

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

(40th Meeting)

23rd May 2018 at 9am

Present: Jennifer Carnegie (JC)
Mr J Day (JD)
Mr A Jehan (AJ)
Mrs K Le Feuvre (KLF)
Mr E Lincoln (EL)
Mr G Smith (GS)
Mrs W Lambert (WL) (Chair)
(the "Board" or the "Directors")

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

1. **Apologies** – No apologies were noted. JC and AJ were welcomed to the meeting and **IT WAS RESOLVED** to approve their appointment as Non-Executive Directors.
2. **Chairperson** - **IT WAS RESOLVED** to appoint WL chair of the meeting.
3. **Declarations of Interest** – No new interests were declared and **IT WAS RESOLVED** that GS would forward declarations of interest forms to AJ and JC for completion and update the declarations of interests register accordingly. **Action: GS**
4. **Minutes of previous meeting** - **IT WAS NOTED** that the previous (A&B) Minutes dated 7th March 2018 had been circulated with the agenda and **IT WAS RESOLVED** to approve them.
5. **Matters Arising** - GS took the Board through the following action points from the previous (A&B) minutes of 7th March 2018 which were not otherwise included in the agenda:
 - 1) **Implementation of Foxit Phantom PDF or Adobe Acrobat** – GS reported that Adobe had been implemented for the creation of Board packs.
 - 2) **Template management information** – **IT WAS NOTED** that KLF had not yet had an opportunity to forward GS a copy of the questions she was recently asked as part of an audit for use as a template for requesting management information from clients and she agreed to do so following the meeting. **Action: KLF**
 - 3) **CEO and Chair's Reports – 2017 Annual Report and Accounts** – GS confirmed that a number of minor amendments have been made to the CEO and Chair's reports in the 2017 Report and Financial Statements (for approval at item 6 below) including inserting a reference to Andrew Sugden's previous Board involvement and correcting a number of minor typos.
 - 4) **NPS usage** – GS advised that he was not aware of any other Arm's Length Organisations (ALOs) using the Net Promotor Score methodology, or, if they are, it is not publicly available. He expressed frustration around the lack of understanding in this regard, noting that it was a completely independent measure but he was required to continually explain the methodology.
 - 5) **Board Pack from previous meeting** – GS confirmed that he had provided AJ with a copy of the Board Pack from the previous meeting for his information.
 - 6) **Unsuccessful NED applicants** – GS confirmed that he had contacted the unsuccessful NED applicants.

7) **Flexible working practices – IT WAS NOTED** that the flexible working practices discussed at the previous meeting were implemented to all JBL staff with effect from 1st May 2018 and GS reported that this was well received.

6. **2017 Annual Report** -The Board noted the Report and Financial Statements (the Accounts) for the year ended 31st December 2017 and the Letter of Representation, copies of which had been circulated with the agenda. GS thanked the Board for their input in this regard and there being no questions on the same **IT WAS RESOLVED** to authorise GS and WL to sign the Accounts and GS to sign the Letter of Representation. **Action: GS/WL**

GS summarised Grant Thornton's Audit Findings Report, a copy of which was also circulated with the agenda and **IT WAS NOTED** that Grant Thornton highlighted the lack of a review of accruals and prepayments process. GS advised that this finding related to an invoice for 4Insight of which the financial controller was aware. However, he acknowledged that there was no formal process in place to review accruals and **IT WAS THEREFORE RESOLVED** that GS would ask Kay Pearson (KP) to document a formal review process for accruals and agree the same with JD. **Action: GS**

JD proposed that a four eyes approach was required to review the list of accruals to ensure that invoices are not being paid twice, noting that someone needs to check the pre-paid accruals and put audit adjustments back into the books to ensure that the management accounts and the signed off accounts are the same. GS noted that balance sheet reconciliations are currently undertaken on an annual basis. However, going forward these will be undertaken quarterly.

