

Grants to Arts, Heritage and Culture Organisations

23 December 2022

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Summary

Introduction

1. The funding of arts, heritage and culture organisations is used by the Government of Jersey to help deliver a range of strategic objectives which contribute to Island life. The Government takes responsibility for protecting cultural assets and enabling access to the arts and to heritage and culture. Fulfilling these responsibilities relies to a large extent on services being delivered through partner organisations which are supported by Government funding.
2. In 2018 the Government commissioned a strategic review of arts, heritage and culture. The subsequent report included a range of recommendations focussed on addressing the challenges within the sector. In response to this, the Council of Ministers agreed separate Arts and Heritage Strategies in December 2021. These were launched in early 2022.
3. Funding for heritage, arts and culture was budgeted at £8.7 million for 2022. This includes new investment as part of a commitment from 2019 (P.40/2019) to increase funding for arts, heritage and culture to a total of 1% of the Government's net revenue budget.
4. My review has evaluated:
 - the effectiveness of the plans and processes in place to implement the new Arts and Heritage Strategies
 - the effectiveness of the plans and processes in place to monitor delivery of the new Arts and Heritage Strategies
 - the adequacy of Government arrangements for:
 - the award of the grants to arts, heritage and culture organisations
 - oversight of arts, heritage and culture organisations; and
 - oversight of capital grant funding of renovation projects at arts, heritage and culture sites.

Key findings

5. The key findings from my review are that:
 - the Government has expressed a clear commitment to arts, heritage and culture through investing 1% of Governmental net revenue spend from 2022. Detailed strategies for both arts and heritage were launched in 2022
 - both strategies are ambitious. Detailed, costed implementation plans have not yet been developed to support each strategy
 - while Key Performance Indicators (KPIs) have been developed for both arts and heritage, they require review. The KPIs should be measurable and should inform a judgment on the added value delivered by both sectors following the additional Government investment
 - the appraisal processes for the award of grants has not been revised to reflect the new strategies and the greater expectations that should arise from additional funding
 - Fiscal Stimulus Fund bids for refurbishment of the Opera House and Arts Centre were approved in 2021 when it was evident that meeting the deadline for spending the grants would be challenging. Ultimately both failed to meet the deadline; and
 - capital investment of £5.7 million has been agreed for Elizabeth Castle from 2022. The business case for this demonstrates good practice.

Conclusions

6. The Arts and Heritage Strategies were prepared after the additional Government investment in the sectors was agreed and allocated for 2022. Without detailed, costed and prioritised implementation plans, it is not possible to demonstrate that the ambitious strategies are deliverable.
7. The Government should agree stretched targets with Arm's Length Bodies which are in receipt of additional grant funding that demonstrate delivery of key aspects of the Arts and Heritage Strategies.
8. A clear plan is required to deliver the identified refurbishment needs at the Opera House and Arts Centre. Roles and responsibilities for future maintenance at the Opera House must be determined and agreed.

Objectives and scope of the review

9. The review has evaluated:
 - the effectiveness of the plans and processes in place to implement and monitor delivery of the new Arts and Heritage Strategies
 - the adequacy of Government arrangements for the award of grants to arts, heritage and culture organisations, including:
 - linkage to strategic objectives
 - justification for the level of grant; and
 - how awards to different arts, heritage and culture bodies complement one another
 - the adequacy of Government arrangements for oversight of arts, heritage and culture organisations, including:
 - internal control
 - value for money
 - corporate governance; and
 - measurement of performance against objectives of the grant; and
 - the adequacy of Government arrangements for the oversight of capital grant funding of renovation projects at arts, heritage and culture sites.
10. The scope of this review extended to arrangements in the Department for the Economy and its relationships with grant receiving organisations. The review did not consider the decision to establish any of the grant receiving organisations.

Detailed findings

Sector funding and strategy development

Sector funding

11. In November 2018, the Government of Jersey published the findings from an independent review of Jersey's arts, heritage and culture sector that had been commissioned by the then Assistant Minister for Economic Development, Tourism, Sport and Culture (EDTSC). The review criticised what it considered to be the relatively low level of funding dedicated to arts, heritage and culture over many years. It made 20 recommendations focussed on addressing strategic and structural challenges in the sector.
12. Following consideration of the report, Proposition P.40/2019: *Proposed Government Plan 2020-23: Increase in Revenue Expenditure on the Arts, Heritage and Culture* was lodged on 4 April 2019 by the then Assistant Minister for EDTSC. This proposed that States' revenue expenditure on arts, heritage and culture should be increased in the proposed Government Plan 2020-23 so that it reached a target of 1% of overall States' revenue expenditure by 2022. The Proposition was agreed by the States Assembly.
13. The Government Plan 2020-23 included the 1% spending commitment with an emphasis on stabilisation funding for the four major Arm's Length Bodies (ALBs) in the sector:
 - Jersey Heritage Trust (JHT)
 - Art House Jersey (AHJ)
 - Jersey Arts Centre Association (JACA); and
 - Jersey Opera House (JOH).
14. The additional investment plan indicated that an Arts Strategy and a separate Heritage Strategy would be developed. The resulting Arts and Heritage Strategies were launched in early 2022.
15. The funding of the arts, heritage and culture sector for 2021 and in the latest approved Government Plan 2022-25 are set out in Exhibit 1.

Exhibit 1: Arts, heritage and culture funding 2021 – 2025

Arts, heritage and culture funding	2021 £000	2022 £000	2023 £000	2024 £000	2025 £000
Baseline budget	4,628	4,628	4,628	4,628	4,628
Investment in Government Plan	1,349	4,098	3,938	4,107	4,516
Total Government Plan Estimate	5,977	8,726	8,566	8,735	9,144
Total net revenue expenditure	802,690	853,196	854,580	857,686	882,046
% spend on arts, heritage and culture	0.74%	1.02%	1.00%	1.02%	1.04%

Source: Government Plan 2021-24 and 2022-25

16. The increased funding agreed in the Government Plan was allocated to ALBs and other budgets in 2022 as shown in Exhibit 2.

Exhibit 2: Arts, heritage and culture funding to ALBs and other budgets in 2022

Budget	Baseline 2019 £000	Growth £000	2022 Budget £000
Art House Jersey	198	717	915
Jersey Arts Centre*	460	180	640
Jersey Opera House - Operational** - Loan repayment	464 572	(686)	350
Jersey Heritage Trust and Archive	2,823	2,677	5,500
Departmental funding (Pre-inflation)	4,517	2,888	7,405
Jèrriais Funding	111	398	509
Liberation Day		100	100
Queen's Platinum Jubilee Celebrations		100	100
Inflation estimate		303	303
Total arts, heritage and culture funding	4,628	3,789	8,417
Culture Support*	0	309	309
Total Budget	4,628	4,098	8,726

*Growth for Jersey Arts Centre increased by £19,000 from initial estimate. Culture Support reduced by same amount.

**Initial indicative budget was £460,000, reduced due to lower expectation related to closure.

Source: Jersey Audit Office analysis of Departmental records August 2022

17. The strategies for arts and heritage were launched in early 2022, after the growth funding was committed in the Government Plan 2022-25 and allocated to the ALBs as part of the budget process for 2022. The result is that the funding allocation (including growth funding) took place in advance of the full assessment of needs being clearly outlined in the two strategies.
18. Best practice would be for the strategic planning process to be concluded first with an assessment of need which is then translated into priorities for investment. The two strategies were however commissioned after the decision to increase the funding commitment had been made. The disconnect in the recent process means that other investment priorities identified from the needs assessment in the two strategies will be challenging to fund without adjustment to existing commitments.

