States of Jersey
States Assembly

États de Jersey
Assemblée des États

Corporate Services Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Chief Minister's Department

Presented to the States on 18th October 2012

S.R.15/2012

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Review of the Medium Term Financial Plan

Corporate Services Scrutiny Panel

Report relating to the Chief Minister

1. Conclusions

1.1 As a result of the work we have undertaken, we have found the following:

a) The Chief Minister's Department advised us that some 'core services' (for example in External Relations) had been funded from non-recurring sources; in other words from the carry forward of under-spent funds. That essentially means the Department has been able to fund these services from the expenditure limits agreed in previous Annual Business Plans. It is therefore not clear why additional funding is required: if the Department has been able to find funding to date for these services, why does it require growth funding for them?

b) External Relations and Human Resources are primary growth areas in the Department. External Relations has evolved over the last few years to the extent that it now has a separate Accounting Officer. The Panel has agreed to consider undertaking a review relating to External Relations.

c) Growth funding is being provided for the establishment of a London Office. However, costs elsewhere are being reduced through the closure of a London office used by the Director of International Finance. It would appear the States is looking to open one office at the same time as it is closing another.

d) The effect of the Modernisation programme on the MTFP has not yet been made apparent, including the impact of any savings which might arise.

e) Some of the Department's overall funding requirements for its growth bids remain to be determined. For instance, the costs of the London Representative Office have yet to be finalised.

f) Freedom of Information is described as an 'emerging item' in the draft MTFP. It is not clear why it should be described as such when the States Assembly has already adopted the draft Law. Yet there was not a growth bid for it and provision is only reportedly made in the draft MTFP for it to be funded through contingency. It is, however, hardly an 'unforeseen' matter.

g) The aim to make £14 million of savings in Terms and Conditions by the end of 2013 is currently due to fall short by £3.3 million due to the terms of the current pay offer.

h) We were advised that the non-consolidated elements of the current pay offer would not increase overall spending limits from one year to the next; each non-consolidated element would effectively amount to a bonus in the year it applied. Nevertheless, the non-consolidated elements will still represent expenditure beyond what was initially envisaged by the Council of Ministers and will still be paid for from tax-payers money.

i) There is an assumption that £600,000 in fees will eventually be raised each year through Orders under the *Control of Housing and Work (Jersey)* Law. However, those Orders have yet to be made.

j) Contingency funding is being used to fund some of the Department's growth bids. It is unclear how these items can be described as 'unforeseen' when plans are already being made to address them. It would be preferable not to fund such items unless 'true' growth funding becomes available.

2. The MTFP and the 2012 Annual Business Plan (ABP)

2.1 The 2012 ABP provided the Chief Minister's Department with a net expenditure limit for 2012 of £22,952,000 which, with depreciation, amounted to £22,783,500. The net expenditure limits proposed in the draft MTFP for 2013, 2014 and 2015 are respectively £18,855,500; £20,166,600; and £20,258,600 (inclusive of depreciation). We were advised that the reason for the difference came from "*CSR savings, central procurement savings, inter-departmental transfers, inflation allowances and growth bids*."[1] The Annex to the draft MTFP shows that savings have amounted to a reduction of £947,800 from 2012 to 2013 whilst the draft MTFP proposes overall growth of £828,000 in 2013; £1,792,000 in 2014; and a net reduction of £30,000 in 2015.

2.2 In terms of inter-Departmental transfers, those relating to the Department were for the PECRS Pre-1987 Debt <u>to</u> Treasury and Resources; Regulation of Undertakings and Developments <u>from</u> Economic Development (£368,800); and maintenance of the Caesar GST collection system <u>from</u> Treasury and Resources (£13,300).[2] The largest part of these was the transfer of responsibility for the PECRS Pre-1987 Debt which amounted to £4,436,900.

2.3 We were advised that there had been no 'extraordinary' growth commitments in the 2012 ABP for the Department.[3] However, growth funding of £152,000 was secured for two posts to work with UK Government Departments following the withdrawal of resource in the UK by the UK government. There were no growth commitments for 2013 and 2014.

1 Written Response from the Chief Minister's Department, page 1
2 Annex to the MTFP, page 18
3 Written Response from the Chief Minister's Department, page 1

2.4 Growth funding had also been received in earlier ABPs. For 2009, the Department had received £770,000 for new posts in International Relations; Emergency Planning; and Social Policy. Growth funding was also received for 2010 and 2011, but these commitments had since been transferred to other Departments.[4]

2.5 The Department received approval for Carry Forward funding (from 2011 to 2012) for a conference for developing countries to promote understanding of Jersey as a finance centre (£100,000); and for expert advice on technical matters relating to UK membership of the World Trade Organisation to include Jersey (also £100,000).

3. Departmental Services

3.1 The Department's service analysis has changed from that provided in the 2012 ABP. It now comprises the Policy Unit; External Relations; Law Drafting; Information Services; Human Resources; and the CSR Team.[5] The analysis previously explicitly mentioned sections such as the Economics Unit or the Statistics Unit but these are now subsumed into the Policy Unit for the purpose of the analysis. The Department has two Accounting Officers: the Chief Executive and the Director of International Affairs.[6]

3.2 We were advised that the primary policy change being pursued by the Chief Minister relates to Public Sector Reform.[7] The Annex to the MTFP supports this statement. However, placing External Relations on a sound footing and delivering the remaining CSR savings also appear to be significant Departmental priorities.[8] The Annex also reports that both HR and External Relations have been receiving funding from non-recurring sources for core services.

3.3 The Department advised us that the Human Resources section is due to be changed through a strengthened senior team; reform of policies; support of public sector reform; purchase of modern HR IT; and a corporate health and safety resource.[9] HR would also explore extending flexible working practices to support family-friendly HR policies (in order to support the Strategic Plan priority of promoting family and community values).[10]

3.4 In terms of the modernisation programme, the Chief Minister advised us that the Executive had been "*quite cautious in not booking the benefits in the M.T.F.P. or savings that might arise from that*."[11] He later described the questions that would need to be asked during business transformation: "*That is, what are the jobs that we need? What are the bodies that we need?*

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4 Written Response from the Chief Minister's Department, page 2
5 Written Response from the Chief Minister's Department, page 4
6 Annex to MTFP, page 8
7 Written Response from the Chief Minister's Department, page 13
8 Annex to the MTFP, page 8
9 Written Response from the Chief Minister's Department, page 4
10 Written Response from the Chief Minister's Department, page 16
11 Transcript, Chief Minister, page 9

What are the services that we want to provide? What is the interaction that we have with the community? How do they interact with us? How would they like to or want to do that in the future?"[12] We understand that the £14 million of savings in Terms and Conditions that are due to be made by the end of 2013 do not form part of the modernisation programme.

3.5 The External Relations function is also due to be developed, continuing evolution that we understand has occurred over the last four years. In that time, the function has evolved to fulfil a broader and more central role than the comparatively narrow remit with which it was provided at the outset. Operational funding requirements have been clarified and budget items previously funded from non-recurring sources have thereby come to be subjects of growth bids for the MTFP.[13] Net expenditure on External Relations is set to increase from £940,800 in 2012 to £1,959,600 in 2015.[14]

3.6 According to the Department's policy priorities and success criteria, the States can expect to see implementation of the Strategic Plan; development and approval of the Housing Strategy; co-ordination of a 15-year policy plan; agreement regarding reform of the public sector; successful implementation of Freedom of Information arrangements; agreement of a revised population policy; promotion of Jersey's identity and reputation; delivery of CSR savings; and development of the Human Resources function.[15]

3.7 Adoption of the draft MTFP would see the Chief Minister's Department Full Time Employee (FTE) count rise from 204 in 2012 to 223 in 2015; an increase of 19 FTE. This will result from one additional FTE in External Relations; one additional Law Draftsman; one additional FTE in Information Services; 20 additional FTE in Human Resources; and two additions to the CSR Team. However, there will also be reductions of 5 FTE in Information Services and 2 FTE in Human Resources.[16] This works out as an increase of 19 due to the manner in which FTE are calculated. Of particular interest is the growth in Human Resources, which will see its FTE count rise from 56 in 2012 to 74 during the lifetime of the MTFP.[17] This increase will arise from a permanent restructuring of the Human Resources function.

4. Growth Allocations

4.1 According to the draft MTFP, the Department made 17 growth bids, 14 of which were 'successful' and taken forward by the Council of Ministers. Funding of these 14 successful bids will amount to £828,000 in 2013; £2,620,000 in 2014; and £2,590,000 in 2015. However, not all of the growth bids will be funded through 'growth' expenditure, as shown in the following table:

12 Transcript, Chief Minister, page 15
13 Written Response from the Chief Minister's Department, page 2
14 Annex to the MTFP, page 16
15 Annex to the MTFP, pages 10 to 14
16 Written Response from the Chief Minister's Department, page 3
17 Written Response from the Chief Minister's Department, page 3

	2013	2014	2015
Growth	£306,000	£1,060,000	£1,660,000
Contingency	£0	£600,000	£0
Restructuring	£522,000	£960,000	£930,000
Total	£828,000	£2,620,000	£2,590,000

In terms of growth expenditure alone, the Department will receive 5.1% of the total available in 2013; 6.63% in 2014; and 6.38% in 2015. Most of the bids are for items for which non-recurring funding has been secured in the past.

