

**STATES OF JERSEY**

**Corporate Services Scrutiny Panel  
Hearing with Minister for Treasury and Resources**

**MONDAY, 13th JUNE 2011**

**Panel:**

Senator S.C. Ferguson (Chairman)

Senator J.L. Perchard

Mr. M. Oliver (Panel Adviser)

Mr. N. McLocklin (Panel Adviser)

**Witnesses:**

Senator P.F.C. Ozouf (Minister for Treasury and Resources)

Connétable J.M. Refault (Assistant Minister for Treasury and Resources)

Treasurer of the States

Deputy Chief Executive, Treasury and Resources

Comprehensive Spending Review Team Leader

**Also present:**

Ms. K. Boydens (Scrutiny Officer)

[09:35]

**Senator S.C. Ferguson (Chairman):**

Good morning, ladies and gentlemen. Welcome to this hearing of the Corporate Services Scrutiny Panel, the second hearing on the C.S.R. (Comprehensive Spending Review) process. I wonder if, for the purposes of the transcription, you can say who you are and what your position is, please?

**Senator P.F.C. Ozouf (Minister for Treasury and Resources):**

Senator Philip Ozouf, Minister for Treasury and Resources.

**Treasurer of the States:**

Treasurer of the States.

**Connétable J.M. Refault of St. Peter (Assistant Minister for Treasury and Resources):**

Constable John Refault, Assistant Minister Treasury and Resources

**Deputy Chief Executive, Treasury and Resources:**

Chief Executive.

**Comprehensive Spending Review Team Leader:**

Programme Director, C.S.R.

**Ms. K. Boydens (Scrutiny Officer):**

Kellie Boydens, Scrutiny Officer.

**Mr. N. McLocklin (Panel Adviser):**

Neil McLocklin, Panel Advisor.

**Senator J.L. Perchard:**

Senator Jim Perchard, panel member.

**Mr. M. Oliver (Panel Adviser):**

Michael Oliver, Panel Adviser.

**Senator S.C. Ferguson:**

Sarah Ferguson, Chairman. Right, thank you very much for these, they are very helpful, the question replies. Now, at a public hearing last month John Seddon, who specialises in redesigning service organisations, suggested that one of the biggest reasons for business transformation benefits frequently not being realised is because leaders or managers do not understand it. He said that leaders/managers do not think they need to take the time to get out and study their own systems and redesign them. We have seen some evidence of this in the scrutiny sessions but it is limited. What do you think about this?

**The Minister for Treasury and Resources:**

What do I think of what? I do not understand the question.

**Senator S.C. Ferguson:**

Leaders/managers getting out into their departments and understanding their own systems and how they work. If somebody is running a call centre, listen to some of the calls coming in and so on.

**The Minister for Treasury and Resources:**

I think a good example of ... and I am sat either side of the Acting Chief Executive and the Treasurer of the States, I think both of the 2 people to my left and to my right are examples of ... first of all, I do not think it is politicians' role to be necessarily at

the front line. I have got a track record of getting involved in lots of detail, I think that is what our senior managers and senior executives need to be doing. If I may say the Treasurer of the States when she spent her first 2 months in Jersey or first 6 weeks, went around and spent time with departments. Understood those departments, went around in a way that the Treasurer of the States had never been around. I think some departments had never seen the Treasurer for a long time and that was a very useful introduction to the Treasurer's position. John Richardson is a leader within the States of Jersey who is pretty well known and who is known to be spending time, whether it is at the front line or whether it is down drain holes, down manhole covers or whatever, understanding systems. So I agree with you, I am not sure that I recognise it as a deficiency in either of the 2 individuals that are basically responsible for running Treasury and Resources.

**Senator J.L. Perchard:**

But, Minister, some departments more than others have earned themselves a justifiable reputation for procuring consultants and non-staff advisers at a rate of knots rather than procure consultants and non-staff advisers would they not be better understanding their services and how to redesign them from within?

**The Minister for Treasury and Resources:**

Pretty broad brush statements. There are times when you need to bring in advisers - you have got 2 here - and there are times when you can do your own in-house thought leadership and your own review. Health is a very good example. There is no doubt at all that without the input of KPMG and their work over the last few months we would not be in the position that we now are to have a better model of understanding the future requirements of healthcare, the future strategy for health.

We needed external input. Other areas now, increasingly in terms of own economic planning, the economic growth strategy which has been worked on at the moment, which is going to be published, most of the work that we did on the fiscal strategy review in the last few months, that was all done in-house.

**Senator J.L. Perchard:**

Do you not think it is a tactic quite often of Ministers and Chief Officers to procure an adviser or consultant from outside the Island in an effort to get from A to B, their desired destination is B, but as the vehicle to get there? It has become a tactic rather than a necessity to employ this adviser.

**The Minister for Treasury and Resources:**

I think that there are examples where departments need to bring in ... newspaper headlines sell easily when the States is being accused of employing external advisers. I am not interested in short term point scoring or political headlines. There are examples when you need to bring in people to genuinely help you and advise you. Sometimes you need to bring people in to get you from A to B. If you are dealing with specifics then let us deal with specifics, but dealing with just generalities in the ...

**Senator S.C. Ferguson:**

Right, can I get back to John Seddon, though, because he reckoned that using his approach you could be looking at savings of 20 to 40 per cent. Is that not interesting?

**Deputy Chief Executive, Treasury and Resources:**

Can I set you an example that I think will demonstrate where advisers can add value but they can also help an organisation move on. The example that I used at the States Members' presentation a couple of weeks ago was in property maintenance. We did bring in an expert who is an expert in procurement of maintenance functions. That expert helped us in redesigning the entire procurement system for property maintenance contracts which were then repackaged, retendered into the local market, all went back to the local market in a different format, it brought in about 20 per cent savings so it endorses what the Chairman just said about John Seddon's view of 20 per cent. That adviser is now gone but the knowledge he imparted on the maintenance team about a new way of working, they are now using to roll out across the remaining areas of maintenance that were not covered in the first round. So I think it is an example of exactly when an adviser can come in and give good support, good guidance, how to rebrand, repackage, deliver results and then the organisation moves on.

**Senator J.L. Perchard:**

Which department was that in?

**Deputy Chief Executive, Treasury and Resources:**

It was in property maintenance.

**Senator S.C. Ferguson:**

Yes, which brings us nicely on to the next question. Since the beginning of the C.S.R. there has been a lot of drive from the departments to reach their targets, is

there a danger with the ministerial changes after elections that some of this might be dropped? How embedded is the process within departments or even within the Treasury Department?

**Treasurer of the States:**

Can I give you an example there, Chairman? It very much builds on Senator Perchard's comments earlier. When I first arrived we had a number of interims in Treasury on the accounting side, we do not have any. We needed the interims because one, for instance, was covering for maternity leave, so it was a big gap there. But what we have done subsequently, we are not going to replace that post on a like for like basis, we are joining 2 posts together and making some savings because I have had sufficient time to look at the structures that we have got and how we could better manage and deliver what we need to deliver. What we are doing at the same time is to improve ... there has been an under resourcing of support to the central departments, particularly Resources. There has been a lot of work to do in property, I.T. (information technology) and H.R. (human resources) and we are taking this opportunity to improve and strengthen the financial services that we are providing into those support services to help them in turn support departments in delivering their C.S.R. savings. So we are always looking for ways to improve what we are doing. We are going to use an approach similar to John Seddon's approach which we have talked about before, lean service review, as we are restructuring taxes.

[09:45]

As you know, the lean service review approach looks for waste in processes and looks to minimise the waste, puts the customer at the centre and improves the service from the customer delivery perspective. So we are doing things like that.

**Senator S.C. Ferguson:**

Yes, how confident are you that the process is also embedded throughout the States?

**Treasurer of the States:**

The process of review?

**Senator S.C. Ferguson:**

The same sort of review.

**Treasurer of the States:**

Review generally?

**Senator S.C. Ferguson:**

And getting rid of wastage.

**Treasurer of the States:**

How confident am I that it is embedded? I am confident that it is happening and that there are many ... there are £65 million worth of savings in the process of being



delivered, as you know. So I am confident that it is happening. I do not think you have to ... it would be wrong to adopt one sort of methodology because the States has so many different services to deliver and to improve service delivery in some areas different approaches are appropriate. So I do not think we are looking to embed a process, I think we are looking to embed an attitude in terms of how people look to deliver best value from the resources they have got.

**Senator S.C. Ferguson:**

Super. Do you recognise that some departments will struggle to make transformational savings within the timescale of the C.S.R. and is this acceptable to you?

**The Minister for Treasury and Resources:**

I am a little lost as to where our meeting is going, because I was told that you had questions that you wanted to ask, I am happy to bounce around questions but where are we in terms ... are we running through questions, is there sort of no pattern?

**Senator S.C. Ferguson:**

No, we have ...

**The Minister for Treasury and Resources:**

Because I am a little confused.

**Senator S.C. Ferguson:**

These are all the supplementaries to the main questions for which your department has already kindly given us the answers.

**The Minister for Treasury and Resources:**

So just so that I can position my answers ...

**Senator S.C. Ferguson:**

We are on supplementaries.

**The Minister for Treasury and Resources:**

Of which one?

**Senator S.C. Ferguson:**

General supplementaries that have come out of the answers.

**The Minister for Treasury and Resources:**

We are bouncing around all over them, because I just find it is quite difficult to be focused if I do not know exactly what you are trying to get at.

**Senator S.C. Ferguson:**

We are talking about the C.S.R., we are talking about transformational changes, we are talking about what happens in the Treasury and we are talking about ...

**The Minister for Treasury and Resources:**

So you are still on question 1, okay.

**Senator S.C. Ferguson:**

We are talking about what happens with the Resources Department and then we will also be talking about the general, across the States, with C.S.R.

**The Minister for Treasury and Resources:**

Okay, so I am clear where we are. Can you repeat the question?

**Senator S.C. Ferguson:**

Yes, do you recognise that some departments will struggle to make the transformational savings within the timescale of the C.S.R. and is this acceptable to you?

**The Minister for Treasury and Resources:**

The C.S.R. is an ongoing process that does not end in 2013 and it does not end in 2 ways, first of all because the savings ... the money that has been taken out of budget has got to be sustainably removed and it cannot just be holding ... we do not want to be in a position where we are holding back money for 2 years and simply causing a problem that is then going to require a big fix in year 2014, firstly. Secondly, the way in which we are trying to change the culture in the States is one of continual improvement and continued efficiency drives so there will be a C.S.R. 2, 3, 4. This is a never-ending process. We have been trying to stop the super tanker of the States continuing to increase spending and to develop a culture of concern and a

widespread acceptance that money needs to be carefully spent. Now, some departments are obviously better than others. I am not going to sit here in a public hearing and point fingers at one department or the other. I will say that the Comprehensive Spending Review is changing the culture in all departments and I am pleased about that.