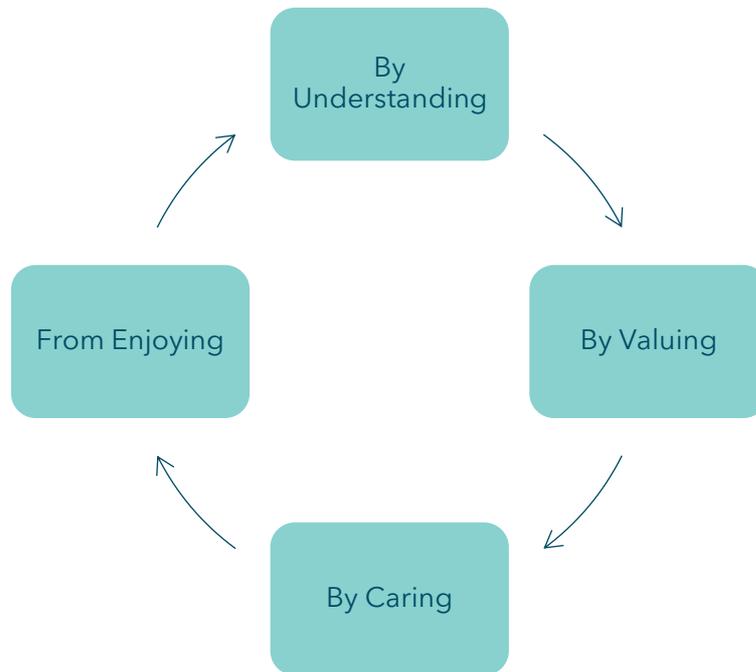
Arts Strategy development

19. The Arts Strategy for Jersey 2022-27, *The Creative Island*, was launched in March 2022 following a period of consultation. The preparation of the strategy was outsourced to a consultant, with ongoing input from the Government.
20. One of the recommendations in the Arts Strategy is to review performing arts venues. As refurbishment need is a major issue for the Jersey Opera House and Jersey Arts Centre, I would have expected this to be a pivotal element of the strategy itself. A separate exercise was commissioned from the same author to undertake a review of the performing arts ecosystem in 2022 at a cost of £16,000. The brief for this review refers to an assessment of the whole performing arts ecosystem in Jersey including key strengths and assets to build from. The desired outcomes from this exercise included a 're-imagined infrastructure offer' and 'a preferred option for a sector re-boot 2023-25, catalysed by key assets, notably the Opera House'. The initial report was produced in August 2022. This identifies a preferred option for the Jersey Opera House but does not address options for other venues.

Heritage Strategy development

21. Jersey Heritage Trust was commissioned to produce the Heritage Strategy and sought advice from Historic England to support the preparation. The strategy covers a 20 year horizon and is based on the Heritage Cycle Model depicted in Exhibit 3.
22. The Government and other partners were consulted on all stages of the strategy development. The Government now needs to take ownership and drive delivery through the implementation process.

Exhibit 3: A Heritage Strategy for Jersey - The Heritage Cycle Model



Source: A Heritage Strategy for Jersey (May 2022)

Recommendation

R1 Undertake further analysis to review and assess options for all Jersey arts venues.

Arts Strategy implementation

Implementation plans

23. The strategy document sets out a vision for the arts and identifies four priority themes to deliver this vision which are shown in Exhibit 4. Five shared principles are also identified which seek to ensure that the priority themes deliver the vision. A further cross-cutting priority of Arts International is included later in the document.

Exhibit 4: Arts Strategy for Jersey 2022-27: Priority themes



Source: *The Creative Island - An Arts Strategy for Jersey 2022-27 (March 2022)*

24. The strategy includes an overview of how the arts currently delivers against the four priority themes. However, the analysis in the strategy does not include data to demonstrate current activity and performance in the arts sector.
25. Without meaningful data, the Government has no baseline to measure improvement arising from the new strategy and it is not possible to determine priorities for investment within the 1% budget commitment. The strategy concludes that to deliver to its potential, the arts sector will require more than the investment of 1% of Government revenue expenditure. This emphasises the need for prioritisation as the overall commitment is limited to 1% of the revenue budget, much of which is focussed on heritage rather than arts.
26. Each of the priority themes in the strategy has one strategic programme together with other recommendations and opportunities (see Exhibit 5).

Exhibit 5: Arts Strategy for Jersey 2022-27: Strategic programmes, recommendations and opportunities

Theme	Strategic Programme	Other recommendations	Other opportunities
Arts, Education and Personal Development	Jersey Arts and Cultural Curriculum	STEAM* Pathfinder. Young People's creative makers space and creative making programme.	Youth Arts Council. Jersey School of Arts.
Arts, Health and Sustainable Well-being	Arts and cultural prescribing model	Co-ordinated infrastructure offer with Jersey Sport. 2023-Year of Arts, Health and Well-being. Accessible Jersey.	
Arts, Environment and Place-making	Commissioning programme and cultural tourism itinerary	Arts and development. Performing Arts Venue Review. New Arts infrastructure.	
Arts, Economic Prosperity and Inclusive Growth	New arts investment framework	Boost private giving and sponsorship. Creative entrepreneurship booster programme.	
Cross cutting priority - Arts International		Internationalise Jersey's arts sector via collaborative commissioning. Jersey Arts and Culture Exchange.	