In answer to a question from EL, JD confirmed that JBL uses Quickbooks for the purpose of book keeping. EL therefore suggested that JBL use Quickbooks' diary system to ensure accruals and prepayments are reviewed. However, JD explained that a review is taking place, albeit at the start of the year whereas it should be undertaken prior to the commencement of the audit.

EL noted that the Auditors had not highlighted the process JBL has in place with regard to payment controls as a result of his online banking arrangements with HSBC and GS suggested that Auditors would have seen this mentioned in JBL's Risk Register. He added that other organisations are likely to experience similar issues. By way of explanation for JC and AJ, GS explained that JBL has not implemented HSBC's corporate online banking system due to cost considerations and the online banking arrangement currently in place lists GS as an "inputter" and an "authoriser", such is the HSBC banking system for SME's. Therefore technically, GS could input and authorise any payment. However, he advised that this is included on the risk register as an amber risk and he confirmed that KP inputs all payments, and he or one of the Board authorise them. This risk has previously been accepted by the board.

JD suggested that the current system could present a possible cyber risk from the JFSC's point of view and he queried what process JBL have in process to avoid this. GS advised that most payments are follow up payments for which the bank details do not change. He accepted that if bank details for existing payments change or new payees are set up this presents a risk. However, **IT WAS NOTED** that GS verifies all paperwork for these manually rather than by email to mitigate any risk. The importance of an additional verbal check (e.g. by telephone) was noted and the Board agreed that a second method of checking was required other than email.

GS noted that it was very rare that new bank details were received and advised that it was his responsibility to check with KP to ensure he was comfortable with any new bank details. He suggested that JBL's process in this regard was adequate and advised that it was proposed to print some guidelines in the JEP on this issue to highlight the importance of SMEs implementing appropriate processes (e.g. verbal check as well as email checks) and stressing that requests should be assumed as fraudulent until

proved otherwise.

IT WAS NOTED that JBL staff were due to undertake Cyber Essentials Training and GS suggested that this was of value in order to support small businesses.

The Board noted the misstatements referred to in Grant Thornton's Audit Findings Report and GS advised that there was nothing significant to highlight. AJ welcomed Grant Thornton's acknowledgement of KP's assistance with the Audit process and the Board thanked her for her contribution in this regard.

7. Year to Date Financial Review as at 30th April 2018 – GS summarised the Profit and Loss Account and Balance Sheet as at 30th April 2018, copies of which had been circulated with the agenda. He reported that whilst JBL's Q1 grant payment from Economic Development Tourism Sport and Culture (EDTSC) was received late, its Q2 payment was received on time.

For the benefit of AJ and JC, WL explained that EDTSC will only allow JBL to maintain a certain amount of reserves. She advised that whilst JBL is permitted to go into deficit if it has built up reserves, EDTSC maintains a watching brief on any build-up of cash with a view to it being returned to Treasury if it goes above 10% of the annual grant. She noted that this was a challenge for JBL as it means that JBL is overly reliant on government to make sure cash flow does come through. The Board noted that this can lead to going concern issues which are often raised by the Auditors and it was agreed that this would be far from ideal if JBL was a trading entity. EL added that JBL tried to secure three months of operating costs in reserves, however this was more than 10% of its core grant.

8. ALO Organisational Review – The Board reviewed the ALO Organisational Review, a copy of which had been circulated with the agenda. GS advised that this had been completed by JBL and submitted to EDTSC as part of their review of all ALO bodies. He noted that this required significant detail including an estimated annual grant for 2020. He advised that he submitted this as £975,000 to align with the budget previously discussed which includes all the extra activities JBL should be doing. He accepted that he did not obtain Board approval for the submission of this figure but noted that he would be able to easily provide detail behind it if requested.

IT WAS NOTED that the review also includes details of JBL's lease arrangements and GS reminded the Board that whilst this includes a six-month break clause, if a decision is taken to break the lease, JBL would be liable to pay a six-month penalty and he explained that this was agreed in the event that a co-location property became available in the short-term.

