

STATES OF JERSEY



ANNUAL BUSINESS PLAN 2008 (P.93/2007): NINTH AMENDMENT (P.93/2007 AMD.(9))– COMMENTS

**Presented to the States on 14th September 2007
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers strongly opposes parts (a), (b) and (d) of this amendment.

This amendment by the Public Accounts Committee (PAC) represents a laudable desire to reduce the increase in States spending by £12.4 million in 2008, £16.0 million in 2009 and £23.7 million in 2010, however the Council of Ministers strongly recommends that it is rejected on the grounds that the consequences would be unacceptable to both the States and the general public.

The proposed reductions in 2008 cash limits for individual departments are as follows –

	2008 Per Business Plan £'000	2008 Per Amendment £'000	Difference £'000
<u>Ministerial Departments</u>			
Chief Minister	14,757	14,539	(218)
Grant to the Overseas Aid Commission	7,363	7,179	(184)
Economic Development	16,057	16,007	(50)
Education, Sport and Culture	95,984	93,584	(2,400)
Health and Social Services	147,902	144,204	(3,698)
Home Affairs	42,901	41,828	(1,073)
Justice	(22,015)	(22,015)	(0)
Planning and Environment	6,016	5,866	(150)
Social Security	146,596	143,174	(3,422)
Transport and Technical Services	21,877	21,463	(414)
Treasury and Resources	61,586	61,164	(422)
<u>11 Ministerial States Funded Bodies</u>	20,630	20,236	(394)
Revenue Expenditure Allocation	£ 559,654	£ 547,229	(£ 12,425)

The biggest savings, not surprisingly, as they account for over three quarters of States spending are in Health and Social Services – £3.7 million, Social Security – £3.4 million, Education, Sport and Culture – £2.4 million and Home Affairs – £1.1 million.

The PAC report infers that savings on this scale could be achieved entirely through efficiency savings without impacting on services. This is not correct. The Change Programme and service reductions already agreed will have achieved recurring savings of £35 million a year by the end of 2007, and total savings since the Programme commenced in 2004 are £100 million. More efficiency savings are already built into the 2008 cash limits so it is simply not feasible to make a further £12.4 million in efficiency savings.

Accordingly the £12.4 million saving would have to be achieved primarily through a reduction in services. Departments have been asked, at short notice, to provide an indication of the type of cuts in services which would be necessary to remain within their reduced cash limits. These are summarised as follows with further details provided in **Appendix B**.

Department	Description of Saving	Amount (£'000)	Total (£'000)

Chief Minister	<ul style="list-style-type: none"> • Reduce one member of staff in the Communications Unit; • HR – reduction in corporate training and direct HR support to department; • Reduced resources allocated to the Legislation Advisory Panel; • Information Services – reduction in the oversight of States IT projects and reduction in speed of response to problems. 	(40) (70) (30) (80)	(220)
Economic Development	<ul style="list-style-type: none"> • Reduction in School Milk provision – remove provision from certain school year groups. 	(50)	(50)
Education, Sport and Culture	<p>The effect will be a reduction in staff across all service areas resulting in for instance:</p> <ul style="list-style-type: none"> • Mixed year groups or the closure of classes and pupils moved to other schools in the Primary non-fee paying sector; • Insufficient staffing to achieve a broad range of subjects in order to meet the Jersey Curriculum in Secondary Education; • A material increase in school fees in the States and Private Fee-paying sector; • A reduction in vocational opportunities for young people in the Island; • A reduction in support or loss of places for Special Educational Needs pupils in mainstream and special schools; and • Closure of sports facilities or restriction in opening hours. 	(2,400)	(2,400)
Health and Social Services	<p>Regarding the specific actions to achieve the £3.7m reduction to 2008 cash limits, the following actions would be initiated immediately:</p> <ul style="list-style-type: none"> • Very restricted availability to specialist treatments regimes currently undertaken in the UK e.g. specialist oncology referrals; • Contraction in respite care facilities and community care packages; • Restricted availability of all specialist mental health placements and care packages; • Reduced operating times in theatre leading to increased waiting times; and • Reduced availability/cessation of specific H&SS community services. 	(2,000) (500) (400) (400) (400)	(3,700)
Home Affairs	<ul style="list-style-type: none"> • Reductions in Prison base budget; • Jersey Field Squadron; • Reduce the Criminal Injuries Compensation Scheme; • Unable to deliver the Prison Improvement Plan. 	(350) (50) (75) (560)	(1,035)
Planning and Environment	<ul style="list-style-type: none"> • Reduction in Countryside Renewal Grant Scheme – this would lead to the Department not being able to make a significant contribution towards Countryside Initiatives and have a negative impact on the Agriculture Industry 	(150)	(150)
Social Security	<ul style="list-style-type: none"> • No up-rating of benefits from January 2008; • Do not introduce Winter Fuel Component within Income Support; • Cease provision of Employment Services; • Do not bring forward Proposal for a child-care scheme for those with less than 5 years residency. 	(2,000) (560) (1,000) (200)	(3,760)
Transport and Technical Services	<ul style="list-style-type: none"> • Increase school bus and student fares from 50p to £1; • Cessation of Christmas, Castle and Promenade Display Lighting; 	(200) (70) (100)	