**Science, Technology, Engineering, Arts and Maths*

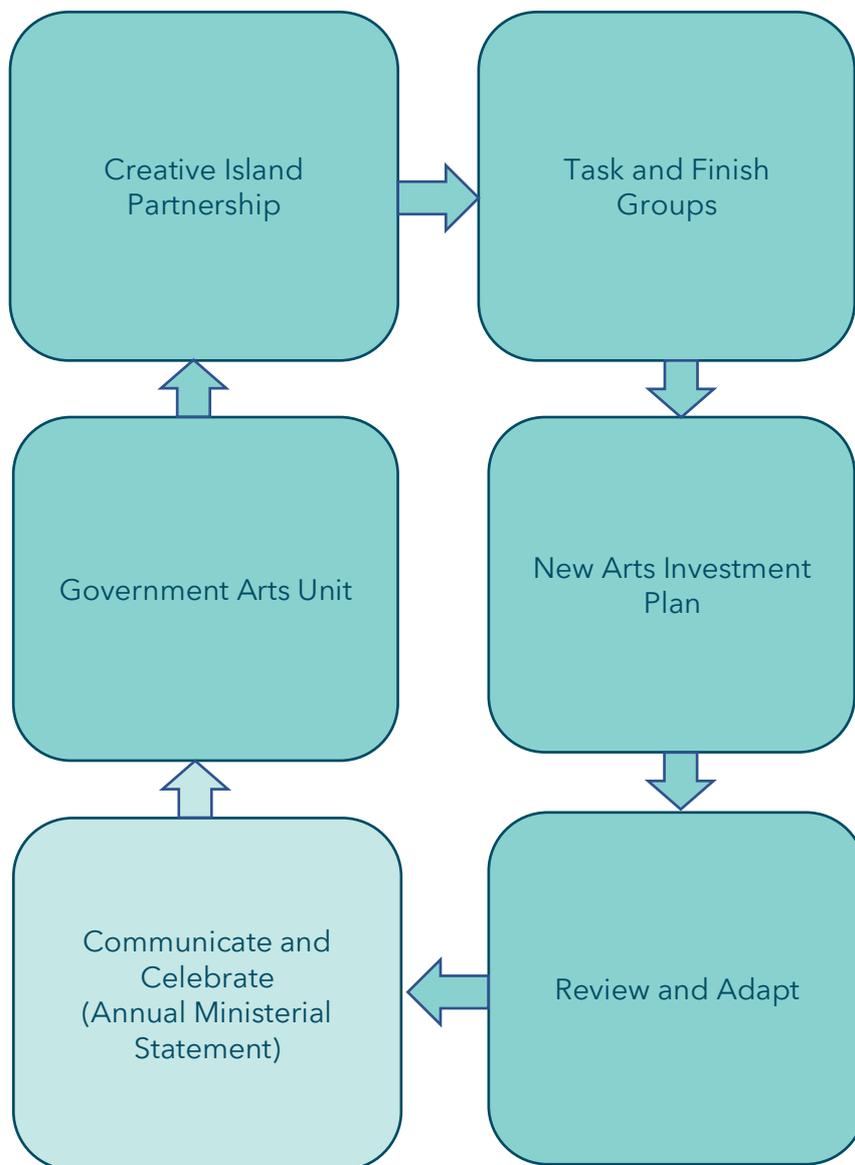
Source: Jersey Audit Office analysis of The Creative Island - An Arts Strategy for Jersey 2022-27 (March 2022)

27. The structure of the priority themes is clear and resonates with the Strategic Priorities set out in the Common Strategic Policy (CSP), as well as other strategies within the Government's overall framework. There is reference to the Government of Jersey Performance Framework with a suggestion that this could be extended to include arts and culture measures.
28. The recommendations within each priority area are difficult to interpret into tangible actions. Recommendations in some cases are descriptive and wide-ranging which would be complex to implement. In contrast, others are short-term tasks.
29. To date, the detailed recommendations have not been captured in a meaningful action plan with:
 - priorities across all themes
 - a timeline
 - costs
 - responsibilities; and
 - expected outcomes.
30. The strategy is ambitious, but in the absence of such a structured and costed plan, it is not possible to demonstrate that the strategy is deliverable. This is particularly relevant, firstly as the strategy was produced by a third party and developing a realistic delivery plan will be a key part of Government ownership of the process, and secondly, the conclusion that the funding is insufficient emphasises the need for effective prioritisation.

Governance and Partnership Model

31. The Arts Strategy describes the Governance and Partnership Model designed to ensure implementation. This is shown in Exhibit 6.

Exhibit 6: Arts Strategy for Jersey 2022-27: Governance and Partnership Model

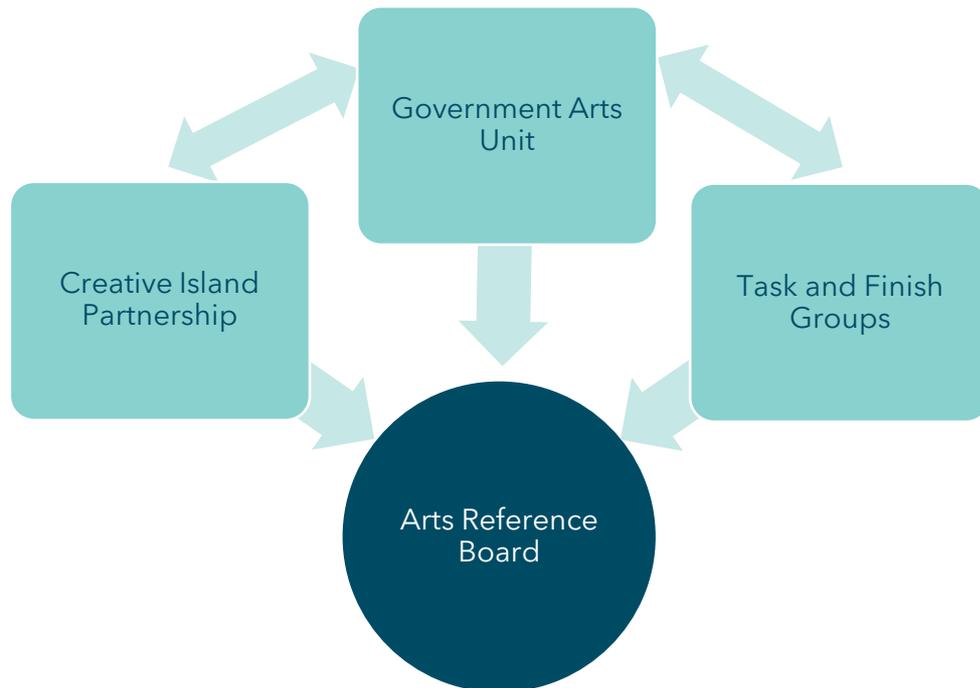


Source: *The Creative Island - An Arts Strategy for Jersey 2022-27 (March 2022)*

32. The Government Arts Unit is in place as the core team responsible for delivering the strategy and working with the ALBs.
33. The Creative Island Partnership (CIP) is key to the strategy delivery. This is a network of stakeholders from various organisations which is tasked with knowledge exchange and working with the Government to discuss and deliver the Arts Strategy. Currently, the CIP has 121 members. At the time of my audit, two meetings had been held with fewer participants, in order to discuss strategy and propose KPIs.

34. It is proposed that the CIP sets up an Arts Reference Board to activate the strategy. This Reference Board will be chaired by the responsible Minister and will comprise officers in the Government Arts Unit as well as contractors. This Board appears to me to be key to the implementation and monitoring of the Arts Strategy. However at the time of my audit it had not been set up and Terms of Reference had not been developed. In Exhibit 7, I set out my understanding of the hierarchy of the key groups in the governance framework for the Arts Strategy.

Exhibit 7: Key groups in Arts Strategy governance framework



Source: Jersey Audit Office analysis of The Creative Island - An Arts Strategy for Jersey 2022-27 (March 2022)

35. Task and Finish Groups were planned for each of the four priority themes in the strategy shown in Exhibit 4. In October 2021, a facilitated session was held with stakeholders and this identified nine priority workstreams. At the time of my review, Task and Finish Groups had been established for three priority workstreams with work in hand to set up four more. Exhibit 8 contains more details.

Exhibit 8: Analysis of priority workstreams and Task and Finish Groups

Priority Workstream	Task and Finish Group established?
1. Arts for Inclusion and Social Integration	
2. Arts in the Public Realm	
3. Arts investment, funding, patronage, and philanthropy	In hand
4. Communication and Engagement	In hand
5. Creative Space	Yes
6. Cultural Diplomacy	Yes
7. Festivals	In hand
8. Music Development	In hand
9. Culture for Health and Well-being	Yes

Source: Jersey Audit Office analysis

36. The Task and Finish Group list does not reconcile directly to the four priority themes in the strategy and the groups have not been launched by the CIP in the way suggested in the strategy. It is not clear why the workstreams have been selected and how these fit in with prioritisation and delivery of the whole strategy.
37. Task and Finish Groups will have Government representatives and wider participation. The Terms of Reference prepared for the Task and Finish Groups established to date are in a similar template.
38. The Arts Investment Plan described in the strategy comprises four elements, these being:
 - stability in grant funding for the main funded bodies
 - growth and diversification – by supporting other bodies by funding. No quantification of this investment is provided
 - innovation and start-up – a suggested budget of £400,000 is referred to for a rolling grants programme of £5,000 to £50,000. The rationale for this sum is not clear; and
 - strategic programme funds – to fund a strategic programme in each of the four priority themes.

