

"A" MINUTES OF THE BOARD OF DIRECTORS OF JERSEY BUSINESS LIMITED ("JBL")

(34th Meeting)

8th May 2017 at 9am

Present: Mr J Box (JB)
Mr J Day (JD)
Mrs W Lambert, (WL) (Chair)
Mrs K Le Feuvre (KLF)
Mr E Lincoln (EL)
Mr B Sarre (BS)
Mr Andrew Sugden (AS)
Mr G Smith (GS)
(the "Board" or the "Directors")

In Attendance: Miss A Maskell (AM), AM to PM Secretarial Services (AM)

- 1. Apologies** None
- 2. Chairperson** **IT WAS RESOLVED** to appoint WL chairperson of the meeting.

3. Declarations of Interest

No new conflicts were noted.

4. Minutes of previous meeting

IT WAS NOTED that the previous minutes dated 7th March 2017 had been circulated with the agenda and **IT WAS RESOLVED** to approve them subject to a number of amendments.

5. Matters Arising

GS took the Board through the following action points from the previous minutes of 7th March 2017:

1) **JBL Structure/Shareholder Review** – AS reported that he met with the Law Officers to discuss the position whereby JBL Directors are also appointed Shareholders. He advised that the Memorandum and Articles of JBL states that the various Shareholder organisations (Chamber of Commerce, IOD and Construction Council) are only required to appoint a representative, not necessarily the President of that organisation. In light of his pending appointment as President of Chamber, **IT WAS RESOLVED** that EL would discuss the matter with the Chamber House Committee and nominate another shareholder representative if necessary. **Action: EL**

2) **Appointments Commission** – **IT WAS NOTED** that GS was awaiting a response from the Appointments Commission as to whether their involvement would be required when JBL undertake a recruitment process to replace the positions of Chair and Deputy Chair (currently held by WL and EL). He noted that JBL's previous recruitment campaign was very successful using social media and he expressed the hope that JBL would be able to repeat this.

6. Enterprise Week

IT WAS NOTED that GS had provided the Board with a link to the web page for Enterprise Week which is scheduled to take place during the week of 15th May 2017 and he provided the Board with a summary of the key events as follows:

The Future of Enterprise in Jersey – **IT WAS NOTED** that the Chief Minister would open Enterprise Week by speaking at this key event presented by Simon Jack from the BBC. GS advised that although Simon Jack has been briefed about current issues in Jersey, he has also been encouraged to speak about worldwide issues. GS thanked BDO for their part sponsorship. The also Board noted that this was the only paid event (£25) with a maximum capacity of 120 and that 84 tickets had been sold to date.

Three Technologies for Small Business Success – GS reported that this event was being held at the Digital Jersey Hub in association with Digital Jersey and, to date, 56 people had registered out of a maximum of 70 places.

Innovate to Grow –this event was being held at Barclays Digital Eagle Lab at the Library in association with the Liberation Group and 22 people have registered out of a maximum of 50 places.

Shaping our Future – The Board noted that JBL had filled 23 of the 50 places for the breakfast event at which Ian Skinner will provide an update on the States of Jersey’s long-term strategic plan.

Built to Grow – GS reported that Royston Guest is scheduled provide a three hour master class and to date 20 out of the 30 places have been filled.

7. Economic and Productivity Growth Drawdown Provision Fund (EPGDPF)

GS reported that release of funding for JBL’s EPGDPF application was pending approval from EPOG (a small group of members of the Council of Ministers).

AS acknowledged that the process has been delayed somewhat pending the reviews of JIF despite the fact that our High Growth programme is quite separate from JIF. He reported that a number of reviews have been undertaken on JIF, including a financial review and an Officers’ review and he suggested that following the full findings being clear, the States will hopefully agree to release the funding from the EPGDPF. Referring to the Officers’ review, AS believes that this will be issued shortly. The Board expressed disappointment that funding from the EPGDPF has been delayed as a result of concerns around JIF when the two schemes are very different.