	<ul style="list-style-type: none"> • Reduce the standard of out-of-town highways and footpath cleaning (reduction of two posts); • Reduction in weekend facilities at the Refuse Handling Plant (close on Sundays). 	(40)	(410)
Treasury and Resources	<ul style="list-style-type: none"> • Reduction in Internal Audit reviews by one third; • Reduction in Income Tax staffing – poorer customer service and potential loss of tax revenues; • Reduction in Treasury staff leading to delays in collection in income and payment of invoices 	(222) (100) (100)	(422)
Overseas Aid	Reduction in grant	(184)	(184)
Non Ministerial Departments	There has not been time to properly consult with all these departments but they have very little discretionary spend and are heavily staff dependant therefore any savings will result in a reduction in the service provided	(394)	(394)
			(12,725)

The £3.4 million reduction in the Social Security budget will necessitate cuts in benefits and, as 75% of the remaining States expenditure is on staff, a considerable number of redundancies would be necessary in all other departments.

The report accompanying the amendment suggests that the Council of Ministers would be able to re-allocate cuts. If for example the cuts in benefits were to be re-allocated it would add to the impact on other budgets. As Health and Social Services, Education, Sport and Culture and Home Affairs account for some 70% of the remaining spend they would need to take further cuts. At this level it is inevitable that compulsory redundancies would be required.

The PAC report proposes further savings of £16 million in 2009 and £23.7 million in 2010. This would require for instance, a £9.3 million reduction in the budget for Health and Social Services and £6.5 million reduction in the budget for Social Security. **See Appendix A** Members should be in no doubt that this would seriously affect the welfare of the sick and the poor in our society.

The Council of Ministers has been through a thorough and extensive business planning process to arrive at the 2008 cash limits. During that time, the Council has provided extensive opportunity for all stakeholders including scrutiny, States members and departments to provide their input. None have proposed significant reductions in services, though many have suggested additions.

This amendment is fundamentally incompatible with delivering the objectives to improve services contained in the Business Plan. If it were to be approved, most of the growth contained in the Business Plan including extra funding for health, overseas aid, uprating of benefits, the winter fuel allowance, the prison improvement plan, and the fifth scrutiny panel would have to be removed, as well as other services reduced. The Council of Ministers is firmly of the view that it would be irresponsible to approve the proposed reductions in cash limits unless States members are also willing to accept the consequent reductions in services.

The Council of Ministers is, however, fully committed to and is driving out efficiency savings in all States departments and will co-operate fully with any reviews by the PAC. The Council of Ministers has asked a group of Assistant Ministers to identify possible savings and the reductions in this amendment could form the target for this work. They will be provided with Treasury resources and other support to assist them. The Council of Ministers commits to bringing savings identified by these reviews to the States for discussion and approval.

Impact on 5th Amendment

The Council would also wish to highlight that the 5th Amendment of Deputy Reed requires the approved objectives to be delivered within the approved spending limits. If as is proposed in these parts of the 9th Amendment of the Public Accounts Committee the financial framework is significantly reduced then the Council could not deliver the proposed objectives and performance criteria. The Council has indicated in its comment above a broad summary of the likely consequences on services of the proposed reductions in expenditure

allocations.