39. The emphasis in the Departmental budget for 2022 is on stability for the main funded bodies with most of the additional funding within the 1% total being committed to grant funding. Investment for other areas in the Arts Investment Plan is not yet determined.
40. The strategy provides for communication of achievements and priorities for the following year through an Annual Ministerial Statement. This initiative will enable delivery of the strategy to be monitored at a high level whilst also ensuring that the subject has profile on the States agenda. The proposed Ministerial Plan for 2023 issued in October 2022 as part of the Government Plan 2023-26 refers to the continued commitment to devote 1% of all Government revenue expenditure to the arts, to support delivery of the Arts and Heritage Strategies. Specific reference is included to the following priorities in respect of the arts:
- *'designating the Jersey Opera House as a major capital project and commence work with new funding on this historic asset; and*
 - *championing the Creative Island Partnership through 2023, facilitating direct engagement with the arts sector.'*

Key Performance Indicators (KPIs)

41. In liaison with other stakeholders, the Government has developed a suite of 30 KPIs to measure delivery and performance of the Arts Strategy. The list includes many 'input' KPIs such as amount invested and number of hours dedicated to key areas. A range of outcome indicators is also included such as:
- total economic value of the creative sector on Jersey
 - % Gross Value Added (GVA) attributable to the creative sector; and
 - reported level of well-being following arts-based activity.
42. Ambitious outcome targets are to be encouraged but I have seen no evidence that data to measure some of the outcomes is currently available to establish a baseline or capable of being collected. An exercise is currently underway to assess reasonableness of the suggested KPIs which may result in some changes.
43. Implementation of the Arts Strategy is monitored through the routine performance reporting system alongside other departmental projects. There are currently no specific arts KPIs reported in the Departmental Business Plan.

Heritage Strategy implementation

Implementation plans

44. The structure of the Heritage Strategy includes good practice characteristics. It sets out the vision, current state and strategic objectives for the future. The desired outputs and outcomes are described together with indicators to measure these for each of the heritage cycle stages. There is a reference to key outcomes related to heritage that are included in the Jersey Performance Framework as well as how the outcomes will support the aims of the Strategic Priorities in the CSP.
45. The principal focus of the strategy is the heritage programmes for 2022-25 which are summarised in Exhibit 9.

Exhibit 9: A Heritage Strategy for Jersey – Programmes, projects and actions

No.	Detail	Strategic activities	Projects	Actions
	Actions related to governance specified for Government			6
1	Grow and share knowledge of Jersey's heritage environment	3	5	16
2	Extend International partnerships	2	5	5
3	Improve protection of Jersey's heritage environment	1	7	9
4	Realise the value of intangible heritage including Jèrriais in Island identity	2	4	4
5	Grow educational impact of heritage	1	5	5
6	Maintain and enhance landscape and seascape designations, including potential for new designations	2	3	5
7	Conservation of key heritage assets	1	6	9
8	Grow local collaboration	3	4	4
9	Aim to achieve carbon neutrality by 2030	1	4	4
10	Develop cultural facilities at heritage visitor sites	1	8	7
11	Ensure heritage is for everyone	1	3	3

No.	Detail	Strategic activities	Projects	Actions
12	Improve digital access to heritage	1	1	1
Total		19	55	78

Source: Jersey Audit Office analysis of A Heritage Strategy for Jersey (May 2022)

46. The 12 programmes set out in the strategy are extremely ambitious and it is questionable whether such a volume can be delivered in the period. Furthermore, at this stage, no plans are costed to demonstrate that delivery is affordable.
47. Delivery of the Heritage Strategy will require input, either leading or in collaboration, by:
- Government of Jersey departments
 - Jersey Heritage Trust
 - National Trust Jersey; and
 - Société Jersiaise.
48. It is therefore a complex matrix and proposals for the high volume of actions are not yet set out in an action plan with:
- priorities across all themes
 - a timeline
 - costs
 - responsibilities; and
 - expected outcomes.
49. Without a structured and costed plan, it is not possible to comment on the deliverability of the Heritage Strategy. I am aware that work is planned to commence production of such a plan.
50. The proposed Ministerial Plan for 2023 issued in October 2022 as part of the Government Plan 2023-26 refers to the continued commitment to *'devote 1% of all Government revenue expenditure to the arts, to support delivery of the Arts and Heritage Strategies'*. Specific reference is included to the following priorities in respect of heritage:
- progressing the refurbishment of Elizabeth Castle as a major capital project

- developing and lodging a new bespoke Heritage and Antiquities Law; and
- developing and lodging amendments to the Public Records (Jersey) Law 2002.

Governance and Partnership Model

51. A Heritage Advisory Partnership (HAP) was established during the development of the Heritage Strategy as a body to help with the development as well as implementation of the strategy. Membership comprises:
- Jersey Heritage Trust
 - National Trust Jersey
 - Société Jersiaise; and
 - relevant Government departments.
52. The Terms of Reference agreed in February 2022 set out the objectives of the HAP. The HAP is chaired by the Minister with responsibility for Culture. One of the objectives of the HAP is '*To collaboratively develop programmes and workstreams, in dialogue, to ensure expedient and principled progress towards the outcomes detailed in the Heritage Strategy.*'
53. There is a lack of detail to explain how this key aspect of strategy implementation will be achieved. The development of a detailed implementation plan is fundamental to this. To date, JHT has produced a useful status report on actions in the strategy but, in the absence of prioritisation, the risk assessment assumes that all projects have equal status. I am aware that further work is planned on this.
54. An annual Heritage Statement is proposed detailing achievements over the last year and objectives for the following year. This is due to start in 2023. As with the Arts Strategy, progress on implementing the Heritage Strategy is monitored as part of the routine departmental feedback.

Key Performance Indicators

55. The KPIs included within the Heritage Strategy reflect input, output and outcome measures. However, no baseline measures are included in the strategy and it is not clear if all required data to measure outcomes is collected or collectable. The intended outcomes from the strategy are aligned in the document to the Strategic Priorities in the CSP. However, while input data may be available, some outcomes listed may be difficult to measure such as those set out in Exhibit 10.

Exhibit 10: Heritage Strategy - Examples of outcomes that may be harder to measure

CSP Strategic Priorities	Example Heritage Strategy outcome
Putting children first	Heritage is of significant educational value to all children in Jersey
Improving well being	Jersey's natural and cultural heritage supports a sense of place and distinctive local identity
Vibrant economy	International expertise, funding and partnerships enhance our capacity and capability to manage our internationally significant heritage
Income inequality	Heritage services are available and equally used by all sections of Jersey's population
Valuing environment	Good decisions result from a full appreciation of the value of heritage

Source: Jersey Audit Office analysis of A Heritage Strategy for Jersey (May 2022)

Recommendations

- R2** Prepare and publish implementation plans for both the Arts and the Heritage Strategies. These implementation plans should include:
- prioritised and costed actions
 - clarity on alignment of workstreams and task and finish group proposals with priority themes
 - indicative implementation timetables; and
 - clearly allocated responsibilities.
- R3** Review all arts and heritage KPIs to ensure that data is readily available and a baseline is determined as a reference point for trend measurement.

