States of Jersey
States Assembly

États de Jersey
Assemblée des États

Public Accounts Committee

Arm's Length Bodies, Grants and Subsidies Review

Witness: Treasurer of the States

Wednesday, 17th September 2025

Panel:

Deputy I. Gardiner of St. Helier North (Chair)

Deputy K.M. Wilson of St. Clement

Deputy R.S. Kovacs of St. Saviour

Mr. P. Taylor

Mr. V. Khakhria

Mr. G. Kehoe

Mr. A. Awan

Ms. H. Thompson, Deputy Comptroller and Auditor General

Witnesses:

Mr. R. Bell, Treasurer of the States

Mr. S. Robinson, Head of Shareholder Relations

Mr. S. Perez, Head of Corporate Governance

[13:04]

Deputy I. Gardiner of St. Helier North (Chair):

Good afternoon and welcome to the public hearing of the Public Accounts Committee. Today's public hearing is with Richard Bell, Treasurer of the States, and the questions will be connected to our Arm's Length Bodies, Grants and Subsidies Review. We will question relating to the arm's length bodies that follow the remit of the Treasurer. We will start with introductions before we go to the public hearing. Deputy Inna Gardiner, chair of the Public Accounts Committee.

Deputy K.M. Wilson of St. Clement:

Deputy Karen Wilson, member of the panel.

Mr. G. Kehoe:

Glen Kehoe, lay member.

Mr. V. Khakhria:

Vijay Khakhria, lay member.

Deputy R.S. Kovacs of St. Saviour:

Deputy Raluca Kovacs, member of the panel.

Mr. P. Taylor:

Philip Taylor, lay member.

Mr. A. Awan:

Ali Awan, lay member.

Deputy I. Gardiner:

Thank you, and attendance of …

Deputy Comptroller and Auditor General:

In attendance, Helen Thompson, Deputy C. and A.G. (Comptroller and Auditor General) representing Lynn Pamment, the C. and A.G.

Deputy I. Gardiner:

Thank you.

Treasurer of the States:

Richard Bell, Treasurer of the States.

Head of Corporate Governance:

Sebastian Perez, Head of Corporate Governance.

Head of Shareholder Relations:

Steve Robinson, Head of Shareholder Relations.

Deputy I. Gardiner:

Thank you, and we will start with the first theme which is monitoring arm's length bodies' effectiveness and value for money. First question for Philip.

Mr. P. Taylor:

Morning. Can you just clarify for me which of these arm's length bodies and States-owned entities you are specifically responsible for overseeing?

Treasurer of the States:

Short answer will be that the Minister for Treasury and Resources is responsible for the shareholder functions of those States-owned entities, so that is ... fill in the blanks. On the majority-owned basis: Jersey Water, Jersey Electricity. On the wholly-owned basis: Andium Homes, S.o.J.D.C. (States of Jersey Development Company), Jersey Post, Jersey Telecom and Ports of Jersey. In terms of wider A.L.B. (arm's length bodies), I am not responsible as an A.O. (accountable officer) for any of those, indeed I am not an A.O. for the States-owned entity. I am charged with undertaking their shareholder function on behalf of the Minister for Treasury and Resources as the Treasurer of the States. In respect of wider good financial governance or wider corporate governance, we are the Treasury so, through the various iterations of the Public Finances Manual, which sometimes feels like painting the Forth Bridge, we are responsible for the frameworks and in more recent times have been implementing recommendations, particularly from the C. and A.G., in respect of what the Public Finances Manual talks about in terms of arm's length bodies, including their definition. I am not responsible as A.O. for any of the arm's length bodies outside of States-owned entities.

Mr. P. Taylor:

So it is down to the accountable officers in the various … just for my own clarification.

Treasurer of the States:

I would say they do not go down; they go across to the accountable officers.

Mr. P. Taylor:

Across, yes. As regard to the States-owned entities, what do you do, or your team do on your behalf, to fulfil those responsibilities?

Treasurer of the States:

Steve does most of the hard work there. Steve, and his very small team, with some budget for specialist advice as well. The relationships between Treasury and those entities, and indeed wider than that in terms of who the policy leads, are for the sectors in which they operate, are set out in the Memoranda of Understanding. The Memoranda of Understanding will have either been finalised or in the process of being finalised, in certain cases, further to recent review of those. They establish the expectations of us in respect of those entities and indeed what they might expect from the shareholder unit. There is, for example, in the case of remuneration, a policy that sits off the side of that and sets out the expectations of the Minister in respect of setting remuneration, including base salary and incentive schemes for those entities. A key part of understanding what is happening in those departments is regular meetings, quarterly meetings at the very least. More often than that, you will find you have ad hoc meetings relating to things that are going to happen outside of those meetings. Previously, Ministers for Treasury and Resources have delegated that to their Assistant Minister but with this particular Minister, that Minister takes responsibility themself for that and meets with Steve and those entities on a very regular basis. One step back up from that, I would say that the Minister has to agree the 5-year Strategic Business Plan of each of those entities. That is usually a combination of agreeing with the Minister for Treasury and Resources but also the relevant Minister in charge of the policy aspects. In the case of Andium Homes, that would be the Minister for Housing, for example, so those plans are agreed, the entities are then given licence to operate within those. If there are, for example, significant transactions outside of what is envisaged in those plans, then they need to come back to the Treasury for particular approval.

Mr. P. Taylor:

The policies are set out in the Memoranda of Understanding?

Treasurer of the States:

Yes.

Mr. P. Taylor:

The strategic 5-year strategies are agreed in terms of fulfilling those policies or meeting those …

Treasurer of the States:

Fulfilling those expectations. The policies will have to be …

Mr. P. Taylor:

I know, but in terms of you have a strategy to fulfil to meet policies, do you set out what the outcomes are you are expecting?

Head of Shareholder Relations:

The Strategic Business Plans, which are agreed from a policy perspective with the policy relevant Ministers and then approved finally by the Minister for Treasury and Resources, set out expectations, K.P.I.s (key performance indicators), objectives within those particular strategic aims of an organisation, yes.

Mr. P. Taylor:

Can you give me an example of some of the K.P.I.s?