Comparatives in States Financial Report and Accounts – 9th Amendment paragraph (c)

(c) *After paragraph (c) insert a new paragraph (d) as follows and renumber subsequent paragraph accordingly –*

“(d) to agree that the ‘Revenue Expenditure for Financial Forecast’ as set out in the reconciliation to the Financial Forecast below Summary Table A is the figure that shall be used on which to base Departmental comparatives in the States accounts for the year ended 31st December 2008;”

The Council accepts this amendment and recognises the desire of PAC to be able to compare a department’s expenditure with the original budget. The Treasurer of the States will include the presentation of the original budget approved in the States Annual Business Plan in the 2008 Financial Report and Accounts.

States ‘in principle’ approval of year end carry forwards – 9th Amendment paragraph (e)

(e) *After paragraph (g) insert a new paragraph (h) as follows and renumber subsequent paragraph accordingly –*

“(h) to request the Minister for Treasury and Resources not to exercise his powers under Article 15(1)(b) of the Public Finances (Jersey) Law 2005 regarding the reallocation of year end under-spends before seeking the prior ‘in principle’ agreement of the States Assembly;”.

The Council opposes part (e) of the 9th amendment.

Article 15(1)(b) of the Public Finances (Jersey) Law enables the Minister for Treasury and Resources to allow States’ funded bodies to carry forward all or any part of any unspent sum of their approved heads of expenditure to the next financial year. Article 15(1)(a) permits the Minister for Treasury and Resources to allow funds approved for one head of expenditure to be used for another. This flexibility was included in the Law to enable effective financial management by departments and the Council of Ministers and to enable departments to manage expenditure on a longer than one year planning horizon by allowing departmental under-spends to be carried forward and if appropriate a one-off reallocation of funds to urgent priorities. Planning around this flexibility takes place during the year as part of routine financial management. It is also important to note that carry-forwards do not lead to increases in expenditure over that which was originally approved.

The U.K. Government has also considered this issue of management of under-spends at year end. The document [“Planning Sustainable Public Spending: Lessons from previous policy experience”](#) published by H.M. Treasury identifies 6 lessons learnt from experience in the U.K.; the first being the importance of enabling long-term planning. Specifically it notes: *“An effective planning horizon of one year only was not sufficient for the sensible management of public services. Short-termism and a ‘use it or lose it’ mentality gave poor value for money”*.

Describing a new framework the same document notes: *“Annuality in budgeting has been abolished: an End Year Flexibility system avoids perverse incentives for wasteful end year surges by enabling departments to carry over 100% of unspent resources into the following financial year”*.

It is important that Ministers and their departments can be confident that year end under-spends, which are usually the result of pro-active decisions taken in year and not simply fortuitous, can be managed effectively through the Executive. A requirement to return to the assembly for an “in principle” agreement of the allocation of under-spends will detract from the benefits of the current process.

A Financial Direction, issued under the Finance Law and approved by the Minister for Treasury and Resources, outlines an effective system for the consideration and approval of under-spends, which is broadly similar to that operating in the U.K. The States are always informed of Ministerial approvals related to carry forward amounts, indeed, the Minister for Treasury and Resources is required to report such approvals on a 6-monthly basis.

Conclusion

The Council urges States members to reject part (e) of the 9th Amendment of the PAC

The Council believe that allowing departments to carry forward approved expenditure leads to more effective financial management. If we are serious about increasing planning horizons in departments and moving them to firm 3-year spending limits then it is reasonable that departments should expect some certainty in the year end flexibility that will be applied.

The Council is committed to effective longer-term planning and to introducing GAAP at the earliest opportunity and would wish to work with the PAC in achieving these goals.

Total States Net Expenditure Allocations (reflecting PAC 9th Amendment) 2008 - 2010

States Funded Bodies	2008		2009		2009		2010		Difference
	Business Plan	Per Amendment	Business Plan	Per Amendment	Business Plan	Per Amendment	Business Plan	Per Amendment	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ministerial Departments									
Chief Minister	14,757	14,539	15,208	14,903	15,806	15,192	(305)	(614)	
- Grant to the Overseas Aid Commission	7,363	7,179	7,731	7,334	8,118	7,476	(397)	(642)	
Economic Development	16,057	16,007	16,459	16,395	16,857	16,713	(64)	(144)	
Education, Sport and Culture	95,984	93,584	98,667	95,599	101,059	97,451	(3,068)	(3,608)	
Health and Social Services	147,902	144,204	154,090	148,816	161,043	151,699	(5,274)	(9,344)	
Home Affairs	42,901	41,828	44,096	42,729	45,165	43,556	(1,367)	(1,609)	
Housing	(22,015)	(22,015)	(22,565)	(22,675)	(23,132)	(23,132)	(110)	0	
Planning and Environment	6,016	5,866	6,187	5,992	6,338	6,108	(195)	(230)	
Social Security	146,596	143,174	149,914	146,257	155,593	149,090	(3,657)	(6,503)	
Transport and Technical Services	21,877	21,463	22,473	21,975	23,017	22,401	(498)	(616)	
Treasury and Resources	61,586	61,164	63,042	62,481	63,462	63,691	(561)	229	
Non Ministerial States Funded Bodies	20,630	20,236	21,179	20,713	21,692	21,114	(466)	(578)	
Net Revenue Expenditure Allocation	£ 559,654	£ 547,229	£ 576,481	£ 560,519	£ 595,017	£ 571,359	(£ 15,962)	(£ 23,658)	

