STATES OF JERSEY

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

Presented to the States on 21st September 2016
by the Environment, Housing and Infrastructure Scrutiny Panel

STATES GREFFE

COMMENTS

1. On 30th June 2016, the *Draft Medium Term Financial Plan Addition for 2017 – 2019* (P.68/2016) ("the MTFP Addition") was lodged by the Council of Ministers. This followed the States' approval of the Draft Strategic Plan 2015 – 2018 (P.27/2015 adopted on 30th April 2015) and the Medium Term Financial Plan 2016 – 2019 (P.72/2015 adopted on 8th October 2015), which agreed detailed expenditure allocations for 2016 and the total States expenditure limits for 2017 – 2019.

2. The Panel has undertaken a focused review of the MTFP Addition, with particular consideration given to the Environment Department and the Infrastructure Department. Whilst the Strategic Housing Unit also falls under the remit of the Panel, we accept the advice of the Minister for Housing that the MTFP Addition would have no material impact on her Department.

3. In relation to evidence-gathering, the Panel received a briefing from the Environment Department on 8th July, and held a public hearing with the Minister for the Environment on 21st July. The Panel also received the Minister for Infrastructure for a public hearing on 11th July 2016. Following this, the Panel submitted written questions to both Ministers in order to follow up on some of the issues that had been raised during the Hearings (*see* **Appendix 2**).

4. An expert adviser from the Chartered Institute of Public Finance and Accountancy ("CIPFA") was engaged to assist the Panel with its review of the MTFP Addition. A copy of the adviser's full report can be found in **Appendix 1**.

5. The Panel's key observations, along with those highlighted by our adviser, are summarised below for ease of reference. The evidence that supports our comments, and further information on the work that the Panel undertook, can be found in the section entitled **Presentation and Analysis of Evidence**.

KEY COMMENTS[1]

Infrastructure

User pays charges – Commercial Liquid and solid waste

- The details as to the practicalities of the charges, how they will be applied and collected and their impact on local businesses and members of the Public are not yet available.
- The Chamber of Commerce has expressed concern as to the potential impact of these charges on the tourism industry.
- Fundamental challenges exist with this proposal including accuracy on the income to be collected and the distributional impacts.
- The validity/accuracy of these aggregated charges is highly questionable.
- If the proposed methodology for commercial waste were to deliver less than the intended £11 million by 2019 then the shortfall would need to be met by an allocation from the Contingency Fund.
- It is currently unclear as to where the funds raised through 'user pays' charges will be allocated.
- It is imperative that any plans to introduce charges for domestic waste in the future be considered by the States Assembly separately and prior to inclusion in any MTFP.

Savings and Efficiencies

- The Department has the second highest departmental savings as a percentage of its 2015 cash limits.
- By 2019 the Department is proposing a loss of 'up to' 70.5 FTEs (in addition to the 33 already made in 2015/2016).
- There is a lack of detail available to elucidate the potential impact of efficiencies on the level of service provided.
- It is imperative that fiscal decisions are not taken at the cost of reduction in highly valued services to the Public.
- It is very important that a high quality of service is maintained in the long-term and not just considered around the time of the initial contract with outside service providers.
- The first 3 lines on DFI efficiency savings appear to be highly aspirational.
- By not including inflation in the budget for contractual obligations a false economy is created.
- The Department has the highest level of staff vacancies at 20.8% or 114.6 FTE within existing budgets.
- Staffing budgets are significantly over-resourced which may obscure the extent to which real service engineering will be achieved.

Sewage Treatment Works

- There is a lack of up-to-date data on the accuracy of the overall project costs.
- Current obstacles include significant hillside removal and the re-siting of the clinical waste incineration before the project can proceed.
- Whilst funding appears to be secure there is a lack of granularity on recurring revenue costs and savings.

[1] Please see section entitled **Presentation and Analysis of Evidence** for more detail

Car Park Trading Fund

- The financial return from the Car Parking Trading Fund will now be passed to the revenue budget of the DfI to fund sustainable transport projects initiatives.
- A proportion of the financial return from the Fund will be used to secure funding for unavoidable non-staff inflationary pressures if sustainable cost savings are not possible.

The Office Modernisation Project

- No financial plan is included within the MTFP Addition for the Project.
- The work establishing a suitable funding mechanism has not yet been completed.
- The Department's aim is to provide a means for funding for inclusion within the 2017 Budget proposals.
- More funding for the Project will be required in the MTFP 3.

Environment

Savings and Efficiencies

- The Department has the highest departmental savings target as a percentage of its total cash limits in 2015.
- The Department is proposing a loss of 8 FTEs between 2017 and 2019.
- The DoE is looking at ways of improving services through the use of technology, which would create its own efficiencies.
- Due to the reduction in posts, staff will need to adopt broader responsibilities and some advisory work will have to be outsourced.
- The Department is currently carrying some 11.7 FTE posts (10.2%) in vacancies which are funded within existing base budgets. As such, a revised distribution of resources may not be difficult to achieve.

Environmental Health Charges

- A fully drafted charging mechanism for the regulation of private rented dwellings will be brought to the States in 2018.
- It has been estimated that around 10,000 properties would need to be inspected as part of the regulation of private dwellings initiative.
- The regulation of standards must be enforced in order for the regulation of private rented dwellings to succeed.
- The regulation of food outlets and private rented dwellings will become self-financing environmental health functions.

Recommendation

Although the Proposition from 2003 suggests that the States agree in principle for 'user pays' charges, the interpretation is somewhat skewed within the States. The current practice for introducing 'user pays' charges should be assessed and a new system put in place that is clear and understood by all, for more informed decision-making.

PRESENTATION AND ANALYSIS OF EVIDENCE

The Department for Infrastructure

Overview

1. By the end of 2016 the Department for Infrastructure (DfI) will have made savings of £2.8 million and has committed to making a further £5 million of recurring savings and new revenue between 2017 and 2019. It is anticipated that these additional savings/revenue will be generated from –

   - continual services reviews;
   - outsourcing where it is beneficial and creates better value; and
   - introducing charges for commercial green waste.

2. The MTFP Addition proposes a forecast net reduction to the Department's manpower by up to 103.5 FTEs (Full-time Equivalent), of which 33 are a result of the impact of savings in 2015 and 2016.

3. In 2016, the Department received £6.9 million of additional funding for pressures on income budgets and new growth for the essential maintenance of the health estate. The Department has been allocated a further £4.6 million of additional growth to address service pressures largely relating to pressures on income from tipping fees, and new growth for States payment of rates and funding of the new sewage treatment works. It has been proposed that £600,000 of the additional funding will be allocated from the Car Park Trading Fund to a Concessionary Travel Scheme for people with disabilities.

4. The States of Jersey will be spending £168 million on capital projects in the 4 years of the plan and DfI will be responsible for the majority of their delivery. The capital projects include –

   - £43 million for the Department for Infrastructure, much of which is for a new sewage works but will also provide structural maintenance for roads, bridges and sea walls;
   - £56 million for Les Quennevais, Grainville and St. Mary's Schools;
   - £14 million for replacement of equipment operated by the Department.

5. The States Assembly is being asked to approve a proposed net revenue expenditure for DfI of –

   - £39,981,100 in 2017;
   - £35,367,400 in 2018;
   - £26,449,200 in 2019.

6. The Proposition for the MTFP Addition asks the States Assembly to provide an in principle approval of the new 'user pays' proposals for commercial liquid and solid waste charges. The Department's intention is to raise £3 million through the waste charge in 2018 and £11 million in 2019. It was noted that detailed proposals are to be brought to the Assembly in 2017. The Minister anticipates that the principle of 'user pays' charges will significantly improve environmental behaviours with respect to solid and liquid waste. Charging for commercial solid waste transfers the direct cost from the taxpayer to business,

many of whom do not pay income tax, and will allow alternative business opportunities for recycling which are currently not available. The Panel's concerns on this aspect are more fully addressed in the section below on 'user pays' charges.

Savings and Efficiencies

7. The Department's total cash limit and agreed budget for 2015 was £31,583,000.

8. The Department for Infrastructure has the second highest departmental savings as a percentage of its 2015 cash limits. For example, the Department has committed to making a saving of £7.9 million by 2019, which equates to approximately 25% of its total cash limits in 2015. It is proposed that the Department will achieve £4.4 million of efficiencies over 2015 – 2017, £1.7 million in 2018 and £1.4 million in 2019. A large majority of the Department's proposed savings will therefore be made through efficiencies. In 2019, for example, staff savings account for some 74% of the total savings for that year. The Panel commends the Department for working hard to address the question of whether the services being provided are appropriate for the Public, attempting to identify savings and proposing to make significant changes within DfI to meet their proposed target.

9. The Department is also proposing to make savings through non-staff inflation in both DfI and JPH (Jersey Property Holdings). Inflation increases were originally set at 2.5% per annum by the Treasury and Resources Department and it has been suggested that £1.2 million will be saved over the MTFP period due to the decision to withhold this funding. This will inevitably introduce further pressures on the revenue budget when the provision for indexation is built into service contracts, materials and chemical costs move in line with market prices and utility and fuel costs change over the period. There is an inability to quantify the pressures due to unknown changes in indices or prices. The MTFP Addition does however include a caveat that, due to the nature of the 'inflation' savings, the Minister is currently proposing that some of the financial return from the Car Park Trading Fund may be allocated to DfI if sustainable cost savings are not possible (see section on Trading Funds).

10. Staff and non-staff savings in respect of DfI as a proportion of the overall departmental net expenditure is highly significant and represents the largest downsizing initiatives in overall terms. By 2019 the Department is proposing a loss of up to 70.5 (in addition to the 33 already made in 2015 and 2016) full-term employees. These can be broken down into 3 areas –

- DfI Transformation project targets and service reviews of operational services – up to 65 FTEs;
- DfI Transformation targets and services reviews of transport – up to 4 FTEs;
- DfI Transformation targets and services reviews – corporate functions and rationalisation of support services – up to 1.5 FTEs.