Head of Shareholder Relations:

For instance, off the top of my head, Andium Homes will have targets in terms of a decent home standard, maintenance of that, modern facility standards, periods of vacancies, lets and number of homes they will developing over the period covered by the Strategic Business Plan.

Mr. P. Taylor:

What happens if they are struggling to meet those expected outcomes?

Head of Shareholder Relations:

At each quarterly meeting, the S.O.E. (States-owned entity) board will be reporting to its shareholder, which will be the Minister for Treasury and Resources, and usually a policy Minister will be in attendance and there will be reporting on progress against those objectives, if an organisation was meeting challenges, be it external, internal or within Government, but those issues are flagged early on.

Mr. P. Taylor:

How would you describe the relationship? It is free and transparent or is it acrimonious? How does it work? Are you best friends, or how would you describe it?

Head of Shareholder Relations:

I believe they would describe it as open and transparent, and I would agree with them. We have regular dialogue, as the Treasurer mentioned. We have formal quarterly meetings, but we meet regularly with the C.E.O.s (chief executive officers) and C.F.O.s (chief financial officers) where ad hoc projects, issues, challenges are raised in an open and transparent forum with a view to helping each other.

Mr. P. Taylor:

It is a good relationship in other words.

Head of Shareholder Relations:

I would say so, yes.

Mr. P. Taylor:

It is almost a team going together to meet mutual objectives.

Head of Shareholder Relations:
Yes.

Mr. P. Taylor:
All these individual entities will have their own corporate governance arrangements.

Head of Shareholder Relations:
Correct.

Mr. P. Taylor:
How do you satisfy yourself that they are being properly complied with?

Head of Shareholder Relations:
I will take that, should I? The M.o.U. (Memorandum of Understanding) requires the S.O.E.s to comply, or explain, with the principles of the U.K. (United Kingdom) Corporate Governance Code 2024. The principles are, I would suggest, rather than the provisions, full provisions which are more relevant to a fully listed company. The principles set out your basic corporate governance standards. There are a number of ways in which we look at this. One is we annually checklist compliance against the M.o.U. Each S.O.E. has its own auditors. They will sign off and look at how they have complied with the Corporate Governance Code. So, yes, we are all over the governance of these organisations. Sorry, and the M.o.U. also talks about having, in accordance with the code, regular board effectiveness reviews, so annually, internally, every 3 years with an external resource.

[13:15]

Mr. P. Taylor:
Okay. Now, I have been on boards for many years, and I know these things never work quite as well as they might do, or as they are supposed to. We still get sign-offs from them because, in essence, they get done but quite often there are difficulties on the way. Do you get alerted to these governance issues that arise from year to year?

Head of Shareholder Relations:
I think the forum of having the regular cycle of board effectiveness reviews is an early indicator where there are potential issues. For instance, succession planning is always on the radar of both shareholder and the board. When non-executive directors are coming to the end of their terms of office, the shareholder is alerted to that. Generally speaking, if there was a recruitment campaign, that might trigger a board effectiveness review which would look at the composition of the board,

where there are perceived gaps in skillsets, experience, so all those issues are regularly flagged on the agendas of quarterly meetings.

Mr. P. Taylor:

My final question before I pass back to the chair is: are there any particular ones of the S.O.E.s - you may not feel comfortable answering this question, but I will ask it anyway - which are struggling more than others, for all variety of good reasons in terms of meeting their objectives that you set them?

Head of Shareholder Relations:

I think it is very difficult to say. I have been in the post 5 years and bear in mind I began this post right at the beginning of COVID, so each of these organisations has had a very different journey, if you like, through the COVID experience. To cite one example, Ports of Jersey - airport and harbour - shut on day one, and working with stakeholders to assure connectivity on the crucial routes, medical and so forth. Obviously, that had a huge impact on their finances and working with them to regain some form of stability and grow in accordance with their original Strategic Business Plan from 2019 has been a journey.

Mr. P. Taylor:

Where we are now, you have been through those journeys, you are satisfied that all the S.O.E.s are now working to their plan and meeting their objectives?

Head of Shareholder Relations:

I believe they are doing their utmost. There are always stall winds, be it in interest rates for Andium and States of Jersey Development Company, cost of borrowing for Ports with its investment in the harbour and airport. There are always factors sometimes outside the control of S.O.E.s and I believe that having this regular interaction with them signals where there are challenges ahead.

Mr. P. Taylor:

Okay. Thank you very much.

Deputy I. Gardiner:

Okay, thank you. Before we continue with others, you said that when the change of non-executive is happening, it might trigger a board effectiveness review. You are 5 years in this position, how many and which board effectiveness reviews have been taken?

Head of Shareholder Relations:

Obviously, I do not do that; each board does their own board effectiveness reviews.

Deputy I. Gardiner:

But you are the shareholder, you should be aware …

Head of Shareholder Relations:

I should be aware of those, yes. I could not tell you off the top of my head. They happen routinely and we often contribute to those reviews.

Deputy I. Gardiner:

If you have a non-executive change, you said it might trigger a review of board effectiveness. My question is: how do you, as a shareholder, know when reviews are taking place or do you not know when reviews are taking place of the board effectiveness?

Head of Shareholder Relations:

Yes, we will be made aware when a board effectiveness review is taking place.

Deputy I. Gardiner:

Okay, so do you remember any of the latest reviews that have taken place during your time?

Head of Shareholder Relations:

Yes.

Deputy I. Gardiner:

Which ones, please?

Head of Shareholder Relations:

For instance, J.T. (Jersey Telecom) was the most recent one that we were involved in. Jersey Post have just done a board effectiveness review. The board undertakes their own internal reviews.

Deputy I. Gardiner:

What is your involvement as a shareholder to be reassured that it has achieved its objectives and what concerns were raised through this review?

Head of Shareholder Relations:

So just to be clear, the board effectiveness review is for the board. It is commissioned by the board. It is for the board's own knowledge. What they will do is they will invite the shareholder as a key stakeholder to potentially be part of that review. They will then, in accordance with the M.o.U., share the key themes from that review and will explain what actions have come out of that effectiveness review and then liaise with us in terms of those particular actions.

Deputy I. Gardiner:
Can you give one clear example of the latest review on Jersey Post, what came out from the review, what you have been updated what the next steps are?

