

STATES OF JERSEY

**Corporate Services Scrutiny Panel
Comprehensive Spending Review:
2012 - 2013 and Delivery**

FRIDAY, 20th MAY 2011

Panel:

Senator S.C. Ferguson (Chairman)
Senator J.L. Perchard
Deputy D.J. De Sousa of St. Helier
Mr. M. Oliver, Panel Adviser
Mr. N. McLocklin, Panel Adviser

Witnesses:

Deputy I.J. Gorst of St. Clement (The Minister for Social Security)
Deputy A.E. Jeune of St. Brelade (Assistant Minister for Social Security)
Mr. R. Bell, Chief Officer
Mr. I. Burns, Operations Director

Also present:

Mr. M. Hayden

[10:48]

Senator S.C. Ferguson (Chairman):

Good morning, ladies and gentlemen. Welcome to this meeting of the Corporate Services Scrutiny Panel to look at the Comprehensive Spending Review 2012-2013 and the delivery thereof. There is a public health warning notice there. If you have not read it perhaps you could just cast your eyes over it and, for the purpose of the ladies in New Zealand who are doing the transcribing, I wonder if you could say who and what you are.

The Minister for Social Security:

Oh dear, what I am. I am Ian Gorst; I am Minister for Social Security.

Assistant Minister for Social Security:

Angela Jeune, Assistant Minister for Social Security.

Chief Officer:

Richard Bell, Chief Officer.

Operations Director:

Ian Burns, Operations Director.

Senator S.C. Ferguson:

May I suggest, Richard, that you and Ian share the microphone?

Mr. M. Oliver:

Michael Oliver, an adviser to the panel.

Senator J.L. Perchard:

Senator Jim Perchard.

Deputy D.J. De Sousa of St. Helier:

Deputy Debbie De Sousa.

Senator S.C. Ferguson:

Sarah Ferguson, Chairman.

Mr. M. Hayden:

Mike Hayden, Scrutiny Officer.

Mr. N. McLocklin:

Neil McLocklin, Panel Adviser.

Senator S.C. Ferguson:

What do you understand is the purpose of the C.S.R. (Comprehensive Spending Review)?

The Minister for Social Security:

It is an opportunity for the States and departments to look at their spending, to look at their processes and to see where they can make savings, do things more efficiently. Thereby meaning that, hopefully, our spend becomes more aligned to our income.

Senator S.C. Ferguson:

How are you going to ensure that your department is going to make genuine savings as per the Controller and Auditor General's 2008 report?

The Minister for Social Security:

Yes, the Controller and Auditor General looked at some of the savings that had been made in the previous saving round - I think it was £20 million or so - and categorised that some were straightforward savings, some were reductions in budget; some were in effect asking other people to pay for withdrawing grants to third parties. I was quite clear in the savings that I put forward for 2011, how those were categorised, and some were genuine savings; some were simply realignment of budgets to previous uptake and some were reduction in grants to third party bodies, but they were managed in consultation with those bodies and they came to the agreement that, yes, they could make those savings in their budget and, therefore, we could make those savings in departmental budgets. So we were quite clear about what it was that we were proposing and how they would fit into those categorisation that the Controller and Auditor General listed in his review, some of which he would say were not savings, and in the strictest sense of savings he is absolutely right.

Senator S.C. Ferguson:

So what methodology have you adopted to identify savings?

The Minister for Social Security:

I suppose we use - on the one hand you could say it was a fairly basic approach - we have tried to look at everything, but we have looked at administration on the one hand. Ian has been responsible for doing that: looking at how we are delivering services; how we can do that more effectively; looking at how we can get things right first time; how we can make sure that people have to have as fewer interactions with us as necessary; how we can become more customer focused in the delivery of our service; how we can manage staff improvement and staff numbers. So we have had a piece of work going on there, but obviously that is not sufficient to make the quantum of saving that we have been asked to look for, so we have also then had to look at the benefits that we are providing. In that respect, what we have done is simply tried to, in a way, go from the top down. So those that are means tested and then those that are just above the means test, in actual fact we are trying to say that those benefits which are available to the more wealthy, although it is all relative because we are on the whole providing a safety net to our community and we have tried to drill down in that respect, and that is the approach we have taken.

Senator S.C. Ferguson:

You are going to be a bit held back on that because you have not finished your overall review yet.

The Minister for Social Security:

No, that is right. We are making good progress on the 11 targets. We do not see any problems with those at all. Some are already banked - if we can use that phrase. Some are in process because they are taking place throughout the year. Of course some of our savings were 2012 but, more specifically, for 2013 will arise from the

review. So, although we are committed to that bottom line of saving, the process of how we are going to deliver those savings will flow very much out of our review.

Senator S.C. Ferguson:

Yes, because the implication with some of your 2012 and 2013 ones is that you will also be looking at rates, and so on.

The Minister for Social Security:

It is. That is right. We will be looking at areas within the Income Support system that perhaps we will see need to be amended. Whether rates are appropriate or whether there are some differentials there, which might need to be addressed, and changes might need to be made to the way that we deliver these components. There will be potentially some savings there on how we deal with those components as well, but that really needs to come out of a review. We are in the process of more or less coming to the end of looking at how we deal with work, and how Income Support deals with helping people get back to work and we will be putting forward some changes. Some can be done by order but some will need States' approval to the word parts of Income Support, and they will be coming before the States in July. Some of those should lead to savings and that will flow into our 2011 savings.