Grant award and monitoring

Value of revenue grants awarded

56. The Government budgeted to award £7.5 million in grants to four ALBs in 2022. This represents an increase of 22% compared to the funding provided in 2021. The analysis of funding is shown in Exhibit 11.

Exhibit 11: Revenue grant awards to ALBs 2019 to 2022

Organisation	2019 £	2020 £	2021 £	2022 Budget £
Art House Jersey	358,000	386,000	515,000	915,000
Jersey Arts Centre Association*	530,000	511,000	602,000	640,000
Jersey Opera House**	529,000	555,000	572,000	460,000
Jersey Heritage Trust***	2,823,000	3,305,000	3,753,000	5,528,750
Total grant support	4,240,000	4,757,000	5,442,000	7,543,750

*Includes additional grant award of £70,000

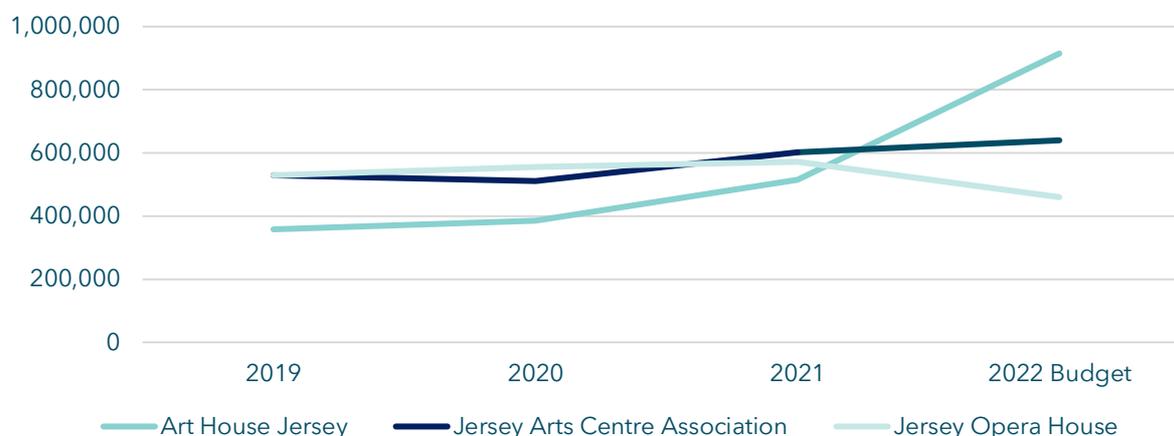
**Current budget figure for Jersey Opera House adjusted to £350,000 due to closure

***Includes £28,750 for German fortifications work but excludes amounts provided under the COVID-19 Co-Funded Payroll Scheme.

Source: States of Jersey Annual Reports and Accounts plus 2022 Departmental Budget records

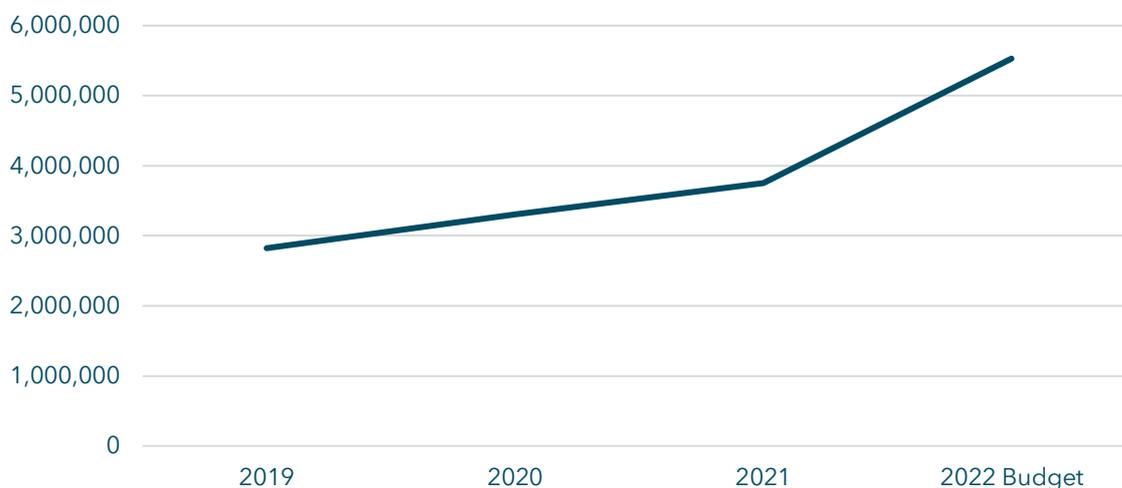
57. The graphs below show how the grant funding to each ALB has increased since 2019. The lower rate of increase and reduction in 2022 in respect of the Jersey Opera House is due to its closure since March 2020. Art House Jersey has expanded its role and activities since 2017 and responded to the Department's challenge to produce a more ambitious proposal for 2022. This led to a substantial increase in Government funding which was made possible by the increased budget for the sector plus availability of funds following repayment of the Opera House loan.

Exhibit 12: Funding to Arts bodies 2019 - 2022 (budget)



Source: Jersey Audit Office analysis

Exhibit 13: Funding to Jersey Heritage Trust 2019 - 2022 (budget)



Source: Jersey Audit Office analysis

58. My review has focussed on a detailed analysis of the three highest ALB grant recipients in 2021: Jersey Opera House (JOH), Jersey Arts Centre Association (JACA) and Jersey Heritage Trust (JHT). Partnership Agreements are in place between the Government and each of these bodies. These Partnership Agreements vary in style and content as well as having different timeframes:

- JHT - revised from 22 February 2022 for an indefinite period
- JACA - revised from 1 January 2022 to end 31 December 2023; and
- JOH - Partnership Agreement from March 2016 ended on 31 December 2019. Extension signed on 6 April 2021 with option to extend from 1 January 2022 to 31 December 2022.

59. Revenue grants for these bodies are recommended and approved following review of key data received from each ALB. The data reviewed at the start of each year is part of a schedule in the Partnership Agreements.
60. The specification in the Partnership Agreements for the current year's grant is shown in Exhibit 14 alongside the specific items reviewed as part of the annual grant appraisal.

Exhibit 14: Information required from ALBs and documents reviewed as part of annual grant appraisal

Information requirements in Partnership Agreement	Frequency	Documents reviewed for annual grant appraisal
Business plan – detailed for one year and summary for three years including financial plan	Annually	Final previous year business plan Agreed business plan for current year
Audited accounts	Annually	Draft unaudited accounts for previous year Final audited accounts to follow by 31 July
Management accounts	Quarterly	
Copies of auditor correspondence related to governance	Annually	Final audited accounts to follow by 31 July
KPIs as specified	Quarterly	As part of business plan review for previous and current years
Governance checklist	Annually	Signed checklist completed by ALB
Grant assurance statement	Annually	Signed statement from ALB for previous year
Risk register and risk report	Quarterly	
Board minutes	Quarterly	
Statement of potential conflicts of interest	Quarterly	

Source: Partnership Agreements, Grant Appraisals and Jersey Audit Office analysis

Timing of grant appraisals and awards

61. The annual grant process is initiated formally in January. A further request is made for documents to support the second funding tranche in June. On receipt of documents, the first review takes place in the first quarter of the year. Exhibit 15 describes the annual cycle for each body for 2022 at the time of my audit.

