STATES OF JERSEY

DRAFT ANNUAL BUSINESS PLAN 2012 (P.123/2011): EIGHTH AMENDMENT (P.123/2011 Amd.(8)) – COMMENTS

Presented to the States on 12th September 2011
by the Council of Ministers

STATES GREFFE

COMMENTS

The Council of Ministers opposes this Amendment.

Deputy G.P. Southern of St. Helier proposes that total net revenue expenditure shall be increased by £7,000,000 by reinstating this amount in Central Pay Provision in respect of staff terms and conditions, and the net revenue expenditure of the Treasury and Resources Department (Provision for Restructuring Costs) shall be reduced by an equivalent sum in 2012.

Comment

The Tribal report undertaken last year clearly demonstrated there was scope to reduce the States pay bill by renegotiating the terms and conditions of employees. The £7 million saving proposed in the Business Plan for 2012 represents what could be delivered in 2012, and is significantly less than the original report suggested was achievable over a longer period. The Council of Ministers has included, at the Appendix, an extract from the Steering Group's report on the Tribal review to illustrate the level of savings that were identified for consideration.

The Council of Ministers recognises that, with such a large proportion of States expenditure being spent on paying staff (51%), it would not be possible to achieve the £65 million CSR target without some impact on this element of total expenditure. It is also critical that the States modernises its terms and conditions to provide a more flexible and responsive workforce in the future and, in doing so, there are sustainable savings to be made. The 2 year process is targeted to save at least £14 million – a significant element of the total CSR savings.

After further analysis of the Tribal report's findings had been completed, a timetable was set out and endorsed by the States Employment Board for a series of meetings with all the States recognised trade unions, which began on 5th September. The purpose of these meetings is to work in partnership to ensure the savings can be achieved in the most appropriate way. There is a clear process to be followed, and the formal discussions will provide the opportunity for a constructive dialogue with all pay groups.

There are many elements of the pay bill, including pay structures, that can contribute to future savings and any changes do not have to be across the board – it is acknowledged that different pay groups have very different pressures on them, and this will be recognised in negotiations. Indeed, States members should also appreciate that there has been specific investment provided in this Business Plan for some staff groups, such as doctors and nurses, in recognition of the issues of recruitment and retention.

It is vital that the States, as the largest employer, provides a strong lead to the rest of the Island on pay increases and remuneration. Moreover, the States Assembly is not the forum to negotiate on pay – it is the place to set the savings targets and budgets within which negotiation can take place. That is what the Business Plan is proposing. Members must allow proper and appropriate negotiation to take place between the employer and the employee at the right time and in the right place.

Reinstating this saving will mean the CSR target cannot be achieved and that the assurances given to the public that savings would be made to justify the tax increases will be undermined. Furthermore, we would lose the opportunity to modernise our terms and conditions, ensure we have an efficient and functioning public sector, and provide a more flexible and responsive workforce.

Financial implications

The amendment proposes that the financial implications are neutral and this is achieved by reducing by £7 million the central provision of £10 million for restructuring costs held by Treasury and Resources.

The Restructuring Provision is required if sustainable savings are to be achieved. The Provision is intended to provide up-front investment, whether for changes in systems or processes, voluntary redundancy or retraining schemes, procurement infrastructure, or simply the cost of moving premises or rationalising office accommodation. Experience from organisations going through such a major change programme shows the need for such a provision.

The States supported the need for this kind of investment in approving Article 11(8) funding for P.64/2010 for £6.5 million towards voluntary redundancies and procurement, and in agreeing a further £6 million in the 2011 Business Plan.

The Council of Ministers has already received indicative bids from departments' submissions and the corporate savings projects to the Restructuring Provision for the 2012 and 2013 CSR process. These indicative bids are shown in Figure 6.3 (page 37) of the Business Plan report.

The Council of Ministers has also had to consider providing for a potential offset against –

- the timing of corporate procurement savings;
- any remaining shortfall in the timing of Education, Sport and Culture savings which have been deferred as a result of the approval of P.72/2011; and
- any shortfall to fund the continuation of the current skills and training initiative from September 2012.