CHIEF MINISTER'S DEPARTMENT

Response to 9th Amendment from PAC – Reductions in expenditure allocations

Since 2005 the Department has been allocated:

- £985,000 of service cuts,
- £700,000 Human Resources efficiency savings,
- £360,000 IT efficiency savings; and
- £100,000 Departmental efficiency savings.

In total the department has made savings of £2.1m, or 18% of running costs.

The proposed cut (£600,000 by 2010) would require further cuts applied as follows:

- £50,000 – 1 FTE reduction in Statistics – 15 % reduction in service, which will reduce the extent of statistics available. The recently introduced annual survey is unlikely to be continued;
- £30,000 – Reduced resources allocated to the Legislation Advisory Panel – 60% reduction in resources for review of current legislation;
- £40,000 – 1 FTE reduction in Communications Unit – 25% reduction in service, which will reduce the effectiveness of consultation and public information;
- £80,000 – External Affairs, International Finance – 10% reduction in budget. This will reduce either the ability to maintain the pace and flow of legislation to support the finance industry, or the level of International representation at major International events;
- £200,000 – Information Services Department – there will be a reduction in the corporate oversight of States IT projects and a slowing of the speed of response to user problems;
- £200,000 – Human Resources across the States – there will be an unavoidable and significant reduction in the level of staff training; and a poorer service to managers in terms of recruitment support and advice on HR matters.

ECONOMIC DEVELOPMENT DEPARTMENT

Response to 9th Amendment from PAC – Reductions in expenditure allocations

Since 2005 the Department has been allocated £1.3 million of service cuts and £600,000 efficiency savings. In order to meet its statutory obligations, service expectations and the economic growth targets that underpin the States' financial targets, the Department has undertaken rigorous prioritisation of its activities.

The Department will be happy to publish the prioritised list of activities so that the impact of cuts of this order can be understood.

At present the lowest ranking activity in this exercise is the funding of School Milk (£185,000).

- Reduction in the provision of School Milk - this would be phased out by ceasing the provision for certain school year groups to deliver the required saving if this amendment was successful.

EDUCATION, SPORT AND CULTURE DEPARTMENT

Response to 9th Amendment from PAC – Reductions in expenditure allocations

The Department has previously been through a process of considering financial cuts across the range of Service areas for which it is responsible and, given that approximately 80% of the budget consists of staff costs, the impact of such a material reduction would inevitably be a reduction in staff. This would have a direct impact on the Department's ability to achieve its key business plan objectives, in particular on the current high **standard of teaching and learning in the Island's schools (ESC Key Objective 1), opportunities for Further, Higher and Adult Education (Key Objective 4) and opportunities to participate in Sport and Leisure (Key Objective 8, and in the cultural life of the Island (Key Objective 7).** The specific potential impacts of a reduction in staff include:

- inadequate staffing to achieve one class per year group in the Primary non-fee paying sector, resulting in mixed year groups or the closure of classes and pupils moved to other schools;
- insufficient staffing to achieve a broad range of subjects in order to meet the Jersey Curriculum in Secondary Education;
- a material increase in school fees in the States and Private Fee-paying sector and a transfer of pupils to the States sector which will throw a greater financial burden on to the Department;
- a reduction in vocational opportunities for young people in the Island;
- a reduction in support or loss of places for Special Educational Needs pupils in mainstream and special schools;
- closure of sports facilities or restriction in opening hours.