11. With regard to the proposed FTE losses, the Panel was concerned as to the lack of detail that was available to elucidate the potential impact of efficiencies on the level of service provided by the Department. At the Public Hearing, the

Minister advised that further details on the efficiencies would be forthcoming before the debate on the MTFP Addition. It was further advised that the Department's decisions on headcount reductions were based on the back of detailed service reviews for each individual area, and some of those service reviews had not yet commenced. The Minister informed the Panel –

"We should be able to give you something in August, some more information and more data about the services that we have achieved to date and what we know we will achieve in the coming period."[2]

12. The Panel noted that the forecasted numbers of FTE positions within the Annex to the MTFP Addition were prefixed with the words 'up to'. This was considered somewhat surprising given that staff costs form a significant proportion of the overall DfI expenditure. At the Public Hearing, it was advised that the forecasted FTE figures were based on some degree of assumptions of the actual savings that needed to be achieved and what proportion of that was likely to be staff. It was further advised that a number of service reviews in Parks and Gardens were still underway and other services had not yet commenced their Service Reviews. As such, it was not possible for the Department to be precise, hence the figures included the words 'up to' rather than a definite number. The Chief Officer provided the Panel with a detailed explanation –

"The commitment my Minister has made is we are not going to outsource if it is going to cost the people of Jersey more money. So until you have been through the tender process and you have looked at the price of the tenders relative to the cost of doing it in-house, it is very hard to put a figure on it. We did soft market testing before we started and we have just had the tenders received, analysed, and the letters for those and the effect of that is going to be imminently going out. The reality is we have gone through this process openly and in partnership with our staff saying that if it was more expensive to outsource we are not outsourcing. So any commitment on numbers is something we have tried desperately to take out of the document, which is why we have finished up with an 'up to' figure in there, which is what we agreed to."[3]

13. The Panel noted that service reviews were about more than just the reduction of staff; they also determined how the Department could work most efficiently by optimising the resources available. The Panel also recognised the importance of retaining the quality of service provided. In a written answer to the Panel, the Minister advised that the responsibilities of the Department should not change if the States were to approve the MTFP Addition but *"the method of delivery of the services or manager responsible may change, but hopefully the Public won't see a difference."*[4] It is imperative that fiscal decisions are not taken at the cost of highly-valued services to the Public. If this were to happen however, DFI should acknowledge that it is their responsibility for how these are managed and, if the changes are approved, the States Assembly has a responsibility for holding the Department to account. The Panel also believes that it is very

[2] Transcript, Minister for Infrastructure, 11th July 2016, p.36
[3] Transcript, Minister for Infrastructure, 11th July 2016, p.39
[4] Written Response, Minister for Infrastructure, 5th August 2016

important that the high quality is maintained in the long term and not just considered around the time of the initial contract.

14. The risks attached to these proposals for savings are fairly high, due to the uncertainty of how the changes would impact on the Public. The potential risk to contractual obligations and the requirement of using the Car Park Trading Fund to supplement the risk has the effect of transferring the responsibility for those public services from the taxpayer to consumers of car parking facilities. This is not a sustainable position and will only allow for further income to be raised through car parking charges rather than tax.

'User pays' charges: Commercial solid and liquid waste

15. Within the MTFP Addition, the States Assembly is being asked to provide an in principle approval of the new 'user pays' proposals for commercial liquid and solid waste, set out in Appendix 1 of the document. The details as to the practicalities of the charges, how they will be applied, and their impact on local businesses and members of the Public are not yet available. We have been advised that DfI intends to bring detailed proposals to the States in the spring of 2017 for approval. Despite this, the States Assembly is being asked to approve the Department's total revenue expenditure less its estimated income, which includes the new 'user pays' proposals. The estimated income from the charges equates to £3 million in 2018 and £11 million in 2019.

16. Within the MTFP Addition, the Council of Ministers make it clear that it is their intention to introduce liquid and solid waste charges for commercial customers only. The Annex to the MTFP Addition, however, states that it *"is proposed **initially** to introduce charges for commercial operators".* The Panel queried this ambiguity with the Minister for Infrastructure at a Public Hearing and, whilst he advised that it was not his own intention to extend the charge to domestic waste, he alluded that it could be the intention of a future Minister for Infrastructure. Accordingly, the Panel is concerned about the lack of long-term planning that surrounds this significant piece of work.

17. Accordingly, the Panel argues that it is imperative that any plans to introduce charges for domestic waste in the future be considered by the States Assembly. If a future Minister for Infrastructure feels that it is appropriate to introduce such charges, then a Proposition must be brought to the States for debate independent of, and prior to, any Proposition as to the MTFP.

18. The original target, which was included in the overarching MTFP, was to raise £10 million per year through 'user pays' waste charges. However, we were advised by the Minister that the Council of Ministers saw an opportunity to raise an extra net £1 million as a result of the significant amount of commercial waste produced each year. It was noted that a further £2 million worth of charges would be paid by States Departments for their waste.

19. Currently, the disposal of solid and liquid waste is wholly funded by the States of Jersey through direct taxation of Island residents. At present, there is only minor income generation and the services are not self-sustainable. It was noted that under the current funding approach, 'user pays' charges contribute around 8% of the total cost of service provision. At the moment, on average,

£30 million worth of waste (£15 million for solid and £15 million for liquid), is being subsidised by the taxpayer, of which the majority is produced by the commercial sector.

20. According to the Council of Ministers *"there is a gross unfairness at the heart of the system as businesses and their customers do not pay and the services they use are subsided by tax-paying residents"*.[5] The Council of Ministers further advises that whilst the notion of charging for waste is new for Jersey, it seems to be the norm elsewhere. At a Public Hearing, the Chief Officer advised the Panel that his Department was unable to find any other jurisdiction that provides free commercial waste services in the world.

21. The Panel noted that it was the Minister's expectation that the 'user pays' charges would not only raise £11 million, which would otherwise have to come out of general revenues, but would also lead to a change in behaviour. For instance, it is anticipated that the charges would encourage the commercial sector to consider alternative options for recycling and alternative providers for disposal of their waste. In a written response to the Panel, the Minister advised that one of the Department's priorities was to establish a commercial recycling facility at La Collette in addition to the Household Recycling Centre currently being constructed. It was anticipated that these new initiatives would facilitate alternative methods of disposing of waste at a lower cost than processing through the EfW (Energy from Waste Plant).

22. The proposed charges by DfI make up nearly £11.5 million, which consists of £5.5 million each for liquid and solid waste and £357,000 for a green waste charge. The Panel was advised by the Minister that a detailed analysis of how these charges will be applied would not be available until 2017. The only information that is currently available is found in the distributional analysis of the MTFP proposals, which provides high level costings and an idea of how the funds will be raised. For instance, it states that the indicative liquid and solid waste charges are commercial charges of £3.12 per cubic metre (average commercial charge in 2018 of £1,728 per annum) and £150 per tonne respectively. Applying these figures to the hospitality sector, the Department has estimated that the charge will equate to 24p on the cost of an average meal out and 72p on the cost of a hotel room per night.

23. The Panel noted that whilst the distributional analysis contained some consideration of the potential impact of the proposed charges on businesses and the general public, the details were not yet available. The analysis does confirm, however, that the likelihood that the charges will feed through into higher costs for the users of the services was extremely high. For instance, it has been suggested that *"where such charges that fall on commercial enterprises cannot be offset by efficiency improvements they are likely to impact on islanders through one of three ways –*

- *Increased prices*
- *Reductions in other costs such as employment costs*
- *Reduced dividends for shareholders."*[6]

[5] MTFP Addition, p.105
[6] Draft Medium Term Financial Plan Addition for 2017 – 2019 (P.68/2016): second addendum, p.59

24. The Panel is concerned as to the uncertainty that surrounds the potential impact of these charges on local businesses and members of the Public. The Minister for Economic Development, Tourism, Sport and Culture, whilst supporting the principle of these charges, has raised his own concerns about the negative impact they could have on the hospitality industry and, in particular, smaller, less profitable enterprises. Accordingly, he assured the Economic Affairs Scrutiny Panel that he would work with the Council of Ministers and businesses to ensure that the charge was applied fairly if introduced in 2018[7]. In an official response to the MTFP Addition, the Chamber of Commerce expressed a similar concern –

> *"…at the time when the island's government and Visit Jersey are doing all they can to support the tourism industry, businesses in this sector, such as hotels, restaurants and visitor attractions are likely to be some of the most affected by the tax."*[8]

25. The Minister for Infrastructure advised the Panel that although a full consultation had not yet been carried out with key stakeholders from the industry, it was likely that this work would be undertaken during the next 6 months. The Chief Minister also indicated that further work was ongoing to assess the potential impact of the charges, especially on the tourism industry.

26. Given the level of uncertainty over impacts and ongoing dialogue with commercial interests, CIPFA (our expert adviser) is of the opinion that the validity/accuracy of these aggregated charges is highly questionable. Furthermore, CIPFA has stated within its report that –

> *"Given the conceptual nature of this we are of the view that these proposals are not suitably formed with sufficient prospectively to be readily incorporated with financial strategy."*[9]

27. At the time of the Panel's review, there was further ambiguity as to the outcome of the recent challenge to a legal agreement that prevented the States charging St. Helier residents for the disposal of waste. The sale of the Bellozanne site by the Parish of St. Helier to the States in 1952 included such a clause. At the Public Hearing, it was noted that the Minister was challenging the arrangement in the Royal Court and that he was currently awaiting adjudication. The Panel queried the Minister about the Department's course of action if the judgement was not put aside by the Court. It was advised that his Department would have to negotiate with the Parish of St. Helier to effectively "buy out" the agreement. It was further advised that the costs of any buyout would be reflected in the 'user pays' charges for commercial waste and therefore borne by businesses. The Minister acknowledged that, depending on what that figure would be, it would be very difficult for some businesses to absorb that level of cost. In this regard he commented –

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[7] Transcript, Minister for Economic Development, 6th July 2016
[8] Jersey Chamber of Commerce, Official Response, 31st August 2016
[9] Adviser's Report, p.7

"If you think that the majority of commercial enterprises who are based in St. Helier, significant or certainly a significant number, they would be paying for their Parish rates for their [waste] collection. They would be paying for their disposal. If they were then having to pay on top of that, to pay the Parish, so effectively they would be paying the Parish again, I imagine many of those businesses would find that unpalatable."[10]

28. On 2nd September the Panel learned that the Royal Court had ruled that the old arrangement would no longer exempt St. Helier residents from having to pay for waste disposal. As a result, there will be no implications on future waste operations because of the covenant. The Panel does recognise, however, that there is still the possibility that St. Helier may lodge an appeal against the Court's ruling.

29. Due to the uncertainties surrounding these charges and the lack of detail that is currently available to Members, the Panel is concerned about the potential outcome if the Proposition for waste charges is not approved in the States next year. There is a potential risk that if the States Assembly agrees to raise £11 million in the MTFP Addition and the Proposition is not approved, then the Council of Ministers would have to find alternative means of raising those funds. The greatest concern of the Panel was that the Council of Ministers would propose to increase taxes in order to compensate for the 'loss' of funds. We were advised by the Department, however, that if the proposed methodology for commercial waste were to deliver less than the intended £11 million by 2019 then, similar to the situation with Guernsey Waste, the shortfall would be met by an allocation of the money from the Contingency Fund. However, this poses its own risks, as it is not certain that there would be sufficient funds held in Contingency should £11 million not be forthcoming. In saying this, the Panel note that by 2019 there will only be £5 million allocated within the Contingency Fund which has not been specifically earmarked.

30. The Panel noted that the current Solid Waste Strategy had been published in May 2005, and the concept of 'user pays' charges for liquid and solid waste was thus first discussed over a decade ago. Whilst the Panel agree with the notion of introducing charges for commercial waste, the many uncertainties and unknowns that have been addressed above are of great concern. It is for this reason the Panel were of the opinion that the part of the Proposition that asks the States Assembly to approve the *in principle* decision of the new 'user pays' proposals should be addressed as an individual item for debate. It was thought that this would better allow Members to consider the potential implications of its approval and make an informed decision on this particular proposal.

31. Unfortunately, however, we were advised that such an amendment was not possible unless the Panel was itself able to identify equivalent savings from elsewhere to meet an £11 million shortfall. It was advised that, unlike the health charges, which are collected from the General Revenues, the waste charges are to be collected by DfI and form part of their net revenue position. Therefore, if the waste charge were to be debated separately like the health charge, a decision not to support the Assembly would mean the expenditure limits would exceed

[10] Transcript, Minister for Infrastructure, 11th July 2016, p.25

the agreed totals by £11 million by 2019, and a compensating reduction either in DfI, another Department, growth, contingency or Capital, would be required.