Senator S.C. Ferguson:

Did you identify your core services? Can you articulate them?

The Minister for Social Security:

Can I articulate them in a phrase? Our core services are providing, on the one hand, a safety net benefit to our community and, on the other hand, a generalised contributory benefit to our community as well. So we have 2 strands of what our core

services are. Obviously, the pension and State contributions and Income Support is the safety net.

Deputy D.J. De Sousa:

Can I just ...?

Senator S.C. Ferguson:

Yes, sure.

Deputy D.J. De Sousa:

You have mentioned the review. Have you any date of when the review is going to be completed and presented?

The Minister for Social Security:

The review is a revolving ... is that the word I am looking for?

Deputy D.J. De Sousa:

Evolving?

The Minister for Social Security:

Rolling; rolling review. So we are doing it in chunks because, as you know, it covers a vast area of those with needs and we have taken, first of all, the area of work which I have said. We have been drawing some conclusions from that and those conclusions will result in what I am going to present to the States at the beginning of June, so that individuals will see that. Then we will be looking at, as I said, the generalised rates, the components. We have to look at disability and how that works and how we deal with that. In Income Support we have to look at the interaction with tax. So it is a long job.

Deputy D.J. De Sousa:

So will you be producing a review of each section and producing the reports each time that is completed or are we going to have to wait until the next constitution of the House before we get the report?

The Minister for Social Security:

We will not have finished this view between now and October. As I say, we will be providing the action points from the bit of work, but the other bit will be ongoing. That is rightly so. With the Statistics Unit, we instituted the Income Distribution Survey; we had questions on deprivation in the Jersey Annual Social Survey, and we now have to go away and do analysis of those to help inform our review going forward as well. So it is by no means a quick piece of work.

Deputy D.J. De Sousa:

Okay. The other thing was benefits. You mentioned benefits and they are part of the C.S.R. cuts. Total benefits and Income Support savings, so they are part of the C.S.R. How do you perceive that you can make savings in benefits when we are still in a recession and people are still being made redundant and unemployed? How can you see that you are going to make any savings when there is a possibility that numbers could even go up on unemployment?

The Minister for Social Security:

Perhaps this ties in with the Chairman's first question about what the Controller and Auditor General said were savings and what were not. It would be quite easy on the one hand for me to say: "We have under spent this last year. That is my saving done and dusted", but I do not believe that that is an appropriate way to deal with benefit provision. We know what the requirement for benefit, to a large extent, is we have

the entitlement process, which the States has agreed; so we know that there is an entitlement there.

[11:00]

Then what is happening in the economy drives: how many people are going to, in effect, be entitled. So I do not believe it is right for me, or the department, to take a saving just because the economy is performing better. You could argue that I could, but I do not think that is a true saving. A saving is looking at benefit levels; looking at component levels; looking at how they interact and trying to take savings on those because they will be true savings, but the benefit will still be available if more people become unemployed because of what is happening in the economy, and you will know from the way that Treasury is now dealing with benefit spend is an A.M.E (Annually Managed Expenditure). Is that right? I get muddled up with Treasury's A.M.E.s and D.E.L.s (Department Expenditure Level). Yes, as an A.M.E. and, therefore, if there is more people coming into the system or they are working less hours and, therefore, an entitlement arises, that will have to flow from Treasury. Now, we try and budget for that in the best way that we can. So there will be that fluctuation but that should be outside of what I am looking for to save, because it is not fair for me to claim a saving because the economy is improving. Having said that, there is an area where it is slightly more complicated and that is with regard to getting people back to work. We have, as you know, put an extra £500,000 this year into trying to help people back to work, giving them a much more tailored service, and we are concentrating that on ...

Deputy D.J. De Sousa:

Is that stimulus?

The Minister for Social Security:

No, it is money from my department. I think it was ... no, you will have to remind me of that. I think it is money that we had spent that the Treasury allowed us to put into this area. We are targeting that at young unemployed, and we are also targeting it at those who have been unemployed for more than 6 months. Where it gets difficult is, anybody that we are now getting back to work because of that enhanced process, can I take that as a saving - well, you nod your head - or would they have got back to work anyway? You could argue perhaps that those who have not been unemployed for very long, let us say under 3 months, that should not be a saving. That should just be part of the economy. We might have helped them get back to work 3 weeks earlier than they would have done. There are, perhaps, 3 or even 6 months that I am targeting. Then I would argue that that perhaps that should be allocated as a saving because it is a direct intervention which put money in to help them get back to work. So that categorisation of whether I can take that as a saving or not is a little bit more complex. We have not finally agreed on how we might make up the 1.2 we are looking for for next year into that, but we are looking along those lines; whether 3 months is better or 6 months is better. I suppose it will depend on how we are dealing with trying to make that balance up to which of those we might go for.

Deputy D.J. De Sousa:

Okay. You mentioned the under spend. How much of the £21 million was from your department?

The Minister for Social Security:

I know it was reported in the media that it was £5 million when in actual fact it was £8 million.