**Senator J.L. Perchard:**

You say, Minister, that the C.S.R. - in fact I will quote one of your colleagues on the Corporate Management Board, John - is for ever not just 2011, 2012 and 2013 and I thought that is absolutely spot on. But would you defend against the accusation that perhaps some departments do not see it quite so literally and they are putting off until tomorrow what should be done today, particularly in property maintenance, and are looking for their C.S.R. savings that may achieve a saving today but will ultimately result in further costs and extra costs to their department further down the line. Do you accept any of that criticism or do you think ...

**The Minister for Treasury and Resources:**

First of all I do not accept the aggressiveness of the questioning. This is not sort of a "them and us" between me and you or the other departments.

**Senator J.L. Perchard:**

I am sorry if you are offended.

**The Minister for Treasury and Resources:**

No, I just think it is better to be positive. The C.S.R. - and this is not a fight between ourselves and the Treasury about removing budgets. We are empowering people, we are trying to help people. I know that removing money and driving efficiencies is difficult and we are doing that by helping departments, by giving them assistance, by where they are identifying problems, we are in this together so we are working together, that is why Caroline's unit has been set up. The Treasury distant from departments, just simply taking out money and then leaving them alone in terms of not building the capacity and the expertise to be able to follow through in all sorts of different areas, is over. We are in this together, it is teamwork. I cannot think of any, unless you have a particular concern over a matter particular to the department that is not adhering and signing up to this new world.

**Senator J.L. Perchard:**

I am asking you if you are aware of any "putting off until tomorrow". Maintenance is a wonderful example. You know, fix the roof today and prevent major costs tomorrow.

**The Minister for Treasury and Resources:**

I think fiscal stimulus is provided ... we have rehearsed with Corporate Services numerous times of the lack of funding of maintenance. We have made significant progress in terms of putting appropriate maintenance in budgets, fiscal stimulus has helped.

**Senator J.L. Perchard:**

I am encouraged, Minister, if you honestly think that all the C.S.R. savings that we are making/proposing are long term and sustainable and not just a short term fix in order to achieve the 10 per cent demand, that is good news.

**Comprehensive Spending Review Team Leader:**

As the Minister has said, the central team, which is very small, not large and not a large overhead, maintains the plan, works with departments. We have a core group of lead C.S.R. people within the departments and I see it very much as my responsibility to ensure that the savings that are down there are sustainable. It is absolutely key. It is no good making £65 million if in 2014 you are just going to have to add because you cannot maintain the savings. We do know that in 2011 there are some cash management type savings but equally those savings are now rolling forward and the department is absolutely clear as to what their target is, and that those amounts will come off their bottom line. We scrutinise and we challenge those. In quite a lot of departments the bigger projects are all run under project management. There is some really good stuff going on. We have not necessarily been very good in that regard. We are getting far, far better. The departments themselves are taking the lead here and we are just helping to steer, helping to facilitate, and obviously the restructuring fund has been really helpful to a lot of departments in putting either skills or resources in to achieve it. So I am confident.

**The Minister for Treasury and Resources:**

The other thing I would say is that there are 2 major changes in the way that we are going to be budgeting that are going to change the culture of the way we do States spending decision. The first thing is to move into 3-year budgets so that we are going to do away with, first of all, inefficient States time on an annual business plan

which pretends to be a zero based budget, which it is not, and giving departments certainty. With the right to have a 3-year budget will come the responsibility of working within those 3-year periods properly and giving departments their delegated decisions of whether they will defer some expenditure in year 1 in order to deal with something in year 2, whatever. We have got to get the budget right first. The second aspect of what we have done in dealing with the deficit. The deficit is not just a construct of money lost because of the economic downturn, it is the deficit that would have arisen if we would not have made corrective action in putting in place contingency money. So in other words departments, if they know that there is a central contingency and that they really are facing a difficulty with something that they cannot cope with, there is a sum of money at the centre which can deal with that. Something out of their control. Not a self-service buffet for dealing ... putting off C.S.R. or paying for growth, things that should have been done within the growth respect but proper contingency planning. Thirdly, we also accept, and I accept, that in the normal political process, in the normal political world, that you do have to find some new money for some new political priorities. The budget and the deficit that we have spoken about that has become the £100 deficit that we have been tackling, the dragon that we have been trying to slay, is a construct of, yes, an effect of the downturn but also putting proper arrangements in place for allocating money properly and that means some new money. So departments can have some confidence that if there is a new requirement in education or health to require some growth money, that there will be some growth money around. Not much but there will some.

**Senator S.C. Ferguson:**

So this is the future but dealing with this particular C.S.R. if you get a department not delivering on its saving target, are you going to ask other departments to make additional savings?

**The Minister for Treasury and Resources:**

Not between now and the lodging of the business plan, which is why the debate on school fees is going to be an interesting one tomorrow. We cannot deliver other savings over and above those that we have already asked departments to do at this stage in the C.S.R. if school fees or other private schools, or other States schools, are insulated from budget cuts. There is no way. If we lose the debate tomorrow then the £65 million trajectory, the £65 million step will not be delivered. Now, whether or not we will be able to find alternative ways in the period after September maybe, but that is where ...

**Senator J.L. Perchard:**

Has the Education Department not got a plan B in the event that maybe not tomorrow?

**The Minister for Treasury and Resources:**

You would need to ask them that primarily. I am clear that ...

**Senator J.L. Perchard:**

Have you not asked them, Minister, just to check? You must have known that their proposals were controversial and likely to be overturned.

**The Minister for Treasury and Resources:**



You are clearly on one side of that debate. There is not an alternative to deliver the Education savings if you insulate all school budgets, either the private sector budgets or the publicly funded school budgets. Education will not deliver their C.S.R. targets if you are saying that you are going to insulate 80 per cent of their spend. Yes, of course they can do other stuff and they are doing it. We have had difficult and challenging discussions with education and all the others, but if you insulate all school budgets at this stage from the C.S.R. you will not deliver the £65 million. You just cannot do it.

**Mr. M. Oliver:**

So if this does not get through this sends out a signal to other departments perhaps that people might draw back from their suggested savings?

**The Minister for Treasury and Resources:**

I think the really difficult message that goes out is that if you plan a debate ahead of the business plan which gives you an insulation of your area and you somehow get the States to sign up to: "Do not touch Social Security or Health" and if you manage to persuade the States to sign that up before the business plan then that is jolly unfair. The message that goes out to other departments is one of unfairness, we have been delivering our targets, we are delivering. I am afraid the C.S.R., to the extent that it is difficult and painful, the pain has to be fair and equitable.

**Senator J.L. Perchard:**

Is it fair and equitable, though, when one department will have 80 per cent of its budget spent on salaries compared to another, perhaps, with 50 per cent of its budget spent on salaries? Is it fair and equitable? Is it?

**Senator S.C. Ferguson:**

I think that is a natural part of it, but we will move on if you do not mind.

**The Minister for Treasury and Resources:**

The public sector, in terms of services provision, I do not think the percentages in terms of staff versus non staff are very different in Education, Home Affairs or Health. I think they are all about the same. You can pretty well group those departments, the little ones are also similarly serviced. Social Security, if you want to cut Social Security money then you need to change benefits. It is different issues. If you want to deliver savings in Health, Education or Home Affairs, you are talking about people and the reorganisation of people and the terms and conditions of those people that are remunerated.

**Senator J.L. Perchard:**

But ironically you have been more sympathetic on Health and Home Affairs than you have on Education, yet you have identified that they have got the similar problems.

[10:00]

**The Minister for Treasury and Resources:**

No, it is not about sympathy or being more sympathetic, it is about what is ...

**Senator J.L. Perchard:**

Lenient.

**The Minister for Treasury and Resources:**

No, not at all. Education is different. If we sit here and look at Education spending and their income, they are very different to Home Affairs and Health. Certainly Health is the one area where there is a challenge in terms of the requirement of future new money for dealing with the ageing demographics and dealing with the challenges of healthcare and how you pay for it. So it is different from law and order. We are not seeing the demand for law and order go up in the same way as you are seeing demand for health go up. We are not seeing the demand for Education services go up in the same way. That is a function of the school numbers and other people. So while they are similar in terms of their wages versus non wages, there are different dynamics going on. Education is also a department that has been, if you look at the individual past experience of spending, the focus of a very significant investment over the last 10 years both in terms of capital and in other areas, which has not been the case for Home Affairs. So we must not be short term in our own ... we must not be amoeba-like in terms of our decision making. We have got to make decisions with an eye to what has been going on in the last 10 years.

**Senator S.C. Ferguson:**

So how effective is the overall C.S.R. programme in identifying cross states enablers, sharing learning, highlighting areas where the targets will not be and taking appropriate action?

**The Minister for Treasury and Resources:**

I think everything that Caroline has explained and she is doing under Laura and John's leadership is that we are much more of a unified organisation than we were maybe in the last attempt at spending on an efficiency programme. So I think much more joined up and under John's able leadership in terms of the Corporate Management Board, there is much more sense of a single organisation sharing information, sharing best practice and co-ordinated by the C.S.R. unit.

**Treasurer of the States:**

Can I give you an example, Chairman? As you know Health have been working with KPMG on the roadmap and on the Green Paper and this also goes back to Senator Perchard's earlier point, as part of that they developed a very detailed financial model which will help us to project costs of health services into the future. Two of my team, as part of our little reorganisation that I described earlier, are now going to focus on financial modelling. They are going very soon to meet with the colleagues from KPMG and get underneath and learn the detail of the financial model that KPMG have produced. That is going to be done in conjunction with Health finance colleagues so we will know within Treasury how that model works, Health will know how to use it but what we are then going to do is to build on that to be able to offer that same financial modelling to other departments to obviate the need for consultants to be brought in in future. So we will have captured that bit of expertise, we will be able to apply it elsewhere in the States. That is one example. Another

example, we have recently been doing some work on the long-term capital planning and we find that areas like Harbours, Airports, T.T.S. (Transport and Technical Services) have done some very good and detailed work in their areas. It is less well developed in other parts of the States and we are just taking some of that learning and now we are supporting Health and Social Services in developing their capital programme, but we are learning from what Harbours, Airports and T.T.S. have already done.

**Senator S.C. Ferguson:**

So you are getting out of the proverbial silos?

**Treasurer of the States:**

Yes, and in some cases they have had external help of that so again we are capturing that knowledge that we have paid for from external consultants and applying it.

**Senator S.C. Ferguson:**

Do you feel that the invest to save proposals from the first part of this C.S.R. have been a success and are you finding that departments are asking for more money in terms of the invest to save?

**The Minister for Treasury and Resources:**

Without invest to save, without putting some restructuring money up front, we would not be delivering the savings programme, both in terms of the voluntary redundancy and also the enablers to help departments change, restructure and we took careful

consideration of the advice of the external independents who gave up their time for nothing in terms of overseeing the C.S.R. They said you are not going to deliver a changed organisation without upfront investment and as far as I am concerned the restructuring provision was absolutely required, has been spent wisely in terms the individual ... you know all the individual items of it and, Caroline, you have a breakdown of it there. As far as the demands are concerned, certainly the first restructuring provision was designed to ensure that we have got the change in 2012 budgets. We have not yet really worked out ... Caroline, you will be much more able to tell the panel what is going on with the early indications of the second year restructuring provision.

