

STATES OF JERSEY



DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – EIGHTH AMENDMENT (P.68/2016 Amd.(8)) – COMMENTS

**Presented to the States on 26th September 2016
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Corporate Services Scrutiny Panel proposes that –

- the Panel has estimated that the total net revenue department expenditure shall be decreased in total in 2017, 2018 and 2019 by up to £35,747,444, with the net revenue expenditure of each Ministerial Department and Non-Ministerial States Body reduced by the amount to be calculated by the Department for Treasury and Resources in order to reduce the vacancy rate for that Department or Body in 2016 to a maximum of 3%;

(indicative reductions to net revenue expenditure for each department in 2017, 2018 and 2019 are attached as Appendix 1 to this Comment)
- the removal of the proposed transfers from the Health insurance Fund (“HIF”) amounting to £5 million per annum;
- the total proposed Contingency allocation be –
 - increased by £35,747,444 in 2017, 2018 and 2019 to offset the reduction in department net revenue expenditure in each year from Appendix 1;
 - less the reduction to offset the removal of the Health Insurance Fund transfer from the Health and Social Services Department of £5 million in 2017, 2018 and 2019; and
 - less a reduction to offset the removal of the proposed Health charge of £7.5 million in 2018 and £15 million in 2019;
- the proposed in principle approval of an income-based Health charge raising £7.5 million in 2018 and £15 million in 2019 be deleted.

The Council of Ministers strongly opposes this Amendment and urges States Members to reject it.

Summary of Council of Ministers’ Comments

- The initial impression given by the amendment is that approximately £36 million per annum of funding can be removed from Departments by removing vacancies in addition to the £73 million already proposed to be removed over the period of the MTFP.
- The Council of Ministers is in no doubt that to do so will require the withdrawal of growth funding in Health and Education, preventing the proposed improvements in care, and halting the achievement of children in schools. In addition, deep impacts to front-line services will be felt by members of our community across the range of public services.
- The Panel appears to be proposing that savings need not be as significant as this, as they leave some of these funds in Contingency to be re-apportioned to Departments on a needs basis. This would be extremely complex to administer.

- Although this amendment sounds seductive, the minimum savings that would have to be found, after deductions to remove the Health charge and HIF transfers, are still considerable –
 - £5 million per annum in 2017,
 - £12.5 million by 2018, and
 - £20 million per annum by 2019.
- The Council is convinced that these still considerable sums by 2019 will also lead to under-investment in Health and Education, and substantial impact upon services, with some possibly having to cease.

Detailed Comments

- The proposition is based on a flawed appreciation of how the States of Jersey manages its headcount, and fails to recognise the dynamic nature of vacancy management and significant amount of change being undertaken though out departments.
- The overall effect of this amendment would remove proposed growth in staffing budget included for priority areas in the MTFP Addition 2017 – 2019, including Health and Social Services and Education, and would impose additional savings on all departments to those already proposed to meet the financial envelope approved by the States during the MTFP 2016 – 2019 debate of October 2015.
- The manpower budget for the States of Jersey is agreed by the States in the MTFP debate, and proposed figures have been calculated by departments based on the cost and manpower required to deliver agreed services. The figures in the MTFP Addition 2017 – 2019 include savings for all States departments and growth for priority areas, including Health and Social Services and Education, for the entire MTFP period (2016 – 2019).
- The proposal fails to recognise that all organisations have a turnover figure. The average turnover rate for the States of Jersey in the last 12 months was 13.1%. Comparable figures taken from U.K. sources indicate a turnover rate of between 11.4% and 14.1% in the U.K. public sector (*source*: local government association workforce survey February 2014, and labour turnover survey 2014 by Xpert HR).
- Our vacancy of 888.4 FTE (June 2016) includes posts that are under recruitment, plus growth posts for 2016 awaiting establishment of the service (approved in the MTFP 2016 – 2019 debate) for Health and Social Services and Education, posts being reviewed as part of service review and re-design; and other activities that occur in an organisation undergoing substantial change.
- The vacancy rate changes on a daily basis, as people start and leave employment. It will also be impacted by events through the year; for example, the vacancy figure will be higher in school summer break, as appointments are not yet in place for the new academic year.