Deputy D.J. De Sousa:

£8 million.

Senator S.C. Ferguson:

That was because there were benefits that might have been claimed that were not?

The Minister for Social Security:

No. I have a breakdown of it for you. So I will get it correct. So, going back to what is happening in the economy, we had automatic stabiliser money put into Income Support to help us deal with the downturn in the economy. We used projections to where we thought the economy might be at this stage, and in actual fact those projections for last year have proved to be slightly more pessimistic than was reality, and we will come on that we are by far from certain that the economy will perhaps improve in the way that we might have thought it would when we were starting the projections for 10, but certainly 10 was not as bad or as pessimistic as we thought. That was £1.3 million. Transition benefit: I am just wondering. This is not in the public domain so I will have to try and deal with this carefully.

Senator S.C. Ferguson:

You can leave that until later if you want.

The Minister for Social Security:

There is another £1.5 million from the improvement in transition. We have done a body of work to review those transition claims and recognise that some of them did not meet the original criteria of transition. So we moved those off. We started the first transition process, so there were savings there. There have been savings in the way that we have paid for residential care beds, quite large savings there, and several other areas of savings which I will not drill down into. That is how our under spend arose.

Deputy D.J. De Sousa:

That is where the £8 million is made up.

The Minister for Social Security:

Yes. As you know, we have handed that back to the Treasury.

Deputy D.J. De Sousa:

Are you going to be asking for any of that back?

The Minister for Social Security:

No, we have handed it back because we are one of those departments, as I have said right at the start, because there is this fluctuation in the economy which affects the benefits which people might be entitled to, it is right for us to hand it back, but then if things go the other way it is right for Treasury to provide that entitlement back again; the money for the entitlement.

Senator J.L. Perchard:

Before we moved on to your savings achieved last year something that you were talking about was unemployment, and you replied that that was your growth area of expenditure. Is that right? What is your biggest growth area of expenditure and are you getting support from your ministerial colleagues in order to address the pressures that would come about from immigration, for example?

The Minister for Social Security:

Do not forget that you do not have an entitlement to Income Support until you have been resident for 5 years, so that it not a direct pressure as such. Also, do not forget, that people on our register as actively seeking work are not the full number of

unemployed in our community. We know that there are a low number. Say, if there about 1,700 but the number that we always had on our register was never the full amount. So we have always known there is a hidden amount. We do know that that has grown. I just cannot remember off the top of my head, the I.L.O. (International Labour Organisation) number; 3 per cent. So it has drifted up from about 2 per cent/2.3 per cent over the last couple of years up to 3 per cent. So there has been that increase. We are seeing more people. We are seeing a narrowing of the gap, so the number of people registered with us and the number the I.L.O. say is becoming more aligned. We also know that obviously with Income Support now we are much more rigorous and we are going to get even more rigorous on making people come in and show willing and try and find work. So about 1,000 of those 1,300 are people who are having to register to get their benefit entitlement, and having to work to try and find work. So that is why are seeing a bigger number as well.

Senator J.L. Perchard:

So this is the area of crisis; unemployment benefit is your biggest area of gross expenditure?

The Minister for Social Security:

It does not work like that. We do not have an unemployment benefit as you know, it is Income Support. Some people have to.

Senator J.L. Perchard:

Yes, is that your biggest area?

The Minister for Social Security:

It is probably. Inevitably, it is going to be some area, some of it, because we have seen that growth up from 2.3 per cent to 3 per cent, but we will have also seen that earnings have not risen very much. So people may fall down then into the entitlement net because they have not had pay rises. We know that overtime is under pressure in the marketplace. So that is another thing. Their earnings are reducing because they cannot get the overtime. So it is all these things, you cannot just say ...

Senator J.L. Perchard:

With 1,300 people claiming unemployment benefit, and while I fully ...

The Minister for Social Security:

No, just short of 1,000 of those people.

Senator J.L. Perchard:

That is good news.

Senator S.C. Ferguson:

So basically we are talking about roughly a 3 per cent unemployment rate?

The Minister for Social Security:

In the Island, yes.

Senator S.C. Ferguson:

In the Island, compared to - I do not know - 10 per cent in the US and I forget what the U.K. rate is at the moment.

The Minister for Social Security:

It is about that, yes.

Senator J.L. Perchard:

You did not answer my question about migration. Obviously, there are people coming over, taking jobs then creating for those that are entitled to unemployment benefit an opportunity for them to work.

The Minister for Social Security:

We do not have an unemployment benefit.

Senator S.C. Ferguson:

No.

Senator J.L. Perchard:

Income support. Are you, as a consequence, getting the necessary support from Economic Development particularly with regards to ...

The Minister for Social Security:

I am sorry, I did not realise that is what you were asking. There is no doubt that there will be a link between immigrants coming and taking jobs and job availability for locals.

Senator J.L. Perchard:

Of course there is a link.

The Minister for Social Security:

We work very hard with Economic Development and we take our place on the Skills Executive to try and see that jobs are created, and to try and ensure that Economic

Development are absolutely aware of the skills of the people that we have on our registers, so that they are not giving licences; either renewing them or granting new ones for the skills of the people that we have and that we are providing benefit to, and we attend that. They have meetings where they consider those licences. My Assistant Minister attends. She has been called the Minister's Rottweiler, and I think that is probably an appropriate description for the role that we have, although it is not statutory. She is very much there making sure that things are not slipping through.