Head of Shareholder Relations:
Obviously, the board will have that detail, but I can tell you in high-level terms the Jersey Post and the J.T. board effectiveness reviews looked at the composition of the board. For instance, with J.T., there is a requirement for a new non-executive director and the chair is coming to the end of her 9 years annual tenure on the board. Therefore, the board effectiveness review looked at what skillsets would best serve on the board in terms of a chair and a new non-executive director.

Mr. P. Taylor:
I know we are not quite in the public listed area but one would expect if there was a board effectiveness review carried out, the results of that would be reported in the annual report on accounts and that would then be with a set of actions that the board had undertaken to carry out to meet any shortfalls. That is what would normally happen in the annual report. I can understand why it might not be publicised …

Head of Shareholder Relations:
In a fully listed, correct.

Mr. P. Taylor:
Yes, and I know you are not a fully listed company so the question I think the chair was asking: how do you find out about it? Do they tell you? Do they share the results with you?

Head of Shareholder Relations:
Yes. So the outcomes and the key conclusions are shared within the confines of a shareholder meeting, yes.

Mr. P. Taylor:
And their proposed actions.

Head of Shareholder Relations:
Correct. Yes.

Mr. P. Taylor:
Thank you.

Deputy K.M. Wilson:
Could you just expand on that a little bit in terms of to what extent does the board review examine the effectiveness of the whole operations, as it were? You have just alluded to the fact that you would be invited as a stakeholder around any change in personnel but, as a stakeholder, what else are you connected to or communicated with in relation to things like productivity, quality of service, financial management? Can you elaborate on some of the things?

Treasurer of the States:
If I can say, just quickly, the board effectiveness review is not about that; it is about the effectiveness of the board in its oversight of the entity in accordance with the code. Steve talked about regular reporting that we would expect in those quarterly meetings relating to those K.P.I.s that would relate to efficiency and effectiveness but also in terms of customer performance, for example, which this Minister is particularly keen upon in terms of customer K.P.I.s as they relate to perhaps executive remuneration going forwards. The 2 things are different.

Deputy K.M. Wilson:
Okay, so what you are saying to us is board effectiveness is undertaken by the boards themselves, so they review their own effectiveness.

Head of Shareholder Relations:
There are 2 separate reviews. There is an internal review, which the chair usually would undertake, looking at these committees and how the board as a whole is working. Every 3 years an S.O.E. is expected to commission an external review, so a consultant will sit with the board, look at board papers, look at committees, sit in board meetings, shareholder meetings that we attend and committee meetings to look at is the quality of reporting appropriate. Are the committees working? Are the right members on those committees? That is strictly the board effectiveness review.

Deputy K.M. Wilson:
So, it is very much a review of processes.

Head of Shareholder Relations:
The operation of a board, I would say.

Deputy K.M. Wilson:
Yes, okay.

Deputy I. Gardiner:

You are sure that all S.O.E. boards are doing external reviews every 3 years?

Head of Shareholder Relations:

Yes.

Deputy I. Gardiner:

Okay, thank you. Next question: what are the key risks S.O.E.s are facing now? Can you give specific examples, what are the top risks on your risk register for S.O.E.s?

Head of Shareholder Relations:

In terms of process, let me explain the process first. Every quarterly meeting, the S.O.E.s present their risk register with an analysis of those key risks. Every 6 months, the S.O.E. Head of Risk meets Government's Head of Risk and they have a conversation to review risk register reporting and the head of Risk looks at what risks that are at the S.O.E. level that might be considered appropriate for the Government of Jersey's risk register. To your specific question about key risks, it is the usual ones like cyber risk, interest rate risk in those organisations. Yes, I am trying to think off the top of my head. I was not prepared for risks.

Deputy I. Gardiner:

I mean, for example, for us here today, we have only 7 organisations, what are the top risks for Ports of Jersey?

Head of Shareholder Relations:

Cyber risk is a clear one. Economic risk …

Deputy I. Gardiner:

What is economic risk?

Head of Shareholder Relations:

Well, if there was, for instance, a recession - a deep recession - that could impact passenger numbers and individuals coming through the airport and the harbour, freight levels would be down if Islanders are not buying, so that would be a risk to its performance as an organisation.

Deputy I. Gardiner:

Obviously, we are 100 per cent shareholder, what are the risks for the Government and overall public finance and how would this reflect the risks facing the public and public finance?

Head of Shareholder Relations:

As I mentioned before, each S.O.E. has its own risk register that it maintains. It looks at its risks itself. Every 6 months and with regular interactions, the Government Head of Risk will meet with the S.O.E. and look at the risk register and look at what risks are on the S.O.E. risk register that should also be on the Government of Jersey's corporate risk register.

Mr. P. Taylor:

Does, for example, Jersey Harbour's and Ports include the risk of performance by the service providers, maybe the airlines or ferry companies, as to whether or not they are fulfilling their flight schedules, all of which if they are not could have a direct impact on the entity but also on Jersey as a whole?

Head of Shareholder Relations:

You would appreciate, I am sure, that Ports of Jersey's risk register is extensive. It is everything …

Mr. P. Taylor:

I know, but to me that seems like a major risk.

Head of Shareholder Relations:

I can assure you it is, yes.

Mr. P. Taylor:

It is there, is it?

Head of Shareholder Relations:

Yes.

Mr. P. Taylor:

Okay.

Deputy K.M. Wilson:

Can I just pick up on the issue of forecasting? In terms of your role as a stakeholder, how do you assure yourselves that things like forecasting around risks is right, is believable, is evidence-based? Because we have got a scenario, if I talk about visitor economies, the forecast originally was for 500,000 visitors to come to the Island in 2024 …

Deputy I. Gardiner:

Through the sea.

Deputy K.M. Wilson:

… and that was through Ports, through the sea, but we have only got 272,000 people come through and more than half of those are coming from France. I think our question is: how do you gain assurance on the forecasting models, in this particular incidence, that Ports of Jersey have used and how do you challenge some of these estimates? Through your assessment of their risk register, through your discussions around the quarterly performance meetings, how do you challenge and what is your job as a stakeholder to interrogate and enquire as to these issues?