Vacancy management across the States of Jersey

- At the end of August the States were using 181 agency-workers to cover vacant administrative posts. In addition, Health also employs agency, locum staff in health-related professions, uses bank nurses to cover vacant posts, and Education uses supply-teacher and temporary lecturing staff. As these are non-permanent members of staff, none of these workers are accounted for in the vacancy rate; however, the budget from vacant posts will be used to fund this type of cover arrangement.
- **Health and Social Services** are currently recruiting to 129.7 FTE, (see **Appendix 2**) holding 77.60 FTE vacant posts to meet saving requirements or pending service re-design. In addition, a further 130.9 FTE is being covered by temporary staff, and the remainder are being held for growth posts funded through growth approved in the MTFP but yet to be appointed.
- The **Department for Infrastructure** are currently holding 79.4 FTE pending the completion of service reviews and outsourcing within Parks and Gardens and Cleaning Services. Posts will be deleted from the Human Resources system once outside providers are in place and service re-designs have been completed. The budget for these posts will be used to fund supplier contracts and meet savings targets required to deliver MTFP financial targets. Of the remaining vacant posts, most will be maintained to support the new organisational structure following the re-design process.
- The **Chief Minister's Department** is carrying out service reviews in several areas, including the Information Services Department. In order to manage any potential staff impact, the department were holding 39.1 FTE of vacant posts in June. Of these, 25 posts are currently being covered by agency-workers and 5 posts are being recruited to. The posts vacated as a result of the current tender process to outsource a number of service areas will be deleted on completion of the evaluation process and the decision taken to outsource the service.
- The **Education Department**, in addition to their usual recruitment (see **Appendix 2**) are currently holding 107 FTE to fund supply-teachers and contracts of a temporary nature. Their vacancy figures also include growth and contingency to respond to increases in pupil numbers, to support pupils with special needs, and for the implementation of future projects such as the Jersey Pupil Premium. The Jersey Pupil Premium is currently in pilot, and will not be fully implemented until the pilot has been completed and reviewed.
- The **Treasury and Resources Department** are currently recruiting to 7.4 FTE. The remainder of their vacancies are either on hold and will be given up to meet savings targets for January 2017, or are on hold pending service re-design. An example of this is the Taxes Department, where 6.4 FTE is being covered by agency-staff in order to reduce the impact on permanent staff, following service re-design to support the introduction of a new tax collection system.
- The **Community and Constitutional Affairs Department** currently have 17.1 FTE under recruitment and are holding 3 FTE for Prison Officer recruitment, as it is more cost-effective to recruit and train staff in groups. The remaining vacancy is on hold to meet savings targets already proposed in MTFP 2017 – 2019 or pending service re-design outcomes. An example of this is in the Police Force,

where movement to a new Police Headquarters has led to service re-design being undertaken to meet future savings targets. Holding vacancies allows changes to be implemented with minimal impact on the existing permanent staff.

Impact of the amendment

If the amendment to cut the States of Jersey vacancy rate to 3% were to be successful, the impact would mean (see **Appendix 1**) –

- In Health and Social Services alone, the proposed reduction in vacancies and additional saving would equate to up to 8% cut in budget on top of the current saving requirement already agreed and proposed in MTFP. This would equate to up to an additional £17 million saving, which equates to approximately up to 12% of the Department's staffing budget. To put this into context, this additional budget reduction equates to the entire funding for all mental health services.
- In Education, the proposed reduction in vacancies to 3% would result in up to a £7 million reduction in staff budgets, which equates to a cut of up to 7% in the Education overall budget. This would be on top of the savings already identified for the MTFP period 2016 – 2019. To put this in context, this reduction equates to the entire funding of the youth service, careers service and early years' provision (States nurseries and NEF). Increasing demographics already puts pressure on both the education budget and staffing requirements.
- The Department for Infrastructure ("DfI") would be required to lose up to approximately 23% of its staffing budget (approximately £5.1 million on the figures calculated by the Treasury). This would nearly double the amount already required to be saved as part of the "transformation and service reviews" of DfI which is currently underway and will continue in order to meet financial targets for the period of the MTFP 2016 – 2019.
- The Department for Infrastructure acts as a service provider for a number of States departments under Service Level Agreements, most of which attract an income-stream for DfI which offsets the cost of providing that service. Removing the staff budgets would leave DfI with an unachievable income target and no means of delivering services.
- The Chief Minister's Department would be required to lose up to approximately 31.8 FTE, equating to a £1.66 million reduction in staffing budget in addition to savings already agreed for 2016 and proposed for the remaining MTFP period. This would result in the Information Services Department not having the funds required to enter into a contract with a supplier, or being unable to refill the vacant posts required to deliver key services; and a need to reduce other corporate delivery areas, including HR. The consequences would be a very significant reduction in the provision of IS and HR delivery throughout the entire States.
- Ultimately, the Amendment would impose a cut in staffing budgets that would require all States departments to cut and cease core services and make permanent staff members compulsorily redundant at a cost of, on average, £50,000 per employee.

Process of re-allocation and re-prioritisation

- The Council of Ministers has prioritised the proposals in the MTFP on the strategic priorities of the States. This Amendment undermines that process and fundamentally alters the prioritisation of available resources to invest in strategic priorities agreed by the States.
- The prioritisation carried out by the Council of Ministers has been extensive –
 - The initial prioritisation was carried out alongside an ongoing spending review, supported by external advisers, to identify savings and efficiencies both across the States and within individual department programmes.
 - The prioritisation of available funding has evolved over a period of discussion and several iterations of the proposals before the final allocations were agreed.
 - Significant further work has been carried out over period since the initial debate on P.72/2015 to finalise the proposals for the MTFP Addition 2017 – 2019.
 - The proposals have been refined based on consideration of the impact on the levels of service and a focus on efficiencies which has proposed extending the period over which the savings are achieved beyond this MTFP period and reduced the target by 2019 from £90 million to £77 million.
 - Each department has prioritised the available funding to be aligned with our strategic priorities, and this means that every department has contributed to the overall re-prioritisation.
 - The final proposals have then been subject to a distributional analysis and a series of Ministerial Reviews to further assess the impact on services.
- The Council of Ministers believes that it is presenting a balanced and sustainable package in line with the strategic priorities.
- The package of measures are being proposed to re-prioritise resources by reducing spending in some areas, in order to invest in other higher-priority services of Health and Education; and also to fund important capital projects and to invest in economic growth and improving productivity.
- The overall approach and balance of measures between fiscal stimulus and fiscal tightening was endorsed by the FPP in its initial report in September 2015, and the revised package has most recently been re-affirmed by the Panel, post-BREXIT in its latest Annual Report.