Senator S.C. Ferguson:

Obviously, you are almost a pivotal department because you have to work with Health because you are responsible almost for financing quite a lot of the primary health care, economic development, education. So are you having meaningful - a tolerable word - proper discussions with the other departments about how you all work together?

The Minister for Social Security:

Yes. You use the word "pivotal" and that is a nice way to think of it. Sometimes I think we feel as though we are the ones who are always having to argue and be a little bit uncomfortable with people for that very reason, because we recognise that we have a responsibility to our clients and to those in our community who find it difficult, and we are always having to push the arguments that businesses themselves have a responsibility to employ people within our community, and not always necessarily go for the easy option of asking for unqualified licences. Of course, Economic Development will see it slightly differently, and historically we have heard the argument that local people do not want to do those particular jobs. So we have work that we do within our department and these are some of the issues that I will be bringing forward to the States to make sure that people are: (a) ready for work; (b) motivated and will take up those jobs which perhaps in the past they have

not, and therefore so that employers do not have any grounds for their argument, we make those arguments now, but we want to continue to make sure that we are keeping our side of the bargain and that is making sure that the people we see are willing and able to take up those jobs.

Senator S.C. Ferguson:

Yes, are you getting though the cross-departmental support, because obviously what you will do is affected by and affects Education; is affected by and affects Health, similarly with E.D.D. (Economic Development Department). Are you really getting the sort of joined up Government?

The Minister for Social Security:

I think, certainly with Economic Development and Education and ourselves being on the Skills Executive, we are. That piece of work there is looking at skills into the future and what sort of skills our economy is going to need. They are looking to develop the Advance to Work Scheme, training that we need to put in place, courses at Highlands that we need to put in place, apprenticeships which come through Economic Development, which we need to put in place, and of course the critical thing that we have just talked about, around making sure that there are licences for locally qualified people and that we are helping and enabling our people to get into a position so that they can take up those jobs. It is all too easy in my mind to say that those on benefit are not willing and able to work. I do not believe that and we are working to make sure that there are no grounds for that allegation at all, but that we work together as a community to help to deal with these issues.

[11:15]

Senator S.C. Ferguson:

I notice that you have not mentioned primary health care, which surely is one of the biggest areas of saving that the States can look at apart from the cross-cutting issues.

The Minister for Social Security:

Yes, if we just reel back to our work looking at administration and processes, that is the total across the department, but any savings we see there, as you know, we allocate them between tax funded, contributory and health fund, because we look after all of those 3 things. So the C.S.R. is very much just looking at tax bottom line and, therefore, we are looking for savings there. However, as I have said, changes to our administration affects the 3. As you know, the difficulty that we have with regard to primary health care there are, without doubt, changes in the way that we can operate. The savings may not necessarily be in primary health care; the savings might be taking costs out of the hospital and providing those services more appropriately - sometimes cheaper - in the primary care setting.

Senator S.C. Ferguson:

Yes, because £7 out of every £10 spent on national health in the U.K. goes on chronic conditions that have become acute.

The Minister for Social Security:

That is absolutely right, and I think the Chairman knows my ...

Senator S.C. Ferguson:

I keep waving the knife.

The Minister for Social Security:

... opinion on that and, without again trying to talk out of school, those very issues are the ones that KPMG will be coming forward with and making some suggestions about where we should be going, but we have to be clear that those sorts of programmes will need to be funded and, in all likelihood, the place that the funding would come from is the Health Insurance Fund.

Senator S.C. Ferguson:

We voted the 6-month £3 million of the Health Insurance Fund to H.&S.S. (Health and Social Services) last year. Have you been able to keep an on where it is being utilised?

The Minister for Social Security:

I am not sure whether you will be pleased or not to know that that law has not yet returned from Privy Council, so no payments have been made. The control of the payments was agreed that it was going to be overseen by Treasury and Resources. They have produced a methodology, which I probably should have reviewed and considered but I have not yet. Once the law is back from Privy Council then I will need to give my approval for that methodology for how they are going to review the transfers across.

Senator S.C. Ferguson:

Yes, because you are going to make sure that it is spent on what we thought it was going to be spent on.

The Minister for Social Security:

That is right.

Senator J.L. Perchard:

Unlike some of your ministerial colleagues, Minister, you really have no potential to levy new charges or new income streams. Do you feel that disadvantages your department over and above other departments who can achieve these C.S.R. savings by raising their levels of income?

The Minister for Social Security:

I do not feel disadvantaged. My department is what it is. We have put forward what I believe are appropriate savings levels. The Council of Ministers agreed with that and perhaps the level of savings that I am being asked to consider takes into account that very fact.

Senator J.L. Perchard:

Yes, it was 6 per cent, rather in fact ...

Mr. N. McLocklin:

Can I just follow up on something that the Chair was alluding to about costs working and working with colleagues in other departments, Health, Housing, et cetera. Is the C.S.R. programme, as an entity, as opposed as your business as usual relationships with Economic Development or whatever, fostering more thinking across departments and ministries?