Treasurer of the States:

Just firstly, before Steve gets into any detail, we cannot hope to be as expert across that wide range as they will be within their individual area of responsibility. When we receive a strategic business plan for an entity that is supposed to straddle 5 years, and more specifically when we receive a proposal for a particular transaction that does or does not include debt related to that particular transaction, we would give consideration to - and we will definitely do in the latter - expert advice commissioned by Treasury in respect of either that plan or that particular transaction.

Deputy K.M. Wilson:

What is that advice based on? How do you provide that advice?

Treasurer of the States:

How do we provide that advice? We generally commission advice from experts in the sector to look at whether that plan holds together, look at the key risks around that plan, sensitivity analysis, et cetera, and likewise for individual transactions. For example, the most relevant one that is probably out there all the time, if you have a new transaction for a new development coming through from Andium Homes, the key risk there, of course, is whether they will receive sufficient rent to meet the debt service and debt repayment in respect of that particular transaction, so we will commission someone from the sector to do a piece of work to give us third party advice rather than just relying upon the advice or the work from the S.O.E. itself.

[13:30]

Deputy K.M. Wilson:

How does that resolve in the sense that you have got a business plan with forecasting and some strategic objectives that have been identified and then you have got an independent amount of advice that you have gathered? How does that result in a delivery plan that is going to meet its objectives and meet its financial obligations?

Treasurer of the States:

It will have findings. It will have recommendations arising from it. Typically, it might have areas relating to risk and those will be fed back into the process of approving the business plan and may well see changes made to the business plan or may well lead to rethinking a particular transaction.

Deputy K.M. Wilson:

Just to come back to Philip's earlier question about relationships and if there is a disagreement about the understanding of that position, what happens?

Treasurer of the States:

Ultimately, if it were the case that the disagreement were too significant, then it would not get approved. You need to have an approved Strategic Business Plan. I think there have been cases where we have had delay relating to those being approved and may have seen changes made and, in particular in respect of transactions, may well see that changes have to be made but the ultimate sanction would be not approving. You work to get it right. While we have an amicable, professional relationship, it is not always cosy, and it is not always enjoyable, and I am sure that is the case on both sides. We strive to maintain professionalism on both sides and no doubt strive in all cases not to quite achieve that but there is robust challenge and often direct challenge and probably understand that in some cases in the past - and I would say that is probably more so in the past than the future - that creates certain tensions.

Deputy I. Gardiner:

There is one challenge I can say. Ali, I will just ask a quick follow-up following the current and after that we will be with you. If we go back to the challenges and the numbers that Deputy Wilson quoted that came from the latest C. and A.G. report on the critical infrastructure resilience and, Steven, you talk about 5-year Strategic Business Plan that has been approved by the Treasurer. We look at those strategic plans from the Ports of Jersey currently from 2024, 2023, where the numbers are rising for touching 500,000 and above arrival through the sea. In 2024, it was 275,000, which is far away from 500,000 and we know that with the current ferry operation it will be likely to be less in 2025, and with introduction of the permissions to get into the Island for the French visitors, it is likely to reduce French visitors that were half of the 275,000. Is it now the challenge, going back to Ports of Jersey, say, do you need to review your strategic plan on numbers of arrivals through the sea up to 500,000 is still relevant going forward for the next 3 years?

Head of Shareholder Relations:

Obviously that conversation happens at the quarterly shareholder meetings. The passenger numbers through the airport and the harbour are a key element of the quarterly reporting that we receive because so much is derived from that in terms of income and contribution …

Deputy I. Gardiner:
My question: if discrepant already, are they going to update their strategic plan because I personally cannot see in the next 3, 4 years 500,000-plus arriving through the harbour, not through the airport?

Head of Shareholder Relations:
Of course, just to be clear, while the Strategic Business Plan covers a 5-year period, that does not mean they only look at it every 5 years. Ordinarily, most of these organisations have a 5-year plan but refresh it every 2 years, sometimes even more.

Deputy I. Gardiner:
Would they publish updated an Strategic Business Plan?

Head of Shareholder Relations:
Correct.

Deputy I. Gardiner:
Okay, thank you. Ali, to you, please.

Mr. A. Awan:
Just quickly, you mentioned that you look at the risk registers for these companies. This is supposed to be a live document. What is the process when you identify a risk which should be on there is not? How do you communicate that and how do the companies update that? So, that is the first question. Secondly, have you performed a gap analysis between your risk assessment and those companies' risk assessments as well?

Head of Shareholder Relations:
In terms of the first question, obviously you are quite right, the risk register is a live document. Clearly if there was an immaterial risk added to an S.O.E. risk register, I doubt it would be raised to our Head of Risk. If, however, there was a new identified risk of significant likelihood and impact, I strongly suspect that they would be contacting our Head of Risk to discuss that very point. A similar conversation would have in the other direction if our Head of Risk similarly identified a material risk is on their risk register.

Mr. A. Awan:

Did an exercise to perform the gap analysis between just to ensure that they are aligned and how often do we do that exercise?

Head of Shareholder Relations:

We can come back to you but I think our head of Risk would be responsible for that.

Treasurer of the States:

It would be challenged in those meetings because we will hear from different places. We just talked about it now, about our perception of risk and their perception of risk, and the aim would, therefore, to be a 2-way dialogue. It is not just intended to be them sharing with us, we are supposed to share with them as well and then, therefore, that would help that calibration.

Mr. A. Awan:

I am presuming that the Head of Risk, when they have their meetings, every 6 months they do that kind of analysis or gap setting, if there is any difference between both documents.

Head of Shareholder Relations:

The gap analysis will be in terms of those material risks which the Head of Risk feels that should be elevated to the corporate risk register, yes, that happens.

Deputy I. Gardiner:

Okay, thank you.

Mr. G. Kehoe:

Yes, I think based on what has just been said there, Richard, you mentioned there is so much diversity. As a major shareholder, how do you know that you are getting value for money against all these key objectives that all these entities have?