JD queried whether GS was aware of any co-location opportunities or other consolidation which could take place in order to make cost savings and GS advised that most ALOs want to maintain their independence. He noted that the opportunity to co-locate with Digital Jersey (DJ) and Visit Jersey (VJ) was previously discussed. GS advised that whilst JBL would have welcomed the opportunity to co-locate, this would have required support from government which, unfortunately, was not forthcoming at that time. He added that he believed VJ have recently signed a new longer term lease and therefore their ability to move premises in the short-term was now questionable. Nevertheless, **IT WAS RESOLVED** that GS would raise this issue at his meeting with Charlie Parker (CP) which was due to take place (together with AJ) on 7th June 2018, noting that JBL would particularly welcome shared statistical and policy support.

Action: GS

9. Chief Minister ad hoc meeting – GS thanked AJ for arranging for him to meeting with the Chief Minister during the election. He reported that this meeting was very valuable and the Board noted the presentation GS gave to the Chief Minister, a copy of which was circulated with the agenda.

GS proposed making a similar presentation to CP on 7th June 2018. However, he advised that he would also refer to relevant statistics (e.g. the NPS score) and the type of clients JBL deals with. GS reported

that it is has recently started to seek clients' permission to use their branding in order to promote JBL's services and he therefore proposed including an additional page in the presentation to incorporate these.

IT WAS NOTED that GS also discussed with the Chief Minister what more JBL can do in terms of activities and he reported that no further action was likely to be taken regarding JBL's bid to the Economic and Productivity Growth Drawdown Provision Fund (EPGDPF) until the next stage of government appointments have been announced.

GS advised that he provided the Chief Minister with a list of efficiency programmes that JBL wants to deliver and highlighted to him that JBL has worked with the States in relation to innovation, albeit that this worked has currently stalled. He noted that JBL also worked with Bailiwick Express by offering a prize for free JBL advice to the winner of a recent innovation competition.

WL sought an update on the software which was being created and funded by DJ to assist clients with funding issues and GS reported that although this has now been created, JBL was not comfortable with it being released in its current format and DJ had no available funding to support its further development.

GS reported that whilst the Chief Minister is an advocate for shared services, he accepts that this will need to be a natural development which will only happen with co-location. Potential buildings for co-location were discussed and **IT WAS NOTED** that government are considering using Philip Le Feuvre House in La Motte Street

IT WAS NOTED that GS discussed Scottish Enterprise's framework with the Chief Minister and explained that they have dedicated resource to develop relationships with medium and large corporate organisations with a view to persuading them to increase their footprint in Scotland. He noted that JBL does not currently have the resource to develop similar relationships in Jersey and therefore medium and large organisations' contact with government is more reactive rather than proactive. He expressed concern that government have a limited relationship with some of the organisations. This was echoed by AJ who noted that whilst some large organisations have good relationships with individual politicians, they are required to gather information themselves and government has no strategy to ensure their business stays in the Island. However, he suggested that government do not have the knowledge to undertake this role and agreed that it was a gap that could be addressed by JBL.

JD queried why Jersey Finance (JFL) would not take on this role and GS suggested that whilst JFL should also have an interest (in financial services organisations), there should be a key point of contact for organisations to go to which is not a politician or civil servant. The Board agreed that JBL should be able to take support such an initiative and WL stressed the importance of the States being aware of how the legislation/policy they implement may affect large organisations and understand why they may chose to invest outside of the Island instead. Concern was expressed that consultation on new policy/legislation is often undertaken post-implementation and JD highlighted the benefit of forming working groups to work with government.

GS tabled a draft organisational structure to the meeting setting out the new States' departments. **IT WAS NOTED** that the appointment of a number of Director Generals (who will report to CP) and Group Directors have recently been announced, albeit that some positions still need to be filled. GS advised that Dan Housego has been appointed Group Director of Economy (under which JBL will sit) and he will report to John Rogers who has been appointed Director General of Growth, Housing and Island Environment.