The Minister for Social Security:

I suppose you could say. In a way, I do not think of it like that. I just think if I have an issue that is a cross-departmental issue I get on with it and we set up a meeting and we deal with it. The area where it is probably most of all, perhaps, is with Housing because they are doing are doing the Housing Transformation Plan.

Mr. N. McLocklin:

Exactly, that is what I had in mind.

The Minister for Social Security:

We are part of that and, although I do not think of it as that, that is exactly what it is and it is critical to their delivery and it is critical to our delivery. We have to make sure that in the old comedy routine where you hit the rabbit in the hole, that you manage to hit it down here but it pops up somewhere else, we have to make sure that we are not doing that and that is one of the programmes where it is critical.

Mr. N. McLocklin:

Exactly. They were telling us last week about the energy reduction measures they are putting in place, which obviously ...

The Minister for Social Security:

That is part of our saving.

Mr. N. McLocklin:

That is part of your thinking. That is fantastic. Good.

Senator S.C. Ferguson:

Yes, although the Housing Transformation Programme the point has been raised - it was raised with Housing - that there were certain recommendations or alternatives proposed in the Whitehead Report, but the White Paper that is apparently coming to the States shows that Housing have picked their option, and there is no indication of what the value for money or the cost benefit analysis of the other alternatives was. Have you had a look at any of those in your cross-departmental discussions?

The Minister for Social Security:

Officers have had certainly more meetings and at a political level I have raised some questions at the last political meeting that we had, and I will be awaiting the response to those, but that was really about how we pay rent, to whom and how we manage that process. I am assuming that you are talking about the structure are you, the cost benefit of the new structure?

Senator S.C. Ferguson:

Yes. There were several offered and apparently the one that is coming in the White Paper is the one that Housing have decided on, with no discussion of how they looked at the alternatives; what is the evidence for their discussion?

The Minister for Social Security:

The meeting that I attended there were alternatives presented, and I imagine that there was the underlying work which had been done on those alternatives and, as far as I recall, the Controller was there as well, no actual decision was made at that meeting about which of those alternatives would be taken forward. So, perhaps it has moved forward slightly. There is another political meeting scheduled and we are going to be asked to consider those with the background papers as well. I have no doubt that they will have done the work in order to make a recommendation.

Senator S.C. Ferguson:

Yes, it was just is the decision being made before it comes to the States? This is perhaps the comment that I have been getting.

The Minister for Social Security:

Just remind me, is it going to be a White Paper or a Green Paper.

Chief Officer:

Initially it was a Green. They may have moved to White within the timeframe available. The different options have been assessed against different criteria, so the background information will all there for all States Members when they make the decision or otherwise. You talk about whether we work with other departments. I think I spend most of my time working for other departments, Treasury, or on C.S.R., Health and Social Services, with the healthcare strategy; we have the Housing Transformation, a big part of which is the Joint Review of Income Support Components and the housing component. It is the principal reason we are at the table on that programme, but we have been involved in looking at the differing models or at the future of housing, which is from status quo all the way through to the opposite end of the spectrum.

The Minister for Social Security:

Let us be honest, we tend to be invited to these things because of the money element.

Deputy D.J. De Sousa:

Can I ask a question?

Senator S.C. Ferguson:

Surely.

Deputy D.J. De Sousa:

You have your proposals here and all except for 2 have gone green. Some are ...

The Minister for Social Security:

Sorry, can I just ask where you are? It must be this one. I have a more up-to-date one. Yes, sorry, go ahead.

Deputy D.J. De Sousa:

I understand that some of them are green because they were achieved in the 2011 savings, but also some of the savings from 2012 and 2013 are green, but you have 2 in particular that are red, and it is under the confidence of achieving these proposals.

The Minister for Social Security:

Yes.

Deputy D.J. De Sousa:

How do you rate the 2 that are red? Do you think those levels are both achievable within the time period of the C.S.R.?

The Minister for Social Security:

I am pleased to say that the second one - you have it on your list - the Christmas bonus reduction is now green because I got it through the States at the last but one sitting. The reason they are red, I might have used, it transpires, a slightly different methodology from other Ministers on the red writing. I have taken the view that if it needs a States' decision, I have to put it as red as it is outside of my control. I cannot do anything to mitigate that and, therefore, I put it as red. I am aware that not every department has quite taken that view. That is why total benefits and Income Support savings are red as well because I will need to make amendments to the Income Support law. I will make my proposals to the States. Not all of them will require a States' decision. So perhaps I could have separated it out but it is one line of saving, so that is why it is red.

Deputy D.J. De Sousa:

Why have you put that down as a type of saving as “service redesign” rather than efficiency?

The Minister for Social Security:

Because some of that will be exactly that, so again without wanting to say too much we will be looking at the way we deliver Income Support to 17, 18 and 19-year-olds and I will be proposing to re-design that but there will be some savings flowing from it.

Mr. N. McLocklin:

Could you confirm your definition of a green rating? You talk about what your yellow and red is. You use the word “banked” earlier on. It just means banked, does it?