**Comprehensive Spending Review Team Leader:**

Yes, we adjusted for the business plan to support the restructuring provision in the business plan and asked departments to consider what they might need. We are a year on, the first year was heavily ... it was suggested that there would be a lot of requests last year and then in 2012 and 2013 less so. In 2012 I think the sort of figure is something like £7 million-odd. Some more V.R.s (voluntary redundancy) in there which is what we would expect if there are staff to be affected. We will remind you that of course that is a lesser V.R. scheme and the requests are always likely to be probably on the high side because particularly for staff you do not know whether somebody might leave either voluntarily, as in exit the organisation by moving on, whether there is a retirement or whatever. So I think those bids will always probably be over and above what they need to come back for. Having said that, we put in place a governance structure, every department has to use a template for a business plan, the money has to be paid back. We say 3 years but the average is 2 years, so it is a lot less than what we are saying. That governance then goes through the executive programme board of the C.S.R. and is approved by the Council of

Ministers before it is a ministerial decision of the Minister of the Treasury and Resources. So we are also putting governance after the effect, we will be asking all departments to confirm that they have spent the money on what we said they should spend the money on and also that if there is an unplanned underspend at the end of the year that in fact that money will be clawed back. So there is a lot of governance on that money to ensure that it is spent how they say.

**Senator S.C. Ferguson:**

Not all of you were in place with the previous C.S.R. in 2005, are you finding that this is more effective and it is getting the results?

**Comprehensive Spending Review Team Leader:**

I was at a lower level job ...

**Deputy Chief Executive, Treasury and Resources:**

The difference is that this time we have put in our own internal governance arrangements, which Caroline has explained. I think you have seen already the governance Cahill(?) reviews. That has become far more effective and the Corporate Management Board and management teams in each department know that they are working with us on that rather than having an us and them type approach. That has made a huge difference and that governance really is working. It is not a threat but it is just that as management we all recognise that there is a need to control public expenditure and if we are putting money in this invest to save, then it has to be spent wisely and properly and it is going to be scrutinised.

**The Minister for Treasury and Resources:**

It is also probably worth pointing out the importance that the restructuring provision is going to have in assisting the private schools. There is a heavy weighting towards the upfront investment in order to ensure ... I know the grant reduction is controversial but there are issues in some of the private schools that need to be tackled in terms of their long-term viability and to ensure that they can work within a framework of ... we will have the debate about the long-term structure and the grants but certainly the school fees reduction or the grant reduction to ensure that it is not simply going straight on school fees, that there is genuine efficiency. We are having to restructure some of the private schools and Education have done some very good with that, particularly with one of the faith schools. One of the sadnesses is that tomorrow's debate on the Shenton proposition will be that all that necessary adjustment and necessary change will basically be put on hold.

**Senator J.L. Perchard:**

That is for tomorrow. Can you give us an outline about the governance arrangements in place to support the V.R. programme, to ensure that these jobs are not being created in another guise.

**Treasurer of the States:**

Chairman, just before we do, can I just support what has just been said with the numbers. This is not all the voluntary retirement and redundancies payments that were made in 2010. These are only the voluntary retirement and redundancies made out of the restructuring provision that Caroline was talking about. £5.760 million spent will deliver £8.877 million saving by the end of 2013, which fits with exactly



what Caroline was saying. We calculated if those people had stayed until age 65 the saving then is £33.570 million over their working lifetime. So it is working.

**Senator J.L. Perchard:**

I did ask a question about the governance arrangements to support the V.R. programme to ensure that these jobs do not appear somewhere else.

**Deputy Chief Executive, Treasury and Resources:**

If I can just finalise that answer. The process that is in place is that every department that puts forward a request for funding out of the original £6 million that Senator Ozouf obtained the money for in 2010, there has to be a fully justified business case for it and coming out of that has to be clear evidence that that post can be given up. Because once it has been approved by the small central team that we had in place with H.R. to check that it was valid, it fitted all the criteria, age, payback, et cetera, then the post is deleted as well as the cost. So the salary comes out of the relevant department's budget and the post comes out.

**Comprehensive Spending Review Team Leader:**

Each request had to be predicated on the C.S.R. saving.

**Senator S.C. Ferguson:**

They will not bring it back under another name?

**Comprehensive Spending Review Team Leader:**

They will not have the money to.

**Deputy Chief Executive, Treasury and Resources:**

They will not have the money for it.

**Comprehensive Spending Review Team Leader:**

They can restructure and redesign their services, and they can have another post that might be doing something over there but they will not have the money for it.

**Senator J.L. Perchard:**

It is Hay evaluation proof? The way it triggers up another position as a result of responsibility being passed from A to B.

**Deputy Chief Executive, Treasury and Resources:**

I think you have to recognise that once a saving has been made the department has to restructure itself if it is going to continue providing that service. So if the saving has been made and the money has come out, and the salary and post has gone, they have got to reorganise their own management, if it is management level, to cope with that responsibility. So some of those posts may be re-evaluated but the post does not go back in.

**Comprehensive Spending Review Team Leader:**

It might be a net saving. So if a particular section had to be restructured and maybe somebody did take on some more responsibility, which was then translated into a

higher grade, it will be the net saving of the higher grade against the post saving, which would be in the business case. The cost of it is against the net saving.

**Senator S.C. Ferguson:**

Yes, going on to property. One of the largest savings is anticipated to be from property rationalisation but it is marked red in the report. We have also heard from other departments that property would appear to be frustrating them from delivery of their targets. Are you able to elaborate further on this?

**The Minister for Treasury and Resources:**

The progress on property rationalisation has been frustratingly slow and we are certainly wanting to make more progress and substantial progress in terms of rationalising the property portfolio of the States. There is going to be news on one big project imminently, now finally being brought into the decision making and brought some publicity around it. Do you want to comment, John?

**Assistant Minister for Treasury and Resources:**

Yes, the difficulty I have got is understanding your question, Chairman. I cannot think of where we are holding up the department making savings.

**Senator S.C. Ferguson:**

Home Affairs, for example, are champing at the bit to move the police station.

**Assistant Minister for Treasury and Resources:**

I think there are some things about to come out which is going to be very pleasing to Home Affairs.

[10:15]

So I think that is probably not the best example to use. But we know there is some work ...

**Senator S.C. Ferguson:**

Well, that is phase 1, is it not?

**Assistant Minister for Treasury and Resources:**

Absolutely. That is going to come to fruition very, very shortly that piece of work. Are there any others you are particularly thinking of, Chairman?

**Senator S.C. Ferguson:**

I had a list before, tucked away.

**Assistant Minister for Treasury and Resources:**

If I can just comment while you are looking that Home Affairs has been ongoing for some time, there were a number of challenges ...

**Senator S.C. Ferguson:**

Yes, you told us in March that it was going to be ...

**Assistant Minister for Treasury and Resources:**

That is right, and there has been a number of challenges to get to where we are and we are just about to leap the final hurdle so hopefully there is some good news ...

**The Minister for Treasury and Resources:**

It will be a little different from the project that was originally envisaged. A lot of work has had to be done in order to make sure that it is capable of being implemented.

**Senator J.L. Perchard:**

Very interesting that you should ask us if we had any ideas about property rationalisation, Assistant Minister, have you none?

**Assistant Minister for Treasury and Resources:**

Certainly we have got many but certainly from the point of view of your question clearly you had some in your mind to raise the question.

**The Minister for Treasury and Resources:**

I think he is being sarcastic.

**Senator J.L. Perchard:**

Perhaps you can tell us about them.

**Senator S.C. Ferguson:**

When are we going to have the office strategy?

**Assistant Minister for Treasury and Resources:**

The office strategy is being worked on literally as we speak, that is an ongoing process. It does need funding. It needs identifying funding streams to make that happen, that is the task ...

**Senator S.C. Ferguson:**

It presumably needs to come to the States.

**Assistant Minister for Treasury and Resources:**

It will come to the States, it may come back as a report, I would suggest, to the States about what we are doing at that time. As part of the overall process of what we are doing, we are doing work that while work to start off with cost money it creates more financial opportunities to fund further work downstream, which is what we are required to do to make the office strategy work, to find a funding stream without coming back to ...

**Senator S.C. Ferguson:**

Right, so when is it starting?

**Assistant Minister for Treasury and Resources:**

Now.

**Senator S.C. Ferguson:**

Yes, but when ... this has been going on ...

**The Minister for Treasury and Resources:**

Chairman, you are right, it has been going on far too long and not enough progress has been made, and it is frustrating that while the office strategy was talked about we did not have much ... I do not know whether there was not much grit on the road or the rubbers were not running properly but things were not working and things are now working and I am extremely excited and indeed optimistic of the important role that property reorganisation is going to have in terms of re-engineering and reinventing some States services. There are numerous examples of surplus property that need to be dealt with but we need to maximise the value long term - I am not interested in a short term receipt, I am interesting in getting long-term value or value even if it takes a while for taxpayers in relation to some of the surplus assets. We are raising our game ...

**Senator J.L. Perchard:**

Disposal of property must feature in this programme.

**The Minister for Treasury and Resources:**

Disposal, joint venture, yes, absolutely.

**Senator S.C. Ferguson:**

Yes, because your Assistant Minister told us that everything was ready for the off and you were going to be signing a ministerial decision in April, I think.

**The Minister for Treasury and Resources:**

Are you talking about the Home Affairs one?

**Senator S.C. Ferguson:**

Basically stage 1, yes.

**The Minister for Treasury and Resources:**

That is right, and both the Assistant Minister and I and the Chief Executive, and indeed the Treasurer, have spent a long time ensuring that we have got a ministerial decision that is capable of being signed. It was not previously.

**Mr. N. McLocklin:**

In the rated report it says: "Increasing rents to market levels that are subsidised and rationalising office accommodation." Is that capturing all the property savings or is that a ...

**The Minister for Treasury and Resources:**

Property is going to be featuring on savings for a long time to come. This is a long ...



**Mr. N. McLocklin:**

There seems to be 2 elements mixed in together there, i.e. increasing rent to market levels being one side and another one being about the office accommodation benefits. Indeed 400 does not seem that big a number for the whole of the office accommodation strategy.

**The Minister for Treasury and Resources:**

Not in the longer term, no.

**Assistant Minister for Treasury and Resources:**

No, it is not.

**The Minister for Treasury and Resources:**

But that is just the ones that are delivered by 2013.

**Deputy Chief Executive, Treasury and Resources:**

It is 2013 a lot of it because its long-term investment and long-term disposal will go beyond 2013.

**Assistant Minister for Treasury and Resources:**

Moving from one property into another time takes time for the planning and building process and all of that, so therefore the returns are much further downstream than in the short term. What we have got to do is get that ball rolling and this what we are about to do with Home Office requirements and moving things on.

**Senator S.C. Ferguson:**

Yes, but Neil's point about the nominal rental payment, you will not get people ... at the moment office accommodation is a free good and until people have to account for this space they use, we will continue having what is anything from 270 square feet per desk down.