4.2 Information on each of the bids is provided in the draft MTFP but we sought additional advice:

a) **The London Representative Office**

Due to receive £600,000 of Contingency funding in 2014 and £600,000 of growth funding in 2015, we understand the Office will be similar to the existing Channel Island Brussels Office. The cost of the London Office could be halved by working with Guernsey although detailed costs have not yet been worked out. The Chief Minister confirmed this at the Public Hearing. He indicated Guernsey would not currently be able to join the scheme and that consideration would be given to using space at the British Council for the office.[18]

b) **International Advisor to the Council of Ministers**

Non-recurring funding had been used to provide this position in the past. It would receive £50,000 of growth funding in both 2014 and 2015.

c) **Shortfall in Grant to the Channel Islands Brussels Office**

Established in 2010 at a cost of £350,000 per annum, it has since been discovered that the costs are closer to £400,000 and the draft MTFP therefore proposes the allocation of £50,000 of growth in 2014 and again in 2015. We understand the increase was due to being unable to recruit at original salary levels and the costs of operating in Belgium.

d) **OECD Global Forum / Peer Review Group / Annual Contribution to the British-Irish Council Secretariat**

[18] Transcript, Chief Minister, page 3

Non-recurring funding had been used in the past for these items. £60,000 of growth funding would therefore be provided in both 2014 and 2015.

e) **International Meetings / Monitoring and Visiting Dignitaries**

In 2010 and 2011, these items were met through fiscal stimulus funding. The budget was £260,000. However, due to joint working with Guernsey from 2012 onwards, closing the London office previously used by the Director of International Finance and cancelling the Paris monitoring contract, the budget is now £160,000. Growth funding of that amount is proposed in the draft MTFP for both 2014 and 2015. That funding will provide a recurring budget for core staff and office expenses. However, the draft MTFP shows that the international operations programme is not funded and this pressure has seemingly therefore not been addressed in its entirety.

f) **External Specialist advice on External Relations**

g) **One additional Law Draftsman**

Two temporary appointments were made for two years to support the CSR programme; housing reform; pension reform; and the next IMF visit. Funding for those appointments came from Restructuring Provision, the Department of Housing, the Department of Treasury and Resources and the JFSC. A subsequent review of the law-drafting programme has identified the need for one additional post from 2014 and growth funding of £130,000 in both 2014 and 2015 is therefore provided in the draft MTFP.

h) **Learning and Development**

Three established programmes have been funded from non-recurring and £170,000 of growth is proposed for both 2014 and 2015.

i) **Two additional HR posts for Health and Social Services**

These arise from the Verita Report and its recommendation regarding the establishment of a specialist Director of HR at the Hospital and a dedicated Medical Staffing Manager to oversee locum appointment arrangements. Restructuring provision was used to fund these posts in 2011 but permanent funding is now sought and growth amounting to £580,000 over the course of the MTFP is proposed.

j) **Data Security Officer**

This arises from a recommendation made in 2009 by the C&AG and is intended to ensure proper governance of data. It was confirmed at our Public Hearing that attempts had previously been made to recruit with funding from each Department, but this had not been successful (something not made apparent in the draft MTFP itself).[19] A total of £232,000 of growth funding is therefore proposed over the lifetime of the MTFP.

k) **Corporate Health and Safety**

Growth funding of £174,000 over the course of the MTFP is proposed to provide a new team member to support the T&TS manager to create a Corporate Health and Safety function across the States. This was still being scoped and might not in fact report through the Chief Minister's Department.

l) **HR Fit for Purpose**

m) **HR Base Budget Shortfall**

n) **Funding for Permanent Members of the CSR Team**

4.3 Items l, m and n are not due to be funded through growth allocations or through contingency funding. They will instead be funded through restructuring provision. Indeed, only two additional HR officers; a Data Security Officer; and a Corporate Health and Safety function will be funded entirely from 'growth' throughout the entirety of the MTFP. Other successful bids will only be funded from 'growth' in 2014 and 2015.

4.4 The only three 'completely new' bids from the Chief Minister's Department were for the London Representative Office, the Corporate Health and Safety Officer and the HR 'Fit for Purpose' Team (Items a, k and l above).[20] Otherwise, the bids relate to items where non-recurring funding has been provided in the past.[21] In other words, for those other bids the funding is required to maintain expenditure that is already incurred and not funding those bids would potentially lead to the cessation of a service that already exists. The MTFP lists only the London Representative Office; the two additional HR officers; and the (unsuccessful) States of Jersey Trainee Scheme under Strategic Plan priorities. The other 14 bids are all listed under 'Other Growth'.

4.5 It can be seen that many of the bids relate to HR and External Relations. Indeed, six of the growth bids relate to External Relations. The Chief Minister explained how external relations had come to be funded: "*I took the view, as I have always done that if it is something that we proactively think that we should be delivering then we need to put it on to a proper funding in base budget*."[22] He subsequently acknowledged that it was not ideal for recurring expenditure to be invoked when there were not the recurring sources to fund it.[23] In relation to external relations specifically, he advised, "*I think that external pressures are either only going to continue at the level that we are*

[19] Transcript, Chief Minister, page 23
[20] Written Response from the Chief Minister's Department, page 8
[21] Written Response from the Chief Minister's Department, page 5
[22] Transcript, Chief Minister, page 2
[23] Transcript, Chief Minister, page 5

seeing them or increase."[24] When asked whether he was content that funding for some external relations matters would not become available until 2014 or 2015, the Chief Minister advised that he was content that the funding would be delivered during the lifetime of the MTFP.[25]

4.6 In terms of the Department's unsuccessful bids, the Department advised us that they had all been new bids.

o) **Loss of income in the Communications Unit**

Economic Development withdrew its funding of the Communications Unit in 2010. A part-time post was saved but the shortfall could not be absorbed within the remaining FTEs.

p) **Departmental Unallocated Provision**

The MTFP provides for unallocated contingencies. It is recognised that some flexibility to respond to events would be beneficial for Departments but the CMD had no budget for this.

q) **States of Jersey Trainee Scheme**

Funding for the States of Jersey Trainee Scheme had been provided in 2010, 2011 and 2012 through the Fiscal Stimulus Package.[26] The Department unsuccessfully bid for funding for the Scheme in the draft MTFP. It was ultimately decided that this would not represent value for money compared to an alternative approach suggested by the Skills Board. The Chief Minister confirmed at our Public Hearing that the Skills Board would be able to deliver the same programme, but at less cost.[27]

4.7 We asked why no growth bids had been made in relation to the Population Office (given the impending implementation of the *Control of Housing and Work (Jersey) Law*) and we were advised that the technology requirements for the Office had already been funded (whilst fees were expected under the auspices of the Law). Similarly, no bids had been made in relation to the Department's role in overseeing policy and strategy development as the relevant changes to the Department had been made within existing resources.[28]

4.8 At the Public Hearing, the Chief Minister confirmed that there were no further spending pressures of which he was aware and which were not addressed in the draft MTFP.[29]

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24 Transcript, Chief Minister, page 3
25 Transcript, Chief Minister, page 4
26 Written Response from the Chief Minister's Department, page 10
27 Transcript, Chief Minister, pages 15 to 17
28 Briefing from the Chief Minister, 14th June 2012
29 Transcript, Chief Minister, page 25

5. Other Allocations

5.1 Not all of the growth bids will be funded entirely through 'growth' funding (indeed, if at all). Furthermore, not all of the funding pressures facing the Department seemingly led to an application for growth funding. We looked at the Department's other sources of funding, including Restructuring provision; access to Contingency funding; and Departmental income.

5.2 Restructuring provision is proposed to address the shortfall in the HR function, to ensure HR is 'fit for purpose' and to strengthen the delivery team to transform the HR function. This funding would increase the section by 8 FTEs to support workforce planning, organisational development and talent management. In total, £2,112,000 of restructuring provision has been allocated to HR over the lifetime of the MTFP. The Department advised us that its submission to the MTFP had been designed to cover the years 2013 to 2015. Nevertheless, further restructuring funds might be required for the Public Sector Reform agenda.

5.3 Restructuring provision of £150,000 in both 2014 and 2015 will also be used to fund permanent members of the CSR Team. The role of the team in the future will be to manage the reform of the public service. A recurring budget for the two permanent members of staff is required although additional resource requirements are anticipated.

5.4 In the draft MTFP, the delivery of restructuring provision to Departments has been offset by the achievement of procurement savings, the implication that any failure to make those savings will be matched by a corresponding reduction in the amount of restructuring provision made available. However, we were informed that, even if no further procurement savings were achieved, the Restructuring Provision allocated to the Department for reform of HR would be available.[30]

5.5 The Department advised us of the Restructuring provision it had received in 2011 and 2012.[31] There were also some current requests for 2012 (and one stretching into 2013) for Voluntary Redundancies in Information Services; Data Centre Migration; and Programme Management Office for Reform.[32] Beyond the allocation of restructuring described in the draft MTFPfor growth bids, there will potentially be bids in the future for redundancy costs arising from further CSR initiatives; Workforce Modernisation Phase 2; Programme Management Office for Reform Phase 2; and replacement of VOIP.[33]

5.6 In terms of Contingency, we were advised that £500,000 would be available from Central Reserves in 2012 for implementation of the Freedom of Information (Jersey) Law. Provision would also be

30 Transcript, Chief Minister, page 9
31 Written Response from the Chief Minister's Department , page 15
32 Written Response from the Chief Minister's Department, page 15
33 Written Response from the Chief Minister's Department, page 15

made in the draft MTFP in the Central Contingency for 'Emerging Items'.[34] There had been no growth bid in relation to Freedom of Information, however, and the Chief Minister confirmed that more work was needed before the full costs of the Law could be understood.[35] The Historic Child Abuse Enquiry might also require additional funding. The Department indicated that its current thinking would be to seek contingency funding for that item as well, if the need arose.[36]

5.7 In respect of income, the Department confirmed it received no funding from charitable sources.[37] The Department's sources of income arise from internal recharges (for delivery of IS and HR services) whilst, externally, it receives fees through the Population Office (for lodging house registration and housing consents); IS charges to Jersey Telecom for VOIP telephony; a recharge to Jersey Airport for the Director of Civil Aviation; and other sources amounting to £93,000. In 2012, the total income target was £1.2 million. Housing consent fees will be replaced by new fees under the *Control of Housing and Work (Jersey) Law* but the level of income is assumed to continue in the MTFP.[38] The amount to be raised is dependent upon the consultation undertaken in 2012 but the draft MTFP assumes income of £600,000 in both 2014 and 2015.