Chief Officer:

There are 2 versions of green. We have a more up-to-date one. We have green that is complete. You can almost then agree, I suppose, it is done. So those should probably not be coloured. They are achieved. Other than that, green would be things that are principally within the department’s control, and whether the department feels it can deliver. So typically, those will be you do have a plan for efficiency savings and will you deliver those efficiency savings. How we agree 2011 ones that are within the department’s control are we on track to deliver them? So that is largely green. We did at one point have benefits and Income Support amber and there are parts within that as you would take as amber and parts that you would take as red, but there are 2 greens: one is done and one is on track to be achieved.

Senator J.L. Perchard:

So on the S.S. one, the third one down: the adjustment for food cost.

Deputy D.J. De Sousa:

No, that was done in 2011.

Senator J.L. Perchard:

That was 2011. That was complete, the £500,000?

The Minister for Social Security:

Yes.

Senator J.L. Perchard:

I know that is for 2011, but we have made a decision, the Thursday, it will not affect that at all?

The Minister for Social Security:

That will be for 2011. There is no doubt that potentially, as a result of more public debate about that, and the fact that the States has now agreed to use the same delivery mechanism to deliver winter fuel payments to that group of people as well, potentially we might see a need for an increase in that budget, but we will have to wait and see, but that saving has been ...

Senator J.L. Perchard:

Your yearend is 31st December here, is it not? This is calculated up to 31st December 2011?

The Minister for Social Security:

Yes.

Senator J.L. Perchard:

Yes, so there will be some overlap I suppose.

The Minister for Social Security:

There will not be any overlap for the winter fuel bonus because the winter fuel will not start until next year, providing the States agrees the change in my budget in the Business plan.

Deputy D.J. De Sousa:

That efficiency on 2011 is for those that did not claim G.S.T. (Goods and Services Tax) food bonus, yes, those 2,000-odd O.A.P.s (Old Age Pensioners)?

The Minister for Social Security:

It is the difference between what was budgeted and what the take up was.

Senator S.C. Ferguson:

What are the lines of accountability within your department for the delivery of the C.S.R. programme?

The Minister for Social Security:

Administration and the way we deliver a service are in the Operations Director; the delivery of the third party ones where we have reduced the money that we are paying to them, that is the Finance Director and the delivery with regard to policy and changes to benefits, that is the Director of Strategy and Policy, and they all flow through up to the Chief Officer and then flows through to the Minister and the Treasury.

[11:30]

Senator S.C. Ferguson:

So it is up to Ian and the other 2 to make sure the programme is on track and report in to Treasury?

The Minister for Social Security:

Yes.

Senator S.C. Ferguson:

Have you found that your department has challenged you and you them as you worked on the C.S.R. proposals for 2012 and 2013?

The Minister for Social Security:

They always challenge me.

Senator S.C. Ferguson:

Have you challenged them?

The Minister for Social Security:

Hopefully I challenge them. That is not for me to say, but I think we do have that relationship of challenge. I think probably what other departments have done as well is drilled right down and asked all staff where they felt there could be savings achieved, where we could deliver service more effectively as well, and that has been ...

Senator S.C. Ferguson:

Have you had suggestions through?

The Minister for Social Security:

I do not know if we provide financial incentive, do we? No, I think that we will have to change that.

Deputy D.J. De Sousa:

What incentive do you provide for staff to come up with ideas so the department can make savings?

The Minister for Social Security:

While on the one hand I do favour giving a financial incentive to that, and we perhaps need to go away and consider that, but I think that would have to be considered on a States-wide basis because it would hardly be fair for us to be giving people £100 or £150 as the Chairman might think, and others not. I think there is an incentive because it will improve the way that they deliver their service and do their jobs and help the clients that they see day in and day out. I think that is the biggest incentive.

Deputy D.J. De Sousa:

They would be the ones to really have the knowledge.

The Minister for Social Security:

They want to do that.

Senator S.C. Ferguson:

So following on from that, what sort of service specific transformational methodology is being put in place? I think that is probably one for Ian, is it not?

Operations Director:

Our focus is very much on improving service and generally an improved service is a more efficient service, which helps us lead to making the efficiency improvements we need to make. You are absolutely right staff have the best ideas, and I have held sessions with the majority of the Operations staff to drive out ideas. We have the opportunity for people to make suggestions through the managers as well. So there is quite a lot of activity going on in the department to generate ideas and make improvements.

Mr. N. McLocklin:

Can you give us an example of a bottom up idea that is ...?

Operations Director:

For example, we are trying to find things that we can stop doing to remove wasteful activities from our processes and an example of that where we have been able to find better ways of working in perhaps how we handle our post, how we handle our back office duties, which means we have been able to move resource from the back office to the customer facing areas. So it is something which is obviously popular and we look to do more of.

The Minister for Social Security:

They are not just involved in considering the process as well. They have made some suggestions that are very much a part of the proposals that we will be bringing forward around some of the service delivery on the work issues of Income Support as well. So it is directly arising from their every day experience and they are saying: "Look, we are finding this, and perhaps you really should consider doing it like this".

Deputy D.J. De Sousa:

Is that really not the only way that you could achieve true, honest savings by listening to the staff on the coalface that are dealing with these issues?

The Minister for Social Security:

It is a very good way of doing it but there are many ways that you can look at. What staff may not see is going back to the cross-departmental work that needs to take place as well. So it is a very good way but there are many ways of doing it.