**Treasurer of the States:**

We are changing that, Chairman. For 2012 we are introducing charges across the States, we will have to make them budget neutral because we cannot introduce charges that departments cannot afford to pay. At the moment we have only some real costs associated with building site, Morier House, and the airport departure hall, and one other where there are real costs charged to departments and departments are contributing. What we are going to do is introduce charges for the space occupied from 1st January 2012 with a view to departments having an incentive to reduce their occupancy. That will make more explicit to departments the cost of occupying the space that they do occupy. This is something that I spoke with David Flowers and Ray Foster about only last week.

**Senator J.L. Perchard:**

You are going to levy a charge against the Health Department, for example?

**Treasurer of the States:**

There will be a charge for property occupancy full stop. Whatever property people are occupying there will be a charge for it. Initially, Senator Perchard, that will not

mean if a department is spending, for the sake of argument, £10 million at the moment then the costs of occupancy, for the sake of argument, is £500,000, we are not going to require them to meet that £500,000 out of their £10 million budget because they would not be in a position to do that. So we will be doing is we will be creating a charge and giving them the budget to pay for it but over a period of time we want to reduce both of those. So we will at least be making explicit the cost of occupancy.

**Senator S.C. Ferguson:**

Right. In fact the cross-cutting issues generally appear to be a concern in the overall C.S.R. programme: Procurement, I.T., H.R, what is the progress in each of these? The H.R. terms and conditions is clearly a big concern where employment costs can be 80 per cent of budget. Elsewhere there is evidence that the voluminous manual form filling is still occurring and the number of purchasing cards has been reduced to some 1,600 but is this enough? What is the progress with the Resources Department and the cross-cutting issues?

**Deputy Chief Executive, Treasury and Resources:**

I think it would be easier to take each one in turn. There is also I.S. (information services) which is the fourth one that makes up ...

**Senator S.C. Ferguson:**

Yes, sorry, I called it I.T., I apologise.

**Deputy Chief Executive, Treasury and Resources:**

I will try and very quickly take each one in turn, starting with I.S. I.S. is absolutely core to the States in terms of modernising its services so there is 2 elements to it. One is about modernising systems and we have got 2 which are currently at the point of final stage procurement for rolling out and delivery in September. One of those deals with your example of form filling, which is recruitment. We are putting a new recruitment system in. At the moment I think it is about 14 different stages you have to go through in terms of filling out forms for a leaver and a starter. The new system will be fully automated. That is one example. From a more generic position within I.S., again I mentioned this at the States Members briefing a couple of weeks ago, the States still run its own data centres. We have got 2 big data centres, very hungry in terms of power, air conditioning, floor space utilisation. The aim is that one of those will be moved out, certainly the old one, hopefully by the end of the year. We will be looking to move that into the private sector. The second one, which is fairly modern, will need to run through its depreciation cycle but the aim will be to move that one out so that as we look at rationalisation of office space that space is currently utilised by a data centre where no one will be required. So there is quite a lot there. A very quick look at I.S. to give you 2 examples of updating the system but also looking at the service we provide. H.R., a lot of the work going on there at the moment is to support departments in restructuring. As we said, once you take voluntary redundancy out or staff savings out those departments have got to look at restructuring how they are providing the services and some transformation work is going on there with departments at the moment. So H.R. themselves are making their own changes within to meet their C.S.R. savings but they are also working with departments to help them restructure, reorganise. There is a lot of work going on in terms of modernisation of department services and looking forward. Property, I think we have probably covered. The biggest area in property is looking at the estate rationalisation and, as the Assistant Minister said, the first big one that is just about to come out will be the Home Affairs police relocation. So that is the first major step

that really does bring occupancy levels down to very low levels. Certainly standards that are seen elsewhere in the U.K. (United Kingdom) are the standards we are applying and this will be the first example of that. Some of the other displacement that is likely to take place in terms of other accommodation, moving departments around, all the space standards are set on these new lower limits. So that is all hopefully going to come out fairly soon. In terms of Procurement, a lot of work is going on at the moment with some of the corporate areas of procurement, travel, employment of agency and temporary staff to look at getting a far better corporate agreement in place and then we start rolling out in 2012 and 2013 the savings that will be working in departments.

**Senator S.C. Ferguson:**

Now, if we go through each department separately, looking at H.R. given that the wages and salaries bill comprises nearly 50 per cent of States expenditure when are we going to see real progress on reducing this bill?

**The Minister for Treasury and Resources:**

The first decision, of course, is the business plan decision to set budgets overall within the States, and of course our targets and terms and conditions will be embedded in those decisions. So progress will be required as a result of the States business plan decisions both next year but also when we move to - what I hope we are going to agree is a good idea - 3-year budgets. Then obviously that is going to give some certainty for managers to work within the available money that is on the table.

**Senator J.L. Perchard:**

Just remind us, Minister, is it £14 million worth of terms and conditions savings that are proposed over the 3 year C.S.R. programme and how optimistic are you that these will be delivered? Is the V.R. included in that £14 million?

**The Minister for Treasury and Resources:**

There is no plan B, they have got to be delivered.

**Senator J.L. Perchard:**

So you are optimistic or can you explain ...

**The Minister for Treasury and Resources:**

Absolutely and I more optimistic ...

**Senator J.L. Perchard:**

How are you going to do the job?

**The Minister for Treasury and Resources:**

There should not be a high degree of political debate in the same way that we had inappropriate political debate about salary negotiations. Politically we need to set budgets and then we need to ask our managers and directors to go and work within those budgets. If we have got confidence in the budget setting process that we have got then people will be able to work within those budgets. We do know that there is terms and conditions issues which are needing to be tackled, not only in terms of the pay structures and the pay scales, there is a whole load of related issues in terms of

other practices that need to be tackled, and there has got to be some realistic modern changes in relation to that. Of course there is the pension arrangements which are subject to a separate review by S.E.B. (States Employment Board). S.E.B. is being advised and there is a whole load of work being done in terms of the long-term P.E.C.R.S. (Public Employees' Contributory Retirement Scheme).

**Senator J.L. Perchard:**

So compared to the definitive cuts that have been identified from departments through 2011, 2012 and 2013, you are a little bit behind schedule with the terms and conditions?

**The Minister for Treasury and Resources:**

No, not behind at all.

**Senator J.L. Perchard:**

You are being very generalised. Are you tactically just not wanting to be too specific at this moment about how ...

**The Minister for Treasury and Resources:**

You asked me whether or not I was confident ...

**Senator J.L. Perchard:**

But I did ask you how you were going to deliver it.

**The Minister for Treasury and Resources:**

There is how in terms of service cuts that it is possible to absolutely clear about. Terms and conditions are the subject of ongoing discussions with union groups, staff and no doubt this is a discussion which is going to continue in the period after the business plan in September when budgets have been set. Until budgets have been set, it is quite difficult to conclude the actual negotiations in terms of pay.

**Mr. N. McLocklin:**

Experience elsewhere is terms and conditions are obviously a big issue for everybody and I have seen it derail transformational programmes for up to 6 months in other authorities. What is your plan?

[10:30]

Is there a risk management plan to engage with staff and unions and deal with all those issues, taking account the wider programme?

**Treasurer of the States:**

I think as well you need to take account of the context. We spend £345 million on the salaries and we are looking for £14 million in terms and conditions savings. So you may be comparing us with areas that have very, very different targets to achieve. So just bear that context in mind.

**Mr. M. Oliver:**



Just yes and no, because there is still a cultural thing about changing terms and conditions, it is a cultural issue and changing cultures takes longer sometimes. In Jersey society it will take longer than 6 months arguably. So it is not so much the number figure, it is the negotiations around working practices.

**Treasurer of the States:**

But the whole situation for the States and other employers has been changed by the economic downturn, so a few years ago you would not have found private sector employers terribly keen either on reductions in terms and conditions, but the whole environment has changed and our local people here expect ... they know that they are themselves having reductions in their terms and conditions, they know they are seeing redundancies and they have friends and neighbours who have been made redundant. So the whole context has changed and the States staff are perfectly aware of that, just as other Jersey people are.

**Mr. M. Oliver:**

But it could provide you with the biggest potential stumbling block on your road to making the savings cuts because of the cultural issues. Would you acknowledge that?

**Deputy Chief Executive, Treasury and Resources:**

That is one risk that has got to be managed, absolutely. Part of the work that we are doing is looking at the different pay groups we have got. I think we have got 14 different pay groups at the moment, which in an organisation such as the States is somewhat excessive. What we are looking to do is to bring that down to about 5

different groups of a kind. The States being so diverse you have to recognise different groups so there is going to be a clinical group, there will be an emergency services group, there will be education, office and manual workers, States staff effectively, so trying to rationalise a number of groups down but I think you are absolutely right that it is about the culture we have got to change that will then look at terms and conditions, ways of working, that will become a more modern approach. That is something which the Corporate Management Board are certainly looking at in terms of the people strategy. To move from where we were many years ago, sort of very much in the silo type of working, into a more modern approach and as we move forward it is about engaging with people, staff to have a more modern approach to the workforce.

**The Minister for Treasury and Resources:**

But one thing that will change, one of the things that I feel very strongly, we have got to move to the 3-year budgeting process, the public finance law that we are going to go on to change. Setting budgets 3 years ahead is going to change the culture because there was a short term culture in the States of Jersey in all sorts of different respects and short term year to year wage negotiations was also endemic. Disconnected from financial reality the wage negotiations happened outwith the decisions about budgets. That is completely unrealistic. Now, embedding the 2 decisions together, being the resources and finance now are working much more closely together and then setting 3 year budget limits is going to create some certainty in terms of the availability of cash.

**Mr. M. Oliver:**

Including in that performance related pay I imagine is paramount for your consideration, performance ...

**The Minister for Treasury and Resources:**

You need to motivate people and people are motivated within the public sector by getting grade improvements and all the rest of it. Yes, performance related pay is something new to the public sector but has got to feature in some of the discussions going forward.

**Deputy Chief Executive, Treasury and Resources:**

But we cannot put performance related pay in on the existing structures we have got otherwise you end up with far too many ...

**Mr. M. Oliver:**

No, perfectly understand. Perfectly understand.

**The Minister for Treasury and Resources:**

Where there are trading organisations within the States that is going to be even ... that is where it is going happen. I spoke to an individual who was working for Jersey Telecoms just as I left the States building the other day and you have got a member of staff there, formerly a civil servant now working with the separately standalone Jersey Telecoms, really feeling as though he has been part of this business, been part of the success of it and working towards a common goal. We have to try and bottle some of that experience and put it in in terms of the States organisation. But 3-year budgeting will deliver a different culture.

**Senator S.C. Ferguson:**

So going on to Procurement. Does the Director of Procurement have sufficient authority - executive authority - to ensure persons in post can adopt and implement the States-wide procurement strategy and what enforcement capability is available for departments or trading committees who fail to implement the procurement strategy?

**Deputy Chief Executive, Treasury and Resources:**

There is a lot of questions there.

**Senator S.C. Ferguson:**

Does the Director of Procurement have sufficient standing to make people ...