32. The Panel would question whether, on the evidence gathered, what the States Assembly is being asked to consider is truly an *in principle* decision; in saying this, the Panel has regard to the absence of flexibility within the MTFP Addition to cover the £11 million should the waste charges be rejected next year. Having regard to the form of the Proposition, all the Panel can do in the circumstances is to make States Members aware of the risks associated with agreeing the charge without the details available, and the consequences if the waste charge is rejected next year. The Panel is also committed to keeping abreast of this matter and will have the opportunity to scrutinise the details of the charges when available, before they are brought to the States Assembly next year.

33. The Panel questioned where the funds that were to be raised through 'user pays' waste charges, would be allocated. It was noted that the draft MTFP Addition suggested that funds raised through 'user pays' would be used to self-finance the provision and maintenance of some of DfI's long-term assets, such as the Energy from Waste plant and the new sewage treatment works, with the intention of removing their funding from the mainstream public finance, thereby alleviating pressure on household taxation and government budgets.[11]

34. However, in a written response to the Panel, the Minister advised that it was impossible to identify where the income would be allocated, as it is a reduction in the cash limit for DfI, not a "new source of funding". As a result, the amount raised offsets against other increases elsewhere in the States such as growth funding for Education and Health.

Fly-tipping

35. The Panel raised concerns at its Public Hearings regarding fly-tipping and the risk of its occurrence increasing if 'user pays' waste charges were introduced. Both the Minister for Infrastructure and the Minister for the Environment accepted that the charges would most certainly lead to increased cases of fly-tipping. However, through the use of new technology, both Ministers hoped that instances of fly-tipping would be more easily identified, thereby resulting in more successful prosecutions. It was advised that DfI had recently developed a mobile phone app called 'Love Jersey', which would enable members of the Public to post pictures of fly-tipping on the app and, through the use of G.P.S. (Global Positioning System), the Department would be able to identify where the solid waste had been discarded.

36. The Panel also sought to establish how the additional work from the likely increase in fly-tipping cases would be funded. The Minister for Infrastructure advised us that part of the net £5.5 million, raised from the disposal of commercial solid waste, would be set aside to deal with fly-tipping. We were told, however, that at this stage the exact quantum of the additional support to the environment teams had not yet been established.

[11] MTFP Addition, p.105

37. The Panel will ensure that it keeps abreast of this matter going forward. It is imperative that greater consideration is given to the potential impact of these charges on fly-tipping before the Minister brings the Proposition for commercial waste charges to the States next year. It is also important that more certainty is provided to States Members as to how increased cases of fly-tipping will be dealt with by both Departments.

Sewage Treatment Works

38. The MTFP Addition reveals that the States of Jersey will be spending £168 million on capital projects in the 4 years of the plan, of which £43.4 million will be used by the Infrastructure Department to construct a new sewage works and to provide structural maintenance for roads, bridges and sea walls.

39. At our Public Hearing, the Minister for Infrastructure confirmed that the total budget estimate for the sewage treatment works (STW) was £54 million, of which £16 million had so far been spent on the new Sludge Treatment works and enabling works. The Chief Officer advised the Panel that the majority of money to date had been spent on design, planning, site clearing works, assessing the environmental impact of the sewage works and tendering for the initial hillside removal works.

40. It was our understanding that the STW had previously been estimated at costing £75 million. The Waste Water Strategy (P.39/2014) was debated in the States in June 2014 and part (b) of the Proposition had requested the Minister for Treasury and Resources to bring forward the funding arrangements for the estimated £75 million required for the project. The Treasury and Resources Department's proposed funding mechanism for the allocation of these monies was identified in the budget debate in early December 2013 and was as follows –

- Fund partly from the TTS existing annual capital budget for infrastructure – £12 million;
- Fund partly from the main Capital programme – £31 million;
- Fund partly from the Consolidated Fund in 2014 – £3 million;
- Fund partly from an infrastructure investment of the Currency Fund (2015 and 2016) at a fair interest rare – £29 million.

41. At the Public Hearing the Panel raised queries as to why the budget had been downscaled from £75 million to £54 million. The Chief Officer advised us –

"Yes, what we have done is the £75 million was the estimate at that phase of the project without ascertaining all the risks. So there was a big risk on ground conditions and contamination. Since then we have done lots of ground investigations and the ground conditions are better than we expected. So a lot of that contingency money has been put aside or reallocated, it has not been needed. So that drops the … so you basically find tuned the budget. The other thing we have done is we have re-engineered the project so that we get the

treatment options we want and the Island needs within the money that is available."[12]

42. Following the Hearing, we requested the profile of expenditure across the years to completion of the STW. We were told that until the final design work had been completed and the project tendered, it was difficult for the Department to produce an accurate final out-turn cost. The Minister added that, whilst the projected costs against the forecasted budget were tight, there was potential to adjust the project scope if deemed necessary.

Car Park Trading Fund

43. The Panel was advised during the Hearing with the Minister that he was proposing to reduce the Financial Return that was currently remitted to the States Consolidated Fund. It was noted that currently £1.6 million from the Car Park Trading Fund is transferred to the Treasury and Resources Department. In a written answer to the Panel following the Hearing, the Minister confirmed that DfI had reached an agreement with the Minister for Treasury and Resources to phase out this amount over the period 2017 – 2019. It is envisaged that any additional income would therefore be passed to the revenue budget of the Department for Infrastructure to fund sustainable transport projects and initiatives, continuing the remit previously agreed by the States in 2004 (P.147/2004).

44. One of those initiatives is the Disabled Person's Travel Scheme, (*see* P.140/2015 adopted by the States Assembly on 23rd February 2016). The Statement of Comprehensive Net Expenditure shows that £600,000 would be transferred to DfI from the car park trading operations in 2017, £1.2 million in 2018 and £1.6 million in 2019. The Panel was advised that the £600,000 transferred in 2017 would be used to fund the disabled bus scheme with the intention of further contributions funding transport initiatives in the latter years. It is worth noting that whilst we were undertaking our review, the Minister for Infrastructure signed a Ministerial Decision to enable plans to be made for the introduction of a pilot scheme to provide concessionary bus passes to disabled persons.

45. In addition to the above, it is also proposed that some of the financial return from the Car Park Trading Fund would be used to secure appropriate funding for *"unavoidable non-staff inflationary pressures such as the Bus contract and other transport related issues"*[13] if sustainable cost savings were not possible. The Draft MTFP Addition proposes that the Department will make £1.2 million of savings on non-staff inflation in both DfI and JPH by 2019.

46. It was noted that the balance of the Car Park Trading Fund was forecast to decrease from £12.6 million in 2017 to only £106,500 in 2019. In light of these figures, our adviser expressed concern as to how the financial return from the Fund would be used to fund non-staff inflation costs, if targets could not be met. We queried this matter with the Minister for Infrastructure, who advised –

[12] Transcript, Minister for Infrastructure, 11th July 2016, pp.3–4
[13] Draft Medium Term Financial Plan Addition for 2017 – 2019 (P.68/2016): addendum (Annex to the MTFP Addition), p.180

"The forecasts for the movement on the trading fund already take into account the maximum transfers in respect of financial return, capital and revenue expenditure and minimal changes in income over the period. Longer term, once the Ann Court project has been completed, the capital expenditure on the fund is projected to be reduced compared to previous estimates as the focus has moved from a 'rebuild' to a 'maintain and refurbish' model."[14]

47. The Panel was further advised that the payment of the financial return to DfI revenue rather than the Consolidated Fund would have no additional impact on the operation or balances retained within the Trading Fund.

The Office Modernisation Project – Jersey Property Holdings

48. The Panel notes that no financial plan is included within the MTFP Addition for the Office Modernisation Project. Rather, within the document, it is stated that the project team would continue to work with Treasury Officers with the aim of providing a means for funding for inclusion in the 2017 Budget proposals. At the Public Hearing, the Minister advised the Panel that details for the funding were not in the MTFP Addition because the work establishing a suitable funding mechanism had not yet been completed. The Minister also reconfirmed that the work "*will be completed or should be completed by the time the budget is lodged."*[15]

49. We were advised, however, that part of the funding for the Project would come from the disposal of a number of redundant buildings. The Panel noted that the following properties had been identified for disposal as a result of the consultation –

- South Hill
- Jubilee Wharf
- Queen's House
- Maritime House
- Cyril Le Marquand House.

50. It is noted that the MTFP Addition proposals "assume that a level of £1 million property asset disposals in addition to those potentially associated with the Office Modernisation Project will be delivered as a contribution to the short-term measures and Consolidated Fund balance." It appears that this assumption is based on the level of property receipts that have been typically delivered in recent years, but the Panel proposes to pursue the question as to whether the level of disposals could in fact be increased.

51. It was further advised that funding released from mortgages on a number of States properties over the next couple of years would help fund the central office building in terms of its ongoing rent for the period of this MTFP. The Minister confirmed that more funding would be required in the MTFP 3.

[14] Written Response, Minister for Infrastructure, 5th August 2016
[15] Transcript, Minister for Infrastructure, 11th July 2016, p.28

The Department of the Environment

Overview

52. By the end of 2016, the Department of the Environment (DoE) will have made savings of £711,000 when compared to the 2015 budget. The Department is now committed to making further recurring savings of £1.3 million from 2017 to 2019. It has been proposed that these savings will be made through –

- re-design work on rural economy and countryside;
- re-designing industry advice;
- reviewing and re-prioritising environmental grant payments;
- introducing online planning objectives;
- reviewing Permitted Development, including work to Listed Buildings and places;
- exploring ways to combine similar services across the States;
- introducing environmental health charges.

53. The DoE is proposing a reduction of 8 FTEs through vacancy management re-design during the period 2017 – 2019. However, due to the transfer of the Environmental Health Service from Health and Social Services to DoE (11 FTEs) and the transfer of Countryside Rangers from DfI to DoE (3 FTEs), the overall forecast of budgeted FTEs increases by 6 from 2016.

54. In respect of DoE, the States Assembly will be asked to approve a proposed net revenue expenditure of £5,856,100 in 2017, £5,393,400 in 2018 and £4,675,900 in 2019, as part of the MTFP Addition.

55. The Environment Department is proposing to introduce environmental health charges to regulate food sale outlets and private rented dwellings. It is anticipated that these charges will raise £800,000 of the Department's £1.3 million savings by 2019.

Savings and Efficiencies

56. The Department's total cash limit and agreed budget for 2015 was £6,273,000.

57. It is worth noting that the Department has the highest departmental savings target as a percentage of its total cash limits in 2015. For instance, DoE has committed to making a total saving of £2 million, which equates to around 32% of the budget it had to spend in 2015.

58. During a briefing, the Minister for the Environment told the Panel that whilst delivering the savings would be challenging, DoE was used to making continuous improvements and changes, and was committed to achieving the required target. It was noted that staff costs accounted for a very large proportion of the Department's expenditure. For example, in 2017, staff costs amounted to £7,611,000 of the £10,338,000 gross revenue expenditure for that year.