Senator S.C. Ferguson:

One small thing, have you solved the problem of people ringing in and the person they speak to does not know the answer so they pass them on to somebody else, and so on and so forth, which is a sort of classic telephone call syndrome?

Operations Director:

Yes, indeed. We have conducted some analysis of what our customers use us for and how many customers we get through the door and what they come in for, and those sorts of reasons. Therefore, we have been able to train particular teams - for example, the Contact Centre - to be able to answer those queries 80 per cent of the time, so it is a far more effective experience for the customer; a way of being able to give staff the knowledge to answer the questions rather than pass them round.

Deputy D.J. De Sousa:

Following on from that has the department given any more consideration to a previous scrutiny review and a recommendation that each person that goes into the department, from their first initial visit, sees the same person time and time again, so that there is not this waste of collusion among the department, and surely that is also a way of saving time and money?

Operations Director:

I am not aware of the previous recommendation, but that is something that we have not considered in the last 6 months. Clearly, we do lots of different benefits and lots of complex transactions. My gut feel would be that would be impractical. However, we are open to all ideas and we will happily reconsider, but that is what my initial reaction would be that it would be impractical to do that, given the volume of the customers.

The Minister for Social Security:

Yes, but to a certain extent it does happen in that people can come back. They know who has been dealing with their case.

Operations Director:

Yes, they can. Yes, there is that, nothing stopping that.

The Minister for Social Security:

So it does happen organically. We did change so that particularly older more vulnerable members had a contact name so that they knew who they could talk to, but there is always the difficulty of it is a reasonably small team and we are dealing with a lot of people, so there has to be some flexibility there. We have a very good recording system of conversations that staff have had with clients that they should be able to pick that up from use of the IT system as well. We are not ...

Deputy D.J. De Sousa:

There certainly seems to be an improvement anyway. That is good.

Senator S.C. Ferguson:

Yes, now these are fairly fixed for 2012 and 2013, are they, the budgets? You have your ideas, you are planning for 2012 and 2013 and beyond, are you looking at 2014 yet?

The Minister for Social Security:

We are very much at this stage trying to concentrate on 2012 because we have to have it ready for the Business Plan process. So that is our priority and that is what we are spending our time doing, as I say. But 2013 will flow through from that and we will be remaining the same, putting in the same bottom line. In all honesty, I cannot say that we have considered extra savings. I say that for 2014, but there is some work within the Social Security Fund, not least supplementation and trying to give that certainty, which will continue to flow through as well. So ...

Chief Officer:

The plan was beyond 2013. This period has been predominantly concentrated around those things that are funded through general revenue. We would move to look at the Social Security Fund. An example there would be working with tax towards, firstly, to align the contribution and income tax collection processes. So that would be an efficiency there, but also the same sorts of things we are doing on the benefits. Would they be allowed to start looking at the Fund as opposed to the priority at this point being it is a tax funded service or benefit...

Senator S.C. Ferguson:

Yes, because looking at collection of income, which I suppose is an offshoot of that, have you been engaged in any of the discussions as to ... it has been put to us that if you had a single payment portal, which took credit cards as well as debit cards, the States would pick up its money faster, you would pick up your money faster.

Chief Officer:

We have been heavily involved in the review of the Taxes Office last year. It overlapped with what could be achieved through synergies with the Taxes Office, which did include collection, self-assessment processes. Whether or not you come together or not, it is better to provide companies with improved electronic payment access. So that is part of the internal process review of the department in any respect, whether that all comes together in the one portal. Firstly, you would like us to have as many of our clients from that particular part of the business being able to access electronic settlement in the first place.

Deputy D.J. De Sousa:

Do you have any contingencies in place for any unforeseen events within this timeframe?

The Minister for Social Security:

Yes.

Deputy D.J. De Sousa:

Can you elaborate? That is the shortest answer you have given us so far. Most of them I have been going: "Come on, come on, get to the end, I want another question".

The Minister for Social Security:

You just reminded me I think it is one per cent, 2012 and 2013; our figures there will be one per cent of benefits then, was it not?

Chief Officer:

Yes, it is one per cent of the total will be held as contingencies over those periods. We will reduce that one per cent over the full amount, if and when the States considers changes to supplementation to give that certainty over the forthcoming year. We will no longer need to have further contingencies for the first level of variation that may occur in particular in the cost of supplementation can be catered for without then having reference to the central reserves.

Senator S.C. Ferguson:

When you were busy putting C.S.R. together, did you put in any stretch targets as well as the contingencies?

Chief Officer:

I would say that the targets for £6 million was a political decision and, therefore, it is more appropriate for the Minister, but the majority of that, given the size of our budget comes from benefit spend which, as the Minister just said, requires political decisions to make those changes as opposed to: can we make 10 per cent efficiency saving or can we make 15 per cent efficiency saving. We are going for the 10 per cent efficiency on that in administration over the first 2 years, and we thought long and hard about whether that was do-able, whether we should drop it down a bit, but we believe we can deliver the 10 per cent on efficiencies, but we have structured it in that respect in any case.

Senator S.C. Ferguson:

So 10 per cent on admin you reckon was stretched?

Chief Officer:

Yes, stretched to that over 2 years.