The majority of Service areas have already put plans in place in order to achieve key business objectives in 2008 and thereafter, and grant aided organisations in particular expect continuity in their funding especially in the short term. The latter include the Fee-paying Non-provided schools and the Arts and Cultural organisations for which the Department is responsible. In addition, schools are already committed to delivering a range of subjects and the support structure is already in place for the school academic year. The earliest possible opportunity for changes would be the commencement of the next academic year in September 2008.

The Department has also previously identified specific non-statutory services, where budget cuts could be made although not in the scale proposed by the amendment. This provides an indication of the impact on the Department:

- Ceasing language assistants;
- Ceasing or reducing grants to the private fee-paying schools;
- Ceasing miscellaneous grants made by the Department, for instance to the Durrell Trust and for the teaching of Jerriaise;
- Ceasing funding of the Jersey Arts Trust;
- Introducing a charge for the Instrumental Music Service;
- Further reducing Advisory Council sports grants;
- A reduction in Secondary/Tertiary funding would inevitably result in a change to pupil-teacher ratios.

The States of Jersey Strategic Plan sets out a number of Commitments which are particularly relevant to the Department. A material reduction in the Department's budget will have an impact on the achievement of the objectives associated with each Commitment.

HEALTH AND SOCIAL SERVICES DEPARTMENT

Response to 9th Amendment from PAC – Reductions in expenditure allocations

The growth funding for H&SS has been identified through the business planning process and is primarily necessary to maintain a safe and acceptable level of service provision and to keep pace with the general worldwide developments in healthcare.

The proposed reduction of £9 million over the 2008– 2010 period, increasing to over £15 million by 2012, would have a significant impact on the department's ability to deliver its current services as the majority of the strategic objectives set in the draft annual business plan will have to be undertaken regardless of the decision to reduce cash limits. For example the Sustainable hospital 24/7, Nurse Staffing review and Drug inflation will need to be funded as they are either legislative, patient safety or above inflationary cost pressures.

The effect of this means that any reduction in cash limits would force a reduction in existing services rather than just delaying the implementation of any new developments. Allowing for the fact that the department has had limited time to fully scope the impact, below is an indication of probably service reductions and an assessment of the potential expenditure reduction:

- Very restricted availability of specialist treatments regimes currently undertaken in the U.K., e.g. specialist oncology referrals (£2.0 million).
- Contraction in respite care facilities and community care packages (£0.5 million).
- Restricted availability of all specialist mental health placements and care packages (£0.4 million).
- Closure of acute wards in the General hospital (£5 million).
- Reduced operating times in theatres leading to increased waiting times (£0.4 million).
- Restricted availability and access to community nursing (£0.7 million).
- Reduced availability/cessation of specific H&SS community services (£0.8 million).
- Severe cuts/cessation of support for other voluntary bodies providing community services (£0.5 million).

To identify the balance of savings the Department would have to implement:

- Further ward closures.
- Further reductions in operating times.
- Cessation of most speech and language therapy.
- Reduced provision of special needs services.
- Cessation of occupational therapy in the community.
- Major reduction in physiotherapy services.

Importantly the above figures do not take into account the reduction in staff moral and the other unquantifiable implications of this proposed reduction in H&SS cash limit.

HOME AFFAIRS DEPARTMENT

Response to 9th Amendment from PAC – Reductions in expenditure allocations

In 2006 the Home Affairs Department undertook a prioritisation of services exercise in order to identify if savings could be made in order to achieve a balanced budget in 2007. As a result the Council of Ministers recognised the funding pressures facing the Department and agreed that it should receive additional resources of £1.1 million in 2008. Due to the time constraints since the lodging of the PAC amendment a further prioritisation exercise has not been possible. Therefore one option for dealing with the reduction in expenditure allocations is to not allocate additional funds in 2008 and cease certain service areas in 2009 and 2010.

The additional funds are required, in part, to set the base budgets of the Prison, the Jersey Field Squadron and the Criminal Injuries Compensation Scheme to properly reflect current service levels. The Prison has historically been under funded with additional amounts of £1.7 million and £500,000 being made available from the General Reserve in 2004 and 2005 and £550,000 from other Departments carry forward balances in 2006. Due to the budget shortfall in 2007 the Prison is forecasting an overspend position at the year end.

The funding for base budgets will not provide for any growth in services but is required to deliver existing services. Therefore, if these shortfalls are not funded, services will not be able to operate at current levels, in particular the Prison will not be able to operate at acceptable standards and awards will be restricted from the Criminal Injuries Compensation Scheme which is contrary to the appropriate legislation.