Treasurer of the States:

That is a very good question, particularly in respect it is far easier to look at that from the same thing. I suppose we feel we have probably got a wider role there than just a shareholder function. You have got entities that are in a competitive market, the market helps with that in terms of understanding the value for money for customers. If you have got value for money for customers, your customer will not go to your competitor. Let us say as well in some of these entities where they are, effectively monopolies, they will be subject to one form or another of regulation and usually relating to pricing, and that pricing will consider the cost base. It will also consider whether perhaps there is an advantage that another entity that is not States-owned does have. We will see a key element of that in terms of value for money, in terms of the review of the Strategic Business Plan. It is fair to say from time to time you get the opportunity that might arise by looking at similar entities in other jurisdictions, which I promote questions relating to, for example, cost base or margin. Some of these entities, and one of the challenges we have, is how comparable they are to a market elsewhere or perhaps entities elsewhere. There are very few, for example, entities that combine the harbour with the airport in a single entity. But you can look at airport performance compared to airport performances elsewhere; that is not necessarily on a value-for-money basis. Sometimes that relates to airlines, as opposed to airports. We would be able to look at that one when we are looking at the Strategic Business Plan, that is where we employ sector experts to look at their business plans to inform us in respect of their plans.

Mr. V. Khakhria:

Okay, thank you. Drilling down into a little bit more detail, let us have a look at one example, Andium. How do you assure that that is delivering value for money in terms of providing affordable housing in particular? You have other benchmarks out there, you have local providers and you have different providers from different jurisdictions. How do you drill down to establish that you are genuinely achieving value for money within Andium?

Treasurer of the States:

First, looking at viability of capital schemes, we spend a great deal of our time looking at the viability of capital schemes. There are a number of factors and, forgive me, I am just remembering you have a member on the panel that takes a particular interest in the rental caps, for example, of Andium Homes. You will know from a value for wider stakeholder, rent levels, rent prices, comparison to market rents do that and knows that Andium is by far and away and above the largest social housing provider on the Island. But we will have crossovers that we could do in respect of the Jersey Homes Trust to look there to the extent that any of their financial information is available. But, again, we would look and we generally get involved at a transaction level basis on key developments by commissioning work of experts in those developments.

Mr. V. Khakhria:

Okay. I was thinking about Andium in particular for the time being, and we will go on to some of the other entities in a moment. But with Andium I understand that there are external benchmarks. How often do you conduct that exercise? Is it just per development or is there a periodic review?

Treasurer of the States:

That takes place during the development of the Strategic Business Plan.

Head of Shareholder Relations:

Each development is looked at in isolation. The Strategic Business Plan is challenged when it is done every 3 years. The company itself has agreed K.P.I.s within the Strategic Business Plan, things like maintenance of decent home standard, achieving modern facility standard. I think outside of all of that is the fact if your success factor was the ability of the Minister for Housing to widen the Gateway because of Andium's delivery programme, that, I would suggest, is a success factor.

Mr. V. Khakhria:
Getting a little bit further into that, you mentioned that it is far and away the largest entity out there and you have a great deal of responsibility in terms of setting the benchmarks for it and assessing them against other. How do you make sure that you are not distorting the market through the activities of Andium and preventing private industry from fulfilling some of those roles perhaps more efficiently, as is typically the case?

Head of Shareholder Relations:
I think that maybe we are straying into policy. Obviously the Strategic Business Plan …

Mr. V. Khakhria:
No, I do not think we are. Because I suppose the question ultimately is: how do you assure yourselves that that is the right business model? How do you assure yourself that Andium is the right way to deliver the objectives, which are affordable housing, plentiful housing, high-quality housing, et cetera?

Treasurer of the States:
What Steve is saying is that that primarily relates to the purview of the Minister for Housing rather than the shareholder function, and there has been a decision that we will have Andium Homes, and we are charged with looking at their financial performance and good governance. We will be, yes, quite right to challenge it in terms of their value for money, for example. In terms of the wider, is the provision of social housing best delivered through Andium Homes? We will get involved with that discussion and indeed if there were to be a proposal to widen the purposes of Andium Homes, then we would get involved in that discussion as well in terms of the plans for the future of the entity, in terms of its delivery against pretty much the purposes by which it was established by legislation. , we see are functioning delivering that.

Mr. V. Khakhria:
Flip the question on its head in that case. What if it became clear to you that it was not an efficient way of delivering the objectives? In other words, the private industry could clearly supply some of the objectives more efficiently. What would your responsibilities be in that situation?

Treasurer of the States:

In terms of a wider role in Government, as opposed to the narrow responsibilities relating to the good governance of the entity, raising it in a wider forum of Government. I suppose in this case that might be through the R.S.G. (Regeneration Steering Group), which has political oversight in respect of some of the housing but more on the delivery. I think the question is a good question, it is quite probably one that best fits around, say, the States of Jersey Development Company in respect of developments, as opposed to necessarily the provision of Andium Homes.

[13:45]

That is obviously a question at the heart of the future existence or not of S.o.J.D.C. Some of the stepping-in related to S.o.J.D.C. or its prior … now what is it called? Yes, for both, Waterfront Enterprise Board related to stepping into the failure of market at that particular point in time. It evolved over time to be about maximising return from States land, for example.

Deputy I. Gardiner:

The question is how you go with duplication if you are already going into this space because if you mention S.o.J.D.C. and completely Andium delivering social rental housing, fair enough, it is their remit. Saying this, Andium are currently building affordable housing that they are selling, it is for sale. We have S.o.J.D.C. that are building houses, homes, flats, affordable for sale because we know there is 50:50 to different projects. But we have now Andium, they are building flats and houses for sale. We have S.o.J.D.C. building affordable, not just private, open-market houses for sale. Now we are hearing that Ports of Jersey are going into building accommodation, what sort of accommodation they will build. Do we need these 3 entities delivering housing all together or not? Have you considered duplications and how do you know that they are not overlapping and what can be done?

Treasurer of the States:

Certainly if you are asking me whether I have considered it, yes.

Deputy I. Gardiner:

Okay, what are you doing with it?

