need for a strategic review of public service architecture that will prioritise the provision of public-facing services over civil service administration and include a consideration of a revised landscape of rationalised arm's length bodies. This may include opportunities to rationalise structures such as boards and supporting infrastructure such as provision of corporate services. Options will be tabled for consideration by the incoming Council of Ministers following the June 2026 election, and action to implement the review recommendations will be subject to the Council of Ministers adopting options as government policy.

Risk assessment and decision rationale

Recommendations	**Risk of non-implementation**	**Risk profile** *(E,H,M,L)*	**Other considerations in prioritisation**	**Is the recommendation agreed?**	**Improvement theme** *(If applicable)*
R1: By 31st December 2026 objective criteria to allow determination of subsidy, subsidies or subsidised services must be included in the Public Finances Manual to allow for better understanding of governance arrangements and the relation to grant allocation or contract for services.	If this recommendation is not implemented there is a risk that some financial support to bodies may be incorrectly classified as a grant or contract for services, however, the specific impact on value for money or management of performance is unlikely to be significant.	Low	Following the issue of the C&AG report on Grants, the word subsidy has been removed from the Public Finances Manual as there is no specific requirement to differentiate what could be considered a subsidy or a grant.	Not agreed. 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. There is no specific requirement to establish a definition of subsidy and there is no material value add in creating additional governance arrangements. Therefore, for the purposes of reducing complexity in GoJ's governance, including the PFM and accounting process, the subsidy variant of the grants process will not be reintroduced. To support transparency, payments that could be considered a subsidy will be published as part of a new Grants Payments Annex to the Annual Report and Accounts 2025.	No action at this time.

R2: To enable public awareness and tracking of the landscape, the Government of Jersey must, by 31st December 2026, publish a complete list of those entities or offices acting as an Arm's Length Body and identify the relevant Government of Jersey Accountable Officer for each.	The recommendation is not accepted. A list of Arm's Length Bodies that meet agreed criteria is already included in the PFM. As such we consider there to be no risk of non-implementation.	Low	The PFM already includes a list of Arm's Length Bodies. A list of grant recipients is published in the Annual Report and Accounts.	Not agreed. We consider that sufficient information is already published. The PFM includes a list of Accountable Officers for the relationship with Arm's Length Bodies and the Annual Report and Accounts lists the Accountable Officers for departments making grants.	No action at this time.
R3: By 31st December 2026, the requirement for review of the Memorandum of Understanding for States Owned Entities on at least a three-year basis must be introduced to the Public Finances Manual.	The requirement to review MoUs every three years is already included in the individual Memoranda so there is little risk from non-implementation of the recommendation.	Low	The individual MoUs already contain the requirement for three-yearly reviews.	Agreed. We will include the requirement in the PFM section on Specific States Owned Entities.	Review and simplify guidance.
R4: By 31st December 2026 the Government of Jersey should consider if 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 to differentiate the two.	If this recommendation is not implemented there is a risk that some financial support to bodies may be incorrectly classified as a grant or contract for services, however, the specific impact on value for money or management of performance is unlikely to be significant.	Low	See R1	Agreed in part. The new funding decision framework is designed to give greater clarity to correct classification but wholesale review of all existing grants by the end of 2026 is not considered to represent sufficient benefits to warrant the resources needed, as reviewing extant agreements would be a significant exercise. AOs will be encouraged to utilise the decision support when entering into new agreements or considering renewal of expiring agreements.	Review and simplify guidance
R5: By 31st September 2026 the Government of Jersey	If strategic reviews are not undertaken	High	A review of the public service architecture, including ALBs and	The recommendation is partially agreed as it would not be prudent	Review of public service architecture