The balance of the additional funds are to be allocated to the implementation of the Prison Performance Improvement Plan which was prepared following the second critical report submitted by Her Majesty's Chief Inspector of Prisons. The Plan also includes proposals for improvements in prison education following an amendment to the Strategic Plan 2006 – 2011. Without this funding there will be no investment in prison education or the Prison Improvement Plan and any investment in 2007 will be lost.

Home Affairs services are, by their nature, heavily dependent on staff resources. In 2008 almost 82% of the Department's net budget relates to staff costs which mean that the PAC amendment will have a severe impact on staff resources and consequently front line services.

Although the impact of the PAC amendment is detailed below the opportunity to make such significant staff savings for a full year in 2008 is remote given current States manpower policies.

		£'000	£'000
2008			
Base Budgets	Prison	350	
	Jersey Field Squadron	50	
	Criminal Injuries Compensation Scheme	75	475
Prison	Performance Improvement Plan		563
			1,038
2009			
Criminal Injuries Compensation Scheme	Cease Scheme		200
			1,238
2010			
Building a Safer Society	Cease all projects and work with agencies		310
			1,548

If the PAC amendment is supported there will be a threat to the delivery of the Home Affairs Department's Objectives 1, 3 and 7 and consequently States Strategic Plan Commitments 3.2, 3.3 and 5.2.

PLANNING AND ENVIRONMENT DEPARTMENT

Response to 9th Amendment from PAC – Reductions in expenditure allocations

The Department would need to be able to meet the proposed reductions to the cash limits, of circa £230k over 5 years (2008 – 2012).

The department has suffered over £1.3 million of service cuts as a result of the Fundamental Spending Review and the resulting resource allocation process, as well as £350,000 of efficiency savings.

After these significant reductions there are very few options remaining from which the Department would be able to meet such cuts without reducing staff which would therefore result in compulsory redundancies.

The Department therefore would propose to meet any such reductions in cash limit from:

- Reduction in Countryside Renewal Grant Scheme – this would lead to the Department not being able to make such a significant contribution towards Countryside Initiatives and have a negative impact on the Agriculture Industry.

SOCIAL SECURITY DEPARTMENT

Response to 9th Amendment from PAC – Reductions in expenditure allocations

Target Savings 2008	£3,422 million
2009	£3,657 million
2010	£6,503 million

A significant percentage of the Departments States expenditure consists of benefit payments and Income Support. These are governed largely by legislation and therefore would require an amendment through the States before their impact could be realised. The Departments 2008 Business Plan sets a figure of net revenue expenditure totalling £146,596,100. Of this expenditure £77,049,100 (52%) is set aside for Income Support which includes the cost of administration and transitional funding to protect the less well off in the move to the new scheme. A further £61,214,700 (42%) is set aside for Supplementation – the States contribution to the Social Security Fund. After taking into account these categories of spend and expenditure on services which must be maintained as a result of statutory requirements (Health and Safety) and Jersey Employment Trust (JET) this leaves 5% (£7.9 million). However, this amount includes staffing costs of £0.7 million for which any reduction would mean potential redundancy costs. Any reduction in staffing numbers would also have a direct impact on the Department's ability to achieve its key business plan objectives in these areas, in particular:

- Objective 2 – Provide opportunities for higher skills and better employment.
- Objective 3 – Help employers and employees to work together for their mutual benefit and economy of the Island.

The remaining expenditure consists of benefit payments and grants to organisations to support employment services and relations. Expenditure in these areas could be reduced or budgets cut, however this would almost certainly have an impact on claimants and external organisations resulting in possible adverse publicity. Though the payment of Income Support is governed by Statute the annual increase in rating which is based on the percentage rise in earnings is at the discretion of the Minister and therefore there is scope in this area.

Cuts of this magnitude will necessitate the inclusion of the States having to agree to the cessation or reduction of benefits – they simply cannot be achieved without this.

The following proposals are therefore presented for consideration:

- Apply no up-rating for income support in 2008 (estimated saving £2.0 million).
- Cease provision of employment services. There will, however, be redundancy costs incurred if staff are not re-deployed within the organisation.
- Cease payment of benefit for dental insurance for those aged between 11 and 21.
- Stop payment of death grant on behalf of those deceased who have not paid into the Social Security scheme.
- Cease payment of annual Christmas bonus for certain beneficiaries, however this would require a States debate.
- Stop payment of TV Licence for over 75s, however this too would require a States debate.