5.8 Given the delay in implementation of the *Control of Housing and Work (Jersey) Law*, we asked the Chief Minister what impact that would have, given the source of income described in the draft MTFP (from fees under the Law) would not be available. We were advised that £200,000 would be carried forward from 2012 to 2013 to cover the 'loss' of income whilst implementation of the Law was awaited. It was expected that the Law would be implemented in sufficient time, however, for the remaining £400,000 to be received in 2013. The Carry Forward of £200,000 would be achieved through the delay of recruitment to vacancies. The assumption that Control of Housing and Work Law fees would bring in £600,000 per annum was said to be a prudent one and greater income could in fact be generated.[39]

5.9 All growth allocations for 2013 were subjected to a 10% reduction. We were advised by the Department that this had led to a shortfall of £602,000 in its budget which would be covered by Carry Forwards from 2012 to 2013 and the new fees arising from the *Control of Housing and Work (Jersey) Law*.[40] In the annex to the MTFP, it is stated that Carry Forwards and Law fees will fund £420,000 of existing commitments in External Relations and £92,000 for the 10% reduction in 2013 of growth allocations.[41]

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34 Written Response from the Chief Minister's Department, page 13
35 Transcript, Chief Minister, page 6
36 Written Response from the Chief Minister's Department, page 16
37 Written Response from the Chief Minister's Department, page 16
38 Written Response from the Chief Minister's Department, page 15
39 Transcript, Chief Minister, pages 19 to 22
40 Written Response from the Chief Minister's Department, page 7
41 Annex to the MTFP, page 9

5.10 The Department advised us that Carry Forwards from 2012 would be used to fund existing recurring cost pressures, in particular those relating to External Relations which would not receive growth funding until 2014.[42] This funding will also be used to address the shortfall arising from the 10% reduction in growth allocations for 2013.[43]

6. Capital Allocation

6.1 The Chief Minister's Department has provisional capital allocations in the draft MTFP for web development; Microsoft update; JD Edwards upgrade; application of remediation of Windows 8; and HIRS Replacement. Capital allocations to the Department amount to £1,503,000 in 2013; £1,040,000 in 2014; and £450,000 in 2015.[44]

6.2 Within the Long Term Capital Plan, we were advised that Department has provision for the relocation / refurbishment of the Data Centre at Cyril Le Marquand House; replacement of web infrastructure; and replacement of corporate shared storage.[45]

6.3 Those capital projects for the Department for which funding remained to be identified were mobile technology infrastructure and equipment (to facilitate the Public Sector Reform agenda); and replacement of VOIP.[46] Alternative funding sources were to be considered. We were advised that the mobile technology was important for the modernisation programme as it would allow for flexible working. It would either be funded internally from reprioritising in ISD or through application for further restructuring provision.[47]

6.4 In relation to VOIP, we were advised that in-year money was to be re-prioritised to fund a feasibility study. The work could become wrapped up in a larger work stream regarding the future of Cyril Le Marquand House. Both work on VOIP and mobile technology would fit in with business transformation and we were advised that "*we will find alternative ways of progressing them appropriately*."[48]

7. Savings

7.1 We were advised that the Chief Minister's Department had achieved, or was on course to achieve, its CSR Savings of £1,319,000. Delivery of the Department's CSR savings for 2013 (amounting to £776,000) was said to be one of its top priorities for the MTFP.[49]

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42 Written Response from the Chief Minister's Department, page 5
43 Written Response from the Chief Minister's Department, page 7
44 Draft MTFP, page 130
45 Written Response from the Chief Minister's Department, page 12
46 Written Response from the Chief Minister's Department, page 12
47 Transcript, Chief Minister, page 14
48 Transcript, Chief Minister, page 14
49 Annex to the MTFP, page 8

7.2 An analysis of the options for delivering £14 million in Terms and Conditions savings by the end of 2013 is being undertaken. We understand that this initial target was predicated on a pay freeze for the public sector in 2012 and 2013. The base assumptions for the MTFP continue to assume Terms and Conditions savings of £14 million, notwithstanding that negotiations are underway with employee groups and the current offer does not reflect a pay freeze. Instead, the draft MTFP reflects the most recent offer (made in July 2012): a 1% non-consolidated award for 2012; a 1% non-consolidated award and 1% consolidated award for 2013; and a 4% consolidated pay award for 2014 (in return for signing up to the Modernisation programme). Negotiations have not extended beyond 2014 and the base assumption of 2.5% for 2015 is therefore maintained. The July 2012 offer did not include employee groups with specific pay agreements (e.g. doctors, consultants and prison officers). The cost of the current pay offer will require additional funding of £5.5 million in 2013 increasing to £7.35 million in 2015.

7.3 As a result of the pay offer, we were advised, £10.7 million of the £14 million in Terms and Conditions savings would be delivered by 2013. This is because the non-consolidated elements of the offer are non-recurring and not carried forward in the cash limits from one year to the next. It must be said, however, that expenditure on the non-consolidated elements will still be more than was envisaged when the pay offer effectively amounted to a pay freeze. It should also be noted that the present pay offer provides for a 4% consolidated increase in 2014. The shortfall of £3.3 million in 2011-2013 Terms and Conditions savings is therefore the cost of the consolidated 1% in 2013.[50]

7.4 In terms of user pays charges, as previously stated the Department has undertaken public consultation on fees arising from the *Control of Housing and Work (Jersey) Law*, implementation of which could lead to income of £770,000 per annum (net of costs).[51] This figure is higher than the £600,000 of income which the draft MTFP assumes in both 2014 and 2015.

[50] Transcript, Chief Minister, page 10
[51] Written Response from the Chief Minister's Department, page 14

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http://www.statesassembly.gov.je/ScrutinyReviewSubmissions/Submission%20-%20Medium%20Term%20Financial%20Plan%20-%20Chief%20Ministers%20Department%20-%205%20October%202012.pdf

2012 Annual Business Plan

Letter from Treasury and Resources dated 20th June 2012

Half Year Corporate Report

States of Jersey
States Assembly

États de Jersey
Assemblée des États

Corporate Services Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Department of Treasury and Resources

Presented to the States on 17th October 2012

S.R.14/2012

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Review of the Medium Term Financial Plan

Corporate Services Scrutiny Panel

Report relating to the Minister for Treasury and Resources

1. Conclusions

1.1 As a result of the work we have undertaken, we have found the following:

a) Significant work will be undertaken by the Department of Treasury and Resources during the lifetime of the MTFP in relation to Procurement; the Taxes Transformation Programme; reform of Public Sector pension schemes; and repayment of the Pre-1987 PECRS Debt.

b) The Taxes Transformation Programme will be funded from existing resources, notwithstanding the fact that the department had initially included this item as a growth bid. Similarly, growth funding was initially sought for 2015 for an interim valuation of assets but it will instead be funded from existing resources. It must therefore be questioned whether other Departments' growth bids could have been dealt with in a similar way or whether the 'easy option' of seeking growth funding has been pursued.

c) Consideration will be given during the lifetime of the MTFP to the policy applying to the Strategic Reserve as it was suggested that the Reserve could potentially be used to assist the repayment of the Pre-1987 PECRS Debt.

d) £3.4 million of Procurement savings remain to be found by the end of 2013. It is not clear how the remaining savings will be delivered although we were informed that the Treasurer of the States is responsible for their delivery and understand that the Minister for Treasury and Resources is therefore accountable.

e) There are seemingly various sources from which funding could be drawn and which are not described in the MTFP in any detail. These include the Insurance Fund, the Criminal Offences Confiscation Fund and the Drug Trafficking Confiscation Fund. This raises the question of what other contingencies or reserves the Council of Ministers may be able to access during the lifetime of the MTFP over and above the overall expenditure that the States will be asked to approve. It suggests there has been an emphasis on finding funding from any available source. Finally, it also raises the question of whether the funds are to be used in accordance with the policies that govern their application.

f) We were advised that a funding pressure exists in relation to property maintenance and yet funding for backlog maintenance will be lower during the MTFP than was envisaged in previous Annual Business Plans.

2. The MTFP and the 2012 Annual Business Plan (ABP)

2.1 The Department of Treasury and Resources was allocated a net expenditure limit of £36,662,400 for 2012 in the 2012 ABP which, excluding depreciation, amounted to £24,772,600.[52]

2.2 In the draft MTFP, the Department is allocated net expenditure limits of £30,001,200; £31,412,400; and £30,583,600 in 2013, 2014 and 2015 respectively (excluding depreciation). The increase from the 2012 ABP can be explained in part by an allocation for price inflation; in part by growth allocations in the draft MTFP and CSR savings (both of which we will consider later in this report); in part by a capital-to-revenue transfer relating to the Backlog Maintenance Programme; and in part by Departmental transfers.