59. It was noted that of the 2,031,000 savings that DoE had committed to achieving between 2016 and 2019, the majority (£1,231,100) would be made from the

reduction of staff costs. It was further noted that the remaining efficiencies would be raised through new environmental health charges (see below). Within the MTFP Addition, the Environment Department is proposing a loss of 8 FTEs between 2017 and 2019. These can be broken down into 2 areas –

- reduction of 6 posts in Planning and Building services through vacancy management and re-design;
- reduction of 2 posts in Environmental Services through vacancy management and re-design.

60. The Panel queried what was meant by 'vacancy management and re-design'. We were told by the Chief Executive Officer –

"Vacancy management on the whole is whenever we have someone moving on, taken another job or they are retiring or they have taken voluntary redundancy – there is a number of routes out of the business – it gives us the opportunity to take the very quick question: do we need to refill that post? That is what vacancy management is."[16]

61. Following the Hearing, the Panel was further advised that as part of vacancy management and re-design, the Department also plans ahead for retirements, reviews duties and work associated to posts, and considers opportunities to do things differently. It was noted that the latter may include reviewing regulatory obligations and current government priorities.

62. The Panel was concerned about how the Department could continue delivering the same level of service with less staff. The Minister advised the Panel that the Department could not maintain the same level of service with less staff. Thus, the DoE was looking at ways of improving services through the use of technology, which would create its own efficiencies. During a Hearing, the Panel was told *"Technology is going to help us into the future and we would hope that people would do that as well, but we are going to use technology so that we can deliver generally the same level of service with less people. But we have also been able to use natural wastage with people retiring and seeing as those people retire whether we can replace that work by using different techniques."*[17] It was noted that the Department was currently undertaking work which would enable the whole planning application process to be completed online. It was further noted that a review of permitted developments was underway which would examine what changes people could make to properties without planning permission, including listed buildings and places. It was anticipated that the outcome of this review would also help to reduce the amount of work undertaken by the planning department within the DoE.

63. During a Public Hearing, the Minister advised the Panel that due to reduction in posts it was expected that staff would need to adopt broader responsibilities, with some expert research or advisory work being outsourced. It was noted that, going forward, the Minister anticipated that DoE would concentrate more heavily on regulation and less on advice. The Panel was assured, however, that any reduction in advisory posts would not mean a diminution to the level of advice given to people who needed it. Rather, it was advised that the number of

[16] Transcript, Minister for the Environment, 21st July 2016, p.20
[17] Transcript, Minister for the Environment, 21st July 2016, p.2

people needing advice from the Department had reduced considerably compared to previous years.

64. Within our Adviser's report, it was noted that as of 30th June 2016 there were 11.7 FTE vacant posts within the Environment Department. As a result, CIPFA argues that it is more likely that the Department will achieve its proposed efficiency savings as its budget is greater than what is currently being utilised.[18]

Environmental Health Charges

65. The DoE is proposing to introduce environmental health charges, to be paid by Food Business Operators and Landlords of rented dwellings, which are scheduled to generate £800,000 by 2019. In response to a written question by Deputy M. Tadier of St. Brelade that was tabled in the States Assembly on 12th July 2016 in respect of the breakdown of these charges, the Minister advised that the amount to be raised was based on the projected timetable for legislation. The Panel was further advised during a briefing that the legislation, which would enable the introduction of the 'Rent Safe Landlord Accreditation Scheme' would be introduced in 2018. Therefore, the Minister anticipated that in 2018 £200,000 would be generated from food outlets; and in 2019 an additional £100,000 would come from food outlets and the remaining £500,000 from private rented dwellings.

66. In respect of these charges, our adviser expressed some concerns about the lack of detail included in the MTFP addition and Annex on how the sum of £800,000 had been calculated. During our Public Hearing, the Panel therefore questioned the Minister and his officers on how exactly the charging structure had been determined. It was advised that the Department had not yet designed the registration charges in detail, and when the legislation for regulation of private rented dwellings was brought to the States in 2018, a fully drafted charging mechanism would be provided.

67. However, in a written response to the Panel, the Minister was able to provide the actual data sets that were used for considering the £800,000 charges. We were advised that the Department had a known number of food premises which would become subject to an annual registration fee. The number varied slightly but was estimated to be around 1,000 – 1,020. The Department's proposal was to apply a discount to those premises with 5 stars under the Eat Safe Scheme. It was therefore anticipated that the average sum raised would be £300 per annum per premise, which would total £300,000 per year.

68. With regard to private rented dwellings, we were informed that the Department had used the conservative estimate of rented dwellings, as advised by the Strategic Housing Unit, of 10,000 – 15,000. It was also DoE's intention to give discounts to 'Rent Safe Accredited' dwellings with the average sum raised per dwelling being £100 per annum, which would equate to £1,000,000 for the full year. However, the Panel noted that the projected timescale for the introduction of charges was mid-way through 2019, and therefore the total raised during the MTFP period would amount to £500,000. The proposals therefore appear to denote an intention to further the performance of these areas and ensure

[18] Adviser's Report, p.6

appropriate standards are in place; this in turn raises the question as to whether there will be sufficient funding in the long term, taking into account discounts, for the regulator to be self-funding.

69. The Director of DoE provided a further explanation of how the sum of £800,000 for environmental health charges had been calculated –

"That (the data) is based on the fieldwork of the Environmental Health team as they currently stand at the moment, their ability and their remit to go and check housing as it stands at the moment. So that is their guess, their guess at interpreting this from the knowledge that they have now. In terms of the projected level of compliance, that is crossed checked against, from a Rent Safe and an Eat Safe perspective, how the same philosophies have been adopted in both Wales and California in terms of how they have moved on. From the Rent Safe perspective, they have been ground treated, if you like, against Canada, Australia and parts of the UK, which have adopted similar philosophies and similar processes. So, numbers are very much based on what we know about the market here from a physical perspective and the future philosophy is based on what we know about here but also through ground checks against those wider jurisdictional comparisons."[19]

70. The Panel was also concerned as to whether the figures were somewhat ambitious given that every property would need an inspection and the Department was proposing a reduction of 8 more FTEs. By way of response, the Chief Officer advised, however, that resources would be focused on those dwellings that were not meeting the standards and therefore not all 10,000 properties would be receiving an equal input from the Department. It appears that there will, again, be a heavy reliance on the Public to support the regulation of standards and their enforcement.

71. The Panel queried where the money generated from the environmental health charges was going to be allocated. The Officers advised that the regulation of food outlets and private rented dwellings would become self-sustaining environmental health functions.[20] For example, the funds raised from the charges would become a cost recovery of the regulatory function, not dissimilar to what currently takes place in the building and planning control areas.

72. The user charges in which DfI is proposing to introduce for commercial liquid and solid waste has already been noted. However, the Panel was similarly concerned about the effect of the introduction of environmental health charges on food outlets when considered in conjunction with the proposed waste charges on commercial businesses. The Panel raised this matter with the Minister for the Environment at the Public Hearing. Whilst the Minister accepted that there would inevitably be an effect on business, he strongly supported the introduction of the waste charge, and felt that it was no longer acceptable that those that create the majority of waste have it disposed of at the expense of the taxpayer.

[19] Transcript, Minister for the Environment, 21st July 2016, p.7
[20] Transcript, Minister for the Environment, 21st July 2016, p.11

APPENDIX 1

States of Jersey
States Assembly

États de Jersey
Assemblée des États

States of Jersey
Environment, Housing and Infrastructure Scrutiny Panel

MTFP Addition 2016 – 2019

August 2016

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1. PANEL ASSESSMENT

1.1 In May 2016, the States of Jersey commissioned CIPFA Business – Finance Advisory (the commercial arm of the Chartered Institute of Public Finance and Accountancy) to support the work of the Environment, Housing and Infrastructure Scrutiny Panel in the Review of the Medium-Term Financial Plan Addition submission MTFP 2016 – 2019.

1.2 This paper highlights high level issues that we believe merit Scrutiny Panel consideration.

High Level issues

1.3 For the purposes of the Environment, Housing and Infrastructure Scrutiny Panel we have identified the following five issues. Machinery of Government changes over the past two years have changed structures and responsibilities. Essentially the scope of this paper will concentrate on the MTFP Addition impacts relating to the Department of Infrastructure (DFI) and the Department of the Environment (DOE). The high level issues arising from our review are outlined below:

- Efficiency Savings and User Pays
- Waste Charge – Commercial
- Sewage Treatment Investment
- Central Growth Allocations
- Trading Funds – DfI

Efficiency Savings

1.4 Staff and Non Staff Savings re DfI as a proportion of overall departmental net expenditure is highly significant and represents the largest downsizing initiatives in overall terms against existing budgets:

	2017	2018	2019
Efficiency Savings	£1,944,000	£1,681,000	£1,351,000

1.5 In context overall adjusted indicative DfI Net Expenditure falls by approximately £10m to £30.1m in 2019 including User Pays income of £3,357,000 in 2018 growing to £8,000,000 in 2019:

States Funded Bodies	Approved Total Net Expenditure Revised 2016 £'000	Indicative Total Net Expenditure 2017 £'000	Indicative Total Net Expenditure 2018 £'000	Indicative Total Net Expenditure 2019 £'000
Ministerial Departments				
Chief Minister	26,860.1	26,664.9	26,677.5	26,134.7
- Jersey Overseas Aid Commission	10,337.7	10,339.6	10,341.3	10,342.4
External Relations	1,740.7	1,752.9	1,763.1	1,770.1
Community and Constitutional Affairs	49,270.5	49,131.8	49,069.9	48,288.0
Economic Development, Tourism, Sport and Culture	19,144.4	19,287.3	18,656.8	18,257.1
Education	103,660.1	106,671.7	108,231.7	109,098.4
Department of Environment	5,205.4	5,953.1	5,643.7	5,029.4
Health and Social Services	203,776.8	209,763.5	225,190.8	234,722.6
Infrastructure	40,137.1	40,302.0	36,544.7	30,125.0

1.6 By any measure the impact of savings and the size of overall change in the resourcing of the service is significant with total net revenue expenditure profiled to fall by some £10m on 2016 net expenditure levels. Indicative savings on DfI FTE staff are highlighted as being up to 103.5 with some 33 FTE posts going in 2015/2016:

States Funded Bodies	Approved 2016 FTE from MTFP	Service Transfer and Other Changes 2017 - 2019	Indicative Growth 2017 - 2019	Indicative Savings (up to) 2017 - 2019	Revised 2017 - 2019 FTE for MTFP Addition (up to)	Establishment FTE (up to)	Contingenc FTE
Ministerial Departments							
Chief Minister	**235.3**	11.5	-	(20.5)	**226.3**	226.3	
- Jersey Overseas Aid Commission	**1.5**	-	-	-	**1.5**	1.5	
External Relations	**7.0**	-	-	-	**7.0**	7.0	
Community and Constitutional Affairs	**699.0**	0.5	-	(33.5)	**666.0**	651.1	14
Economic Development,Tourism, Sport and Culture	**137.7**	(12.4)	-	(7.0)	**118.3**	118.3	
Education	**1,719.4**	-	31.2	(26.6)	**1,724.0**	1,724.0	
Department of the Environment	**114.9**	14.0	-	(8.0)	**120.9**	115.9	5
Health and Social Services	**2,748.0**	(11.5)	59.5	(12.0)	**2,784.0**	2,756.0	28
Department of Infrastructure[1]	**551.9**	(3.0)	-	up to (103.5)	**up to 544.9**	544.9	
Social Security	**253.0**	-	-	(15.0)	**238.0**	238.0	
Treasury and Resources	**200.9**	1.0	-	(21.0)	**180.9**	180.9	
Non Ministerial States Funded Bodies							