Exhibit 15: Document submission and review cycle for 2022

Information requirements	JHT	JACA	JOH
Tranche 1 - First half-year 2022			
Business Plan and Forecast 2022 Cumulative KPIs 2021 Signed Governance Checklist 2021 Grant Assurance Statement 2021 Risk Register 2021 Board Minutes Q4 2021 Management Accounts Q4 2021	February - March 2022	March - April 2022	February - March 2022
Recommendation signed	17/03/22	20/04/22	07/03/22
Approval signed	24/05/22	13/05/22	14/04/22
Tranche 2 - Second half-year 2022			
Annual Report 2021 Annual Accounts 2021 Auditor Reports 2021 Board Minutes Q1 & Q2 2022 Management Accounts Q1 & Q2 2022 Cumulative KPIs 2022 Risk Register update 2022	June - September 2022	June - September 2022	June - September 2022
Recommendation signed			
Approval signed			

Source: Jersey Audit Office analysis

62. The ALBs are not required to submit a formal request and justification for funding on an annual basis as the amount is explicit in the business plan and financial plan submitted.

63. The grant appraisal review is completed in accordance with the cycle above, with a recommendation from the Sector Officer to the Accountable Officer (or delegate), of the grant sum for each ALB. The grant is paid in two tranches with release of the second tranche dependent on receipt and review of the ongoing data requirements during the year.
64. Officers in the Department for the Economy maintain a record of expected documents. Payment of a grant is not made until all documents are received and reviewed. On occasion this causes delay in payment of grants to ALBs which must then rely on working capital to meet operational costs.
65. The appraisals for the three arts ALBs are assessed in isolation although each one is contributing to the same strategy. Funding for Art House Jersey has increased substantially since 2019 and the review process to support this is consistent with other ALBs. However the growth reflects the fact that as well as funding being available as part of the 1% revenue budget commitment, the Department also had other funds for the sector following repayment of the Opera House loan.
66. Now that the Arts Strategy is agreed, a more holistic approach should be considered which demonstrates the different offer from each ALB as well as taking account of any coordination that may contribute to the strategic outcomes. Similarly, review of JHT's performance in the context of the new Heritage Strategy should consider the work of Société Jersiaise and National Trust, Jersey.
67. The Department should also review the timing of the grant assessment and payment and seek to bring forward more elements of the review process to the final quarter of the previous year. This could focus on assessment of key documents including:
 - business plan and financial forecast for following year
 - latest annual report and accounts
 - quarter three management accounts; and
 - KPIs to date.
68. With a focus on strategic matters, it could be possible to pay the first tranche on account from January with the second tranche subject to receipt and satisfactory review of the required documents in-year.

Grant appraisal processes

69. The annual review is documented on the Grant Appraisal Document which provides the audit trail for the recommendation and approval.

70. The analysis carried out to support the grant awards is limited in my view. Little evidence was considered to explicitly demonstrate the expectations or added value to accrue from the additional investment in 2022. The grant awards were instead based on the amount indicated in the application pack with adjustment to ensure affordability within the overall grant envelope. Analysis was not carried out to ensure appropriate outcomes for the States, including for example:
- how individual organisations contribute to the objectives in the new strategies
 - how individual organisations work together in complementary areas to support delivery of the new strategies
 - what new measures are in place to assess added value; or
 - what new and different projects are planned and what outcomes are anticipated from the additional funding.
71. I acknowledge that the new strategies were in draft at the time of the grant review for 2022 but I have seen no evidence to show more rigour is being introduced in the process to ensure additional funding can be justified.
72. In my view, the key documents for detailed review by the Government in assessing grant need are:
- the business plan
 - KPIs (within annual report if available); and
 - annual accounts for the previous year.
73. In addition to these, the Government currently requires each ALB to complete and submit a Governance Checklist. I outline my observations on each of these four key documents below. I note that the Government has established an Arm's Length Bodies Oversight Board that is undertaking a number of workstreams aimed at improving grant monitoring and oversight processes across Government.

Business plans

74. JHT has a clear business plan for 2022 which sets targets for 2022 as well as reflecting on 2021 performance. The content resonates with the Heritage Strategy and has appropriate links to the CSP. Financial forecasts are separately available to 2025. It would be useful to see this longer-term horizon summarised within the next business plan.
75. JACA's Strategic Plan 2020-2024 sets out recent performance and objectives for 2022 with some references to the longer-term. However, there are no measurable targets for the period 2022 to 2024. Therefore, although the detail of the Arts

Strategy is included in the introduction, it is difficult to see how the JACA strategy is delivering on the shared objectives.

76. JOH did not produce a business plan or a financial plan beyond 2022 due to closure and the uncertainty of future funding for refurbishment. A budget was provided together with an activity schedule demonstrating how staff would be occupied. The lack of a business plan meant that there was less evidence to justify grant funding in support of the strategic objectives. Following consideration of the evidence, JOH was awarded a grant of £260,000 for tranche one. The JOH has been funded during its closure period since March 2020 as shown in Exhibit 16.

Exhibit 16: Jersey Opera House income, expenditure and staffing 2019 - 2022

Budget head	2019 £	2020 £	2021 £	2022 Budget £
Sales	1,109,149	162,911	(1,087)	0
Other income	24,170	13,717	30,208	0
Government grant	528,600	555,000	572,000	260,000
Total	1,661,919	731,628	601,121	260,000
Cost of sales	780,348	97,864	10,833	
Administration	886,767	671,904	479,927	534,000
Total	1,667,115	769,768	490,760	534,000
Operating Surplus/(Deficit)	(5,196)	(38,140)	110,361	(274,000)
Staff		9	8	4*

** This was reduced to 3 for the second half of the year*

Source: Jersey Audit Office analysis of Jersey Opera House Annual Accounts 2019 - 2021 and Budget 2022

77. The grant shown for 2022 reflects the Government commitment to the JOH and its agreement to meet costs for the first half-year only, subject to review later in the year in the context of the large carry forward from 2021.

78. While continuity of minimal staffing allowed basic activities to be undertaken, including preventing the building falling into further disrepair, it is difficult to demonstrate value for money from the funding provided in 2021.

Analysis of KPIs

79. As the new strategies are now finalised, there is an opportunity to ensure better linkages between the grant application and funding award and how this contributes to delivery of the objectives in the respective strategies. This is lacking in the reviews for 2022.
80. I would expect to see an emphasis on greater expectations of delivery from the ALBs in the form of stretched targets agreed with the Government which demonstrate synergy with the strategies, to justify the increased funding. This could include a more rigorous assessment of performance prior to release of the second tranche payment.

