

2024.10.22

3.10 Deputy K.M. Wilson of the Chief Minister regarding public sector efficiency (OQ.199/2024):

Will the Chief Minister state which specific aspects of the programme relating to public sector efficiency it is considered will result in an improvement in the Island's economic conditions, and what are the risks, economic or otherwise, that have been assessed in respect of this programme?

Deputy L.J. Farnham (The Chief Minister):

Continued growth in government expenditure is not sustainable. Delivering on efficiency will keep government spending down, enabling us to continue with the low tax base, which supports ongoing economic growth by promoting and attracting investment as well as ensuring people have more of their own money to spend in the local economy. Right-sizing the public sector means there should be as much labour as possible directed to where it is needed most in the private sectors to support that economic growth. Efficiency also ensures that our limited resources are spent where they are needed, most notably on front line services, which is where this Government have decided to make it a focus with the backing of the Assembly and the C.S.P. We are being more efficient with the capital programme with a more realistic targeted approach and better prioritisation to enable growth. While changes such as these could create some element of very small risk, for example the inflationary risk of the introduction of a new minimum wage, we are confident that we are taking the correct step to safeguard the future of the economy. The medium to long-term risks of not getting public sector spending under control at the cost of a potentially undynamic private sector are far greater than the small inflationary risk posed in the short term.

3.10.1 Deputy J. Renouf:

The Minister referred in his answer to right-sizing government. You can only right-size if you know what the right size is. Can he explain what the right size of government is?

Deputy L.J. Farnham:

I think you could ask every Member of this Assembly that question and you would possibly get a different answer. Right-sizing for this Government is ensuring that we are using taxpayers' money in the most efficient and productive way and we are not top heavy with senior management that we do not need, that we are putting the right amount of money into front line services, which I think we have been in danger of neglecting in the past and we have seen some of those services start to fall behind. Our definition of right-sizing is a productive, efficient, value-for-money public sector that delivers to meet the most pressing needs of Islanders.

3.10.2 Deputy J. Renouf:

My point in asking was that if you are right-sizing then you know when you have got to the right size. How will the Chief Minister know when he has reached the right size of government to deliver those objectives?

Deputy L.J. Farnham:

I do not think we will and I do not think we should. This is something that needs to keep evolving. I think that has been one of our problems in the past. We set up a structure and we sat with it and quite often we have missed opportunities in the past, I believe, to do some right-sizing and reorganisation. It is something that I think when we meet our Budget, if the

Assembly approves it, and we meet the 13 priorities in our Government Plan over this term of office, perhaps we will need to have a look again at the public sector to see if it needs reorganisation. We might find areas where we need to grow again, but at all times we need to make sure it is efficient and productive, and it has not always been that.

3.10.3 Deputy P.F.C. Ozouf:

Having stood in this Assembly and had twice to make £50 million worth of expenditure reductions and having some bruises to do it but we did it, and I am mindful of the fact that the Council of Ministers is currently trying to make efficiency reductions and spending reductions, does he agree that the move to one-year Budgets, that apparently have been subject to discussions again with his Council of Ministers, a year-to-year approach in setting an expenditure reduction and efficiency programme does not work?

Deputy L.J. Farnham:

I think it can work. For decades Jersey made a great success of annual budgeting and in modern times we have changed. I think it is useful to have an annual Budget and a 3 or 4-year forecast. I think that was the intention and the model behind the Government Plan, now renamed the Budget. I would think it would probably be unwise to have an annual Budget but carry on as we are with an annual Budget and our following forecast. I think it is also worth remembering if we were to go back and look at, say, the last 5-year Government Plans, 5 years ago the forecast for the budget was a million miles away, I think, from what we are because we have to keep flexing that and we retain the ability to revisit every year. If we have introduced policies that are working extremely well, we may wish to put more resource in that direction. If, on the other hand, we have introduced policies that are not working, we will pull back. Annual budgeting with forecasting and retaining that flexibility I think is the right way.

3.10.4 Deputy P.F.C. Ozouf:

Let me have another go. Is he really saying that an organisation of the size and scale of the States of Jersey can deliver efficiencies and reductions by taking a yearly - colloquially known as shoebox accounting - approach to budgeting and that a fixed 3-year certain reduction programme, together with the investment that is needed to get there, is not preferable? Does he really stand by his statement that year-to-year budgeting is going to produce reductions? I do not see anywhere else in the world, including O.E.C.D. (Organisation for Economic Co-operation and Development) and other places, that would agree with it. Does he really stand by it?

Deputy L.J. Farnham:

I do not think I said that. I will just try to clarify what I said. I said the current Government Plan works relatively well and as far as I am aware we have no plans to change it.

3.10.5 Deputy K.M. Wilson:

I would welcome the view from the Chief Minister as to whether or not he believes the private sector will be able to pick up the slack given the scale of efficiencies and austerity he is promoting through this programme.

Deputy L.J. Farnham:

I do, but we recognise the economic cycle could now be on a slight downward trend, which means timing might not be ideal. What that really means is that these actions should have come sooner but they are still necessary, and that is why we are taking them. Of course, I think if we are serious about economic growth we need to make sure that all sectors of the economy, some of which are suffering acute shortages in skills, not least health, need to have access to as big

a labour pool as possible. I support a smaller government and a bigger economy, and that is where we will be pointing our policy over the rest of this term of office. I do think that is the right approach. I do not think the private sector will be compromised by that. I think it is a good, sound medium to long-term policy that we need to get moving on.