8. 2016 Audited Accounts

The Board reviewed the 2016 Audited Accounts, a copy of which had been circulated with the agenda and GS summarised the same. **IT WAS NOTED** that there was a surplus of £99,448 due to the deferral of recruitment and GS advised that JBL has capital and reserves of £176,532 most of which is cash in the bank (£124,728). The Board noted that generally government allows grant funded organisations to retain 10% of their grant income by way of reserves to cover potential wind-up costs. It has therefore been necessary for GS to obtain agreement from government for JBL to be able to retain its cash reserves and in doing so he has been required to provide details of how JBL wishes to utilise the surplus cash from 2016. GS reminded the Board that it is proposed to spread the reserves over the next three years (approximately £30k per year to supplement the core budget and £24k for working capital for JBL’s day to day needs). GS reported that as this process has been agreed by way of a “top up” grant he has been required to provide a breakdown of what the money will pay for each year and what outputs will be delivered as a result and a copy of this plan has been circulated as part of the Board Pack for the Board’s information.

WL expressed concern that this process undermines JBL’s independence, noting that JBL should be able to spend its budget as it sees fit without being required to account to government on a pound for pound basis, subject to it following its business plan. However, GS explained that the governments financial directions (FDs) in some ways are not suitable for active ‘trading’ delivery partners such as JBL being geared more for one off grant funded events. Pending any changes though to reflect a more appropriate

monitoring structure we will be required to follow the FDs to the letter. AS confirmed that although the terms of the FDs have not changed, following the issues around JIF, new personnel within States Finance has made the FDs a requirement for JBL and other grant funded bodies.

WL acknowledged that JBL was totally grant reliant and therefore was required to follow the rules of its grant giving body if it wished to continue to receive funding. However, whilst JB accepted that JBL should be required to seek government approval to carry forward a certain amount of reserves, he suggested that it should not have to provide a breakdown of what it is proposed to spend it on.

AS reported that a report by the Controller and Auditor General (CAG) on arm's length bodies such as JBL is due for release in the next few weeks and one of the recommendations in her report is that States' Officers should no longer hold board positions and that the relevant boards should be guided by the FDs. AS therefore tendered his resignation and advised that he will be required to step down from the Board with immediate effect.

GS highlighted that the current funding received by JBL only allows it to operate in a reactive, rather than pro-active manner and does not enable it to undertake any extra activities. However, he suggested that it was likely that JBL would exceed the KPIs included in the top up plan/document (e.g. 126 start ups), albeit noting that these numbers were in reality out of JBL's control.

There being no further comments on the 2016 Audited Accounts **IT WAS RESOLVED** to approve them. **IT WAS FURTHER RESOLVED** to approve the Letter of Representation prepared by Grant Thornton, a copy of which had been circulated as part of the Board Pack and to authorise GS and WL to sign such letter on behalf of the board.

9. Management Accounts Q1 2017

The Board reviewed the Management Accounts for Q1 2017, a copy of which had been circulated as part of the Board Pack together with a MIS commentary. GS advised that the commentary was self-explanatory and that the accounts were in line with budget.

BS stressed the importance of GS taking a robust approach if requests are received from government for JBL to take on additional strategies and GS reassured the Board that he is continually taking a robust stance in this regard. By way of example, he reported that JBL has been asked to provide support for grant based funding which has been proposed as part of the Innovation Review being undertaken by Government. He confirmed that he would not agree for JBL to take any on extra responsibility unless associated funding is received, noting that JBL supported the establishment of the Jersey Retail Association with their legal structure and received a matching grant to fund this.

10. Innovation Review

The Board discussed the Victoria McEneaney (VM) memo on the next steps for the funding of innovation addressed to the Council of Ministers and dated 26th April 2017, a copy of which was circulated as part of the Board Pack.

GS explained that VM had been seconded from RBSI to the Chief Minister's Department to chair a Working Group to review the next steps for innovation in the Island. **IT WAS NOTED** that she was being supported by Tom McMinigal and Greg Boyd from Government and that other members of the Working Group included GS, Tony Moretta, EL and Carl Corbel.