Annual accounts

81. Grant appraisal reviews are based on month 12 management accounts as well as prior year annual accounts and the current year forecasts. The financial analysis of each ALB for 2022 to support the grant award is however limited. There is little challenge to aspects such as reserve levels and the income, expenditure and inflation assumptions in financial forecasts which influence the grant request.
82. For example, the JHT accounts include commentary on the reserves policy which requires some analysis and interpretation. Such analysis is not however referenced in the Grant Appraisal Document. I would expect the documented grant appraisal to be based on an assessment of need which includes an analysis and interpretation of reserves as one of the factors in determining grant need.
83. Similarly, the JACA reserves at the end of 2021 were reported as £684,000. The justification for this level of reserves in the context of the grant sum was not referenced in the Grant Appraisal Document for 2022. The Governance Checklist requires the reserves policy to be disclosed as part of the process but this is missing.

Governance Checklist

84. The Governance Checklist reviewed as part of the process is completed by each ALB and submitted annually. The checklist includes nearly 80 questions covering organisational governance, financial controls and safeguarding. The depth of the questions in the checklist varies from strategic questions about the business plan and reserves policy to less significant internal control questions about stocktaking and cash security. Very little documentary evidence is provided by the ALBs to

support the responses in the checklist or the review of the checklist by the Department. There are several nil or part responses which do not appear to have been followed up. In some instances, I am not convinced that particular questions in the checklist add much value to the process.

85. I understand that the Governance Checklist contents are currently being reviewed by the Government as part of the work of the Arm's Length Bodies Oversight Board.

Monitoring of ALBs

86. Oversight of grant recipients receiving significant sums of public money should include ongoing assessments of:
- internal control
 - value for money
 - corporate governance; and
 - performance.
87. The framework for oversight of each grant recipient is the Partnership Agreement which includes the Annual Schedules with documentation and KPIs described earlier. Operational and financial performance are discussed monthly with representatives from the Department.
88. Performance review is based on the KPIs determined by each ALB. Many of these reflect readily available data such as visitor numbers. There is less emphasis on outcomes and the value added to the sectors from the use of Government funding. This is acknowledged as a difficult area but it is important that the Department works with all ALBs to agree key outcome measures that flow from the Arts and Heritage Strategies. Without this, it will not be possible to demonstrate value for money and achievement of the strategic objectives from the commitment of 1% of net Government revenue funding.
89. The regular meetings with ALBs do not have a consistent, structured agenda. I understand that these meetings cover the grant requirements and performance. There is however less emphasis on the new strategies and how, for example, the KPIs in the various Arts ALBs may need to be refined to link more closely to the new Arts Strategy.
90. There is also limited evidence of improvement plans being agreed with ALBs to address any shortcomings that may emerge from the document review or in-year discussions on financial performance, operational performance, relationship management or compliance.

91. One specific issue highlighted in the documentation concerns the lease arrangements for the JOH, which is owned by the States. Due to concerns over the amount available for repairs and maintenance prior to the Opera House closing in March 2020, the JOH Board was reluctant to sign a full repairing lease without sufficient funding being provided for the Opera House or a reasonable sum being ring-fenced by Jersey Property Holdings. As a result, the Opera House has been occupied without a lease. There is a lack of clarity over responsibilities for repairs and maintenance and the potential for a lack of clarity over liability in the case of an incident.
92. This legacy situation is clearly unsatisfactory. It must be resolved before the Opera House reopens following refurbishment. Appropriate arrangements should be put in place to ensure that the value added by the new investment as part of the Arts Strategy is protected by a cyclical maintenance plan and clear responsibilities for delivering this in future years.

Fiscal Stimulus Fund projects

93. Capital funding was available to ALBs in 2021 through the Fiscal Stimulus Fund (FSF). Applications were sponsored by the Department for three of the ALBs for sums totalling £7 million.
94. The FSF process invited applications for projects up to £5 million each, designed to stimulate the economy through:
 - employment support
 - business support
 - skills training
 - infrastructure and property improvements; and
 - maintenance and investment in productivity improvements.
95. In the period after the COVID-19 pandemic, the project needed to demonstrate that it could:
 - assist in reducing the fall in output and employment in the short-term; and
 - provide opportunities to assist in reducing the damage to the economy in the medium to long-term.

All projects were required to have a completion date of 31 December 2021.

96. The application process and requirements were advertised on the Government of Jersey website and included business case evaluation by the Fiscal Stimulus

Oversight Group (FSOG) prior to review by the Economic Recovery Political Oversight Group and the Corporate Services Scrutiny Panel. Recommendations following these reviews were considered for approval by the Minister for Treasury and Resources before notifying the Council of Ministers.

97. Evaluation criteria determined by the FSOG were as follows:
- timely - can the project be delivered by 31 December 2021?
 - temporary - not recurring and project must be stand alone, be not reliant on another scheme which may/may not have funding; and
 - targeted - does this stimulate the local economy and businesses? How much of the request is for off Island purchases/resources? What are the long-term economic benefits?
98. The arts, heritage and culture sector projects outlined in Exhibit 17 were successful in FSF applications.

Exhibit 17: Fiscal Stimulus Fund grant approvals 2021

Body	Project	Reference	Sum £
JACA	Arts Centre renovation	FSF-287438056 /(FS 20-074)	2,959,516
JOH	Refurbishment	FSF-287196749/(FS 20-016)	2,237,124
JHT	Hamptonne Agricultural Museum	FSF-282000320 /(FS 20-024)	1,308,114
JHT	La Hougue Bie Gallery and workshop	FSF-282017249 /(FS 20-025)	271,302
JHT	Systems improvements	FSF-289593137/(FS 20-091)	226,641

Source: FSF Business Cases

99. Each of these projects was supported by a business case in the standard Government template. The JOH and JACA business cases were prepared by an officer in the Department. The JHT cases were prepared by JHT for review by the Department. All business cases had to be prepared within a short period of time.
100. The conclusion from my review of all business cases is that quantifiable benefits for the preferred option were limited and alternative options were dismissed with minimal analysis in most cases. The minutes of key meetings indicate that many projects were agreed by FSOG in a short space of time.

101. The business cases for the refurbishments to the Jersey Arts Centre and the Opera House both include an assertion that the condition of the building is due to under investment by the States over a period of years which now needs to be addressed. In the interests of expediency, the refurbishment costs for both were based on outdated condition surveys completed in 2019 uplifted by 18.34% to reflect 2021 prices. In both cases, the timetable for such a volume of works was over ambitious, particularly given the need to obtain planning consents.
102. Despite concerns over the timing, both were recommended by FSOG and approved. Ultimately the timing criteria could not be met and the approvals were withdrawn.
103. Although the funding for JACA was withdrawn in early 2022 as the timing criterion could not be met, a sum of £2.1 million from the FSF was advanced to JACA in November 2021. At the time, it would not have been possible for a project of this nature to be completed by the deadline of 31 December 2021 and I fail to understand why it was advanced. The JACA accounts for 2021 disclose the amount held as a liability to be paid to the States and this was repaid in March 2022.
104. In February 2022, the Minister for Treasury and Resources agreed that the required investment of £2.2 million for the Opera House would be allocated from alternative sources.
105. During 2022, an update was added to the original estimate for the Opera House which increased the estimate to £2.7 million. A more detailed feasibility study was completed by the appointed Project Manager in 2022 which further increased the estimate for required works to £6.6 million. Within the increased requirement, £2.2 million was identified as being needed more immediately giving a revised total of £4.9 million. Only the original funding of £2.2 million had been made available at the time of my review with the balance of £2.7 million and any further funding to be subject to a future decision. The proposed Government Plan 2023-26 published in October 2022 included further provision for restoration and modernisation estimated at a total of £9.5 million in 2023 and 2024.
106. No alternative funding has been agreed for the works considered necessary at the Arts Centre at the time of my review. I understand however that some revenue funding has been allocated in 2023 for the feasibility work to be updated from 2019.
107. The JHT FSF projects indicate that JHT will manage the projects on receipt of the grant. The project management arrangements include accountability on delivery to the Government with a benefits realisation plan proposed after six months. The JHT projects awarded FSF funding included a systems improvements project in the sum of £227,000. In my opinion, because of the nature, the relatively small

scale and limited benefits of the systems improvements project, compliance with the scheme criteria is less evident with this project than is the case with others.