**Deputy Chief Executive, Treasury and Resources:**

I think you have to recognise that at the moment budgets are set at department level but where Procurement does have an effect is that it has access to the central financial management system so it can very easily track expenditure by department and then if there is a corporate contract in place it can monitor to make sure that departments are using that corporate contract. If not, obviously they have to ask why and if there is a problem then make sure it is addressed with that department. Some departments have slightly different needs so they work with them. Corporate Procurement is quite a small department so really they are looking at the larger corporate contracts that are in place but they are providing expert advice to departments in terms of rationalising how they are going about procuring. A couple

of examples was the one I have just mentioned before about property. They were very heavily involved in the property maintenance renegotiation, very effective. Housing last year, with one of their contracts, they were very successful in helping them and working with departments as they start looking at renegotiating contracts for provision of service. They are working at the moment with Health. They have 2 or 3 fairly big initiatives running at Health at the moment to look at health spend on non-staff costs. As you can imagine it is quite high but it is very specialised in some areas and it is very general in other areas, and working with them to make sure that specialist areas get specialist treatment. Some areas you have to look at bringing in health-related experts to ensure that procurement of those services is appropriate. So they are effectively working across the organisation, giving departments assistance where possible, but where there are corporate contracts they have access to the system to make sure that they are being implemented.

**Senator S.C. Ferguson:**

But in the answer to the headline question: “How confident are you that you will deliver against your C.S.R. savings target?” ...

**The Minister for Treasury and Resources:**

Which question is this, Chairman?

**Senator S.C. Ferguson:**

In the summary of replies, question 9, number 9, page 9, the Procurement Department said: “We have high confidence that our targets are achievable provided that steady progress is made in improving available management information and

that departments work together in a collegiate manner.” That implies to me that there are problems with other departments working in silos.

**Treasurer of the States:**

Can I say something about that, Chairman? The way in which you put your question it kind of feels as if it is all about what the director can manage to achieve. It is not about that. It is about what departments can manage to achieve with support from the director and there are a number of things that we are doing which will help that. One of the things that we are doing, and we are probably a few months away but not very far away from, is having a States-wide procure-to-pay system. What that will enable people to do is to find easily all of the corporate contracts that are available to them to use. So having a system that is there, that is populated with the corporate contracts and that is easy to use will make it possible for people in departments easily to take advantage of the contracts that we have managed to negotiate. It will also make it more difficult for them to spend off contract, and it is off contract spend which typically costs more than one might wish. What we are also doing is we have revised the financial directions to fit with a new toolkit that the director and her staff have developed. So we now have a procurement toolkit with a very simple flow chart at the front that helps people to think what they are buying and then to easily find how they should be buying it and where there is advice available to them and the steps that they need to take. So we are developing a procure-to-pay I.T. system which will make it very easy for people to use the corporate contracts to which John was referring. We have ready to go a toolkit which will be available on the intranet for people to use and the financial limits within the toolkit have been matched across. They have been increased and they have been matched across to the financial directions and the financial directions have been revised so that everything fits together properly. So in a few months time we will have an I.T. system on which the

corporate contracts can reside and anyone wherever they are in the States can get easy access to them and also anyone across the States can get easy access to how they should be buying things. That systemic change is what will help deliver better procurement and, while the corporate team is an essential part of it, you can see a lot of people have a big part to play. What we are also going to do is further reduce the number of procurement cards we have, because I can see no reason why we should have 1,600 and something procurement cards. They are worthwhile because we recently calculated the cost of paying an invoice - I have not brought the exact figure - is between £4 and £5. Procurement cards take much of that cost away. So they are worth having for low value, high volume purchases but we do have to be careful with those as well, as you indicated earlier. But all of that has been taken together to improve how we procure, how we contract and how we procure across the States as a whole.

**Senator S.C. Ferguson:**

If we do it in a sort of simple Mickey Mouse approach for simple people like me, in 2004 I was in Guernsey and, for example, they had a system almost like Amazon where if they wanted Biro's, if they wanted pads of paper, printing paper, stuff like that, they just went on to the procurement website and they ordered it and at the same time, behind the simple ordering function, it did all the background invoicing, all the bookkeeping entries that were required. How close are we to that?

**Treasurer of the States:**

We are months away from that now. In the procurement for the new system we are down to the last 3 possible suppliers and we are just evaluating those tenders at the moment.

**Senator S.C. Ferguson:**

So that anyone in the States is going to be able to go on to the system and say: "I want 2 dozen Biro's", there is the selection, there is the drop-down menu, that is it?

**Treasurer of the States:**

Yes. I do not know whether we will be there with the Biro's but that principle, yes.

**Senator S.C. Ferguson:**

But these sort of things?

**Treasurer of the States:**

Yes, that principle

**Deputy Chief Executive, Treasury and Resources:**

All the corporate contracts negotiated will be on that system and one of the benefits of that is once it is on and it is easy to use by departments, by individuals authorised, then it is much easier to track any rogue spend that is going on. At the moment you have to interrogate the system through a very manual process which takes a lot of effort, whereas once you have got a system in it is very easy to track what has been spent on that and as long as the people buying have got the right authorisation set on their system it just lets them buy. It means that any rogue spend you can then pick up much easier.



**Senator S.C. Ferguson:**

Who has the power to enforce the accountability for rogue spending? Is that for the Treasurer?

**Treasurer of the States:**

The easy answer is yes, because it is driven through the financial directions. There are some rules around this. The accounting officer can under certain circumstances make and record a decision which is different.

[10:45]

I cannot think of an actual example, but if you know that the only supplier of a particular good or service is X then the accounting officer can decide just to go straight to X in order to procure that good or service, but the rules are driven through the financial directions.

**Senator S.C. Ferguson:**

Yes, because if they can go direct to X that gives them almost a way of circumventing the procurement system. Are you not wanting to get the system tied down so people do not go direct to X?

**Treasurer of the States:**

Yes, that would be the exception and it would be for an express purpose. I can give you a Shropshire example. We had an antique clock that could only be serviced by one clockmaker and so it is that kind of extreme.

**Deputy Chief Executive, Treasury and Resources:**

An example I can give you that is local to Jersey, I will go back to my old department, T.T.S.: the Island has got 100 and something sewage pumping stations. Over the years as we had developed the system we had tended to stick to one manufacturer because you get uniformity with spare parts, et cetera, so that means that once you are into that line there is only one person you can go to to get those parts because it is like if you have a Ford car you tend to buy your spares from a Ford garage. It is exactly the same but what you have got to make sure is that you monitor the costs of those parts and spares over the lifecycle of the equipment.

**Senator J.L. Perchard:**

It is going to be a little bit tricky procuring services, is it not? Do you see a problem with, for example, the Housing Department wanting to procure gardening services? Would it be a little bit tricky?

**Deputy Chief Executive, Treasury and Resources:**

No, that is the exact example I was giving before about property maintenance. There are 2 areas there I can touch on. In terms of improving efficiency, the way in which we used to procure those services resulted in about 3,000 orders a year going through Treasury which had all of the enhanced paperwork that went with it. We are now down to hundreds not thousands and that is through improving the way in which

we went about procuring those services and contracts. It is making sure you get the specification right at the very outset and going through a proper procurement process so that you end up with a contract in place that allows, in this case, maintenance staff to be called out from the contractor to go and fix something as opposed to having to raise a purchase order every time.

**Senator S.C. Ferguson:**

When Procurement are looking at this are they in fact taking account ... sorry, I will backtrack a minute. There used to be system whereby if you got a quote from a U.K. company and you got quotes from on-Island companies there used to be a 10 per cent variation for the local companies or an allowance so that they were not totally disadvantaged by very large U.K. companies. Has that been continued?

**Deputy Chief Executive, Treasury and Resources:**

Laura might want to comment on whether the rules are in place but certainly the experience I have seen recently is that by repackaging the way in which we go about procuring services we have been able to do that very successfully with the local companies, local businesses, and they have reacted extremely well to be able to win that work and the savings, as I mentioned earlier, were very significant. We could have opened that up to the external market but we did not need to purely because the local businesses worked with us and came in with some very competitive quotes. So I think it was one of those win-wins all round, that the States made a very significant saving but equally the business has been kept on-Island and local businesses have been supportive.

**The Minister for Treasury and Resources:**

You are talking about the Regulations of Undertaking Licensing Rule and I think that that was abolished but I cannot remember. That was a Reg. of Uns. rule, nothing to do with anything pertaining to corporate procurement. It was a Reg. of Uns. rule that there was a differentiation. I cannot remember, I am not involved in. I will check and get back to you.

**Senator S.C. Ferguson:**

Yes, because obviously a very large U.K. company will have a certain advantage over local companies and we cannot afford to be putting all our business outside the Island.

**The Minister for Treasury and Resources:**

The problem is there is an unintended consequence in that sort of thing: this is a local business, so automatically 10 per cent higher.

**Senator S.C. Ferguson:**

Well, yes, this is a problem.

**The Minister for Treasury and Resources:**

So you need to be very careful. I think the rule went and it is now done on a case-by-case basis I think, but I cannot remember.

**Mr. N. McLocklin:**

Are you integrating any demand management as you roll out the new procurement process? As an example, if the office wanted something like printers and office consumables, and you mentioned clocks, but everybody having a clock on their wall and all that kind of stuff.

**Deputy Chief Executive, Treasury and Resources:**

The simple answer to that is yes. Printing is one in particular where we are looking at rationalising totally the number of printers. We are just about to launch a managed print contract throughout the States. So the days of having your computer on your desk with a printer next to it have almost gone, or they certainly will be going very soon with exceptional circumstances, and linking up to central printing systems. So that is one example. Certainly travel is another one where the days of regularly flying off Island, we expect departments to be, and they are, looking at demand management, reducing the number of times. An obvious example is the use of video-conferencing. Only last week I was at a meeting where we did it through video-conferencing and it worked very successfully. I think that is something we have got to examine and work towards certainly improving on.

**Treasurer of the States:**

Similarly on temporary staff. Once we can negotiate better deals for temporary staff it is cheaper not to have them at all.

**Senator S.C. Ferguson:**

Yes. Now, if we move on to I.T. The direct spend is £10 million a year but there are all sorts of various silos throughout the States where either they have got little Excel

spreadsheets or they are doing their own thing. Do I.T. have the authority to bring this under their control? I am sorry, I.S.

**Deputy Chief Executive, Treasury and Resources:**

The secondary system is obviously the Education system because that is completely separate from the main one for obvious reasons, security reasons, and that will continue to be separate. I.S., in terms of its management structure, is set up where there is a core team in Cyril Le Marquand House but all of the other I.S. staff who are embedded in departments work for the central I.S. director. So it is much easier for the director now to be able to work with those staff in departments, understand the needs of departments and then supply that service back to them. That is effectively across the board, all the departments are now supported and we have got groupings. So the I.S. section that looks after T.T.S., looks after Planning, Harbours and Housing, I think. So there is one team who are embedded in T.T.S. but they look after those other departments I have mentioned but the reporting line, the management structure is back to the head of I.S.

**Senator S.C. Ferguson:**

You have mentioned outsourcing the data centre and so on. Are you also looking at more standard software with tweaks as opposed to bespoke software?