2.3 The increase primarily stems from the transfer of £4,436,900 from the Chief Minister's Department (£5,571,900 in 2013) of responsibility for the Pre-1987 PECRS debt. Otherwise, the Department will see some smaller transfers: £88,900 to Health and Social Services for staff budget; £10,700 to Home Affairs for Accounts Payable Staff; and £13,300 to the Chief Minister's Department for maintenance of the Caesar GST collection system.[53]

2.4 We were advised that there had been no growth commitments for the Department in the 2012 ABP for 2013 and 2014.[54] However, we were informed that, in the 2010 ABP, the States had agreed to £20 million from 2010 to 2014 for investment in property maintenance. The draft MTFP continues that funding, albeit it proposes to amend the amount allocated in due course as part of budget-balancing measures.

2.5 The draft MTFP shows that the Department received approval for the following Carry Forwards from 2011 to 2012:

a) £40,000 for the Modern Managers Programme;

b) £101,000 for actuarial advice for the pension review;

c) £381,500 for the Taxes Office Transformation Project; and

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52 2012 ABP, page 70
53 Annex to the MTFP, page 119
54 Written Response from Treasury and Resources, page 1

d) £265,253 for backlog maintenance for refurbishment of Les Chênes.[55]

More recently, figures forecast that the Department will underspend its 2012 budget by £2 million.[56]

3. Departmental Services

3.1 The Department advised us that no service changes were envisaged in the draft MTFP.[57] The Department comprises the Treasury; the Taxes Office; Jersey Property Holdings; Corporate Procurement; Insurance; and Pensions.[58]

3.2 In addition to 'business as usual', the Department will manage insurance risks; provide procurement advice to Departments; manage the balance sheet; provide funding advice to Departments; improve financial performance reporting; support Departments in longer-term planning; implement the Taxes Transformation Programme; deliver a public sector pension scheme; and keep tax policy under review.[59]

3.3 The draft MTFP assumes no new taxes within the period of the plan. However, the Department will review matters in order to safeguard revenues and to simplify the tax regime. This will include a) enhancing the Income Tax system in relation to corporate structures, property ownership and development; b) reviewing the feasibility of moving to independent and current year taxation for all taxpayers; and c) monitoring international tax standards.[60]

3.4 The Taxes Transformation Programme started in October 2011 and is intended to deliver increases in tax revenue; efficiency savings; increased information powers and information-sharing; self-assessments; simplified rates, allowances and exemptions; and fit-for-purpose IS solutions. The Programme received Carry Forward funding from 2011 to 2012 and we initially understood that funding for the remaining three years of the project had not been identified. However, we were subsequently advised that the Department would manage its resources to deliver the programme. The Treasurer stated, "*I would rather we tightened our belts in Treasury to manage better the resources that we have in order for Health to receive the funding that Health need in order to improve their services and, similarly, the other priorities being housing and jobs, which are job creation and job retention, which are obviously very important*." There was confidence that no additional funds would therefore be requested.[61]

55 Treasury and Resources Letter, 20th June 2012
56 Half Year Corporate Report, page 2
57 Written Response from Treasury and Resources, page 3
58 Annex to MTFP, page 107
59 Annex to the MTFP, page 107
60 Annex to the MTFP, page 108
61 Transcript, Treasury and Resources, pages 32 and 34

3.5 In relation to property, Jersey Property Holdings have been allocated £11.25 million of additional funds from 2013 to 2015 for backlog maintenance (reflecting the decision made in the 2010 ABP). As we shall explore, it will deliver CSR savings of £750,000 in 2013 by passing on the tenant's obligations to the occupier; this will have an impact on the budgets of other Departments and third party occupiers of States property. Two key capital projects to progress are the relocation of Police headquarters and the feasibility study for a new hospital. We were informed that the Police relocation is the first phase of the office rationalisation programme.[62]

3.6 The amount provided for backlog maintenance over the lifetime of the MTFP will be lower than initially envisaged. The draft MTFP explains that use of the Technology Forge system has identified the possibility of reducing the Backlog Maintenance budget by £2 million from 2015. Furthermore, a contribution to procurement savings of £0.75 million has been identified from 2015. This will reduce the amount spent on backlog maintenance to £1.75 million per annum (from the figure of £4.5 million which was established with the appropriation of growth funding in the 2010 ABP – see Paragraph 2.4, above).

3.7 The draft MTFP also proposes developments in relation to shareholder returns. Strategic investments were valued in the 2011 Accounts at £326 million. Dividend income of £10 million by 2015 is accounted for in the draft MTFP. Initiatives being taken with the Utilities and the States of Jersey Development Company could improve that amount, leading to additional income of £3 million from 2015.[63]

3.8 We were advised that the Department will also examine the policy underlying the Strategic Reserve, for instance to consider how large it should be and how additional growth could be used. This work would be carried out over the lifetime of the MTFP.[64]

3.9 Procurement will continue the roll-out of its transformation programme. It is intended to deliver on £6.5 million of CSR savings; develop a function based on category management; and implement a procure-to-pay system.[65]

3.10 Work will also be undertaken in respect of pensions in relation to which there is a liability for the Pre-1987 Debt. The draft MTFP explains that there are plans to implement a repayment schedule which would see the debt repaid more quickly than is currently envisaged. At present, the States is repaying past service debt on PECRS over a period of 82 years. The debt is valued as a salary linked bond and the level of the debt is sensitive to market conditions. It can therefore increase or decrease. In 2012, the rate of repayment was £4 million per annum. This was projected to rise to £10 million by 2032 and £131 million by 2083 (when the debt will be

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62 Annex to the MTFP, page 109
63 Draft MTFP, page 103
64 Transcript, Treasury and Resources pages 31 to 32
65 Annex to the MTFP, page 109

repaid in full). We were advised that this would amount to a total cost of £2.6 billion for the States (rising to £2.9 billion when admitted bodies are taken into account).

3.11 Consideration will be given to how repayments can be increased and the debt restructured. In the draft MTFP, an additional £1 million per annum will be appropriated for paying off the debt. At our Public Hearing, we were advised that the Department had yet to ask the Actuary for an estimate of the impact on the repayment schedule that such a measure would have.[66] The Assistant Minister advised us that further attempts would be made to pay off the debt more quickly, for instance if greater revenues than anticipated were received. He also suggested that 'additional' revenue from the Strategic Reserve could feasibly be used.[67] Consideration will need to be given to the repayment of a similar debt pertaining to the JTSF.

3.12 Beyond addressing the Pre-1987 Debt, we understand the Department will also work on reforms to PECRS itself. In that regard, the draft MTFP confirms that public sector pension reform should be delivered by 1st January 2015.[68] The Department advised us that Carry Forwards from 2012 to 2013 would be used to fund this work.[69]

3.13 The Department's FTE count will reduce from 257 in 2012 to 246 in 2013 and then remain constant for the duration of the draft MTFP. This reduction stems from measures taken before the MTFP (i.e. through the CSR) and equates to the reduction of 1 FTE in the Treasury; 8 FTE in the Taxes Office; 3 FTE in Jersey Property Holdings; and 1 FTE in Corporate Procurement.[70]

4. Growth Allocations

4.1 The Department advised us that it faced funding pressures in relation to Property Maintenance; Property Valuations; the PECRS Pre-1987 Debt; and the Taxes Transformation Project. The Pre-1987 Debt is a corporate issue but the States' contribution is held within the Treasury.[71]

4.2 In the draft MTFP, the Department has one successful growth bid. Growth funding would therefore be provided to Jersey Property Holdings for property maintenance of non-acute Health and Social Services buildings. The Department advised us that this allocation reflected previous growth bids for increases in the base budget for property maintenance.[72] The draft MTFP allocates 'growth' funding of £630,000 in 2013; £700,000 in 2014; and £700,000 in 2015 (i.e. the bid is being funded through growth and not through contingency or restructuring). Jersey Property Holdings is not responsible for all H&SS buildings. This is due to some of the very specialist requirements relating to some property, for example the network of oxygen

[66] Transcript, Treasury and Resources, page 27
[67] Transcript, Treasury and Resources, pages 28 and 31
[68] Annex to the MTFP, page 110
[69] Written Response from Treasury and Resources, page 3
[70] Written Response from Treasury and Resources, page 2
[71] Treasury and Resources Letter, 20th June 2012
[72] Written Response from Treasury and Resources, page 3

supply has to be maintained by people with the relevant expertise. At our public hearing with the Assistant Minister, we were advised that H&SS would retain maintenance responsibility for 40 properties; JPH would have responsibility for 137 and responsibility for a further 23 had yet to be decided.[73]

4.3 There was one unsuccessful growth bid from the Department. The States is committed to comply with International Finance Reporting Standards which require professional valuations of assets every 5 years and interim ones every 3 years. A full valuation will be undertaken in 2012. However, the Department made a growth bid for an interim valuation in 2015 (amounting to £170,000) but this will now be funded from within the Department's existing resources. In its written submission to us, the Department advised that this funding would come through efficiencies within the Department.[74]

4.4 There could feasibly have been a growth bid for the Taxes Transformation Project. However, "*in the interest of efficiency*" the Department had identified funds from Carry Forwards from 2011 to enable progress to be achieved and, as we have described, fund the remaining years of the Project from existing resources. Capital funding for the Project had also been secured.[75]

4.5 At the Public Hearing, the Assistant Minister confirmed that there were no further spending pressures of which he was aware and which were not addressed in the draft MTFP. He stated, "*if our income levels fall short of what we predict we will still spend the same amount of money, that is what we are doing now, we are setting limits for the next 3 years. It will mean that we will potentially run a deficit and we will not get back to balanced budgets and that would have to be addressed in the Medium Term Financial Plan that comes after this one*."[76]

5. Other Allocations

5.1 Beyond the growth allocations, we looked at the Department's other sources of funding, including Restructuring provision; access to Contingency funding; and Departmental income.