The Board noted that the feedback received as part of the review is that there is a funding gap for businesses which are between the "idea" stage and "investable business" stage and GS suggested that those businesses are the ones that require support.

In answer to a question from JB, GS confirmed that the Working Group are realistic in terms of the failure rate of new businesses and they also accept that grants are more suitable than loans for smaller amounts of funding. However, whilst grants may be more appropriate he suggested that ideally there should be some form of upside (e.g. equity/ warrants). That said JB stressed the importance of government acknowledging that even successful businesses may face set-backs and cost money before they start to make any money and he expressed concern that the government may face negative media attention about this.

GS reported that Council of Ministers have received a copy of VM's memo and the Working Group are due to present the same to the Council of Ministers on 15th June 2017 at which time the funding gap will be highlighted. He added that whilst he will confirm that JBL is prepared to assist businesses in the preparation of applications/presentations to government for grant funding as much as possible, government first need to agree whether they wish to intervene in providing funding at all and he believes that they will only be willing to do this if a grant process is established from the start.

EL reported that the Working Group also highlighted the importance of businesses receiving aftercare following receipt of funding, noting that whilst funding was required, support after the receipt of funding was also necessary.

JB suggested that if a grant funding process is adopted, government must be transparent and up front about the industry average of successful start-ups in order to prevent continuous referrals to JIF and negative press being received at a later date that money has been wasted if the grant funded business is not successful. AS noted that at the outset of JIF, it was acknowledged that 50% of applicants would fail and, despite the percentage being less than this, the current situation has still arisen. However, WL expressed concern about JBL taking on responsibility of running the grant process, if it is blamed at a later date for any perceived "failures", noting that this will cause reputational damage to JBL.

In answer to a question from KLF, GS advised that there was no set timescale for the implementation of the Working Group's recommendations. He explained that following the Working Group's presentation, the Council of Ministers will need to decide how to take the matter forward and he accepted that this may not be progressed until after the election. GS reassured the Board that if a decision is taken by government to implement a grant funding scheme, he will ensure that JBL is fully funded and resourced before agreeing to operate it on government's behalf and that this would come back to board for prior approval.

JD queried whether JBL could offer an "incubator" service as part of the grant funding process and although GS accepted that JBL would be the logical place to provide this, it too would need to be resourced and funded accordingly.

IT WAS RESOLVED that whilst JBL should not take on any risk it is not comfortable with, the provision of a government grants could be positive and supported by JBL if managed well and if the PR was dealt with appropriately from the outset.

11. Operations Report

The Board reviewed the Operations Report for Q1 2017, a copy of which had been circulated with the Board Pack.

IT WAS NOTED that a pilot of the "Access to Finance" tool has taken place following development of the same in association with Digital Jersey. GS reported that the feedback from the pilot will be collated and updates made as required before go live. JD advised that some users of the tool have queried the outcome received and he therefore suggested installing a spreadsheet/outcome type report which

provides details in this regard (e.g. the criteria required to obtain funding)

Referring to the KPIs, GS noted that currently JBL was ahead on numbers having seen a busier start to the year than in previous years.

BS queried how many statistics are carried over from previous years, noting that this may lead to duplication in figures and GS advised that start-ups are now being tracked to record when they become trading businesses. In addition on-going portfolio clients are being monitored as well as inactive clients who may come back to JBL.

BS expressed an interest in receiving statistics for the number of trading clients JBL is working with and JD queried whether this data was being run comparatively on a quarterly basis. GS advised that the trading client figures were a running total. However, due to funding restraints it was not possible to work on growing that number and therefore consideration will need to be given as to how to manage that going forward. JB suggested that eventually this number would reach a natural plateau and GS expressed the hope that going forward JBL will be able to report that it is supporting a certain percentage of trading businesses in the Island.