Elizabeth Castle Funding

108. The Government Plan 2022-25 includes a sum for refurbishment of Elizabeth Castle which had been included in a previous Government Plan. The total project sum is £5.7 million as shown in Exhibits 18 and 19.

Exhibit 18: Elizabeth Castle Funding in Government Plans

Funding approval	2021 £000	2022 £000	2023 £000	2024 £000	Total £000
Government Plan 2022-25		1,250	2,027	1,676	4,953
Government Plan 2021-2024 Amendment P.130/2020	750				750
Business case Total					5,703

Source: Jersey Audit Office analysis of the Government Plan 2022-25 and 2021-24 Amendment

Exhibit 19: Elizabeth Castle - Business Case funding

Cost heading	2021 £000	2022 £000	2023 £000	2024 £000	2025 £000	Total £000
Capital cost	939	2,027	2,425	910	0	6,301
Recurring				34	219	253
Income generated				(115)	(741)	(856)
Business case Total	939	2,027	2,425	829	(522)	5,698

Source: Elizabeth Castle Business Case - Jersey Heritage Trust

109. The actual funding in 2022 is now expected to be £312,500 rather than the £1.25 million identified in the Government Plan. However, as a major project the overall sum is ring-fenced which allows for flexibility between years.
110. The business case to support the funding reflects good practice. A strategic case was presented with a range of options including an indication of the rationale for the preferred option. The economic case considers each option for strategic fit, value for money, supplier capacity, affordability and achievability.
111. A detailed strategic, financial, economic, commercial and management case is also included with a relevant risk assessment.

112. The commercial case includes a procurement strategy for key resources to deliver the project from 2022. The management case demonstrates how the project will be managed by the Project Delivery Team within JHT. The governance arrangements include liaison with the Minister for EDTSC and the Department for the Economy.

Recommendations

- R4** Develop a holistic approach to grant funding of the three main arts bodies which recognises individual offers as well as the collective contribution to delivery of the Arts Strategy.
- R5** Introduce a requirement for each ALB to submit a formal grant funding request with business case and needs assessment each year. The formal request should include details of:
- the funding being requested
 - the outcomes that will be achieved with the funding granted; and
 - how those outcomes contribute to the implementation of the relevant Arts or Heritage Strategy.
- R6** Liaise with each ALB and encourage development of longer-term business plans with stretched targets that link to the Arts and Heritage Strategies.
- R7** Put in place a mechanism to agree maintenance responsibilities and liabilities for the Opera House.

Work planned that should be prioritised

- P1** Complete the current review of the content of the Governance Checklist used as part of the grant application process and ensure that the questions are based on an assessment of risks and the level of assurance required.

Areas for consideration

- A1** Bring forward the grant appraisal in respect of the first tranche payment to the final quarter of the year prior to the grant being due.

A2 Introduce a consistent, structured agenda for meetings with ALBs that covers financial and operational performance specifically linked to the respective strategies.

Appendix One

Audit Approach

The review included the following key elements:

- review of relevant documentation provided by the States of Jersey
- interviews with key officers in the Department for the Economy; and
- interviews with key representatives from:
 - Jersey Heritage Trust
 - Jersey Opera House; and
 - Jersey Arts Centre Association.

Key documents reviewed included:

- The Creative Island - An Arts Strategy for Jersey 2022-27 (March 2022)
- A Heritage Strategy for Jersey (May 2022)
- Government Plan 2022-25
- Creative Island Partnership Terms of Reference
- Heritage Advisory Partnership Terms of Reference
- Heritage Strategy programme status, risks and indicators - July 2022
- Notes from Creative Island Partnership meetings 2022
- Notes from Heritage Advisory Partnership meetings 2022
- Grant appraisal documents 2022 for:
 - Jersey Heritage Trust
 - Jersey Opera House
 - Jersey Arts Centre Association; and
 - Art House Jersey
- Supporting documentation from ALBs to support grant appraisal including:
 - business plans

- annual report and accounts
- governance checklist
- management accounts
- KPIs; and
- grant assurance statements
- Fiscal Stimulus Oversight Group Minutes 2021
- Business cases for capital investment in arts, heritage and culture projects 2022
- Jersey Culture, Arts and Heritage Strategic Review and Recommendations – BOP Consulting (February 2018); and
- P.40/2018 Proposed Government Plan 2020-23: Increase in revenue expenditure on the arts, heritage and culture.

The following people contributed information through interviews or correspondence:

- Director General, Department for the Economy
- Head of Business Management and Governance, Department for the Economy
- Sector Lead – Department for the Economy
- Sector Officer – Department for the Economy
- Chair and Director – Jersey Arts Centre Association
- Chair, Chief Executive and Finance Director – Jersey Heritage Trust
- Board Member (Finance), General Manager and Advisor – Jersey Opera House

The fieldwork was carried out by an affiliate working for the Comptroller and Auditor General.

Appendix Two

Summary of Recommendations, Work planned that should be prioritised and Areas for consideration

Recommendations

- R1** Undertake further analysis to review and assess options for all Jersey arts venues.
- R2** Prepare and publish implementation plans for both the Arts and the Heritage Strategies. These implementation plans should include:
- prioritised and costed actions
 - clarity on alignment of workstreams and task and finish group proposals with priority themes
 - indicative implementation timetables; and
 - clearly allocated responsibilities.
- R3** Review all arts and heritage KPIs to ensure that data is readily available and a baseline is determined as a reference point for trend measurement.
- R4** Develop a holistic approach to grant funding of the three main arts bodies which recognises individual offers as well as the collective contribution to delivery of the Arts Strategy.
- R5** Introduce a requirement for each ALB to submit a formal grant funding request with business case and needs assessment each year. The formal request should include details of:
- the funding being requested
 - the outcomes that will be achieved with the funding granted; and
 - how those outcomes contribute to the implementation of the relevant Arts or Heritage Strategy.
- R6** Liaise with each ALB and encourage development of longer-term business plans with stretched targets that link to the Arts and Heritage Strategies.
- R7** Put in place a mechanism to agree maintenance responsibilities and liabilities for the Opera House.

Work planned that should be prioritised

- P1** Complete the current review of the content of the Governance Checklist used as part of the grant application process and ensure that the questions are based on an assessment of risks and the level of assurance required.

Areas for consideration

- A1** Bring forward the grant appraisal in respect of the first tranche payment to the final quarter of the year prior to the grant being due.
- A2** Introduce a consistent, structured agenda for meetings with ALBs that covers financial and operational performance specifically linked to the respective strategies.



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