5.2 No provision is currently made within the draft MTFP for the Department to access Contingency funding.

5.3 The Department will access Restructuring Provision, however. In 2013, it will receive £800,000 for the Procurement Transformation Programme and £20,000 for the Finance Change Team (albeit this has transferred to the Taxes Transformation Programme). It had already received

73 Transcript, Treasury and Resources, pages 21 to 23
74 Written Response from Treasury and Resources, page 3
75 Treasury and Resources Letter, 20th June 2012
76 Transcript, Treasury and Resources, pages 36 to 37

Restructuring Provision in 2011 and 2012 for both of these matters as well as for Architect Voluntary Redundancies and the Energy Project.[77]

5.4 In terms of income, the Department advised us that Jersey Property Holdings had an income budget of £5.4 million in 2012: £2 million from rental and Facilities Management charges to Departments; £2 million from charges for the same to third parties; and £1.4 million from fee income and general recharges (the majority of which comes from professional fees charged to capital works such as architects or project management). A project is underway to reflect rental charges for office space at an approximate level to market rents. This would increase the JPH income figure as well as other Departments' costs; applied for the first time in 2013, this would have a net nil impact on the States where the tenant was a States Department.[78] At the Public Hearing, we were advised that the increased income would therefore come from the effect of increasing rents for third party occupiers and other measures referred to in Paragraph 3.5 above.[79]

5.5 The Department confirmed that it received no funding from charitable sources.[80]

5.6 We were advised that some income streams did not form part of Treasury's cash limit, for example income from the sale of the £100 note (which went to the Currency Fund).[81] Income generated through investment of the Consolidated Fund (as part of the Common Investment Fund), however, was considered to be income for the Department.[82]

5.7 The Treasurer also explained that funding could feasibly be made available from the Insurance Fund. For example, £5 million of the Fund would be available for payment of claims arising from the Historic Child Abuse Enquiry. This would leave approximately £6 million in the Fund.[83] We were subsequently advised that funding for such matters could also potentially be made available from the Criminal Offences Confiscation Fund and the Drug Trafficking Confiscation Fund. There is £14 million in the COCF.[84] However, we understand that there are clear policies regarding the use to which the COCF and the DTCF may be put and care must be taken to ensure that funding from those sources is in accordance with those policies.

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77 Written Response from Treasury and Resources, page 6
78 Written Response from Treasury and Resources, pages 6 to 7
79 Transcript, Treasury and Resources, page 10
80 Written Response from Treasury and Resources, page 7
81 Transcript, Treasury and Resources, page 14
82 Transcript, Treasury and Resources, page 15
83 Transcript, Chief Minister, page 26
84 Transcript, Chief Minister, page 28

5.8 In terms of the Insurance Fund, we were advised that it had arisen from States' decisions to set up a fund rather than pay premiums to a third party with "*nothing to show from it*." It had not been established because insurers had refused to cover the States in certain areas.[85]

6. Capital Allocation

6.1 The Department has provisional capital allocations for the Taxes Transformation Programme Information Technology Systems and the demolition of Fort Regent Pool. For IT Systems and the Taxes Transformation Programme, this is essentially for the implementation of a Procure to Pay system and the development of Income Tax IT respectively and funding of £500,000 would be provided in 2014 for these matters. For the demolition of Fort Regent Pool, £750,000 would be provided in 2014. The Department advised us that no capital projects had been delayed or not provided for.[86] Capital funding for the Taxes Transformation Project had already been assigned for 2012.[87]

7. Savings

7.1 The Department advised us that it had over-achieved its CSR savings, the main contributor to which had been the effective management of insurance risks. Insurance savings had reached £1.2 million – beyond the initial target of £586,000. Furthermore, the Department had carried out more pensions accounting work in-house, thereby cutting contract costs. It had also seconded staff to other Departments to lead on projects, thereby reducing the reliance upon interim appointments.

7.2 All the Department's CSR initiatives were shown as green in the Department's RAG rating, with three exceptions: first, £100,000 from savings to be achieved through User Pays for non-core Estates Management; secondly, £400,000 through increasing rents to market levels that are subsidised and rationalising office space in 2013; and, finally, £180,000 for new ground lease charge to the JEC.[88]

7.3 In terms of the insurance savings, we were advised that "*re-tendering of the States insurance contract successfully delivered ongoing savings of £210,000 a year on the Corporate contract (covering public liability, water, property). In addition, [the Department has] restructured the changes made to Departments delivering a total saving in excess of £1 million per annum*."[89]

7.4 We were advised that £3.1 million of Corporate Procurement savings had been achieved. These had been agreed by Departments and removed from their cash limits. The Assistant

[85] Transcript, Treasury and Resources, page 41
[86] Written Response from Treasury and Resources, page 5
[87] Treasury and Resources Letter, 20th June 2012
[88] Written Response from Treasury and Resources, page 4
[89] Treasury and Resources Letter, 20th June 2012

Minister was confident that the remaining £3.4 million would be delivered by the end of 2013 (a target of £6.5 million had been set as part of the CSR).[90] We were further advised that each Department would be responsible for delivering its share of Procurement savings, with co-ordination coming through the CSR Team. The Assistant Minister stated, "*Individual Departments are responsible for making procurement savings but how each element is built up there is room for negotiation there between Treasury and those Departments*."[91] We understand that the MTFP Sub-Panel was subsequently advised that the Treasurer of the States was responsible for delivery of the procurement savings, at which time the Sub-Panel was also advised of concerns regarding £1 million of the savings to be found.

7.5 The Department advised us that it would not introduce any new User Pays charges.[92]

[90] Transcript, Treasury and Resources, page 2
[91] Transcript, Treasury and Resources, pages 5 to 6
[92] Written Response from Treasury and Resources, page 5

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Half Year Corporate Report

States of Jersey
States Assembly

États de Jersey
Assemblée des États

Economic Affairs Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Department of Economic Development

Presented to the States on 17th October 2012

S.R.13/2012

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Review of the Medium Term Financial Plan ("MTFP")

Economic Development ("ED")

Conclusions

- ED will continue with their CSR savings in 2013, and will save £950,000 during the year.
- ED will continue with a restructuring programme during the life of the MTFP.
- ED appears to be able to "carry over" monies with relative ease, especially when measured against the ability of other Departments to do the same.
- ED has a policy of "spend now to save later" rather than the opposite.
- Monies are being invested in new offices (Jersey Finance) overseas in order to serve the Middle East and BRICs (Brazil, Russia, India and China) countries.
- ED will continue to invest in the development of "international finance" during the MTFP.
- ED will develop a new Tourism Strategy during the MTFP.
- ED will employ more people as a result of "Locate Jersey", and encourage more high value inward investment during the MTFP.
- In order to 'invest' in diversifying the economy during the MTFP, ED will increase their budget by around 25%.
- This budget increase is as a result of growth bids that are proposed in the MTFP.

1. The MTFP in relation to the 2012 Annual Business Plan ("ABP")

1.1 The following table outlines the expenditure limit for 2012 and proposed increases (see section 3) in expenditure limits contained within the MTFP for 2013, 2014 and 2015:

Summary of Recurring Funding	**2012** **£**	**2013** (in principle) **£**	**2014** (in principle) **£**	**2015** (in principle) **£**
Revenue	15,898,400	18,255,800	19,459,300	19,974,800

1.2 Differences between the Departmental cash limits proposed in the MTFP and the limits approved in the 2012 ABP relate to the areas of Comprehensive Spending Review savings, central procurement savings, inter-departmental transfers, inflation allowances and growth bids.

2. Departmental Services

2.1 The services delivered by the Department are structured as follows:

Service analysis Headings	
2012	2013 - 2015
Enterprise & Business Support	**Economic Growth & Diversification**
Enterprise Support	
Investment and Diversification	
Marketing	**Tourism, Destination & Marketing**
Joint Marketing	
Destination Marketing and Communication	
Events	
Research and Statistics	
Visitor Services	
Tourism Development	
Policy and Regulation	**Policy and Regulation**
Competition Law	
Consumer Affairs/Trading Standards	
Finance Sector	
Gambling Legislation and Control	
regulation of Undertakings	
Rural Sector	
Policy Development	
Rural Support	**Rural Support**
Single Area Payment	
Quality Milk Payment	
Dairy Service Support Payment	
Rural Initiative	
General Support	
Skills	**Skills**
Training and Workforce Development	

2.2 It is noted that ‘Enterprise & Business Support’ changes its name to ‘Economic Growth & Diversification’, whilst ‘Marketing’ is re-organised as ‘Tourism, Destination & Marketing’. At a more detailed level, the following changes in service delivery have been outlined to the Panel by the Department:

- *International Finance*

  Following a review of the organisational structure for the support of financial services across the States it has been decided to consolidate all responsibility under a Director of Financial Services who would act as Accounting Officer for all aspects of the financial services budget within EDD. The Director would be located within Economic Development Department with responsibility to the Economic Development Minister and working with three other Ministers. The Director would operate alongside the Chief Officer for ED, will be treated in a similar manner to Chief Officers and be accountable to the Chief Executive of the States for management matters.