Consideration was given to whether analysis could be undertaken to establish the current percentage of trading businesses being supported by JBL and whilst it was acknowledged that this exercise could be undertaken by reviewing JFSC's records, GS stressed that JBL does not currently have sufficient resource to undertake statistical research and is operating on a purely BAU basis. Nevertheless, he suggested that the number is still on an upward curve and that JBL's reputation is continuing to improve.

GS summarised the portfolio analysis as at 31st March 2017. He acknowledged that the 2016 data was not as accurate as 2017 which may result in a slight inflation in growth. However, he reassured the Board that recording of data is now much more consistent. He added that there is now a differentiation between start-ups which are given support at a given moment in time and trading businesses which are active and inactive (inactive being those with which JBL has worked with previously but not in the last six months). The Board noted that there are currently 155 inactive clients and GS acknowledged that they should be monitored proactively. Unfortunately, this is not currently possible due to lack of funding/resource.

IT WAS NOTED that non-relationship clients (NRC) refer to walk-in clients who may be given a piece of literature or verbal advice but do not necessarily become a client. GS explained that these are now being referred to as "leads" and the conversion rate from leads to clients is now being tracked.

WL noted the wide ranging sectors of the portfolio clients and GS advised that JBL follows the industry standard definitions in this regard. Unfortunately, he suggested that these are not always ideal as they do not cover a number of industry types and are quite dated.

Referring to the hospitality sector, JD queried whether JBL is working with the new Committee of the Jersey Hospitality Association (JHA) and GS advised that JBL has a good relationship with the JHA and Visit Jersey and its work with both organisations has enabled it to be proactive in the hospitality sector.

12. Risk Register

The Board reviewed the risk register, a copy of which had been circulated with the agenda and the following risks were discussed in detail:

1) **Facilities Management** – GS advised that JBL is due to sign a new lease on a printer which will result in approximately 50% savings. He reported that JBL are going out to tender on all contracts as they fall due in order to save costs which is working well.

- 2) **Conduct Risk** – GS confirmed that JBL has no audit risks in terms of conduct risk. He therefore proposed amending this risk to green. **Action: GS**
- 3) **Business Continuity** - In answer to a question from WL, GS explained that this risk remained amber, pending presentation of JBL’s business continuity and cyber security policy to the Board.
- 4) **Payments** – GS explained that this risk remains amber due to the minimal risks which remain in terms of the current payment process in place at JBL re on-line banking, albeit that they remain acceptable to the Board.
- 5) **Grant** – The Board accepted that whilst funding was a permanent risk, it had been secured for the next 12 months. It was therefore agreed that it should be reduced to amber. **Action: GS**

13. Any Other Business

IT WAS NOTED that JB and BS had reached the end of their tenure as Directors and, as noted above, AS had verbally tendered his resignation in light of the forthcoming CAG Report. WL, on behalf of the Board therefore thanked AS, JB and BS for their contribution to JBL and the level of continuity they have provided the organisation since its inception and they were each presented with a thank you gift. Letters of Resignation addressed to WL were tabled to the meeting and signed by AS, JB and BS.

Consideration was given to the current constitution of the Board and after careful consideration it was agreed that based on the current budget, one executive and four non-executive directors was sufficient. However, it was agreed that an exercise should be undertaken (at the next Board meeting) to establish whether the remaining directors have the necessary skill set and, subject to the result of this, a recommendation will be made to Economic Development Tourism Sport and Culture and the Shareholders of JBL that the Board will continue to operate with five directors only. **Action: JD/WL/KLF/EL/GS**

14. Date of Next Meeting

IT WAS NOTED that the next meeting was scheduled for 19th July 2017 at 9am.

There being no further business to discuss, the meeting was closed at 10.30am.



Chairman ~~man~~ person



Date Signed

Actions

- 1) EL to discuss his position as Shareholder and Director with the House Committee of Chamber and appoint a Chamber representative as Shareholder if necessary
- 2) GS to reduce conduct risk risk on Risk Register to green
- 3) GS to reduce grant funding risk on Risk Register to amber
- 4) JD/KLF/WL/EL/GS to review skill set of Board at next meeting