Treasurer of the States:

A direct answer to the question, in terms of there have been occasions where that has been considered in more depth across Government because of course we do not just sit on our own here. I know that the current Chief Minister and the current Chief Executive, he is very keen to look at how you might deliver more efficiently through changing the structure, shall we say, of how those S.O.E.s deliver without being too specific about each of those. I think this features heavily in work that has previously been done, say, for example, in the role of J.P.H. (Jersey Property Holdings). You have J.P.H., you have Andium Homes, you have S.o.J.D.C. in this regard, and then Ports. We are from time to time involved in those pieces of work and those pieces of work are, from a high-level perspective, currently being initiated across the A.L.B.s, as well as States, to look at how we might better deliver more efficiently. The theory is, and it is absolutely unquestionable, that the problem you have in Jersey is diseconomies of scale. Whenever you set up an entity, whether it be an arm's length body or whether it be a regulator or whatever it be ... I want to use a States department, for example. You are always challenged by diseconomies of scale. Having a model that is fit in purpose for a smaller island with roughly 100,000 people might be that it is not the structure you would have in place if you were in a different location. That is probably more relevant to A.L.B.s, rather than what you have seen over a period of time. It is invariably, what I like to call from time to time, if I'm mischievous, nationalised industries might be better combined, particularly where they have areas of overlap.

Mr. V. Khakhria:

There are models out there where a shareholder will look at duplication across their portfolio and say this is not a great way to deploy our capital and insist on reorganisation. To what extent does your department have responsibility for identifying those duplications? What processes does it use to move this into the policy sphere?

Treasurer of the States:

We have the levers to be able to do that. Generally these will be initiated further with the organisation because it is beyond the shareholder. We have the levers to be able to do it. It becomes an issue of whether they are the priorities of Government at the time. It should not be underestimated the amount of work that would be involved in doing some of that. I was myself involved in incorporations of Jersey Telecom, Andium Homes, Jersey Post and eventually that is transfer of undertakings from a department into a corporate entity, but those were years in the forming. It is not an insignificant piece of work. If they get to the point of deciding that they are the priorities of Government, we would lead on this.

Mr. V. Khakhria:

Okay, thank you. I will try and speed up but what activities do you undertake to assess whether they should be a priority? How do you establish the value of these exercises?

Treasurer of the States:

I am trying to remember if we have got any in-depth piece of work on it. I do not think we have an in-depth piece of work. Most of those opportunities are fairly obvious in terms of what they might be. But we have not commissioned in-depth work on to that, in respect of it.

Mr. V. Khakhria:
You have not assessed the value and potential, the opportunity on a regular basis. Okay, moving quickly on to other S.O.E.s, how do you assess whether Jersey Electricity delivers value for money?

Treasurer of the States:
Delivers value for money for the shareholder?

Mr. V. Khakhria:
No, for the Island but, yes, for the shareholder as well.

Treasurer of the States:
For the Island?

Mr. V. Khakhria:
I think that makes sense.

Treasurer of the States:
Let us go shareholder first. No, we are the other way around. Policy of course sits outside, so we will work with other entities. It is quite a different relationship between us and J.E.C. (Jersey Electricity Company) in respect of listing rules and, in particular, protection of minority shareholders, which applies to other places as well. Be careful, I think I might have a former board member of the J.E.C. on your side of the table at this point. We do have discussions with them when they are talking about increasing price rises. In looking at that we will work with the Economics Unit in looking at the rationale for those price rises and in comparison with price per by the way of kilowatts in the U.K. sector, Guernsey sector and other places. By comparison, if that pricing compared to that pricing elsewhere, that is a fairly good indicator of value to customers.

Deputy I. Gardiner:
Yes, before we move to another, I am just checking, is there any option that you can stay 10 minutes after 2.00 p.m.? How is your calendar? Just to ensure where we are at.

Treasurer of the States:
Yes.

Deputy I. Gardiner:
Yes, okay, good.

Mr. G. Kehoe:

Based on all this wealth that is being made, all the revenue has been generated now, at what point and how do you provide approval for the remunerations and bonuses for the executives across the entities?

Treasurer of the States:

It is covered, firstly, primarily within the M.o.U. and through a policy that is appended to the M.o.U. in respect of the expectations as to how remuneration should be set by boards and the instances in which that needs to be either notified or approved by the shareholder. In terms of the work that is done, we will expect whether there are expectations put in place by the shareholder and, in particular, by the Minister as to what should be borne in mind when setting remuneration. The board will commission a piece of work that might look at relative pay in the sector elsewhere and on Jersey, not in Jersey. We will then, should we need to, commission our own work to look at that as well.

Mr. G. Kehoe:

Those levels are assessed and compared to other jurisdictions of similar ilk or will we just accept what they say and go with it?

Treasurer of the States:

I would say remuneration is probably one of those areas of the most lively discussion, if I can put it that way.

Mr. G. Kehoe:

That is why we are asking the question.

Treasurer of the States:

Between us and the board at that time, so they will produce their piece of work, we will commission our own piece of work should we need to and challenges will be put in place. That is typically twofold on a base salary; secondly, on incentive schemes. The framework for incentive schemes has to be approved by the shareholder as well. As I said earlier, one of the Minister's priorities is to make sure that customer feedback is adequately considered within the framework for those incentive plans. The framework is approved and then we would expect the entity to tell us how they have arrived at a particular year's payment for that executive's earnings.

Deputy I. Gardiner:

Two quick follow ups, first of all: do you know how they benchmark? Because in the previous analysis it is changing remuneration framework they need to benchmark from the Government but it does not say how. Would they benchmark to the utilities company, for example, on the Island which is zero size, or they will benchmark towards the U.K.? Are you checking their benchmarks or now we will have more clear benchmarking direction?

Treasurer of the States:

It will differ, depending upon the entity. Of course we should be looking at housing associations in the U.K. or elsewhere if you are looking at remuneration for the executives for Andium Homes, for example, rather than electricity companies in Guernsey.

Deputy I. Gardiner:

No, if I may. For example, if Jersey Electricity remuneration was to look around the Jersey Water remuneration, Jersey Electricity and Isle and Man or a housing provider on similar sized jurisdictions because obviously Jersey Electricity …

Treasurer of the States:

Our challenge, these are generally sector-related and please correct me if go ...

Deputy I. Gardiner:

But do we have similar-sized benchmarking or not?