- *Jersey Finance*

  The additional funding provided to Jersey Finance will enable them to establish two additional offices and undertake further market development in the BRICs countries and the Middle East.

- *Tourism*

  A new strategy for tourism is being developed and a Green Paper is out for consultation with a deadline of 30th September 2012. The way government support for tourism is directed and managed will be reviewed and will include establishing a new Shadow Board to provide advice and expertise to the Minister across a wide range of areas.

- *Locate Jersey*

  There will be a step change in the delivery of our inward investment and high value residency team, Locate Jersey, in order to achieve our key objective of creating new businesses and employment in high value sectors. This will involve both increased manpower resource and an increase in promotional and marketing activity.

- *Skills and Workforce Development*

  Increased States funding for a new model of Apprenticeships in Jersey based on new sectors/trades/skills, closely linked to vocational training already underway or proposed in Jersey schools. New style Graduate Internships providing Jersey Graduates a full years post-graduate supported internship with companies operating within Economic Growth Strategy ("EGS") target sectors or the Finance industry, conditional upon full time employment being provided thereafter.

3. Growth Allocations

- Growth Bids:

3.1 At a Public Hearing held with the Assistant Minister for Economic Development, the process that was undertaken to establish its funding requirements and associated growth bids for the MTFP was explained to the Panel. The Department undertook its usual process of zero-based budgeting, preparing 5 scenarios that looked at how it might deliver the objectives contained in the States approved EGS within the existing cash envelope, i.e. the 2012 cash envelope played out to 2013. That 2012 and 2013 cash envelope included making the full CSR savings, which the Department has achieved, assisted by the fact that approximately 75% of ED's spend is discretionary (grants etc), with the remaining 25% more fixed in its allocation predominantly to staff and premises costs. A recommendation was made to the Minister that the only way to deliver the EGS within the existing cash envelope would be to make material reductions in the budget allocated particularly to tourism and the rural economy.

3.2 The scenarios that indicated the magnitude of those reductions were not acceptable to the ministerial team. In response, an additional scenario was developed which looked at what incremental funding would be required to enable ED to sustain funding for tourism, which is directly related to the Minister's decision to protect tourism funding throughout the MTFP period and link funding for the rural economy to the States-approved Rural Economy Strategy. That translated into an initial growth bid of approximately £4 million, which translates to about 25% increase in the Department's base, the majority of which has been retained in the MTFP as lodged. The unsuccessful bid related to £250,000 for Tourism funding having been unsuccessful. Essentially the growth is directly related to incremental funding required to deliver the EGS over and above the ongoing activity of the department.

3.3 The table below shows the successful bids and the proposed funding source in the MTFP:

Successful EDD Bids in the MTFP	**FTEs**	**2013** £'000	**2014** £'000	**2015** £'000	**Proposed funding in the MTFP**
JFL – increase grant to JFL	0	800	800	800	Central Contingency in 2013 & 2014. Growth from 2015
JFL - additional	0	135	500	730	Central Contingency in 2013 & 2014. Growth from 2015
JFL – Saudi/GCC Financial Services	0	0	350	350	Central Contingency in 2013 & 2014. Growth from 2015
Finance Sector - Legislative Development	1	200	200	200	Central Contingency in 2013 & 2014. Growth from 2015
Inward Investment - Digital Jersey	0	500	500	500	Central Contingency in 2013 & 2014. Growth from 2015
Inward Investment - non-Financial Services	2	800	800	800	Central Contingency in 2013 & 2014. Growth from 2015
Jersey Business	0	200	200	200	Central Contingency in 2013 & 2014. Growth from 2015
Skills & Workforce Development	0	290	500	500	Central Contingency in 2013 & 2014. Growth from 2015
Tourism Development Fund	0	500	500	500	Central Contingency in 2013 & 2014. Growth from 2015
Total proposed Growth bids for which resources are identified	**3**	**3425**	**4350**	**4580**	

3.4 The Panel notes with a degree of concern a recurring dependency on central contingency and carry forwards (see table above and funding pressures table below) to fund a number of areas particularly in 2013 and 2014. The matter was addressed by the Assistant Minister:

'I think the bids are about future vitality of our economy and I think that one has to accept it is not just a short-term Band Aid on an economy that is finding it harder than it has previously been. It is a way of engineering a more robust economy and it is an investment (it is not grant) and therefore, by definition, there will be a return to the Island. There will be a return to Islanders, to taxpayers, and I think that when one looks that that is how the money is being spent it is a clearer strategy….[93]

The Connétable of St. Brelade:

Would you admit, though, that if this economic way forward fails at any particular stage eating up huge amounts of contingency could be particularly dangerous to the Island's future?[94]

Assistant Minister for Economic Development:

I would argue the polar opposite. I would say that not taking proactive steps to ensure that we have an economy that we are proud of and is supporting us all in 5 years or 50 years' time would be a huge oversight and negligent of us in the current climate.'[95]

[93] Record from Public Hearing with Assistant Minister for Economic Development
[94] Record from Public Hearing with Assistant Minister for Economic Development
[95] Record from Public Hearing with Assistant Minister for Economic Development

3.5 The Panel's work also raised concern over the definition carry forwards, and how they are being interpreted across the States. The Panel asked the Chief Officer to explain how his Department interpreted a carry forward and the process with the Treasury to sanction their use:

'The carry-forwards are naturally occurring underspends because something has either cost us less or something that we planned to do is no longer required or indeed, in the case of income we receive from Ofcom, which is related to a rebate to us related to T.V. licensing, greater levels of income that we have over and above what we had forecast.[96]

The Deputy of St. Martin:
…I was always under the impression that a carry-forward was where monies were allocated in year one to a specific project which was not completed and then that project moved to the second year and the money was carried forward, which is different from an underspend…[97]

Chief Officer:
There are elements of underspend in-year that arise because of exactly what you just said, the project that are delayed. There are other elements of underspend that arise because projects are no longer required, so what we plan to do is no longer required, or indeed sometimes forecasted income that we have is exceeded. So we have more money than we thought we were going get, either through reduced expenditure or increased income. That is used for carry-forwards. Some of it is carried forward for the purpose that it was originally intended but a lot of it is carried forward as a numerical sum and then we justify to the Treasury and this has to be fully justified to the Treasury.'[98]

3.6 With regard to Department contingency, the Panel asked the Chief Officer how this was being dealt with under the current MTFP. He explained:

'I think it is fair to say that in the past we have retained an element of contingency. Given the pressures and the nature of the investment that we have make, I think we are running as forecast with a very low level, if any, contingency at all.[99]

The Deputy of St. Martin:
So you would not naturally just allocate 5% to contingency before you start the year?[100]

Chief Officer:

[96] Record from Public Hearing with Assistant Minister for Economic Development
[97] Record from Public Hearing with Assistant Minister for Economic Development
[98] Record from Public Hearing with Assistant Minister for Economic Development
[99] Record from Public Hearing with Assistant Minister for Economic Development
[100] Record from Public Hearing with Assistant Minister for Economic Development

We have not done that in this year, no, because of the demand on spend. What we did not want to do was to put in any larger growth bid than we absolutely needed to. Of course, if there had been any contingency in previous years we used that up to get to our previous cash limit before looking above that growth.'[101]

- Funding Pressures:

3.7 Funding pressures facing the Department are illustrated below firstly in a table with relevant additional information from the Department following. They are attributed primarily to new initiatives and regulatory requirements:

Growth Bids submitted by EDD	2013 £000	2014 £000	2015 £000	**Funding Proposal**
Get People Into Work				
Tourism	250	250	250	Establish a new Shadow Board and increase marketing in under-funded European and global markets
Other Funding Pressures				
Single European Payments Area project	90	0	0	Stimulus funding carried forward in 2012 but due to continued delays by the European Payments Council this will not be completed in 2012 – Carry Forward
Intellectual Property Development	50	50	50	Contingency required for Minister functions of the new tribunal – Carry Forward 2013, Contingency 2014 & 2015
Ombudsman	57	0	0	Law Office delay in legislation – Carry Forward
Locate Jersey – Autumn Conference	150	0	150	New initiative bi-annual conference – Carry Forward 2013. Growth 2015
Locate Jersey –FT "Doing Business in Jersey" Report	60	0	60	Similar to previous supplement in 2007 – Carry Forward 2013. Growth 2015
Business Development - Retail	50	0	0	New initiative - Co-funding with the retail sector for new website – Carry Forward
TOTAL	**707**	**300**	**510**	

- Tourism:

[101] Record from Public Hearing with Assistant Minister for Economic Development

3.8 The only element of the Department's original MTFP bid that was not successful was the recurring increase in revenue funding on the tourism-based budget of £250,000. It remains something that the Minister would like to achieve, predominantly to further bolstering marketing activity in the German market.

- Single European Payments Area Project:

3.9 This is an ongoing issue, and was originally a fiscal stimulus project. Due to delays outside the Department's control delays, this is again further delayed. It has not been catered for in the base budget or indeed the MTFP and therefore remains a future funding pressure. The legislation is required from a financial services perspective, to alleviate potential barriers relating to trade within the single euro area with a common payment system.

- Copyright Tribunal:

3.10 This is related to the new intellectual property legislation and the Financial Ombudsman Service Ombudsman Service.

- Locate Jersey (2013 promotional programme):

3.11 The funding pressure relates to the 2013 Inward Investment Conference and a *Financial Times* insert.

- Business Development: Retail:

3.12 There has been considerable pressure on the retail sector. The Department has an existing retail strategy which it does not intend to revise, but it intends to work jointly with the Chamber of Commerce on a retail business development strategy which will have both a physical bricks and mortar element and an online element.