must formulate a plan to undertake periodic strategic reviews of each Arm's Length Body. These should be undertaken on a risk-based cycle and consider opportunities for better value for money, the purpose of the body and the contribution to Island Outcomes.	periodically, there may be a risk that bodies continue to be funded/supported that add to the public service delivery complexity and could undermine value for money for Islanders		funded bodies is being undertaken, and options are being developed that could impact the ALB landscape and reduce costs. Although Officers will provide these options, these will not be GoJ policy unless adopted by the incoming COM following the June election.	to undertake reviews of individual bodies ahead of establishing a blueprint for future funding/establishment of bodies. Accountable Officers should already consider strategic reviews of bodies per the PFM, which will remain in place after the review has been completed and any policy options adopted.	
R6: By 31st October 2026 the Government of Jersey must form guidance on Key Performance Indicator metrics and ensure a common reporting format for primary Key Performance Indicators to allow for greater oversight of the success of the Arm's Length Bodies. This should include requirement for the Key Performance Indicators to be Specific, Measurable, Achievable, Relevant, and Time-bound (SMART). These should be collated to allow for holistic consideration of Arm's Length Bodies actions and success, including benchmarking consideration of Return on Investment and deconfliction of objectives.	If guidance on KPIs is not issued, KPIs utilised in grant and contract agreements may not be consistent or may not be as effective in measuring performance as anticipated when developed.	Low	The unique nature of bodies in terms of their function, constitution and funding arrangement means that a one-size-fits-all guidance document is unlikely to be appropriate. However, there is a drive to focus KPIs more on outcomes rather than outputs and there is adequate capability within GoJ that can provide on such matters, for example departmental analytics teams, Statistics Jersey and Commercial Services. Where Commercial Services reviews of agreements identify that quality is lacking, colleagues will work with Accountable Officers to ensure KPIs are sufficiently focused, although a wholescale exercise of compliance would not be proportionate in terms of resources required.	Not agreed - the PFM already includes a requirement for all agreements to include appropriate KPIs for performance monitoring, which should be reviewed periodically.	No action at this time.
R7: From the 2027 financial year, all material funding agreements with Arm's Length Bodies and grant	If agreements do not link to Island Outcomes, then the clarity on contribution of bodies to	Low	All GoJ initiatives and funding decisions should contribute to improvement of Island Outcomes, being the basis of the GoJ business.	Agreed in part. We will deliver standardised grant templates that include consideration of Island Outcomes, reinforced by the	Standardise documentation

recipients must include a small number of clearly defined performance measures explicitly linked to Island Outcomes, with annual reporting against those measures.	outcome improvement may not be transparent and portfolio-level assessment of impact across ALBs and grant schemes becomes limited.		Notwithstanding, following the issue of the C&AG report on Grants and Subsidies, work is already in progress to standardise documentation including grant templates and include specific consideration of the Jersey Performance Framework and Island Outcomes in the grant approval process.	PFM. However, extant agreements will not mandatorily be transferred onto new agreement templates ahead of their anticipated review, as this would create significant bureaucracy for both GoJ and bodies supported by GoJ. In respect of all GoJ expenditure, the PFM already includes a principle that all expenditure should be furthering the Strategic Priorities for which the funding was allocated by the States Assembly.	
R8: Government bodies such as the Arm's Length Bodies Oversight Board and the Regeneration Steering Group, must provide clearer decision making to Arm's Length Bodies, for example in any areas of overlapping remit including, but not limited to, property development, and decisions should be clearly documented.	If government bodies do not provide clear direction to ALBs, there may be a risk that areas of work overlap.	Medium	Decisions are documented through the established governance and oversight arrangements. The CEO's of States Owned Entities recognise the value of communication, shared learning and collaboration where this is possible and this is supported and encouraged by Ministers. Going forward, the strategic review of public service architecture should support minimising duplication of effort across the public services landscape. P	Agreed in part. The strategic review of public services architecture will support policy options that will minimise overlapping functions, subject to their adoption by the incoming COM following the June election.	Review of public service architecture
R9: Given the anticipated additional involvement of Accountable Officers in remuneration consideration, the Government of Jersey must by 31st December 2026 form a framework for Arm's Length Body remuneration to allow consistent awards. It is suggested this should tie increases in base payments to	If a remuneration framework is not developed, then remuneration principles may not be consistently applied and therefore pay may be disproportionate to civil service pay.	Low	A remuneration framework for SOEs is already in place. Some ALBs are established with staff as SEB employees. For these bodies staff are remunerated in line with civil service pay scales, effectively enabling a pay control for these entities. For ALBs that are independent bodies and not States Employment Board employees, there is limited control that the public service can assert on remuneration	Agreed but deferred for later action. Whilst the SEB is clear that ALBs staff are not States employees, the SEB supports making a recommendation to the Council of Ministers to introduce a remuneration framework for ALBs. However, the implementation of this action will be deferred as	No action at this time – recommendation will be monitored for future action.