Treasurer of the States:

This is the challenge. The challenge is coming up with organisations that are comparable. I drew your attention earlier to there are very few entities that have a harbour and an airport in them. There are very few entities that have a harbour and an airport in them with a population of 100,000 and a different number of customers. We expect that benchmark to include as close as you can get to what they understand to be the remuneration in similar-sized entities or as similar as you can get. In addition within the M.o.U., I cannot remember the phrase, losing sight of the fact the entity is a State-owned entity in its form …

Deputy I. Gardiner:

It is interesting that they mentioned Ports, that there is hardly any jurisdiction around in Ports, at airports, the harbour and the airport at the same time. But we know like in the U.K. most of the airports now, even they are strategic, they are run by the private companies.

Treasurer of the States:

Yes.

Deputy I. Gardiner:

Has any comparison been done? Do we still need the States-owned 100 per cent shareholder and having all responsibilities on the public money or it more efficiently can be run by the private company like in the U.K.? I do not know, I am just challenging. I am just asking the question just because you mentioned this.

Treasurer of the States:
Sorry, is your question: do we ever consider whether we should sell States-owned entities? Was that the question?

Deputy I. Gardiner:
No, my question was a different one. In the U.K. where you mentioned a different jurisdiction, the airports are run by the private companies.

Treasurer of the States:
Yes.

Deputy I. Gardiner:
The risks and management and obviously they are regulated. We have a States-owned entity that is running the airport at considerable cost. Was the cost considered and what will be …

Treasurer of the States:
This is the tension and this is the difficulty in agreeing the level of remuneration. What you want to be able to do is to attract high-calibre quality individuals to run those operations. That means when you are competing in the marketplace for jobs that those people could do otherwise, you are inevitably looking at what their alternatives of work are. Once they are here and you have a review of that, that is whether they are here, what is the justification for the increase? That might relate to flight risk and I am not saying flight risks at airports, I am saying flight risk of the chief exec or the finance directors; that becomes part of the equation. There is always going to be a balance relating to paying sufficient to attract a quality of individual we need to have on board to run those entities, when you are fishing in the pool where perhaps all of the other comparables are private sector elsewhere against the risk profile relating to this particular entity on there. That is what you are constantly trying to get a balance of from the shareholders' perspective.
[14:00]

Deputy I. Gardiner:
Before we move into periodic review, I am just looking around the table if there are any follow-ups on this part.

Deputy K.M. Wilson:

I have just got one.

Deputy I. Gardiner:

Yes.

Deputy K.M. Wilson:

If I could, Richard, you asked the chair the question about whether we would consider selling States entities. Is that a recommendation that a shareholder can make if it finds that it is not delivering value for money?

Treasurer of the States:

The approach where I would generally take as the shareholder is to say why is Government owning the entity. That is the challenge and often there are very good reasons why Government would ... that indicates that I think there might not be good reasons in some cases. But there are very good reasons in a small island economy why you may have a States-owned entity. Ultimately, that decision is an Assembly decision. It is not a Minister's decision. It would take a proposition of the Minister to bring it forward. There are entities within the portfolio that I am sure it would be, potentially … sorry, no, that is not it. I have got a message on the phone saying the chief executive is calling me. I hope he is not watching … That you could identify with it, potentially, lend themselves, potentially, to be divested. If you find yourself sitting there with one of these entities and you realise the only reason you are earning it is as an investment, then we look at our investment strategies. We do not generally hold 100 per cent of entities, we hold very small amounts of entities in our wider investment strategy, so that is where the challenge I think comes. But there will be very good reasons in the marketplace or the sectors that they are in why you would not in a small island jurisdiction sell those entities.

Deputy K.M. Wilson:

Does this come down to Government's appetite for risk in relation to what risks may well arise if those entities were to be sold off, as opposed to maintaining or carrying the risk and acceptable risk if you chose not to?

Treasurer of the States:

Yes, the risk comes into that, and you can see that in Ports. In particular, I suppose, you would look at that through a risk lens in terms of security of freight provisions, safety, et cetera.

Deputy K.M. Wilson:

Thank you.

Mr. P. Taylor:

I have got 2 questions that I think would be relatively brief; hopefully be getting brief answers.

Treasurer of the States:

Am I taking too long?

Mr. P. Taylor:

You will have your own risk appetite as regards some of these States-owned entities in terms of the way they operate and performance they deliver. What do you do? At what point do you step in? Do you know when you would step in, shall we say, when they are operating self-evidently beyond your risk appetite? That could be because the service loans are so bad we no longer have telecommunication services, the water is full of sewage or whatever. Do you know when you would step in and say this is not working or advise Ministers that we should be stepping in and saying this is not working?

Treasurer of the States:

In step in and I hope you are not suggesting take over running the company.

Mr. P. Taylor:

We may have to, yes.

Treasurer of the States:

But we may have to.

Mr. P. Taylor:

You may have to.

Treasurer of the States:

That would be the case. I think there is a wide spectrum there, is there not? That might be because you might have seen instances where the governance is not quite what you would have expected. There have been instances of that where we would have meetings outside the quarterly meeting to make those views known and …

Mr. P. Taylor:

Yes, you no longer trust the management, they are not telling you the truth. It could be …

Treasurer of the States:

Yes, those are slightly different to the operational risks relating to the …

Mr. P. Taylor:

If affects the operations; it does affect it.

Treasurer of the States:

I can say that there have been instances where that happens, okay, where you might have a number of different instances of things that make you feel a bit uncomfortable. You, therefore, would have a meeting with the …

Mr. P. Taylor:

You could step in …

Treasurer of the States:

Might have a meeting with the execs, you might have a meeting with the chair, depending upon what that might be.

Mr. P. Taylor:

You could step in and take action.

Treasurer of the States:

We could, yes.

Mr. P. Taylor:

Okay, that is the answer I want; it is fine. Then, finally, many of these entities were set up for a specific purpose some years ago because it was felt that that was the best way to provide telecommunication services, ports and harbours, post office, through the entities being set up. World changes, different methods of operations to change, have you considered reviewing the structures you have got in place to satisfy yourself that these are the most appropriate ways to deliver the services for the Island community? I think this is somewhere where we are all trying to get to.

Treasurer of the States:

Back to this particular issue, I think it is fair to say that it is fairly high up on the agenda for current Government to look at some of those structures. I think, given the amount of work, it would be to do that. You will expect that that would be: "Can you look at, Richard, the following?" Then expecting that that would be the case, with the wider piece of work that might look, and it more relates to other arm's length bodies. But it also includes have we got more structures in respect to those entities?