3.13 The Chief Officer explained the approach to these pressures at the MTFP Public Hearing:

> '*We monitor our exact spend on a monthly basis versus plan. What happens because of changes to need or opportunity or things get deferred or brought forward, we would hope to be able to fund all of these through cash managing without our existing limit. So they represent funding pressure that …. we would hope, through underspends that occur or indeed carry-forwards that we can bring forward from underspend this year, to be able to fund that. In the first instance we will be making a submission to deal with this from any underspends that we have, particularly monies that we receive from outside our*

cash limit. But, if not, we will do what we always do and to the greatest extent possible; we will try and manage that by redistributing funds in-year.'[102]

4. Other Allocations

- Restructuring provision:

4.1 The Economic Development Department received a restructure bid of £205,000 to establish the independent and confidential business information, advice and support service, Jersey Business. This body represents the outcome of the Integration of Jersey Business Venture and Jersey Enterprise's On-Island operation.

4.2 As outlined in Section 2, there is currently consideration for a restructure bid of £156,551 for the reorganisation of the financial services within the Department. In addition, there may be a restructuring requirement for the transfer of rural responsibilities to the Environment Department and the reorganisation of Tourism.

- Departmental Income:

4.3 The Economic Development Department has a 2012 income target of £1.7m. The only proposed change (other than RPI or 2.5% per annum), is that from 2013 onwards responsibilities from the Enterprise Awards will transfer to Jersey Business Ltd. and the Business Incubator has now closed, the net result being that the loss in revenue (which will be received in future directly by Jersey Business) is essentially balanced out by the transfer of responsibility for costs (to Jersey Business). The Income streams (for 2012) are outlined below:

	2012 Income £
Enterprise and Business Development	
Enterprise Support	(213,000)
	(213,000)
Marketing	
Joint Marketing	(400,700)
Destination Marketing and Communication	(114,000)
Visitor Services	(196,000)
	(710,700)
Policy and Regulation	
Consumer Affairs / Trading Standards	(16,100)
Policy Development	(786,700)
	(802,800)
Skills	
Training and Workforce Development	**(12,000)**
Net Revenue Expenditure	**(1,738,500)**

4.4 The income is generated by:

[102] Record from Public Hearing with Assistant Minister for Economic Development

- *Enterprise & Business Development - Enterprise Awards & Business Incubator rent.*
- *Marketing – Advertising received for tourism brochures etc. (£401,000), Jersey Pass (£114,000), Visitor Services sales and Central Reservation commission (£196,000).*
- *Policy & Regulation – Regulatory licence fees such as liquor licence fees, shipping registry etc. Also income received from Ofcom in respect of spectrum licence refund (£303,000).*
- *Skills – Enterprise Education sponsorship.*

4.5 The Panel has been informed by the Department that the area of greatest pressure in meeting income targets is joint marketing, relating directly to the contribution that the tourism sector is able to make given the current economic situation and the impact this has had on liquidity within the sector.

4.6 There is additional uncertainty relating to the ending in 2013 of the current arrangements surrounding the BBC licence fee and the associated Ofcom refund of just over £300,000. The potential loss of income has been budgeted for. The Minister recently visited the U.K. Government regarding the BBC licence fee and the current proposals for how the issue will be arranged from 2014 onwards.

5. Capital Allocation

5.1 There are no capital projects proposed directly for ED. Whilst the Ports of Jersey do have capital projects planned, these are handled as separate Trading Entities.

6. Savings

- CSR:

6.1 The Department has met its 2011 and 2012 CSR savings commitment of £1,039,000. The table below outlines the nature of those savings and proposals for 2013:

COMPREHENSIVE SPENDING REVIEW DEPARTMENTAL SAVINGS PROPOSALS	2011 Saving (£'000)	2012 Saving (£'000)	2013 Saving (£'000)	Total Savings (£'000)	Total FTE Impact
ECONOMIC DEVELOPMENT DEPARTMENT					
Reduce funding to services: Beach Lifeguard, sub-titling, Intellectual Property	295			295	
Terminate employment of a UK representative	44			44	1.0
Reduced opening hours in Jersey Tourism Visitor Services reception	36			36	1.0
Reduction in grant to the Financial Ombudsman	-100		100	-	
Growth in funding for Initiatives, renewable energy, e-gaming and IP legislation	-313			-313	
Additional support to JFL grant to fund the States share of the JFSC for Anti-Money Laundering unit	-750			-750	

Reduction in business grants, supporting exports and integration of JE and JBV		194		194	
Continued planned reduction of Quality Milk Payments and Rural Initiative Payments		80	135	215	
Overheads - Efficiency Savings	204	73		277	
Reduction in Trading Standards non-staff costs and Jersey Consumer Council (JCC) grant		16		16	
Strategic Development merge with Regulatory Services to become Policy and Regulation		90	18	108	
Harbours and Airport compilation of statistics and reduction in printing costs		4	6	10	
Cease funding to subsidise provision of School Milk	183			183	
Jersey Apprenticeship Scheme and reductions in cost of Skills Development budget		40		40	
Reduction in funding for route development	175			175	
Reduction in grants to events	138			138	
Continued planned reduction of Rural Support grants including Single Area Payments	118		121	239	
Legal Fees for the dissolution of Jersey Milk Marketing Board (JMMB)	116			116	
Reduction in grant to the Gambling Commission	100	50	39	189	
Reduction in grant to the Competition Law	100			100	
Reduction in Jersey Financial Services Commission costs for Anti Money Laundering Unit		63		63	
No additional inflation and general efficiencies across all areas		83	531	614	
SUB TOTAL: ECONOMIC DEVELOPMENT DEPARTMENT	**346**	**693**	**950**	**1,989**	**2.0**

6.2 As previously indicated, the ability of the Department to meet its CSR targets is helped by the fact that approximately 75% of Economic Development's spend is discretionary (grants etc), with the remaining 25% more fixed in its allocation predominantly to staff and premises costs, reflected in the table above. However, the Panel does note with some concern the reduced spending on the Financial Services Ombudsman ("FSO") during a crucial development year ahead of its planned introduction in 2014. We will be examining the issue as part of its full Review of the FSO.

- User Pays:

6.3 As part of the Licensing Law development process, it had been the intention to increase liquor licence fees by approximately 60% (£175,000 additional income) as part of CSR user pays. The Minister has indicated that the Department should not seek to increase fees more than the RPI, although the actual outcome may be determined by changes to the final legislation. The Panel has been informed by the Department that consultation and discussion with other relevant Departments (notably Home Affairs and Heath and Social Services) on this cross cutting draft legislation has been has been extensive. It is anticipated that the new licensing law, which will release the potential to realise some of this income, should be coming to the States in 2013.

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States Assembly

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HSSH Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Department of Education, Sports and Culture

Presented to the States on 16th October 2012

S.R.11/2012

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Review of the Medium Term Financial Plan (“MTFP”)

Education, Sport and Culture (“ESC”)

Conclusion

- MTFP growth funding supports the major role played by the Department in Getting People into Work (Strategic Priority 1) through provision for increased numbers at Highlands, the introduction of an entitlement for vocational training for 14-16 year olds, the development of a modern apprenticeship scheme which incorporates training allowances. The MTFP base budget includes an allocation of £1.9m for skills and training to support ongoing work placement schemes, although £950,000 a year has been transferred to Social Security to support the Advance to Work and Advance Plus schemes.

- Provision for a new ICT strategy (£3m capital funding over three years plus £240,000 carry forward from 2011) is a crucial element in a programme to realign the education and training of the current workforce with needs of employers (priority 4.1 of the Economic Growth and Diversification Strategy). However the Panel notes that previous growth funding for ICT was delayed for one year to meet the Comprehensive Spending Review (“CSR”) savings shortfall.

- The other main challenges for the Department, funded by the MTFP growth allocation, relate to higher than expected numbers in the primary and nursery sectors and university fee increases in the UK. Growth funding for the latter has been deferred until 2014 on the grounds that any underspend in 2012 is carried forward in order to manage increased demand.

- The MTFP recognises that ESC has been unable to meet the original CSR savings target for 2011-2013 (£11.1m) and that there is a shortfall in savings of £6.3m by 2013. The Council of Ministers has agreed to reduce the ESC target savings to £7.6m and to extend the period for realising these savings until 2016 when the shortfall will be reduced to £3.5m. To account for this the MTFP proposals include an increase in the ESC cash limit in 2013 of £6.3m reducing to £4.6m in 2015 as the savings are realised.

- The savings programme includes increased sports income, through a combination of increased participation and price rise slightly above inflation, and a review of grants to clubs and associations. The Scrutiny Panel is concerned about the impact of proposals to increase the cost to the public of participating in sport and to restore budget cuts to clubs and associations and intends to examine the Department's strategy for promoting sport at all levels including disabled sports.

- The Panel is seeking clarification of the funding for Jersey Heritage Trust asset renewal given the low returns from the CI summer lottery.