1.7 We understand that some of these posts to go in 2015/2016 relate to parks and garden maintenance and that some departments are considering outsourcing this service. However, whilst the proposals suggest that DFI deliver the largest structural change, the <u>DfI already has the highest level of vacancies at 20.8% or 114.6 FTE</u> against budget as at 30 June 2016 and there is obviously significant flexibility to meet such a challenge. It is not clear whether the level of service change reflects this level of structural change. Overall the States vacancy position is 897 FTE posts vacant as at June 2016 representing some 12.9% of the overall staffing establishment:

States of Jersey FTE Analysis – June 2016

Ministerial Departments	Budget	Actual	Vacancies	
Chief Minister's Department -	242.1	203.0	39.1	16.1%
Non Min SFB-Overseas Aid	*1.5*	*1.0*	*0.5*	*35.1%*
Comm and Const Affairs (CCA)	700.1	643.6	56.5	8.1%
Department of the Environment	114.9	103.2	11.7	10.2%
Department for Infrastructure	551.9	437.2	114.6	20.8%
Economic Development	124.4	110.7	13.7	11.0%
Education, Sport & Culture	1,719.5	1,537.7	181.8	10.6%
Health & Social Services	2,748.0	2,342.1	405.9	14.8%
Social Security	253.0	230.4	22.6	8.9%
Treasury and Resources	205.9	186.3	19.6	9.5%
Sub Total (1)	**6,897.0**	**6,008.6**	**888.4**	**12.9%**

1.8 As can be seen from the above the Department of the Environment had 11.7 FTE or 10.2% of funded posts. Overall DfI saving are represented as follows:

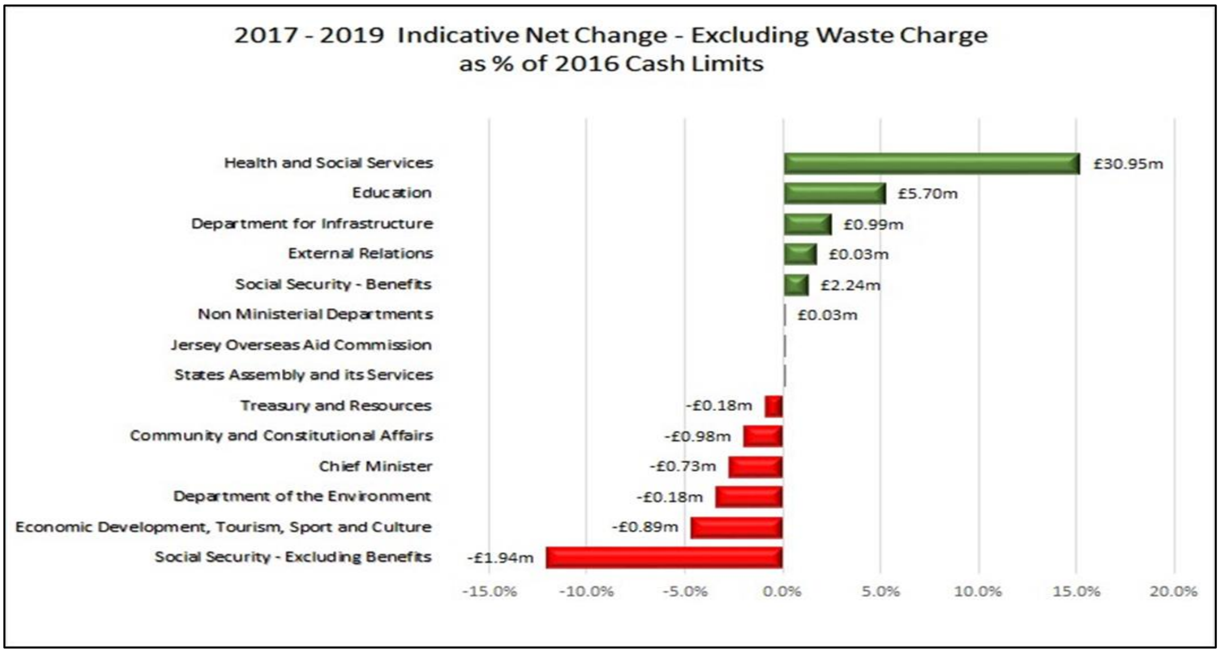
Department	2015/2016 Saving £'000	2017 Saving £'000	2018 Saving £'000	2019 Saving £'000	Total FTE Impact
Department for Infrastructure					
<u>**Efficiencies**</u>					
DfI Transformation Project Targets and Service Reviews of Operational Services		961.0	2,087.0	2,812.0	up to 65.0
DfI Transformation Targets and Service Reviews of Transport		150.0	250.0	350.0	up to 4.0
DfI Transformation Targets and Service Reviews - Corporate functions and rationalisation of support services.		263.0	364.0	464.0	up to 1.5
Reduction in maintenance requirements due to disposal of property and new builds		6.0	38.0	135.0	-
Non Staff Inflation in DfI		129.7	261.0	395.0	-
Non Staff Inflation in JPH		188.3	379.0	574.0	-
Total Efficiencies		**1,698.0**	**3,379.0**	**4,730.0**	**up to 70.5**
<u>**Savings**</u>					
Due to the nature of the above two "inflation" savings, it is currently proposed that some of the financial return from Jersey Car Parking may be allocated to DfI if sustainable cost savings are not possible. This will effectively reduce the return to the central Consolidated Fund.					-
Total Savings					
<u>**User Pays**</u>					
Increase Green Waste Charges to full cost recovery for commercial users		-	357.0	357.0	-
Total User Pays		**-**	**357.0**	**357.0**	**-**
Sub Total: Department for Infrastructure		**1,698.0**	**3,736.0**	**5,087.0**	**up to 70.5**
2015 -2016 savings	**2,753.0**	**2,753.0**	**2,753.0**	**2,753.0**	
Total: Department for Infrastructure	**2,753.0**	**4,451.0**	**6,489.0**	**7,840.0**	

1.9 Including the approved 2015/2016 savings which have already come out of base budgets DfI requires to deliver Efficiency Savings and User Pays totalling £4.451m in 2017, £6.489m in 2018 and £7.840m in 2019. On staff savings, given the 114.6FTE vacancies that existed at 30 June 2016 the delivery of a reshaped service shedding up to 70.5 posts or even 103.5 FTE posts may not prove to be as challenging as initially feared. Indeed, if the current level of vacancies are sustained at current levels there is the potential for 'savings' to be generated without significant additional effort. However, we are advised that any change to service provision will arise from re-engineering the service although 2015/16 savings will undoubtedly be delivered as a result of 'salami style' reduction in budget which is essentially unrequired budget.

1.10 Proposed efficiency savings attributed to line items 1, 2 and 3 within the above table appear to be extensive. We are led to believe that line item 1 relates to review of core operations. Service change/re-engineering on Parks, Gardening and Cleaning have already been subject to extensive review and consultation. In relation to line item 3, we are advised that approximately 33% of the £464,000 relating to a review of support services is associated with the departmental finance function. Service Level Agreement refinements (SLAs) between the department and Jersey Ports and harbours are currently in progress.

1.11 We fully recognise and endorse the department's concerns over potential differentials to arise between non pay inflation associated with rigid contractual arrangements in force or industry sectoral norms and the lack of commensurate budget provision provided within the budget setting process and MTFP framework to cover such commitments. In other words, DfI will need to absorb these additional pressures which may be outwith the department's control.

1.12 In relation to the green waste charges to commercial users we are advised that appropriate arrangements are in place to collect this income and there is relatively low risk of non-achievement. If we exclude proposed waste charges the overall indicative net change as a % of 2016 cash limits for DfI is still positive at just under £1m:



1.13 The Department of the Environment is scheduled to lose some 8 posts through the following efficiencies[21]:

Department	2015/2016 Saving £'000	2017 Saving £'000	2018 Saving £'000	2019 Saving £'000	Total FTE Impact
Department of Environment					
Efficiencies					
Reduction of 6 posts in Planning and Building services through vacancy management and redesign		139.0	311.0	349.1	6.0
Reduction of 2 posts in Environmental Services through vacancy management and redesign		67.0	125.0	171.0	2.0
Total Efficiencies		**206.0**	**436.0**	**520.1**	**8.0**
User Pays					
Introduction of Environmental Health charges to regulate food sale outlets and private rented dwellings			200.0	800.0	-
Total User Pays		-	**200.0**	**800.0**	-
Sub Total: Department of Environment		**206.0**	**636.0**	**1,320.1**	**8.0**
2015 -2016 savings	**711.0**	**711.0**	**711.0**	**711.0**	
Total: Department of Environment	**711.0**	**917.0**	**1,347.0**	**2,031.1**	

1.14 Given that there was 11.7 FTE vacant posts as at 30 June 2016 a revised distribution of resources may not be difficult to achieve. In making the staffing proposals work *"It is expected that staff will need to adopt*

[21] MTFP Addition – page 154

broader responsibilities, with some expert research or advisory work being outsourced if required. "[22] In relation to Planning and Building Control it is expected that a new online planning application process expected in Q1 of 2017 will "*provide efficiencies and improve the customer experience.*" Planning and Building Control are specialist areas requiring professional and technical qualification, skills and experience. Whilst it is noted that externalisation of advice will be an option there is no indication on how such a reduction of 6 related Planning and Building Control posts will impact overall service delivery. We do not have any indication of exactly what posts are currently vacant within the latest 11.7 FTE position.

1.15 As with DfI the 2015/16 savings appear to be already taken out of base budgets. We have no current financial performance information to assess whether the 2016 outturn is on track – however, we have been advised that there is no assumed difficulty in meeting these savings which take out some £711,000 per annum from base budgets. We would reiterate our position provided within the original MTFP II scrutiny work that the prevailing budget process fails to robustly test budgets by producing a 'bottom up' construction process. If service provision is not impacted by such sustained level of savings of £711,000 per annum and the service can still maintain a 10.2% vacancy level it is difficult to assess whether the service is truly tested in the delivery of efficiency savings. Although the above table highlights that the DoE suffers an indicative net change as a % of 2016 cash limits to 2019 of some £0.18m which represents the third largest % change between departments, we would have some confidence that the department will achieve the levels required such is the existing flexibility within arrangements and the prospectivity of additional income

User pays

1.16 The introduction of Environmental Health Charges to food outlets and the regulation of private dwellings is scheduled to generate some £800,000 by 2019. We understand that part of the charging regime will be associated with risk with high performers attracting a lesser charge. We were initially concerned about the mechanism required to deliver this level of income. However, we have been provided with assurances that an appropriate charging regime will be in place to deliver this.

[22] MTFP Addition Addendum – page 87

Waste Charge - Commercial

1.17 The waste charge is expected to raise £3m in 2018 and £11m in 2019 but there is little detail on how these figures have been constructed and it is understood that there is a level of complexity in relation to the assimilation of the proposed charge with the current arrangements in place covering the 12 parishes (6 Parishes currently contract with the private sector). We are now aware of the judgement of the Royal Court on 2 September 2016 which dismissed a potential impediment to charging for waste disposal within St Helier due to a covenant.