Mr. P. Taylor:

It could be that you …

Treasurer of the States:

Are they combined or are we clear whose responsibility or who should be doing what? It is fair to say, back to the point you were making in respect of construction, a large minority of the market, by now the majority of the market.

Mr. P. Taylor:

I interjected and I should not have done.

Deputy R.S. Kovacs:

No, this is just in the interest of time because we have a few other subjects to cover. In relation to periodic reviews of arm's length bodies, from the letter we received from the C.E.O. on the subject, we understand that, although the ongoing informal oversight of initiatives and partnerships are being carried out, very few formal reviews are undertaken though. What periodic reviews of the arm's length bodies under your remit have been carried out in the past 5 years?

Treasurer of the States:

We will do that review in terms of the Strategic Business Plan but the Public Finances Manual specifically excludes S.O.E.s from that requirement. In respect of structured reviews, some of your question indicates that is probably relating to more structure, should we own them, et cetera?

Deputy R.S. Kovacs:

Yes.

Treasurer of the States:

I have been involved in questions in the past relating to whether we should continue to earn them. I have been involved in discussions relating to who should do what and should we change those structures? The benchmarking we would do in terms of their performance. But in terms of structured review that you are getting into in here that says, for example, is Andium Homes the way that we should deliver affordable housing, in particular social housing, in the future? There has been no review I am currently aware of.

Deputy R.S. Kovacs:

How do you decide when a structured review is needed and who is responsible for leading and signing off such reviews?

Treasurer of the States:

Currently there is not a regular processing place by which that would occur. That is more as a result of work that you might have done that might tangentially or incidentally lead you to start considering whether you might make recommendations as to the current ownership of that or the current structure of it. As I have said, there are pieces of work that have been talked about doing in terms of the overlap between J.P.H., Andium Homes and S.o.J.D.C., in particular.

Deputy R.S. Kovacs:

What do you see as the risk of not carrying out more structured reviews?

Treasurer of the States:

What is the what?

Deputy R.S. Kovacs:

The risks.

Treasurer of the States:

The list.

Deputy R.S. Kovacs:

The risks.

Treasurer of the States:

List, is there a list?

Deputy R.S. Kovacs:

The risk of not carrying out.

Treasurer of the States:

Is there a list of ones we can risk?

Deputy R.S. Kovacs:

From the risk.

Treasurer of the States:

Risk of not doing them?

Deputy R.S. Kovacs:

Yes.

Treasurer of the States:

I would say that the risk of not doing them would be to say that you, in particular, might not have the most efficient and effective way of delivering those services or products that they deliver.

Deputy R.S. Kovacs:

The issue of preventing more regular reviews of these bodies are mainly reserves capacity or policy driven.

Treasurer of the States:

I would say that commissioning those reviews in a meaningful way would be a not uncostly exercise, if you were to do them in a meaningful way. You would have to know that there would be the appetite to see them through if that is what the outcome of it were to be. If we started doing that once every 5-years plus, if we started on a rota we would probably need a bit more resourcing within the Treasury to do so, if that was the question.

Deputy R.S. Kovacs:

What plans do you have currently to conduct structure reviews into which bodies? How do you prioritise what is coming next in structure?

Treasurer of the States:

As I said, we do not currently have a programme of structure reviews that look at whether we should continue earning or whether we should … there is no rolling programme, as it were. That will depend upon priorities of Government in any particular year. We will and do review on a rota the Strategic Business Plan because they typically have a life of 5 years. They are a live document, as it were. They will be updated annually or when needed but that will be where our effort will be in reviewing the plans of any of those entities for the coming years.

Deputy R.S. Kovacs:

Okay. We also note that no review has taken place of the States of Jersey Development Company since its formation in 2011, despite multiple recommendations. Why is it this case and how are you assuring yourself of the organisation's effectiveness?

Treasurer of the States:

I think that was answered in a letter from the chief executive that, ultimately, that will not be a decision of the R.S.G. to do so. The Government is prioritising outcomes and delivery by that particular entity, rather than the review that was envisaged in that particular Scrutiny Report.

Deputy R.S. Kovacs:

In the absence of a formal review, how do you ensure a strategic overview into their activities and did in line with the strategic objectives of the Council of Ministers?

Treasurer of the States:

That would be through their Strategic Plan review and in the case of S.o.J.D.C., in particular, would relate to individual transactions that are before us or individual developments that are before us.

Deputy R.S. Kovacs:

Equally, given what you said before of the possible duplication work with the S.o.J.D.C. and Andium, do you agree a review is overdue for States of Jersey Development Company and, if so, when it might happen?

Treasurer of the States:

I think that it would be worthwhile undertaking a review that looks at whether we might better structure who does what from a corporate governance structure but a corporate perspective, for example, J.P.H. versus S.o.J.D.C. I know that it becomes a priority every now and then of Government to do, but in respect of the particular recommendation that related specifically, that came out of that review and is determined by the priorities of Government in any particular term of office.

Deputy R.S. Kovacs:

Okay, thank you.

Deputy I. Gardiner:

The last question …

Treasurer of the States:

Just to say part of your question as well was… we do have a responsibility to constantly be looking at their effectiveness but that is not to say I do not think that there will be merit in having a review of those structures in the future.

Deputy I. Gardiner:

Last question and we will wrap up, okay.

Deputy K.M. Wilson:

Okay, thank you. Treasurer, I just wanted to ask you through what lens you would conduct that review. Would that be through an investment lens, a policy lens or something else? Because I would imagine that there would be different outcomes, depending on which way. What is your preferred approach?

Treasurer of the States:
It is both. There might be good reasons we talked about filling a hole in the market, the driver for doing in particular the I.F.C. (International Finance Centre) build through S.o.J.D.C. or Waterfront Enterprise Board, as it was at the time. It would be through both. Ultimately, it would be outcomes for Islanders and part of that might be investment or cost efficiency and part of that will be policy.

Deputy K.M. Wilson:
You will choose for each entity a different approach, depending on what gives a better outcome for Islanders?

Treasurer of the States:
Yes.

Deputy I. Gardiner:
Thank you very much. Thank you for your time. Thank you for extended time and the public hearing is closed.

Treasurer of the States:
Thank you.

[14:15]