10. Operations Report - GS summarised the Operations Report as at 30th April 2018, a copy of which

was circulated with the agenda.

The Board reviewed the 2018 KPIs and GS advised that whilst it is a challenge for JBL to develop business data, all new growth portfolio clients are entering into terms and conditions and it is also proposed to ask existing growth portfolio clients to agree to the same in due course. He reported that Sales Force has been adapted to ensure the appropriate data can be captured and reported accordingly, noting that JBL are required to report in a number of ways due to the fact that different businesses are tracked differently. By way of example, he noted that a particular business may receive advice that it should not grow which is automatically negative in terms of the KPIs and therefore it is necessary to highlight that this is not the case.

AJ queried whether JBL has a relationship with JACS or Social Security and GS advised that it has never been able to obtain data from other States' sources, noting that historically he tried to obtain data from population office. However, AJ suggested that a relationship could be formed with JACS with a view to them referring businesses who are experiencing difficulties to JBL. Whilst this was welcomed by GS, he noted that JBL receives these types of clients directly, albeit that they are not a large part of JBL's work.

The Board noted that most of JBL's work was with its "growth" portfolio and GS advised that this was predominantly Nick Steel's responsibility and involved more trading companies than start-ups. GS explained that the "advisory" portfolio was split across three JBL advisors and included a mix of start-ups and trading companies. He advised that the "light" portfolio refers to clients with whom JBL has undertaken some activity but not for at least six months. He advised that there are currently 347 trading businesses in the "light" portfolio and expressed the hope that with additional funding JBL could be more proactive in this area but unfortunately, JBL does not currently have the capacity to do this.

IT WAS NOTED that KLF and GS recently met with a number of Ministers a significant number of whom were under the misapprehension that JBL only dealt with start-ups. KLF therefore stressed the importance of highlighting the role JBL also plays in supporting trading businesses.

GS also referred to JBL's "leads" clients and explained that they are users of the website or the front desk but do not go into the portfolio. He advised that these clients are particularly hard to measure due to the nature of their activity with JBL. Nevertheless, JBL is still required to demonstrate value for money in this area. He noted that a number of "leads" are referred to an advisor for further support and they are therefore provided with information from the front desk or website which ensures their first meeting with the advisor is more efficient.

In answer to a question from AJ, GS confirmed that he would refer to website statistics at their meeting with CP. He proposed providing him with statistics on "hits" "likes" etc but also focussing on the increasing number of downloads from the website in order to demonstrate value.

The Board noted the spread of sectors being supported by JBL and agreed that this was as expected.

11. Risk Register – The Board reviewed the risk register as at 30th April 2018, a copy of which had been circulated with the agenda and the following was noted:

(a) **Data Management** – Following the discussions in item 6 above, GS proposed increasing this risk to amber. This was welcomed by the Board and **IT WAS RESOLVED** that GS would increase the likelihood and impact scores accordingly. **Action: GS**

(b) **People** – GS proposed reducing this risk to green, noting that historically staff had only ever left for personal reasons. This was welcomed by the Board and **IT WAS RESOLVED** that GS would make the necessary amendment. **Action: GS**

EL expressed concern that JBL would face a challenge (particularly in terms of cost) if it was required to replace a member of the team if they did decide to leave and suggested that this risk would need to be immediately changed to red in this event. This was acknowledged by the Board and **IT WAS RESOLVED** that GS would check staff contracts to ensure that notice periods were three months. **Action: GS**

(c) **Budgeting and Cash Flow Management/EDD Grant Support Reduced** – The Board agreed that these risks should both remain the same (amber).