1.18 At a Corporate Services Scrutiny Panel meeting on the MTFP the Chief Minister indicated that further work was on-going to assess the impact of this proposal on businesses especially the Tourism Industry – Hotels etc. The MTFP Addition provides a clear strategic narrative on the rationale for the charges yet there is nothing on how the estimate and profile of recovery is calculated and is not included within the User Pays data in Appendix 1. Given the level of uncertainty over impacts and on-going dialogue with commercial interests it would be our opinion that the validity/accuracy of these aggregated charges is highly questionable. It is recognised that more work is required on the distributional analysis on impacts and the likely impact on businesses. Given the conceptual nature of this we are of the view that these proposals are not suitably formed with sufficient prospectivity to be readily incorporated within financial strategy.

1.19 In a response to a question on the level of waste charges the Minister for Treasury and Resources (and in the context of the Fiscal Policy Panel recently downgrading their core economic assumptions[23]) – at a public hearing with the Corporate Services Scrutiny Panel indicated:

> *"It is an interesting point because, bearing in mind the advice of the Fiscal Policy Panel, the response to a slowdown in the economy may well be to defer, or could be to defer something like a health charge or a waste charge if one wanted to increase the level of stimulus into the economy. So that could be delayed. Equally, if the economy is recovering faster, the opposite could happen."*[24]

1.20 The above comment suggests that, outwith a range of administrative challenges in securing implementation and capturing income to £11m by 2019, there is an acceptance that economic factors may well play a big part in a final decision to levy these charges.

[23] Jersey's Fiscal Policy Panel – Annual Report August 2016

[24] Corporate Services Scrutiny Panel – Medium Term Financial Plan – 02.09.16 – page 45 – Minister of Treasury & Resources

Sewage Treatment Investment

1.21 Within our original work for the Corporate Services Scrutiny Panel we obtained overall capital Project estimates for the Sewage Treatment works:

1.1 It was our original (Budget 2014) understanding that the proposed Liquid Waste Sewerage Treatment Works system would have an estimated total capital costs of £75m and be funded from £12m of existing TTS Infrastructure Budget with the balance of funding met from £30.5m main Capital Programme funding over the duration and an investment of the Currency Fund - £29m and contributions from the Consolidated Fund of £3m with existing resources funding - £0.5m. Within Budget 2015 our comments on this project were as follows:-

In respect of projects costs we understand that the overall exposure of £75m remains but the costs are re-profiled as follows:-

Item Description	**Funding £m**							
Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
STW site works incl. construction, and TTS &	0.5	9.44	12.564	31.446	0.0	0.0	0.0	53.950
Effluent outfall	0.0	0.16	2.590	0.0	0.0	0.0	0.0	2.750
Contingencies	0.0	0.0	5.135	6.295	0.005	0.005	0.005	11.445
Professional Fees (for STW)	0.0	0.0	4.80	0.0	0.0	0.0	0.0	4.800
TTS Costs	0.0	0.0	0.411	0.411	0.411	0.411	0.411	2.055
TOTAL	**0.5**	**9.6**	**25.5**	**38.152**	**0.416**	**0.416**	**0.416**	**75.000**

As outlined within our 2014 Budget Report we had reservations about the precision on the costs and the ability of TTS to meet the estimated £1.7 million per annum for principal and interest payments to finance the £29m borrowed from the Currency Fund. £1m of this Financing Payment is proposed to be generated from internal TTS operating savings:-

- *Energy Savings on £1m annual exposure - £0.5m*
- *Chemical – Pasteurisation savings - £0.25m*
- *Annual site maintenance on outdated and customised equipment - £0.25m*

The remaining £0.7m was proposed to be financed from additional internal departmental efficiencies. We envisage that this will pose a formidable challenge for the Department especially against the backcloth of further revenue savings it may be obliged to make as a result of overall expenditure retrenchment in Jersey. Indeed we previously summarised our position on this project as follows and would not seek – a year on - to change this:-

"..This significant and wholly necessary project lacks maturity in terms of the lack of overall cost exposure information as well as lacking precision in the sourcing of a significant component of annual financing costs.[1],[2]

1.2 We now understand that due to questions of overall affordability, the specification has been re-scoped to move costs down towards a likely total quantum of some £58/59 million. Indeed the September 2015 Capital Monitoring Report Q3 highlights the following:-

- ***Liquid Waste Strategy:** Expected Completion Date: 2018/19*
Project is in the planning phase, with the appointment of the Early Contractor Involvement. Current proposals to dramatically reduce the capital program have resulted in consideration of alternative funding sources which may result in some delays in commencing the next stages.[3]

1.3 For 2016, approximately £4 million of the Transport and Technical Services (TTS) Infrastructure rolling vote within the indicative Capital Programme of some £8.373 million is expected to be utilised for this project. Given the material uncertainties surrounding this project it will be essential that clarity is provided to enable the efficient utilisation of the Infrastructure Vote accommodated within the 2016 Capital Plan.

1.26 An excerpt from Page 126 of the MTFP Addition highlights the revised funding arrangements as follows:

Funding of £10.1 million was awarded to the Department for Infrastructure (formerly Transport and Technical Services Department) in 2014 and £25.5 million in 2015 as well as a further £1m in 2015 and £4.5m in 2016 from the Rolling Infrastructure Vote to undertake the first phases of this work, which will be commencing in 2016 and continuing into 2017.

Funding:
Paragraph d) of the Budget 2015 Proposition (as amended) (P.129/2014), agreed to request the Council of Ministers and the Minister for Treasury and Resources to take the necessary steps to bring forward for approval further capital allocations up to the maximum of £75 million.

It is proposed that the funding required to cover the allocation requirements for the project over the 2017 – 2019 period will be funded from the Department for Infrastructure's Rolling Vote. This included allocations that were identified in the indicative MTFP capital programme.

1.27 We are now advised that the latest specification has reduced overall project cost exposure from approximately £75m to £58m. We understand that the project is beyond proof of concept status and that early contractor involvement in the design works has moved this

[1] States of Jersey – Corporate Services Scrutiny Panel – Budget 2015 - CIPFA – Page 31
[2] States of Jersey – Corporate Services Scrutiny Panel – Budget 2014 - CIPFA – Para 1.46
[3] Quarterly Corporate Capital Monitoring Report - Page 31

initiative forward. Extensive hillside removal and re-siting of current arrangements for the incineration of clinical waste are required before substantive work can commence.

1.28 Significant revenue and currency fund borrowing and on-going financing repayments are being built into the MTFP for this project. We would be concerned that the overall project costs are high level without the detail and proper provisions/uprated for optimism bias etc. There is narrative on expected recurring revenue savings but this lacks granularity. We suspect that a revised service arising from the operation of the new plant will require significant service reengineering - from a bottom up – process based approach.

Central Growth Allocations

1.29 We could not detect any central growth allocation for Environment. However DfI proposals can be split into:

- Total original proposals for additional funding – including those approved 2016
- New proposals – new departmental bids
- Proposals for Central Growth Allocation 2018-2019

1.30 The figures have been extracted from Figures 24/25/26 below on pages 64 and 65:

		Approved	Proposed	Proposed	Proposed
Dept	**Original Proposals in Additional Funding**	**2016**	**2017**	**2018**	**2019**
DfI	Energy From Waste - Shortfall in Income (JEC/waste volumes)	1,121	48	49	49
DfI	Energy From Waste - No Guernsey Waste Income	1,530	31	30	33
DfI	Bus Contract - Main Contract and School Bus Service shortfall	278	10	12	11
DfI	Payment of Rates on States Properties		900	-	-
DfI	Additional Property Maintenance - HSSD Properties	4,000			
	Total original proposals	6929	989	91	93
		Approved	Proposed	Proposed	Proposed
Dept	**New Proposals for Additional Funding**	**2016**	**2017**	**2018**	**2019**
DFI	Increase due to reduction in JEC price for electricity generation		220	10	10
DFI	Increase in general insurance policy premium from 2016		98		
	Total DFI New Bids Proposal		318	10	10
		Approved	Proposed	Proposed	Proposed
Dept	**Proposals to be held in Central Growth Provision**	**2016**	**2017**	**2018**	**2019**
DFI	Tipping Fees Shortfall*			340	456
DFI	Revenue consequences of capital schemes - new Sewage Treatment Works				1700
DFI	**Proposed Central Growth Allocation for Infrastructure**			340	2156

1.31 On revenue consequences of capital schemes the Addition notes the following:

"This provision is required from 2019 to fund the cost of capital from the currency fund infrastructure investment for a period of time until liquid waste charges are fully established to provide a revenue stream from which the costs of capital could then be funded in due course."[25]

1.32 The approved 2016 Additional Property Maintenance of £4m is obviously a rounded provision lacking any real precision which is not indicative of robust resource management. However, the narratives associated with the other growth items as contained within the MTFP Addition appear to be reasonable and we have no reason to doubt the work behind these estimates. Indeed, growth items relating to changes in core assumptions appear to be prudently incorporated e.g. energy from waste and electricity differentials. This may contrast with some of our concerns on the challenging efficiency savings estimates which have a more aspirational appearance.

Trading Funds - DfI

1.33 Jersey Car Parking and Jersey Fleet Management generate significant income and deliver significant asset acquisition, replacement and enhancement. However Page 175 of the MTFP Addition – Addendum highlights net movement between the opening balances on each fund and the closing balances in 2019 as follows:

State Trading Operation	Opening Balance 2017	Closing Balance 2019
Jersey Car Parking	£12,631,000	£106,500
Jersey Fleet Management	£ 4,098,500	£3,294,800
Totals	£16,730,400	£3,401,300

1.34 Page 177 of the MTFP Addition states:

"The MTFP Addition includes proposals for the Minister for Infrastructure to bring forward proposals for a Concessionary travel scheme for people with disabilities to be funded from the Car Parking Trading Fund from 2017 and for the fund to be used in accordance with P147/2004 and P104/2010 to fund other transport initiatives to ease the pressure on the department for infrastructure cash limit as the Department undertakes significant transformation over the MTFP period 2016-2019, gradually reducing the return to general revenues."

1.35 Within 2018 some £9.722.5m of Capital Expenditure is proposed[26] to be borne by the Car Parking Trading Fund". We understand that this relates

[25] MTFP Addition – Page 72

[26] MTFP Addition Addendum Page 175

to a specific joint initiative with Andium Homes Ltd on a car parking facility at Minden Place below proposed housing. Obviously the above narrative suggests that the Trading Fund is designed to fund other DfI related initiatives to presumably augment revenue budgets an example of this is the £0.6m funding of the Concessionary Travel Scheme. Surpluses before Depreciation and Capital Expenditure are forecasted to be:

2017 - £286,000
2018 - £367,000
2019 - £423,000

1.36 Whilst we have no concerns over the ways surpluses are being used within these proposals it is recommended that greater clarity is obtained over the service business plans for the operation of both Trading Funds.