**Deputy Chief Executive, Treasury and Resources:**

It is a very difficult question to answer directly because the nature of the organisation is so diverse, whether you have got a Health system, Education maintenance, whatever. So the key is to make sure that whichever systems we have are the right

system for serving that bit of the business but the management information that comes out of them feeds back into Treasury so that there is one financial system. So it is about making sure that the software and the system is right for the business but it gives Laura and the Treasury management information that allows central co-ordination of accounts, payment for example. We do not want to end up with different systems during their own procuring and payment. We want to have it through the central system. It is about making sure the interfaces are right back into the corporate systems.

**Senator S.C. Ferguson:**

Yes, because in the questions, I am not sure which one it was, it talks about sophisticated cost models. Is our business really that sophisticated? Are we really needing to design our own software and so on?

**Treasurer of the States:**

No, we are not needing to design our own software but what we are increasingly doing is - and many local authorities in the U.K. would be in this position - you have a host of legacy systems. What you need to do to make the most effective use of the systems that you have and the systems people need for their particular aspect of the business is to have middleware which can mine the data from those legacy systems and use it for other purposes. That is the direction in which the States is moving. For instance, there will be lots of common data as between Social Security and employers paying the social security contributions and people and employers making their tax returns, both for their employees and their businesses. Maybe 60-65 per cent of the data is common and one of the things that we are looking at with systems reviews in taxes is how can we appropriately share information between those

different service areas. I say appropriately share because people are very sensitive about their tax returns, they are very sensitive about their benefits claims and so on, so we have to be mindful of that, but there are things that we can do with the use of middleware to share data between different service areas and we are happy to do that. We have spoken to the Data Protection Office to make sure that we can do it in an appropriate way.

**Senator J.L. Perchard:**

Will it require change to the legislation, data protection legislation, particularly the shared information between Health and Social Services and Social Security?

**Treasurer of the States:**

Each aspect of data sharing you have to look at on a case-by-case basis but the things that we have wanted to do so far the Data Protection Office has been happy about.

**Senator J.L. Perchard:**

Is there an opportunity here for efficiency savings, particularly with regards to perhaps fraudulent claims for benefits?

**Treasurer of the States:**

There is better opportunity for people telling the States things once. How frustrating must it be, as an individual or an employer, to have to tell the States things many times because you have got to do this return for social security contributions and this return for tax and that return for something else. So we want to streamline. At the



moment we do not even have the same definition of what is an employer. We do not have the same definition between social security and income tax. So there are some fundamental things that we need to do which would require law changes. So it is not straightforward but it is the right thing to do.

**Senator J.L. Perchard:**

I am sure it is.

**Senator S.C. Ferguson:**

Going back to the general stuff, what work have you done looking at the economics of user pays ideas across the States?

**The Minister for Treasury and Resources:**

When you say the economics of user pays, what do you mean?

**Mr. M. Oliver:**

If you put the price up of something that the user will pay for will it change demand and how will it change demand. A classic one would be education. You might want to increase school fees.

**Senator J.L. Perchard:**

Reduced subsidy, which will have a consequence.

**Mr. M. Oliver:**

No, not a reduced subsidy, increase school fees. Not necessarily reducing subsidy but let us run with an increase in school fees. What would then happen to the demand for education?

**The Minister for Treasury and Resources:**

Absolutely. Departments have got to look at, first of all with the possible exception of the pigeonholing of the school fees issue, which some people will forward the arguments that the school fee grant reduction should have been a user pays as opposed to an efficiency. Actually it is both. Then of course Education needs to work out and needs to have worked out and will need to explain what the likely demand for school places will be as a result of increasing school fees. That is obviously just one example of it. You want to introduce user pays charges when, frankly, the easy ones that I have trotted out in the past, why should the public be providing for gambling office regulation. That is a user pays. If the demand for gambling shops goes down as a result of increasing the cost on gambling shops then that is not an economic issue. I think it is at the margin.

[11:00]

Other health services. There are some health services which a co-payment system means that you care about the service that you are receiving to a greater extent, and there are good reasons why sometimes you want to put in place a user pays charge. The Chamber of Commerce try and encourage the Minister for Treasury to say all user pays are bad. Well, they are not. User pays has a role to play in the whole debate about what Government should be providing.

**Mr. M. Oliver:**

Well, exactly. In the first C.S.R. there was a lot of - I can recall and I cannot remember the exact examples - user pays coming in. There seem to be fewer this time and I thought as you penetrate further ...

**The Minister for Treasury and Resources:**

Yes, I am surprised. I mean, am I surprised? Because user pays have had to be separately set out and not forming part of the £65 million services perhaps there has not been an incentive for departments. When they have been busy trying to work out how to deliver their £65 million they have not turned yet a lot of attention to user pays charges but I think there will be more to come as we continue with the C.S.R. 2 and 3 and all the rest of it. There are some absolutely legitimate charges that should be introduced where people should be paying for the services rather than it being paid out of central taxation. The big one that is controversial and difficult is in the liquid waste management where liquid waste management at the moment if you are connected up to the main drains you get the service for nothing. If you are not able to be on a road with a main drain then, while you get a couple of sewage tanks free of charge, you pay for the marginal cost of the additional ones, and that is wrong. As we look at the work that Laura was speaking about earlier, the long-term capital spending, we have certainly got to look at liquid waste and that is going to be controversial. The toilet taps that was confined to the history books, all those papers are going to have to be relooked at and we are going to have to find a sustainable, fair, equitable way of charging for liquid waste.

**Senator J.L. Perchard:**

It is difficult though, Minister, is it not when the Government is the only provider of a service and it imposes charges? For example, all the planning fees. We all know how they are gone up exponentially over the last 3 years but they are the only provider of these services so one has got no choice but to pay it.

**The Minister for Treasury and Resources:**

But the arguments about that are well rehearsed. Where there is a monopoly provider you need the independent check as at the regulator. Either the threat of competition is that that drives down the price or whether you are a monopoly and you are in a dominant position then your prices, if you do not envisage competition in the longer term, you regulate. In terms of planning fees we are the regulator, the States is the regulator. There is not going to be, I do not imagine, a plurality and a competitive number of businesses providing sewage services. There will always be a single sewage water treatment entity in Jersey, just like there will be one water company and one electricity company. Okay, there is competition in the energy market, but you put checks and balances in place.

**Senator S.C. Ferguson:**

Yes, but that goes on then to say: "How much real effort has been made to identify core services and to review nice to haves, both within your area of responsibility and generally across the States?"

**The Minister for Treasury and Resources:**

Well, a lot, has there not? One of the fundamental questions of the C.S.R. was why are we doing this, do we need to carry on doing it, and that has been one of the early

questions which we have rehearsed around this table as to what we do. There is ongoing political debate about what the States is involved in and how the States provide services in the longer term.

**Senator S.C. Ferguson:**

We have spoken to all the Ministers, apart from the Chief Minister and until today yourself, and I am not sure that we are getting a picture of people really looking at this. Should the States be managing services like crematorium services? Should Public Health not delegate the promotional aspects to doctors, pharmacists and dentists? Should T.T.S. delegate composting and recycling? We have not really seen much evidence of a proper review of core services.

**The Minister for Treasury and Resources:**

I do not agree with that. I do not agree with that at all.

**Senator S.C. Ferguson:**

Well, is there a list somewhere? We have had one from T.T.S., which has made a very stout effort to identify what are core and what are non-core, but we have not had anything from anybody else.

**Senator J.L. Perchard:**

Before you answer that, can I give you a bit of evidence to support what the Chairman is saying is the fact that the Council of Ministers, with States endorsement, has gone to each department saying: "We expect you to cut your expenditure by 10

per cent over 3 years.” That is not an example of prioritising government service provision. That is asking a department to prioritise its own service provisions.

**The Minister for Treasury and Resources:**

But that is not right, is it, Jimmy? You know that that is not the case.

**Deputy Chief Executive, Treasury and Resources:**

When we presented to you a year or 18 months ago there was a little flow chart that we presented to you which at the very top said: “Does this service need to be provided?” It is on that basis and that is the flow chart that every department was asked to use in terms of looking at its services. So each department, when they came up with their C.S.R. savings plan, should have been addressing it in terms of: “Do we need to provide it? If so, is it efficient, is there an opportunity of making it more efficient?” It is a whole series of questions that came out of that flow chart. So hopefully, and it should be the case, that all departments have structured their C.S.R. plan on that staged approach.

**Mr. M. Oliver:**

Has anyone challenged it, though? Does anyone say: “Well, okay, you have done this wonderful flow chart. It looks good, but are you really thinking out of the box here?”

**Treasurer of the States:**

What surprises me is why you think departments do not do that for themselves. The first thing departments will do ...

**Senator S.C. Ferguson:**

Experience.

**Treasurer of the States:**

The first thing departments will do is to look for the areas that they can make the easiest savings in. That is what they will do and they will think about what can they stop doing and what can they reduce. My experience of the people on the Corporate Management Board is that that is exactly how they are thinking.

**Senator S.C. Ferguson:**

But should we be running the crematorium? Nobody has thought about that.

**Mr. N. McLocklin:**

Or architectural services?

**Deputy Chief Executive, Treasury and Resources:**

It is gone.

**Mr. N. McLocklin:**

It has gone, has it? It says it is consolidated here, but consolidated: gone.

**The Minister for Treasury and Resources:**

Any others?

**Mr. N. McLocklin:**

I was just reading what was here.

**Senator S.C. Ferguson:**

Should we be churning out lots of promotional brochures on health when the people who do the work on that are in fact the doctors, the pharmacists and the dentists? It is all these sort of peripheral activities where we have not had evidence that people are really thinking about it. The tradition in Jersey, if you will excuse me, I am sorry to interrupt, is generally to put forward frontline services which then become a political football and the reduction is withdrawn. This is the culture that we are trying to cope with.

**The Minister for Treasury and Resources:**

Chairman, I know you have got particular views about Health but let us be clear, the KPMG review ...

**Senator S.C. Ferguson:**

All right, music at Education.

**The Minister for Treasury and Resources:**

Let us just tackle Health, because you made some comments.



**Senator S.C. Ferguson:**

Instruments for the orchestra.

**The Minister for Treasury and Resources:**

It will not surprise you then that Education has come forward with a cost recovery model for instrumental music services. As much as I care about music, they are making difficult decisions about cost recovery. So there is an example of exactly somebody that is doing it and Education across the board have been. The subcommittees of the Council of Ministers for the 3 big spending departments that have been through their savings, that have challenged them, whether it is Education on school pitch management or sports grants or heritage grants, everything: yes, there has been appropriate challenge. I have got a great deal of confidence, much greater than I had before, that Health are also now asking those questions about the core services. Such is the scale of challenges that the health service have got in the next 10 years they are not going to have time to be focusing and dwelling on peripheral services. They are going to have to be focusing on absolutely the core issues and the core challenges and changes that are going to need to be happening at health services.

**Senator S.C. Ferguson:**

Yes, Health comes to mind because it is one of the biggest spenders. In fact, it is the biggest spender and the one that will require most input. But we are also talking about should T.T.S. be doing liquid waste. We are talking about real review of services.

**The Minister for Treasury and Resources:**

That is exactly what is happening.

**Senator S.C. Ferguson:**

Where is the piece of paper that says: "This is what Government should be doing"?