The States Strategic Plan sets out a number of commitments which are particularly relevant to the Department. A material reduction in the Department's budget would have an impact on the achievement of the objectives associated with each commitment.

TRANSPORT AND TECHNICAL SERVICES DEPARTMENT

Response to 9th Amendment from PAC – Reductions in expenditure allocations

The department undertook a detailed assessment of the services it provides to the public and their associated costs as part of the “Fundamental Spending Review” in 2004/5. As a result of this spending review, two front line services had significant cuts imposed on them which have now been fully implemented. These cuts were:

- Parks and Gardens £730,000 and the loss of 20.19 staff
- Municipal cleaning services £300,000 and the loss of 10 staff.

The remainder of services provided to the public were reviewed in great detail at that time and it was not felt that any further reductions could be achieved without putting much of the Island’s critical infrastructure such as drains, waste, sewage treatment, sea defences and highways at risk of failure.

If further cuts are to be considered, it is inevitable that a service will have to be either terminated completely or severely reduced which will have major consequences to the operation of the infrastructure. In many cases reducing these services could result in a breach of regulatory controls, for example – Water Pollution (Jersey) Law 2000, Waste (Jersey) Law 1972, Road Traffic (Jersey) Law 1956 – which could result in the Minister and department facing prosecution. As a result, it is not felt that any further reductions are possible in areas governed by Regulation.

Given that the department has reduced its staff headcount by approximately 30 posts since 2005 through voluntary means, any further reductions in service will require compulsory redundancy in areas selected for cuts. It should be noted that redundancy payments have not been factored into any budgets and will require additional funding from a source to be determined outside of the department.

The department is also committed to a number of major contracts which cannot be broken without significant compensatory claims until they are due for renewal.

The opportunity exists for a number of services provided to the community to be charged for through new charges or significantly increasing existing charges where they currently have a significant element of public subsidy applied to them.

Areas to be considered.

- Increase school bus and student fares from 50p to £1.
- The cessation of Christmas, Castle and Promenade Display Lighting.
- Reduce the standard of out-of-town highways and footpath cleaning.
- Reduction in weekend facilities at the Refuse Handling Plant.
- Increase the public bus fares, or reduce the level of service in 2009.
- Introduce a 50p flat fare for pensioners.
- Increase the cost of Septic Tank emptying service to full cost recovery, or close down the service.
- Increase the cost of operating the abattoir to full cost recovery, or allow the local meat industry to operate it with no public subsidy.
- Further reduce the standards in Parks and Gardens and Municipal Cleaning.
- Reduce the highways resurfacing programme and concentrate on “pothole” repairs only.
- Reduce the level of recycling and burn recyclable waste.

TREASURY AND RESOURCES DEPARTMENT

The 9th amendment of the PAC would require the T&R Department to make a budget reduction of approx £560,000 by 2010.

The proposed funding reduction to the T&R department would be significant given that most of its activities are either:

- statutory,
- have recently undertaken an aggressive efficiency drive (Finance Transformation, Property Transformation),
- make money (Procurement) or
- have had significant increased workload without commensurate resource increase (Income Tax).

In particular the finance and procurement efficiency programmes have already delivered significant efficiencies of £1.1 million and £1.9 million respectively.

It is therefore unlikely that the department could pro rata this funding reduction to the various sections without staff losses and a significant service reduction.

The main discretionary area that cuts could be applied to is the Internal Audit function. This service has a total budget of £600,000. The number of internal audit reviews undertaken would be reduced by approximately one third.

This service has a clear link to the States Strategic Plan (Commitment 6.2 – Efficient and Effective Public Services), a clear benefit to the public and a decrease in funding would inevitably weaken the assurances regarding the financial control of all States departments.

In addition, cuts would be required to be made in Income Tax (£100,000), the main impact being a major reduction in the distribution of payment notices with a consequent delay in collection and reduction in the interest earned from tax paid.

The balance would be attributed to other areas of the Treasury and given that these areas undertake mostly statutory duties, and have already been through a significant efficiency review (the Finance Transformation Project) generating significant savings across the finance function, any additional cuts will result in staff losses and a weakening of financial control, a reduction in the quality of financial information to support decision making, and delays in the collection of income and the payment of invoices.