Concluding Comments

1.37 In summary DfI appear to have to deal with the largest downsizing of any other service in proportionate terms – certainly in terms of changes to funded staffing structures. However, we would have concerns about the following:

Efficiency Savings

- The first three lines on DfI efficiency savings appear to be highly aspirational - the heading of transformational targets appears to underline such a position
- Whilst there is no doubt that significant work will be undertaken to create service change the current (June 2016) level of vacancies (20.8%) suggests that staffing budgets are significantly over-resourced. This may obscure the extent that real service re-engineering will be achieved

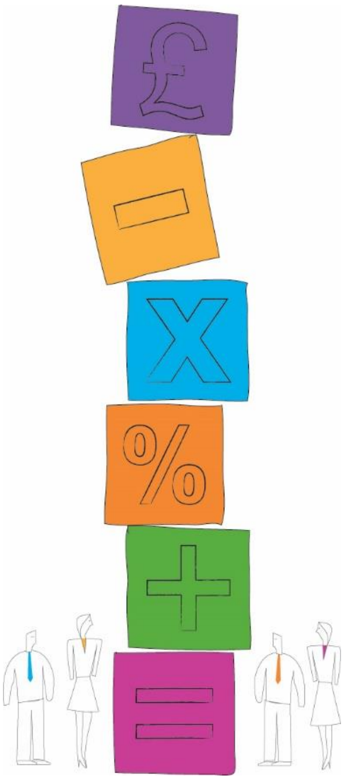
Waste Charges

- Waste Charges – this proposal lacks substance and is still conceptual
- Fundamental challenges exist with this proposal including accuracy on the income to be collected and the distributional impacts
- There are potential challenges to overcome including assimilation with existing arrangements and a recognition that potential economic factors will need to be assessed (the Fiscal Policy Panel have recently downgraded their core economic assumptions) before this proposal can be validly incorporated within the MTFP Addition as a firm proposal

Sewage Treatment Investment

- There is a lack of updated data on the accuracy of the overall project costs
- Current impediments include significant hillside removal and the re-siting of the clinical waste incineration arrangements before this project can proceed
- Whilst funding appears to be secure there is a lack of granularity on recurring revenue costs and savings

1.38 In relation to the Department of the Environment we had concerns over sustaining service delivery and the capability of the department to deliver the proposed reduction of 6 posts in Planning and Building Services and 2 posts in Environmental Services. However we understand that the department is currently carrying some 11.7 FTE posts (10.2%) in vacancies which are funded within existing base budgets. In this context it is difficult to see if real efficiencies are going to materialise as a result of direct management interventions or alternatively, whether required budgetary savings will be easily accommodated within vacancy management without undue effort.



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APPENDIX 2

The Department for Infrastructure
Written Response

5th August 2016

Central Contingency Allocations

Page 54 of the MTFP Addition highlights that "The Council of Ministers has provided carry forwards from 2015 to enable funds to be provided for certain commitments and emerging pressures."

1. *In relation to DFI how much was carried forward in 2015 to 2016?*

Departmental carry forwards were approved by the Treasury and Resources Minister in MD-TR-2016-0029 (attached) which provides more detail on the individual items identified below.
The carry forward from 2015 comprised the following items:

- £1.5m for safe disposal of legacy asbestos
- £525,000 in relation to reinstatement of a capital advance in 2014 from the cell construction capital head of expenditure which permitted the legacy APC residue to commence export in 2014
- £60,000 in respect of the up-front costs of the St Brelade recycling project (containers ordered in 2015, but received in 2016)
- £75,000 for office relocation (South Hill and La Collette to Beresford House)
- £210,000 for Opera House and Arts Centre essential maintenance (JPH carry forward from T&R, originally a contingency bid in Nov 15)
- £7,000 for rock face stabilisation works in Snow Hill car park (JPH carry forward from T&R)

Requests for £750,000 to fund the DfI Transformation project and £250,000 for the replacement vehicle registration system were rejected. The Transformation project was advised to seek funds from the Public Sector Reform budgetary provision. It is likely the replacement vehicle registration system will be funded from overachievement of vehicle registration income in 2016.

Savings and efficiencies

2. *For the MTFP 2016-2019 is the planned budget reductions just a recalibration of budgets to fit actual activity rather than budgeted activity (a reflection on more realistic budget setting based on actual service needs) or has there been a real effort to reengineer service delivery? Or is it an element of both?*

    a) *On Page109 of the MTFP Addition Addendum the table show proposed FTE positions for each year to 2019. The forecasted numbers are prefixed with the words 'up to'. Given that staff costs form a significant proportion of overall DfI expenditure – why the relative imprecision?*

The Department commenced its programme of Service Reviews in mid-2015, and had already had a vacancy management programme in place for some months to ensure that all posts were subject to review prior to recruitment. In 2015 25 staff received voluntary release payments and by the end of the year there were a considerable number of vacant posts. Following the finalisation of the Service Reviews of Municipal Services (Cleaning, Parks and Gardens) a number of roles have been identified for redeployment or release. Methods of Service Delivery have been considered irrespective of the existing level of resource available in order to achieve the best value and service for the public.

At the time of preparation of the MTFP addition a number of Service Reviews in Parks and Gardens and Cleaning were still underway, the department had not completed the tender exercise for Municipal Services and other areas of the service had not yet commenced their Service Reviews. As such, it was not possible to be precise with how many posts / staff would be required over the period 2017-19. Until detailed Service Reviews are undertaken in each area, the department cannot say for certain what the impact on staff numbers will be. A range of FTEs were prepared and as the maximum number of posts is required to be approved, it was considered that the words "up to" should be inserted to indicate that the actual numbers are likely to be less.

3. *Can the panel be supplied with the precise detail behind the first three items on Efficiency Savings for DfI highlighted in Appendix 2 or page 156 of the MTFP Addition?*

   Response to be provided separately.

4. *Why is there apparently more detail on the DfI Growth items than any narrative behind the Efficiency savings?*

   a) *Are these efficiency lines actually re-engineered service changes based on firm business case planning or do they include a degree of aspirational goals? If aspirational – why would they be included within the MTFP?*

      Growth items were considered in detail some time ago by Council of Ministers and ranked and prioritised. In order to secure and justify growth bids, departments were asked to provide sufficient detail to enable Council of Ministers to take informed decisions.

      Savings targets have been allocated to departments and some of these are quite considerable. Departments have put together high-level plans for achievement of these savings and work is underway to implement these, some of which will be through efficiencies, outsourcing, revised methods of delivery and in some cases cessation of services. Whilst there has been a considerable amount of work undertaken, many of these plans are not yet finalised, some are still in consultation stages with staff, and it is not possible to provide in-depth details pending tenders and service re-design consultation.

5. *What are the expected savings between contract cleaning and gardening to that of employed? How will this be managed contractually? What consideration of non-staff inflation will be negotiated within contracts?*

Early indications are that some contracts will see considerable savings (in excess of 50% saving in some instances). Other areas that have been tendered are proving more efficient to deliver “in-house” with some increase in productivity or changes in working practices and will be retained within the department. It is currently proposed to retain some of the managers within the Municipal Services area who will work with contractors to ensure service quality is maintained. Following the merge of TTS and JPH to form DfI in January it is proposed to undertake this contractor management through JPH, leveraging their existing contract management expertise.

Each of the contracts will have provision for relevant increases. As one of the savings proposals/assumptions for all departments is the removal of “non-staff inflation” for the period 2016–19, this will increasingly become challenging as in the past staff cost increases would have been funded centrally. DfI has reached agreement with the T&R Minister that a proportion of the financial return from the Car Parks trading account can be used to offset these pressures should it be required.

6. *What businesses cases have been used and stress tested on the transformation projects and service reviews?*

The DfI Waste Transformation project reached “Strategic Outline Case” stage in Q1 2016. This involved consideration and modelling of a large number of alternative scenarios for service delivery models, income streams, efficiency and effectiveness. Further work is ongoing in respect of this project and it is proposed to bring a proposition to the States in Q2 2017.

Service Reviews have been undertaken primarily in the Municipal Services area of the department, although other some other services in liquid and solid waste have been considered in the early stages as well. These Service Reviews consider the existing service delivery model, seek to identify efficiencies and changes in working practices which could provide a better service or lower cost (or ideally, both) and compare this with costs in the private sector. In Municipal Services, for example, the tender exercise has identified that some services are more cost effective to provide “in-house” whilst others can be outsourced and achieve significant savings.

7. *What are the current status of service reviews and when can we expect to see further information in advance of the States debate?*

Response to be provided separately.

8. *Please provide a table detailing the comparability to previous years following the transfer of property holdings to Infrastructure?*

   a) *MD-TR-2016-0017 shows a transfer of £32,509,000 and 57 FTEs to DFI following P.46/2015. How does this filter into the MTFP Addition?*

   The line “Jersey Property Holdings” in the MTFP Addition Annex identifies the amounts formerly inscribed within the Treasury and Resources budget in respect of JPH. It is unclear what the panel are requesting in addition to that already provided within the MTFP Addition Annex.

Non-Staff Inflation

9. *On Non-staff inflation for DfI page 156 highlights under savings that if Non Staff inflation targets are not possible then it is proposed to use some of the financial return from Jersey car parking. If the balance on the Car Parking Fund is forecast to move from £12.6m to only £103k due to other commitments (including some £6m for Anne Street Car Park) in 2019 how is this going to be achieved?*

   The forecasts for the movement on the trading fund already take into account the maximum transfers in respect of financial return, capital and revenue expenditure and minimal changes in income over the period. Longer term, once the Ann Court project has been completed, the capital expenditure on the fund is projected to be reduced compared to previous estimates as the focus has moved from a "rebuild" to a "maintain and refurbish" model.

   As identified in the response to question 5, it has been agreed that the financial return currently paid to the consolidated fund will be increasingly paid to DfI revenue in order to offset pressures within other areas of the department's budget. This has no additional impact on the operation or balances retained within the trading fund.

10. *What is the percentage applied to non-staff inflation for the purpose of efficiency savings?*

    Provision for Non-Staff Inflation was originally set at around 2.5% per annum by Treasury. The decision to withhold this funding effectively introduces further pressures on the revenue budget when provision for indexation is built into service contracts, materials and chemical costs (in particular) move in line with market prices and utility and fuel costs change over the period (expected to increase in the latter years of the plan). Many of these pressures will not be quantified until the relevant changes in indices or prices.

User Pays – Liquid and Solid Waste

11. *Whilst there seems to be a considered approach being taken to justify the concept of the Waste charge of £3m in 2018 and £11m in 2019, – given that to levy this charge would require significant legal hurdles to be overcome do you still think it is appropriate to profile this additional form of income within 2018 and 2019 in the MTFP?*

    a) *Are we not talking about more of a proof of concept than a planned action that has the appropriate level of certainty that would merit inclusion within the MTFP?*

       This is not a proof of concept, it is a planned action that DfI and previously TTS have been working in earnest since the States approved the MTFP 16-19 in September 2015. Scrutiny have been given a copy of the Strategic Outline Case previously and are aware of the work that the department and its consultants have been undertaking.

       As regards the legal challenge to the Bellozanne Covenant, the States firmly believe that the claim of the Parish of St Helier is without merit. However, should it prove necessary to reach a negotiated settlement with the Parish then the level of waste charges to the commercial operators will have to increase to meet the additional costs that will be incurred by the department as a result.

12. *What data has the costs established in the Distributional Impact Analysis been based upon for commercial premises? (£3.12 per cubic metre and £150 per tonne)*

    At this stage, operational data, maintenance requirements, capital projections and planned efficiencies have been modelled in order to establish these initial estimates, which are likely to be refined over time. A paper outlining the cost modelling data has been presented to CoM and a copy has been submitted to Scrutiny, a further copy of this (confidential) paper will be provided next week.