**The Minister for Treasury and Resources:**

I do not think you can just simply put on a piece of paper a list that says: "We will carry on doing these services." This is an ongoing political discussion. But what you can do philosophically, and of course we may well have a different philosophical view about the role of the State than some of our other colleagues have and that is why, enshrined in the fundamental principles when you start a 3-year term, you should be certainly setting out what you think the State should be and the State should not be providing. The first thing is that the State as a service provider is not default always the most inefficient. The private sector does not always do it better and the private sector does not always do it better particularly when the private sector is in a monopoly situation. So the competitive landscape that exists in the U.K. the flipping all services out to the private sector, there is a different dynamic here and a small economy will serve up different challenges in the debate about whether the State should provide it or the State does not. The public sector can be efficient. It can be incredibly efficient and you have got to take services on a case-by-case basis. However, having said all of that, do I think that the Jersey third sector and the Jersey private sector does have in the future a bigger role to play in providing services? Yes, I do.

**Senator S.C. Ferguson:**

Yes, it has a bigger role to play but if the State have not made the effort to really identify what it should be supplying, what it can supply best, what are its statutory duties, what are its core activities, how do you know what is to go out to the private sector and the third sector?

**The Minister for Treasury and Resources:**

That is exactly what we are doing.

**Comprehensive Spending Review Team Leader:**

The departments have done that in their assessments. There is another example in Education. They are putting holiday play schemes out to the private sector. The private sector now is well formed and more than able to take up the places that are currently provided by Education. They know that they do not have to provide that service by statute. Every department has gone through it, I am absolutely positive, and the independents that were with us last year on the major reviews really challenged and questioned. That is not to say that they should not be continually doing that and doing it more. I hope the central team provides some of that challenge as well, especially if they are having problems finding the savings. So that challenge is happening.

**Mr. M. Oliver:**

I am being positive here because you are being positive. Do you feel that it has got better since C.S.R. 1, the first round, that there are more people because of the scale of challenge that the centre outlined?

**The Minister for Treasury and Resources:**

Yes, massively, without question.

**Deputy Chief Executive, Treasury and Resources:**

I have noticed the difference just in this last 12-14 months since we have been engaged in this C.S.R. I get confused between 1 and 2 so I will use this current one that started in 2010. The difference in the change is tremendous and certainly all the chief officer management teams that I am working with are now starting to look at their service. It comes back to something I was saying earlier about the people strategy, the transformation that the organisation has to go through to become a modern service. As you start modernising it from the people side of it you also start modernising it from the way in which you provide services. I do not think you can look at any of it in isolation now. This is about the whole of the service, looking at how you modernise it, in some cases, as you said, which services should be provided by central government and which may be, as the Minister said, by the third sector. So, we are in this major transformation. It is not just going to end at 2013. We have started on a road and by the end of 2013 we have got a challenge and we will deliver the £65 million, as the Minister has said, subject to all the factors we have been talking about this morning.

**The Minister for Treasury and Resources:**

Political determination and the political decision-making.

**Deputy Chief Executive, Treasury and Resources:**

Yes, but we are not going to stop at the end of 2013. This is now continuing all the way through.

**The Minister for Treasury and Resources:**

As I cast my eye over the list of departments, I can think of examples of service cessation, alternative deliveries in every single department. In every single one I could name you an example of where there is either a cessation, an outsourcing, a different service delivery.

[11:15]

So, something is happening and we need to encourage it. The Chairman's questioning; you are quite well known for being quite aggressive in your questioning and the assumption that it is not happening. What I would quite like from the Corporate Services scrutiny review is a positive statement that: "Yes, we can see that things are changing. Carry on." What is frustrating is when the message comes across that nothing has changed and no lessons have been learnt. There is a tremendous ...

**Senator S.C. Ferguson:**

Well, give us the evidence.

**Mr. M. Oliver:**

It might help to summarise it all. All the things you have said, rather than going through the wads of paper here - sometimes you get lost in the wood - it might be

useful to have a few sheets pinpointing bullet points of all the transformational changes.

**The Minister for Treasury and Resources:**

But have you not had it, Michael? Can you not see in terms of what has gone on in terms of the way that we are changing the States in the last 18 months? We are not amoebas. We have not just arrived here today knowing nothing. You have seen what is happening in terms of the different culture that departments are working on, whether or not it is the liquid waste. Yes, there are discussions happening. They cannot be done in the blaze of publicity. There are discussions about outsourcing the liquid waste system. There are discussions with Health about how they deliver some of their health services, whether or not it is on-Island, off-Island, whether or not it is safer sex programmes, whether or not it is educational awareness for minority communities, whether or not it is nursing care, whether or not it is looking at how G.P.s (general practitioners) can be having a greater say and a greater responsibility in terms of primary care, whether or not it is Planning and the former Agricultural Department and the R.J.A. (Royal Jersey Agricultural) having taken responsibilities for running milk testing, or whether or not it is Home Affairs in some of the ways that they deliver their services in the longer term. It is happening across the board and let us at least recognise that this is a change which has started and that is underway rather than saying: "We cannot see anything changed" because it is changing and it is changing for the good and it is now changing ...

**Senator J.L. Perchard:**

The intent is obvious, Minister. I am not as positive about the rate of change as you suggest we should be. You are demonstrating the intent and I applaud you for that.

**The Minister for Treasury and Resources:**

We set out a target of delivering originally £50 million worth of savings. I sat at dinner on Friday evening with Michael Portillo, who I know is not involved in frontline politics but he was very interested to hear about the experience of what we are doing in terms of savings. We were talking about the austerity plan in the U.K. and the fiscal consolidation and why we were doing what we are doing here, and I explained what we were doing in terms of our 10 per cent budget reduction. I know Mr. Seddon says that you can deliver 40 per cent reductions and all the rest of it. I said: "What do you honestly think? What would you honestly think about a small island such as ours with a history of what you know about us [he has been here a number of times before] delivering a 10 per cent change within 3 years in terms of reduction?" He said: "I would be surprised if you could do it but good luck." We are on track. We are on track on delivering our £65 million, which is the higher target, and there are questions in your questions about stretch targets. The stretch target for us until 2013 is £65 million as opposed to £50 million.

**Senator J.L. Perchard:**

I suspect Mr. Portillo, like most of the people out there that we represent as politicians, thinks that the Government expenditure would be reduced by £65 million over 3 years. There is no way that it will be, Philip.

**The Minister for Treasury and Resources:**

Why not?

**Senator J.L. Perchard:**

The Government's total expenditure will not be reduced by £65 million over 3 years.

**The Minister for Treasury and Resources:**

We will be delivering ...

**Treasurer of the States:**

In real terms it will. I think you are suggesting that ...

**Senator J.L. Perchard:**

From what figure, Treasurer, to what figure over 3 years? There is not going to be a £65 million reduction in Government expenditure.

**Treasurer of the States:**

There will be £65 million reduction in expenditure to deliver the C.S.R. savings. What there will also be, and necessarily so, will be provision for pay awards, provision for inflationary increases, provision for capital expenditure. So you cannot ...

**Senator J.L. Perchard:**

Sorry, gross ...

**The Minister for Treasury and Resources:**

This is not a trick question.



**Senator J.L. Perchard:**

It is not a trick question.

**The Minister for Treasury and Resources:**

The C.S.R. is the C.S.R. You know what it is; I am not reinventing what it is. The C.S.R. is delivering to a great extent the same level of services for £65 million less. Are there in addition proper arrangements being put for contingencies so I do not have to beg back to the States for 118 requests for volcanic ash or foot and mouth?

**Senator J.L. Perchard:**

It is a slightly different subject, Minister.

**The Minister for Treasury and Resources:**

Is there not a requirement to also ... you were the former Minister for Health. You gave Ministers sitting around the same table a hard time when you banged the table and you said there was going to be a requirement to spend more money on health. It is what it is. We are delivering States services for £65 million less and, yes, we are stopping doing some things and we are charging people for some of the services that we deliver.

**Senator J.L. Perchard:**

Senator, like Michael Portillo, the general public would be very surprised if the States of Jersey can, on the 2010 gross expenditure figure of, say, £720-730 million, deliver a £65 million saving on that figure by 2013. It will not happen.

**Treasurer of the States:**

It will happen.

**Senator J.L. Perchard:**

So it will be reduced to what level?

**Treasurer of the States:**

You are trying to ignore the other things I am saying. We will deliver the £65 million in savings but you cannot look at that in isolation of the fact the States has already committed in the period 2011, 2012 and 2013 to 2 per cent growth for health. You cannot look at it in isolation of the 2.5 per cent that has been set aside for pay awards over the period or the provision that has been made for inflationary increases. The States very sensibly takes an approach of looking at its expenditure. You have to look at expenditure in real terms, not just expect to see £599 million spend at the end of 2010 minus £65 million. That is such a short, narrow perspective.

**Senator J.L. Perchard:**

I wonder if Mr. Portillo understood this.

**The Minister for Treasury and Resources:**

He absolutely understood it. This is not a political paintball game of seeing whether or not we can score points or put squirts in political points.

**Senator S.C. Ferguson:**

We do not think it is either. We are very serious about it.

**The Minister for Treasury and Resources:**

Well, let us be clear about the questions. The questions are: are we delivering the same services for less and are we checking the super tanker of increased States expenditure, which we have all been worried about, by the way in which we are changing the management of public finances? Yes, we are. We should at least get some credit, together, for trying to achieve this changed world, because things are different. Things are different and they are changing and they are changing at a faster pace than in my 12 years in the States of Jersey.

**Senator S.C. Ferguson:**

So what is your long-term vision, Minister? Size of government, number employed, space occupied. What is your long-term vision?

**The Minister for Treasury and Resources:**

I will make my vision very clear as and when the time comes when we will be seeking new positions in advance of the election. It is a big question. My own view is the States can continue to slim down and to reduce in terms of what it delivers itself and I do believe that we should be increasing the capacity of the third sector and the

private sector to meet some of the challenges of service delivery that our population requires. There are areas within the States - harbours, airports, liquid waste, some areas in the health service provision - of which the private sector can be a better and more efficient and better performing deliverer. Fundamentally also is that we are an island, which we ask our community to pay 5 per cent G.S.T. (goods and services tax), we ask them to pay a maximum percentage of 20 per cent on their salaries in terms of income tax and we have lower, yes rising, social security contributions. In return for those payments, our island community gets services which are significantly better than other small economies that have the same level of taxation. Long may that continue, despite the fact that there is going to be an increasing requirement of providing more health services for an ageing society. So, I am not a 20 per cent G.S.T. fan; I am not a fan of higher rates of tax; I am not a fan of merging the distinction between social security and income tax and providing clever ways around providing contributory benefits. I believe that Jersey can continue to prosper to a great extent within those tramlines of taxes. Yes, there is going to have to be some constant change of how we fund healthcare in the longer term but fundamentally we are doing pretty well for the size of community that we are and things are getting better and we have tackled, unlike other places, deficits early and we have dealt with them properly so that when economic growth does recover we can share the proceeds of growth with the community in which we serve.