WL queried whether consideration should be given to including an additional risk in relation to the restructure of government and the government review of ALOs and their possible impact on JBL. She acknowledged that whilst this was not a risk to clients, it could be a risk to the internal operations of JBL. The Board agreed that this risk fell between two existing risks (Governance and Stakeholder Relations) and, after a brief discussion, **IT WAS RESOLVED** to increase the Stakeholder Relations risk to amber on the basis that there is currently some uncertainty around its relationship with government. **Action: GS**

GS suggested that a more significant risk for JBL was demonstrating its value and showing measurements to support the same and consideration was given to whether this should also be included on the Risk Register. He noted that although other ALOs have invested funding in consultants or dedicated staff to demonstrate their value, it is difficult for JBL to articulate every aspect of its activities. He advised that he is now using the Scottish Enterprise model for reporting purposes, noting that EDTSC require auditable statistics and do not want samples.

WL reported that JBL have improved their reporting for EDTSC's purposes and they are now satisfied with the criteria. She stressed the importance of ensuring that relevant data continues to be collected but accepted that only time will tell if this is sufficient for EDTSC going forward. However, GS noted that if clients receive limited advice from JBL, they are unlikely to provide details of their business information on an on-going basis. Therefore, as noted above, the provision of information is only mandatory from growth portfolio clients although the JBL team are also trying to collect it from advisory portfolio clients.

JD noted that if JBL was offered additional funding it could also work with a significant number of historic clients. However, without funding it is unable to work proactively with this group. AJ stressed the value of JBL working with existing businesses, noting that productivity was of significant importance to the States

GDPR was briefly discussed and GS reported that he was comfortable with the process JBL has taken in this regard. He reported that JBL has offered a number of GDPR training sessions for SMEs. JC expressed disappointment that the States have used a UK training company for the GDPR staff training and WL noted that training should be in relation to the Data Protection (Jersey) Law 2018 not GDPR.

12. Resignation of WL and EL – The Board noted the resignation of EL and WL as Non-Executive Directors and thanked them for their contribution to JBL with gifts which had been purchased from various JBL clients.

13. Any Other Business – **IT WAS NOTED** that four candidates had applied for the position of JBL's Board apprentice and **IT WAS RESOLVED** that AJ and GS would review their CVs and meet with them with a view to making an appointment. **Action: GS/AJ**

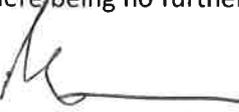
GS advised that a new Scrutiny Panel Officer had been appointed and EDTSC has requested that she be provided with more information on the ALOs. **IT WAS THEREFORE RESOLVED** that GS would arrange to meet with her. **Action: GS**

EL referred to a recent Chamber Lunch at which an economist spoke and he tabled one of his slide entitled "a decade of output" from his presentation to the meeting. He expressed concern that this highlighted

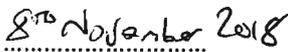
that Jersey is 10% behind the UK in terms of growth in GDP/GVA per head of population and proposed forming a working party to discuss the importance of government funding being allocated to other high value industries outside of finance. JD agreed that this was a very worrying statistic, particularly for tax take. However, GS suggested that it was not necessarily "like for like" due to Jersey's over reliance on the financial services industry.

14. Date of Next Meeting - IT WAS NOTED that the next meeting was scheduled for Tuesday 18th September 2018 from at 9am to 11am.

There being no further business to discuss, the meeting was closed at 11am.


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A. Jentan

Chairperson


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Date Signed

Actions:

- 1) GS to forward declarations of interests forms to AJ/JC to complete and update the register accordingly
- 2) GS/WL to sign the 2017 Accounts/GS to sign the Letter of Representation
- 3) GS to ask Kay Pearson (KP) to document a formal review process for accruals and agree the same with JD
- 4) GS to highlight the value of co-location with other ALOs with CP on 7th June 2018
- 5) GS to amend the Data Management risk to amber and the People risk to green
- 6) GS to check staff contracts have three-month notice periods
- 7) GS increase the Stakeholder Relations risk to amber
- 8) GS/AJ to meet with Board Apprentice candidates with a view to making an appointment
- 9) GS to meet with new Scrutiny Panel Officer