13. *Where will the money that is raised through the user pays charges be allocated? Please provide a breakdown.*

    a) *How much of the funding would be used to deal with fly-tipping?*

       It is not possible to identify where the "income from user pays charges" will be allocated as this is a reduction in the cash limit for DfI, not a "new source of funding". As such, it offsets against other increases elsewhere in the States, such as growth funding for Education and Health. In addition to the £11m income target, DfI also has a considerable savings target as well, which means that overall budgets will be substantially lower in 2016-19 than in 2015.

       A small amount of funding is likely to be allocated to DoE to fund one of their environment team in investigating fly-tipping. At this stage the exact quantum of this additional support has not been established.

14. *Should there be a behavioural change and therefore a reduction in commercial solid waste, will there be a correlated reduced cost to plant use? If so, estimated cost or use? How will it be delivered? If not, do they make up for the lost user pay revenue?*

    In line with the Solid Waste Strategy, it is the policy of the department to try to minimise waste, especially that requiring recovery as opposed to recycling. One of the priorities for the department is to establish a commercial recycling facility at La Collette in addition to the Household Recycling Centre currently being constructed. This will facilitate alternative methods of disposing of waste at a lower cost than processing through the EFW eg incineration of certain materials such as uPVC incurs substantial chemical costs to treat the flue gasses, but has a residual value for recycling instead.

    The costs of running the EFW plant are to some extent fixed, however, there are a number of costs which vary depending on the nature of the materials being treated, the volume of waste throughput and the maintenance required (including frequency of maintenance, amount of "down time" for the plant and associated stockpiling costs, frequency of replacement of significant parts etc). At this stage, it is impossible to say for certain what the impact will be on the waste stream, however, as the plant has been designed to be flexible (2 independent waste streams, for example) it should be possible to manage reductions in volumes and it is hoped that this will also prolong the life of the plant and make routine maintenance easier to schedule when only one stream is working.

Sewage Treatment Works

15. *What is the latest project estimate on the Sewage Treatment Works plant? We understand that approval was originally granted for up to £75m being met by a number of funding sources although the specification has been modified back (downscaled) to approximately £54m – can we have an accurate forecast and what is the profiling of expenditure across years to completion?*

    The current forecast budget is £53,594,000. Until the final design work has been completed and the project tendered it is difficult to produce an accurate final out-turn cost. Included within the project are the costs of relocating the clinical waste incinerator following the decision by the UK not to grant a "Duly Reasoned Request" to export clinical waste to the UK for treatment. This facility is now at the end of its working life and is also in the footprint of the new STW, so needs to be relocated to La Collette. Whilst the projected costs against budget are tight, there is potential to adjust the project scope if necessary. Hillside removal works have recently been tendered and are due to commence shortly as part of the initial enabling works. The slope clearance and some service diversions have also already taken place.

16. *Is any other recurring revenue costs and savings of the Sewerage Treatment Works Plant – and indeed the consequential re-siting of the Clinical waste Plant being factored into the current MTFP estimates?*

    The savings for the Waste Services division includes elements of savings from the new STW plant, including operational efficiencies such as lower electricity consumption through more efficient design, reduced maintenance costs (at least in the initial years of operation). In addition, the DfI Waste Transformation programme seeks to make efficiencies in the operation of all aspects of the Waste Services division.

    The current clinical waste incinerator is funded on a full cost recovery basis and DfI has been working closely with colleagues in the Health and Social Services department in order to minimise the amount of clinical waste being separately processed through the CWI plant. Significant reductions in volume have already been achieved which has enable DfI to design a smaller plant than would otherwise be needed and although the unit cost per tonne is currently increasing, this is more than offset by the reduction in volume.

Trading Funds

17. *What are the business planning assumptions used for the operation of the two trading funds?*

    There is a financial model which underpins decisions made in respect of the Jersey Car Parking trading operation. This plans the required revenue and capital requirements over the next 25 years and enables the department to model different charging structures and the impact on overall revenue.

The current financial model for the car parks assumes that parking charges will generally increase by RPI(Y).

Jersey Fleet Management does not require such a detailed model as it is largely designed to operate on a pure cost recovery basis and the lease charges for the vehicles have overheads built in to cover the non-operational costs of the trading operation (management, procurement etc.) A Service Review of Jersey Fleet Management is currently underway.

18. *In the public hearing we were advised that it was now DFI's policy to refurbish carparks rather than replacing them. Could the Minister advise whether the carparks have been assessed by qualified property surveyors?*

    a) *When would the requirement to replace a carpark after its refurbishment be expected?*

    No. Property Surveyors would not be the appropriate professionals to assess the structural integrity of the car parks. However, the Department has in house qualified structural engineers and regularly undertakes inspections of the car parks in addition to periodic external specialist review. In addition, other inspections are periodically carried out on specific aspects of the car parks such as lifts, services, rock faces etc. by appropriately qualified specialist inspection teams.

    Provided that the concrete structures are properly maintained in order to minimise spalling, water ingress and corrosion of structural metalwork within the concrete then potentially they could have an almost indefinite life. The current work within Sand Street car park, for example, is a structural sealant designed to protect the concrete deck of the car park levels. Other treatments such as cathodic protection systems are periodically inspected and maintained as necessary in order to minimise the impact of "concrete degradation".

    The main limiting factor on the life of a car park is whether it remains fit for purpose (ie cars can still get into the spaces) and in the right location and therefore has sufficient demand for spaces. Following the 2013 PAC review of the Car Park Trading Operation (PAC 3/2013) the model has been reviewed, revised methodologies put in place and the Financial Return has been renegotiated with the Treasury.

19. *Please explain the change project on p.187 of the annex and what effect this has on savings.*

    a) *With regards to the way in which savings are being applied across Departments, what effect with fleet management expect on their trading ability with Departments?*

    In the past year there has been a general freeze on replacement of DfI's vehicle stock pending the outcome of Service Reviews and transformation programmes. Other departments have seen similar freezes until there can be certainty over the long-term continuation of services. Inevitably there will be a number of vehicles that will be surplus to requirements and unless these can be redeployed to other departments, they will need to be disposed of.

DfI will seek to maximise the value of these assets, whilst taking into account that some outsourced services will require specialised plant and equipment. DfI will work closely with parishes and outsourced service providers to try to establish the most appropriate models for service delivery and equipment ownership.

General

20. *What are the timelines in place for law drafting of major projects within the MTFP Addition?*

    Response to be provided separately

21. *How much is the Jersey Love app going to cost to create and run?*

    a) *Where are the funds coming from to pay for it?*

       "Love Jersey" has just been launched publicly by the Minister for Infrastructure and is one of the projects developed with funding from the "eGov" initiative. Initially identified as a LEAN project, the app and website aim to streamline the process of reporting issues and faults by the public and DfI's own staff and whilst the cost of actually rectifying the issue will remain, the upfront time spent investigating, inspecting and allocating responsibility to DfI teams or the Parishes can be minimised.

22. *We were told in the public hearing that the Social Security Department was unable to accommodate the operation of the Disability Transport Scheme. Please explain why.*

    At the current time the Social Security department has indicated that it does not consider it has the capacity to undertake this additional work.

23. *Should the States approve this MTFP addition, how will the responsibilities shown on p105 of the annex change?*

    The responsibilities shouldn't change – the method of delivery of the services or manager responsible may change, but hopefully the public won't see a difference.

S14/28(1)

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- 5 AUG 2016
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08 August 2016

Dear Chairman

Medium Term Financial Plan Addition

Thank you for your letter dated 27 July 2016, please see below written answers to the MTFP Addition Questions.

Environmental Health Charges

1. *What are the actual data sets used for considering the £800,000 charges?*

We have a known number of Food Premises which would become subject to an annual registration fee. This varies slightly but is around 1000 – 1020. The proposal is to apply a discount to those premises with 5* under the Eat Safe Scheme. It is proposed that the average sum raised will be £300 per annum per premise or £300,000 for a full year.

For Rented Dwellings we have taken the conservative estimate of rented dwellings as advised by the Strategic Housing unit of 10,000 – 15,000. It is the intention to give discounts to Rent Safe Accredited dwellings with the average sum raised per dwelling being £100 per annum. In a full year this equates to £1,000,000. However, the projected timescale for the introduction of charges is mid-way through 2019 this would produce £500,000.

The above are subject to changes in legislation.

2. *How many food outlets and rented dwellings will be effected by the charges?*

Approximately 1,000 food outlets/businesses and 10,000 rented dwellings.

3. *How will the charge for rented dwellings be applied?*

Through a compulsory registration scheme.

a) *Will the charge change according to the size of the property?*

The proposal is to charge per unit of accommodation. A Lodging House or House in Multiple Occupation would be charged more than a single dwelling

Savings and Efficiencies

4. How will a reduction of 6 related Planning and Building Control posts impact on overall service delivery?

The posts from planning and building will be reduced by using voluntary redundancy, retirement and turnover. As a result of this change, working practices will change. The requirements for the amount of planning applications will be reduced enabling islanders to undertake more smaller scale work without the need for permission. This thereby lowers the amount of work received by the department. In addition with the use of technology we will be reducing the amount of administration. IN Building control we will need to adopt a more risk based approach to site visits, thereby tailoring our resource to sites which need it most, and also to further consider industry/self-assurance schemes.

5. On top of the 2015/2016 agreed annual savings of some £711,000 per annum, DoE have committed to an overall delivery of £2.031m by 2019 through the delivery of efficiency savings and additional user pays resources. In your opinion, how challenging do you envisage this being?

The total of 2.03M is a challenge to the department. It will mean us looking at different ways of working, different scope of regulations, increased use of technology and more cost recovery. We are however confident of delivering these amounts as the department has been used to adopting more flexible working practices and continuous improvement.

Non-Staff Inflation

6. What is the percentage of non-staff inflation that has been applied to your efficiency savings?

There has been no non-staff inflation applied to budgets.

Energy Plan

7. What is happening to the energy efficiency grant which was in place? Will this carry on?

In line with the States Assembly decision on Pathway 2050 the States Energy Plan, we are refocusing our available resources into energy security, fuel poverty, and energy efficiency. The grants scheme has been scaled down, as it has fundamentally delivered results for the vulnerable households it was designed to target. A small amount of grant is still available for some properties, especially those in community use. However with less resource, it has been necessary to reduce resource in this area. It is however in line with States agreed strategy.

General

8. What policies or legislation will be affected (positively or negatively) by the MTFP Addition funding?

As a department we will be looking at all of our regulatory functions to ensure that they remain relevant and efficient. This will involve reducing the rules for planning as previously explained, but will also involve reviewing working practices and other laws and regulations as required. We remain committed to deliver against our international environmental agreements and our domestic statutory requirements.

9. Are you able to do anything more than you are currently doing?

It is difficult at the current time to do more work, however if funding changes, or if other work drops off, we remain as a department able to change our work priorities.

10. What are your timelines for law drafting for various changes planned via the MTFP addition?

We have commitments already with the Law Drafting Team for time during the year to be used on law drafting requirements. We usually have a block allocation for planning matters and fisheries matters, and other time will need to be agreed with the Law drafting team. Changes to the planning general development order are planned in 2016 and 2017, and we are confident that time exists within the programme for other relevant changes as required.

Yours sincerely

Deputy S. Luce
Minister for the Environment