Summary of Financial implications

The Panel has estimated that the total net revenue expenditure for Ministerial Departments and Non-Ministerial States Bodies will be cut in 2017, 2018 and 2019 by £35,747,444. The indicative reductions to each Ministerial Department and Non-Ministerial States Funded Body from 2017 have been calculated in **Appendix 1**.

The proposed cuts in department net revenue expenditure are proposed to enable the removal of the transfers of £5 million each year from Health Insurance Fund to the Health and Social Services Department in 2017, 2018 and 2019, and the removal of the proposed Health Charge of £7.5 million and £15 million in 2018 and 2019 respectively.

Manpower implications

There would be significant manpower reductions arising from this proposal, which could amount to as many as 700 FTEs, assuming an average saving per FTE of £50,000.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

These comments were received by the States Greffe after the deadline set out in Standing Order 37A because the Council of Ministers wanted to ascertain the views of members and to ensure proper consideration was given to the Amendments and the later Amendments to Amendments, to provide the latest information ahead of the debate.

APPENDIX 1

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Indicative figures illustrating the potential impact of the proposed amendment on manpower levels and budgets for States departments. In the event that the Amendment was agreed the final allocation of savings would need to be reviewed.					
States Funded Bodies	Vacancies	Proposed Vacancy Reduction	Vacancies	Proposed FTE Reduction	Proposed FTE Reduction
	FTE		FTE		
	Jun-16 %	2017 %	Jun-16 FTE	2017 FTE	2017 £
Ministerial Departments					
Chief Minister	16.1%	13.1%	39.1	31.8	(1,665,604)
- Jersey Overseas Aid Commission	35.1%	32.1%	0.5	0.5	(23,940)
External Relations - (included in Chief Minister)					-
Community and Constitutional Affairs	8.1%	5.1%	56.5	35.6	(1,862,444)
Economic Development, Tourism, Sport and Culture	11.0%	8.0%	13.7	10.0	(521,636)
Education	10.6%	7.6%	181.8	130.3	(6,824,191)
Department of Environment	10.2%	7.2%	11.7	8.3	(432,382)
Health and Social Services	14.8%	11.8%	405.9	323.6	(16,942,946)
Infrastructure	20.8%	17.8%	114.6	98.1	(5,134,414)
Social Security	8.9%	5.9%	22.6	15.0	(784,368)
Treasury and Resources	9.5%	6.5%	19.6	13.4	(706,245)
Total Ministerial Departments			866.0	666.5	(34,898,170)
Non Ministerial States Funded Bodies					
- Bailiff's Chamber	0.0%		-		-
- Law Officers' Department	8.2%	5.2%	5.9	3.7	(195,880)
- Judicial Greffe	13.5%	10.5%	6.3	4.9	(256,534)
- Viscount's Department	0.3%		0.1	-	-
- Official Analyst	34.0%	31.0%	3.2	2.9	(152,750)
- Office of the Lieutenant Governor	4.3%	1.3%	0.6	0.2	(9,497)
- Office of the Dean of Jersey	0.0%	0.0%	-	-	-
- Office of the Data Protection Commissioner	0.0%	0.0%	-	-	-
- Probation Department	7.2%	4.2%	2.3	1.3	(70,242)
- Comptroller and Auditor General	40.5%	37.5%	0.4	0.4	(19,390)
States Assembly and its Services	13.0%	10.0%	3.6	2.8	(144,980)
Total Non Ministerial Departments			22.4	16.2	(849,274)
Total Impact on Departments			888.4	682.7	(35,747,444)

The vacancy reporting has not separately identified External Relations which for this purpose is included in Chief Ministers Department

Using an average cost of employment across all departments consistent with the methodology in the Amendment.

APPENDIX 2

Health Recruitment (FTE)

Medical Staff	Nurses and Midwives	Children's Service Staff	Adult Social Care	Allied health professional*	Portering, housekeeping, etc.	Support staff
4.2	58.8	13.2	6.1	15	17.2	15.3

*includes radiology, physiotherapy, psychology, etc.

Education Recruitment (FTE)

Heads and Deputies	Teachers	Classroom-based non-teaching staff	School-based support staff	Management and Administrative support
3.00	6.6	14.1	5.2	2.5

Community and Constitutional Affairs (FTE)

Prison Officers	Police Officers	Administrative support service
2.0	13.5	1.5