Mr. M. Oliver:

Just a quick question on fraud: you have something like £250,000 down there for savings on fraud. That seems to be a tad modest. Any high figure projected at all?

The Minister for Social Security:

No. We are making good progress on that. We are slightly in advance on that. If we see what has happened in this first 5 months throughout the year we will come in slightly above that, but we hope to be able to improve that target and that will be part of our 2012 saving as well, to extend that, so yes.

Chief Officer:

The savings are £250,000 but that is the net.

The Minister for Social Security:

Yes, that is the net.

Mr. M. Oliver:

That is the net. I assumed it was the net, yes, I see.

The Minister for Social Security:

Yes.

Senator S.C. Ferguson:

Can you give us an update on the progress of the Plan changes to achieve the C.S.R. targets? What changes do you have? You can carry on on that one.

Mr. N. McLocklin:

I think you have covered a bit of that already. You seem to have an updated chart and you said you only have one in there.

The Minister for Social Security:

End road, yes. I think this should be in red, yes.

Mr. N. McLocklin:

So it seems like you have a fairly good level of confidence.

Senator S.C. Ferguson:

Does this mean you could have got more?

The Minister for Social Security:

I do not believe within the timescales we could have done because we have tried to play a very straight bat. As we started off, I could have tried to claim some of my under spend as savings. We did not want to do that. We have categorised them in the way that the Controller and Auditor General outlined, so that people knew exactly what it was that we were proposing, and it still will take the States' decision to enable me to present the 2012 saving as well and to achieve that. So I do not think we could have done.

[11:45]

Senator J. Perchard:

I have a question about the monitoring of G.P.s (General Practitioners) and a G.P. will make a decision, for example, to prescribe a drug or to sign somebody off work through ill health. Do you monitor G.P.s; in particular, do you compare if you get any

G.P.s that are out of line with others, in order to save the department's costs or to highlight, perhaps, a rogue G.P.?

The Minister for Social Security:

There is work that is done to understand prescribing habits of G.P.s. All those things are rolled up into the changes that we are going to see when we see the changed way that G.P.s will start to deliver their services. It is part of what we have agreed in P.36. The department meets with G.P.s. They now, for the first time, have their own body that we can negotiate with and we can consider issues which affect ourselves, not least of which is those issues about sickness benefit, and how Income Support provides for medical costs of those low income families. There is perhaps an issue that will need to be looked at further. It does not necessarily deal with G.P.s signing off people but whether we should move from the system we have now about short-term sick pay to a statutory one, in effect, give companies back a reduction in their social security contribution for that element of sick pay and allow businesses then to manage the sickness within their own environment. Obviously, individuals will still go to G.P.s for signing off but perhaps it would enable a different way of controlling that.

Senator J. Perchard:

Just a supplementary, Minister, do you monitor G.P.s?

The Minister for Social Security:

I have just said that we monitor their prescribing habits.

Senator J. Perchard:

You do?

The Minister for Social Security:

Yes, but do not forget they are private businesses.

Senator J. Perchard:

Yes, but you have to pick up the financial consequences of a decision they make.

The Minister for Social Security:

Yes.

Chief Officer:

We monitor G.P.s, prescribing habits. The Health Insurance Fund employs a pharmaceutical advisor that provides data across G.P.s collectively and the department as to individual practice and collective prescribing habits. We have the dialogue with particularly the Medical Officer of Health should issues crop up. Those frameworks do not give us responsibility and accountability in respect of re-validation and such like, with respect to G.P. practices and the quality of care that G.P.s provide. It is largely about the costs associated rather than prescribing habits. It is down to the fact that we pay benefits. It is driven by that cost. The sorts of things that we proposed last year within P.36 would be to move some of the remuneration to G.P.s against a set of quality indicators, which would result in published material that would say how practices compare with one another against a set of quality indicators, both organisational and clinical indicators. So that will be a leap forward in terms of how information is provided on the quality of care in the G.P. environment. Also, we will monitor in terms of other financial indications and principally we are involved in the financial implications of the quality of care. So when G.P.s come to analysing the number of visits, we have in the past worked with other colleagues and conversations have been had with individual G.P.s on their levels of visits.

Senator S.C. Ferguson:

Thank you. Anything else, Neil?

Mr. N. McLocklin:

No, I have not.

Senator S.C. Ferguson:

Debbie?

Deputy D.J. De Sousa:

Yes, I do. We are here talking about the C.S.R. Every department has been asked by 2013 to come up with 10 per cent savings. If those savings are not achieved by certain departments, other departments are going to have to find more than their 10 per cent. I wonder if each one of you could state whether you feel that your department could make more than your 10 per cent savings within that time period.

The Minister for Social Security:

Let us just rewind. Departments have not been asked to make 10 per cent savings. The Council of Ministers have been asked by the States to make a total saving of £65 million. The allocated saving from my budget is not 10 per cent. I think somebody pointed out it is about 6 per cent, and I think, as I have already said, I believe that is an appropriate target. At this stage we seem to be on course to achieve that but it will still require difficult political decisions.

Senator S.C. Ferguson:

Thank you very much indeed, ladies and gentlemen. Thank you for your time.

The Minister for Social Security:

Thank you very much.