Civil Service pay awards and that any additional payments (such as bonus awards) should be more closely tied to the organisations key purpose, for example: job creation, visitor numbers, houses provided or dividend to the Government.			reviews and there are a number of reasons why it may not be appropriate to mandate pay awards in ALBs, for example, the nature of the ALB business and the need to attract and retain specialised talent. In addition, the constitutional nature of establishing a body at arm's length provides some autonomy for operations, else the preferred option would be a public service without bodies at arm's length. However, an action remains ongoing following publication of the C&AG Oversight of Arm's Length Bodies report to take forward work with SEB regarding changes to ALB's Directors and Non-Executive Directors pay, terms and conditions.	the matter of remuneration could be considered a second order matter, which should follow an agreement on the future public services architecture.	
R10: By 31st December 2026 the Government of Jersey should consider the introduction of tenure limits for all States established independent bodies and office holders.	If tenure limits are not established, then it may be that tenures extend to a period which may not be appropriate given the benefit of refreshed ideas and approach.	Low	Whilst in principle this recommendation appears reasonable, the prioritisation of updating several pieces of individual legislation does not seem proportionate to benefit, given the Jersey Appointments Commission involvement in appointments and their Guidelines that already note that States appointees and members of independent bodies should not normally be appointed for terms in excess of nine years.	Not agreed.	No action at this time.
R11: By 30th June 2026, the Government of Jersey must undertake an internal review to identify potential areas of savings within the Arm's Length Bodies' estate in order to present findings and	If savings are not identified, then there may be a risk that opportunities for reducing costs are not taken.	High	See R5. In addition, Jersey Property Holdings and Commercial Services will continue to encourage bodies to work collectively on opportunities in respect of procurement and office accommodation.	Agreed in part – the principle of undertaking a strategic review is agreed and under way, although the timescale is not agreed given that any policy decision will be that of the incoming COM following the June election.	Review of public service architecture

potential options to the next Council of Ministers. Consideration should include, but not be limited to, premises, procurement, support services, joint boards, reduction in scope, amalgamation or discontinuance.					
R12: By 31st December 2026 the Government of Jersey should ensure that any significant changes in periodic grants should not take place before providing 12-months' notice to the grant receiver unless there is specific need for emergency funding withdrawal for exceptional circumstances.	If a longer notice period is not in place, recipients might have less time to plan and adjust.	Low	A 12-month notice period would effectively mean a multi-year funding agreement, which is inconsistent with the current annual Budget development and approval process. Although an agreement with a long notice period provides greater certainty for funded bodies, it creates uncertainty within the civil service, given that efficiencies would need to be found internally if there were fiscal pressures. However, it is appreciated that the length of the notice needs to be relevant to the length of the funding agreement. Whilst the current standard notice period is 3 months, AOs will always endeavour to provide the longest lead in possible unless there are exceptional circumstances.	Agreed in part: Mandating a universal 12-month notice period would: • Reduce fiscal flexibility to respond to performance issues, emergent priorities and changing economic conditions • Risk creating implied multi-year funding commitments outside authorised limits and the annual Budget planning cycle. • Risk of providing a grant to an ALB who were able to fund themselves and therefore the Accountable Officer would be in breach of the PFM. However, the possibility of extending the mandatory period beyond three months will be considered as part of the work to standardise grant agreement documentation.	Standardise documentation.

Prioritised improvement plan:

Action theme	Actions	Linked Recs	Target date	Responsible Officer
Review of public service architecture	• Undertake a review of the public service architecture and develop policy options for the Council of Minister to consider that will include a consideration of the blueprint for arm's length organisations and those supported by GoJ with the object of reducing costs and duplication of services.	5,8,11	End July 2026	Chief Officer, Cabinet Office
Review and simplify guidance	• Establish a workstream that will review existing data and sources of information, including the C&AG report and good practice in other jurisdictions, to identify and address priority areas of perceived suboptimal guidance and controls. • From initial discovery work, update PFM and other sources of internal guidance on grants	3,4	End June 2026 End June 2026	Head of Corporate Governance Head of Financial Governance
Standardise documentation	• Use the outputs of the Review and simplify guidance action to inform work to standardise documentation, communicate changes across the organisation and embed into working practices.	7,12	End June 2026	Head of Corporate Governance