**Mr. M. Oliver:**

You talked very eagerly earlier about C.S.R. 3, 4 and 5 and obviously some of this comes into your 3, 4 and 5. Can you give us any more details about how you see the shape at this stage of C.S.R. 3, 4 and 5 in terms of answering the Chairman's vision question?

**The Minister for Treasury and Resources:**

The £65 million will be delivered by 2013 and there are in the subsequent years after that further tens of millions of pounds to be driven out of the current costs of the services that we provide. Of course it is a never-ending process and that money needs to be identified in order to then put to the political priorities which inevitably will be in the growing areas of public administration because of the changing structure of society and the demographic change that we are going to see.

**Mr. M. Oliver:**

To those that say or would perhaps talk about some scepticism about C.S.R. fatigue creeping in, the public at large, you will say it is in your best long-term interests to go ahead with this?

**The Minister for Treasury and Resources:**

We have got one thing that we are going to do. C.S.R. has been the process of budget setting. We are introducing the concept of Value Jersey being the specific label to the efficient delivery in terms of making the States more efficient from a delivery point of view. Jersey politics is a funny place because people get bored with acronyms and they get bored with programmes pretty quickly. So we talk around the table "C.S.R." If I take a sample of 100 people walking up and down King Street this morning, most of them would not understand what C.S.R. is or was or anything. This is largely political chat within political circles and the paintball game of politics, which is very frustrating sometimes and I want a period of time that the Chief Executive and the Treasurer can be allowed to get on with the necessary and difficult and challenging restructuring of the States organisation without politicians being too eagerly on the sidelines shouting the match result before the game has been played.

The game is going to be successfully resulting in a different, changed organisation and we, as politicians, if we ask our staff to do this they will get on and do it, and they are. Under John and Laura's able oversight of the core 2 central departments of Chief Minister's Department and Treasury I am very confident that we will deliver it but we will not deliver it if we cheerlead and we claim now ... There is an issue about confidence, there is an issue about people being able to get on and do the job, there is an issue about confidence in the economy generally, and I think that if you continue to be confident and you continue to have no alternative plan B but to succeed, success follows. We, as politicians, shout too quickly from the sidelines "failure" before the game has been played.

**Senator J.L. Perchard:**

Fabulous, and you say that with a lot of passion but I think certainly on this side of the table you will receive political support for the austerity package but it is really the way it is being presented. Government is a big ship and it has been sailing along spending more and more or burning more fuel for decades. We are trying to run it leaner now and it will take time, Minister. I just think there is a little bit of misinformation being put out about the level of savings. We are slowing the rate of public spending significantly with the view to putting the big ship politics in reverse in time. I do think that message is important, and it is the way this is being sold. It is a little bit mischievous.

**The Minister for Treasury and Resources:**

No. I completely and absolutely reject any suggestion that there has been anything other than absolute clarity in what we are trying to do. I set out a path and I was

correct in having set out and being honest with people that unless we took corrective action we would have a recurring deficit in Jersey finances in 2013, and I was right.

[11:30]

I tackled that problem. I did not only tackle the short-term problem; I tackled the requirement of putting proper contingencies in place and being realistic of the things that you identified when you were Minister for Health, that we would require more money for health in the short and the medium and longer term and we have planned for that now. There is no crisis in terms of health and social services budgeting in the next 3 years because we have made provision for it and if we had not have done it and if I would have slain a dragon of £50 million ...

**Senator J.L. Perchard:**

Senator, I think I must have touched a fuse here.

**The Minister for Treasury and Resources:**

No, you have suggested that there has been dishonesty or mischievousness, I think you used the word.

**Senator J.L. Perchard:**

I would just take issue with you that the Government is saving £65 million.

**The Minister for Treasury and Resources:**

We are. £65 million is being removed from budgets.

**Senator J.L. Perchard:**

It is a matter of how it is presented. I understand what the Treasurer has said that there are commitments, there is inflation, there is wage commitments and, that aside, there are savings being made, but it is a big ship. It takes some slowing down.

**The Minister for Treasury and Resources:**

We are taking out £65 million worth of money from departments. We are taking it out. Now, dress it up as whatever you want but ...

**Senator S.C. Ferguson:**

The net effect is not going to be £65 million.

**The Minister for Treasury and Resources:**

We have never said it would.

**Senator S.C. Ferguson:**

How does it fit into the bigger picture of the future fiscal growth path? How does the C.S.R. link into the bigger picture of the future fiscal growth path?

**The Minister for Treasury and Resources:**



Very well. I am going to be saying more things. My period of time in 2 and a half years as Minister for Treasury has been unfortunately dominated by the short-term financial contagion that has spread to Jersey from around the world. I have not been able to spend the time that I would have liked to have done on the long-term fiscal strategies and the long-term re-evaluation and recasting of the fiscal framework. You will hear more on that in the budget speech and in the budget presentations later on this year where we will be recasting and resetting and indeed it will be a matter for the new Council of Ministers to consider with the States in terms of a revised and updated fiscal framework for the Island. But nothing much is going to change. We are a low tax economy and our success is built upon those principles and if we want to continue to see a thriving and growing financial services sector then we have to continue to run Jersey on the tramline of taxation that I have suggested, but it is all out there.

**Senator S.C. Ferguson:**

Yes, because I do not quite understand why we have had the change that came out, I think a couple of nights ago, that the social security increase that the States voted ...

**The Minister for Treasury and Resources:**

The States did not vote it.

**Senator S.C. Ferguson:**

We have not voted the legislation but in principle we talked about ...

**The Minister for Treasury and Resources:**

Unfortunately, as the Greffe will confirm, we did not even vote that but, having said that, let us be clear. Yes, to deal with the £100 million deficit there were a number of measures that were going to be proposed, including obviously all the things we have spoken about. In terms of tax and income raising, there was the increase in the G.S.T. and there was the increase of 2 per cent above the cap on employees and employers. We have pulled back from - I would use the word "defer" - the 2 per cent charge on employees for 2 reasons. First of all, because the public finances have improved slightly which means that that particular measure is not needed, or one of the measures would not have been needed with this. It is not massive; it is just at the margin in terms of an improvement in terms of our public finances. There is also political considerations that I genuinely think that the 2 per cent employee charge above the cap would not have got through the States.

**Senator S.C. Ferguson:**

But the employer's side is remaining.

**The Minister for Treasury and Resources:**

Yes. The other thing that is very important is that the long-term care scheme which will levy employees only, as employees to employers, a much desired political project to put in place long-term care that will, of course, be brought in and I do not believe that the combined 2 per cent above the cap and the employees charge on long-term care would have been politically deliverable. We are damned if we do and damned if we do not, frankly, which sometimes you have just got to deal with that. The fact is if we would have done it we would have been damned, if we would not have done it we would have been damned, and in terms of the 2 per cent employee's contribution

above the cap there was an interesting coalition building of those people who were against the Council of Ministers come what may and the other side who were together. My judgment is it would not have got through so I actively encouraged the Minister for Social Security not to do it.

**Senator J.L. Perchard:**

That is one of the reasons why you have not done but is it not for actual good fiscal reasons that you have decided not to increase taxation twice in one year?

**The Minister for Treasury and Resources:**

When you do not have to increase taxes and you do not have to raise more revenue, of course, and I have to make as a judgment call with ministerial colleagues judgments about what is possible in order to achieve.

**Senator J.L. Perchard:**

I would have preferred you to say that it was for good fiscal reasons that you wanted not to raise taxes rather than: "I did not think I would get it through the States."

**The Minister for Treasury and Resources:**

Sorry, my first answer was that we did not need to do it, which of course is the fiscal reason. I am being absolutely candid with you and also say that for political reasons, notwithstanding the good economic and good financial and fiscal decisions, it would not have got through the States.

**Mr. M. Oliver:**

Can I ask on the first one, the economics of it, why the sudden change? Are the income forecasts quite positive going forward?

**The Minister for Treasury and Resources:**

We have disclosed everything to you in terms of the accounts. The accounting picture, because our policies are working and because there is confidence in the Island and as people have continued to have confidence in Jersey our tax position has improved slightly. As far as fiscal, you met the F.P.P. (Fiscal Policy Panel) last week, and I know you spoke about school fees a lot with them, but the fact is that £7 million is not ...

**Senator J.L. Perchard:**

I thought it was a private meeting I had with them. I shall take it up with them.

**The Minister for Treasury and Resources:**

They were very pleased to meet with you. £7 million is not likely to have massive economic implications, as difficult as it is to say, £15 million per per cent of G.S.T. is that we are an economy of £4 billion.

**Mr. M. Oliver:**

Shame, you would not have had to put G.S.T. up if ...

**The Minister for Treasury and Resources:**

No, G.S.T. needed to go up, G.S.T. absolutely needed to go up, and the deferment in social security is a one-off deferment whereas the G.S.T. is a repeated, recurring position.

**Senator S.C. Ferguson:**

Yes, and with the prospect of a Tobin tax in Europe ... the European Parliament voted for a Tobin tax.

**The Minister for Treasury and Resources:**

Did they? I was not watching the news.

**Senator S.C. Ferguson:**

Yes, which might not be very good for us. Thank you, Minister, for your very open and interesting discussion. What a pity we did not start reducing expenditure when the P.A.C. (Public Accounts Committee) brought the proposition in 2007, is it not? But that is life. Thank you very much indeed for your time this morning.

**The Minister for Treasury and Resources:**

Well, political paintball scoring apart, I have been the Minister for Treasury for 2 and a half years and I think we have made quite a lot of progress. It is important that we do not rewrite history. There were saving reductions that were done but the political climate has changed and sometimes necessity means that you can achieve things and unfortunately an unintended consequence of the economic downturn is people have started to worry about spending, and that is a good thing. How we have arrived

at this position; we are here now, we are doing it and the Island is going to be better off as a result of it.

**Senator S.C. Ferguson:**

And you are absolutely convinced we are going to make the £65 million?

**The Minister for Treasury and Resources:**

I am convinced that it is possible to achieve it. I will only be thwarted in achieving it if the States do not give us the mandate to deliver it, including necessary changes to the education spend, and more on that subject in the States tomorrow.

**Senator S.C. Ferguson:**

I think so.

**The Minister for Treasury and Resources:**

We cannot tomorrow, in my view, insulate one area of spending within the States just because we are concerned or we are worried about some political inflammation in some areas. We need to have a balanced debate on spending where we deal with all spending at the same time in the business plan, not make early decisions, hasty decisions, unwise decisions to insulate vast areas of the public sector, which we will do so if we support tomorrow's proposition.

**Senator J.L. Perchard:**

I think you need to re-read the proposition being debated tomorrow.

**The Minister for Treasury and Resources:**

I have re-read it numerous times.

**Senator S.C. Ferguson:**

Anyway, that is for tomorrow. Thank you very much indeed. We now have a short break before we start again.

**Senator J.L. Perchard:**

On that, it does not say that at all, Philip. It says the Green Paper is coming out; let us be sure that we are doing the right thing because the consequences of cutting the budget by 10 per cent or 20 per cent to schools will mean their closure. The States will then have to pick up a massive bill because they will not survive it. They will for the next 3 years but after that they will be gone.

[11:41]