There is much more work to be done before the extent of these different calls on the provision are finalised. Adding to the potential liabilities of this provision from savings which can be delivered by the sponsoring department and are supported by the Council of Ministers, would be a retrograde step.

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

The Council of Ministers was unable to approve the comments before the deadline as a result of the States Sitting beginning on Monday 12th September.

APPENDIX

The Steering Group which considered the Tribal Review on Terms and Conditions summarised the Tribal recommendations in the table below. This outlined <u>*possible options*</u> to achieve savings of £14 million, and included estimated indicative savings which were subject to further financial and actuarial confirmation.

Terms and Conditions Item	**Recommendations**	**Estimated potential savings (3 years)**	**Impact Immediate/Short/ Medium/Longer/ Term**	
Pay and Grading	• Honour the 2% pay award agreed for 2011 • Freeze the annual pay award for 2012 and 2013	2011: £0m 2012: £6.9m 2013: £6.9m	Medium Term	
	• Honour existing staff increments	2011: £0m	Short Term	
	• New staff – introduce market related pay structures for new staff, remove automatic increments for new staff, ensure pay cannot progress beyond market	2011: £1.2m 2012: £2.3m 2013: £3.8m	Short Term	Medium Term
	• Design new template for framework contract and implement for all new staff	Administration costs only	Short Term	
	• Consider freezing current staff on existing salaries • Introduce new pay structures based on market comparisons: if existing staff are paid above market they stay frozen until pay and the market are aligned, i.e. through 'catch up' process • Staff below market progress in relation to performance	More detailed work required to estimate savings due to the complexity of the changes.	Short Term	Medium Term
	• New single harmonised pay spine for Manuals and Civils • Migrate to UK pay scales for jobs which have direct UK counterparts e.g. Teaching, Fire and Police • New approach to grading jobs • Progression based on performance	More detailed costing to be carried out	Longer Term	
	• Stop cash payments – move to BACS	£16k (TBC)	Short Term	
Overtime	• Change premium to 1.33x salary for weekdays and Saturdays and 1.5x salary for Sundays • Reduce overtime worked and therefore paid by 10% per annum for 3 years plus reduce the overtime premium as paid above	£1m per year £2.4m over 3 years based on 10% reduction each year.	Short Term	Med Term

Terms and Conditions Item	Recommendations	Estimated potential savings (3 years)	Impact Immediate/Short/ Medium/Longer/ Term	
Allowances	• Remove allowances that are out of date and consolidate relevant allowances into the appropriate jobs • Continue to pay essential allowances only • Develop allowances/rates for overtime, call-out and standby which apply to all pay groups	£0.75m	Short Term	Med Term
	• Continue with essential allowances, remove the out-of-date allowances as above • Review all other allowances with a view to consolidating some into new grade and salaries, reducing others and doing away with more	Target of a minimum of 10% of allowances paid. £1.9m per year	Short Term	Med Term
Sick Pay	• Reduce sickness pay scheme for non-manual employees – introduce new sickness pay scheme of 3 months full pay and 3 months half pay • Improve management of absence (in particular set targets for reduction of short-term absences)	£0.8m per year Up to £1m per year	Med Term	
	• Introduce new sickness pay scheme of 4 months full pay and 4 months half pay for all staff. This will reduce non-manual staff from 6 months full pay and 6 months half pay and increase manual staff from 3 months full pay and 3 months half pay	£0.5m per year	Short term	
Pensions	• Change automatic entry scheme to voluntary through opt in/opt out • Increase employee contribution by 1% from 5 to 6% and reduce employer contribution by1% to 12.6% • Close final pension scheme to new entrants and open a defined contribution scheme for staff with a 6% employer contribution • Keep provision under review • Review retirement arrangements	£2.8m per year £1m per year £6.4m per year Professional actuarial advice required.	Longer Term	

Key: Immediate/Short Term impact = up to 12 months
Medium Term impact = in place by end of 2013
Longer Term impact = to be implemented beyond 2013