- **The MTFP in relation to the 2012 Annual Business Plan ("ABP")**

1.1 *How do the Department's cash limits in the MTFP compare with those in the 2012 ABP?*

The net expenditure limit for ESC for 2012 was £101,655,000; the indicative spending limit for 2013 is £104,334,000 (an overall increase of £2,719,000) which includes an ongoing allocation of £1.9m per annum for skills and training to support work placement schemes (Highlands, Advance to Work, Advance Plus, Careers strengthening etc) and an adjustment of £6,303,000 for the CSR savings shortfall. The CSR adjustment reduces to £4.6m in 2015. £950,000 of the skills and training monies has been transferred to Social Security to run the Advance to Work and Advance Plus schemes

1.2 *What commitments from the 2012 ABP have been taken forward?*

Growth funding was provided in 2012 for

(a) the development of a new ICT Strategy to respond to curriculum development. Implementation of this strategy was deferred for one year in order to meet the CSR savings shortfall - £652,000.

(b) Higher Education (student finance) in response to expected increases in UK university fees. This funding was returned to Treasury & Resources ("T&R") as proposed changes in the UK were deferred for a year - £800,000.

(c) Teachers' terms and conditions of service – to implement agreed changes to lunch supervision and protected time for planning, preparation and assessment - £800,000.

(d) Skills Strategy – development of vocational options for 14-16 year olds as an alternative to traditional teaching methods and to meet local employer demands – £200,000

The 2012 ABP contained indicative growth proposals for 2013 for

(a) the ongoing development of the Skills Strategy - £50,000

(b) the early release of funds to allow employment of staff on a temporary basis to prepare for the 2015 Island Games - £100,000.

1.3 What developments have there been?

A larger than expected increase in school age population as a result of both the birth rate and net migration (net 400 increase in student numbers in the last 5 years), which will present a significant challenge for the primary sector in 2014/15 (numbers are expected to increase by 200 by 2015) and will require new accommodation particularly in the town area. Nursery Education is similarly affected by rising numbers.

The current recession and subsequent high unemployment has resulted in higher student numbers in post 16 education, impacting principally on Highlands College.

- **Departmental Services**

2.1 What service changes, if any, will the Department implement?

Vocational training for 14-16 year olds is being developed following successful pilot schemes.

The development of a modern apprenticeship scheme to support young people in progression from school to work.

Closer collaboration between Highlands and Hautlieu is being explored through the appointment of an Interim Executive Principal for both institutions

£950,000 has been transferred from the ESC budget to Social Security for employment schemes (Advance to Work and Advance Plus). Careers strengthening remains with Education.

Service reviews are being undertaken on the provision for special needs including educational psychology.

2.2 What policy changes within the Department are imminent?

No major policy changes are envisaged in the life of the MTFP; however, the Department is potentially exposed to further developments in the UK on higher education fees and curriculum changes.

The recent consultation paper, Learning for Tomorrow's World', did not indicate any strong public demand for fundamental policy change in the system of primary and secondary education. The ESC Department is working on a number of issues raised in the consultation and further Green or White paper's may be issued as appropriate. A Sports Strategy is under development for consultation in 2012/2013. This will address funding for sports development and facilities. A strategy for the Youth Service is also in preparation for 2013.

2.3 How does the Department address the Strategic Plan priorities?

The Department is playing a major role in Strategic Priority 1, Getting People into Work, through provision for increased numbers at Highlands, the introduction of an entitlement for vocational training for 14-16 year olds and the introduction of a modern apprenticeship scheme.

2.4 What increases in staff numbers does the MTFP propose?

The MTFP allows for an increase of 60 full time equivalents ("fte") by 2015 which reflects increased numbers at Highlands including additional support for the apprenticeship and 14-16 vocational schemes (23 fte plus 23 zero hour contract conversion; 6 fte for Higher Education) and in schools (9.6 fte in primary partially offset by a decrease of 8 fte in secondary plus 2.8 fte holiday conversion), the requirements of the ICT strategy (2 fte) and project management (1 fte). Two fte posts have been lost through CSR.

- **Growth Allocations**

3.1 Which of the Department's growth bids were successful? Are they justifiable?

Three successful growth bids are directly related to Strategic Priority 1, Getting People Back to Work. Two further successful bids are related to increased numbers in nursery and primary schools (statutory provision). Its bid relating to Higher Education ("HE") fee increases was also successful but is not funded in year one of the MTFP.

A further growth bid relating to a commitment by the States to underwrite the renewal of Jersey Heritage Trust visitor assets was also successful but its funding was due to derive from the CI Summer Lottery, not from central contingencies or growth funding.

- <u>Vocational training for 14-16 year olds</u>: £355,000 in 2013 rising to £500,000 in 2014 & 15. Pilot schemes have indicated that vocational schemes encourage engagement with the curriculum and participation in further training.

- <u>Highlands College – provision for increased numbers</u> (circa 1000 students in total) as a result of the recession. £549,000 in 2013 rising to £610,000 in 2014 & 15. The trend in numbers is expected to continue for the foreseeable future. 90% of 16-18 year olds in Jersey are staying on in education or training. **The Scrutiny Panel is seeking assurance from the Department that the College is sufficiently resourced to cope with the increased rolls of students.**

- Training allowances and apprenticeship schemes – vocational learning support for 120 young people: £380,000 per annum for three years of MTFP. A modern scheme developed in partnership with the Skills Board, based on research on best practice in jurisdictions such as France and Germany. The Scrutiny Panel intends to examine the Department's plans for apprenticeships and has requested access to this research.

- Increased demand in the primary sector - To cope with latest demographic information two new forms will open in September 2012 with consideration of two additional forms each year up to 2015. £345,000 in 2013; £600,000 in 2014; £631,000 in 2015

- Nursery Education Fund – Increasing student numbers are affecting nursery provision. This funding will provide for 500 places a year (instead of original estimate of 440). £230,000 in 2013 rising to £240,000 in 2014 & 2015

- Jersey Heritage Trust – rolling programme of asset replacement and refreshment. £288,000 in 2013 rising to £320,000 in 2014 & 2015. The CI Summer lottery was expected to provide the funding to meet this ongoing requirement; however, it is clear that the proceeds will not be sufficient. **The States has committed to underwriting this funding (P.75/2010) in the event of this shortfall; the source of funding now is uncertain given the low returns from the Summer Lottery and the Scrutiny Panel has requested clarification.**

- Higher Education – UK Government fee proposals. The Department predicts a requirement for the grants budget to rise by at least £2m by 2015. No growth in 2013 following provision of £800,000 carry forward in 2012; £1.49m in 2014; £2.3m in 2015

3.2 Which bids, if any, were unsuccessful and what will the impact be?

The Department's unsuccessful bids relate to discretionary matters.

- Extension of Professional Partners – Private schools will not have the benefit of the system. Performance evaluation and change management for these schools will continue to be provided in alternative ways. The Scrutiny Panel has requested an assessment of the impact of not funding this proposal.

- Higher Education grant – increase threshold on parental income to 2001 level – families on low and middle incomes will struggle to support their children through university.

- Higher Education – increase maintenance grant back to 2001 levels – the real value of the student maintenance grant will continue to decline.

3.3 Did any spending pressures not lead to growth bids?

- Skills and training - A commitment in the 2012 ABP to continue £1.9m fiscal stimulus funding has been provided from reducing the Restructuring Provision. Advance to Work and Advance Plus have been transferred to Social Security. Careers Strengthening remains with ESC.

3.4 Have all previous spending pressures been addressed?

The Department identified increasing costs of entry fees for UK examinations awarding bodies, special needs provision (particularly UK placements) as funding pressures which are being addressed by other means (by service reviews and efficiencies, not through growth bids).

The indicative growth proposal in the 2012 ABP for the Island Games features in the MTFP.

- **Other Allocations**

4.1 What access to contingency funding will the Department have?

The Department's growth bids relating to vocational training, increased numbers at Highlands College and the training allowances/apprenticeship schemes will be funded from central contingencies for the first two years of the MTFP. Its bids relating to demographic numbers, and nursery provision will also be funded, in year one only, from central contingencies. Its bid to cover for increases in HE fees is not funded in the first year. Subsequent years will be funded from growth

The Department maintains its own internal contingency reserves to manage teacher absence and to address one-off unforeseen pressures. The Department is seeking to carry forward any under spend in 2012 in order to manage any increases in higher education fees for 2013 as there is no provision in the MTFP for that year (growth funding commences in 2014). £800,000 was also carried forward from 2011 for this purpose.

4.2 What access to restructuring provision will the Department have or be asking for?

ESC has carried forward (a) restructuring reserve of £195,650 from 2011 to leverage staff changes in secondary education consequent on falling numbers and (b) a provision of £60,000 for restructuring the framework for teaching assistants.

A commitment in the 2012 ABP to continue £1.9m fiscal stimulus funding for skills and training has been provided from reducing the Restructuring provision. There are no current requests into the central restructuring fund.

The department has updated its management structure and introduced a new data management team and strengthen project management.

4.3 *What impact is expected on the Department's sources of income?*

The main sources of income to the Department in 2012 are (a) school fees (£9m); (b) course fees and other income from Highlands College (£3m); (c) Sports centres and playing fields (£3.7m); (d) other, including nursery hours, school lunches, facilities hire and property rental. Charges may be increased above the States 2.5% anti-inflationary rate to reflect increased costs, subject to approval of a business case.

Increased sports income of £144,000 is to be achieved by 2016 as part of the revised programme of CSR savings. As total income from sport in 2013 amounts to £4.3m, the Department does not expect the impact to be significant.

The introduction of charges for instrumental music are part of the CSR plan but would be subject to approval by the States.

The property occupancy charge for fee paying provided schools (Victoria College and JCG) will rise.

4.4 *What access to carry forward funding has the Department received?*

ESC carried forward £3,353,660 from 2011 to be utilised as follows:

- Delegated financial management – balances belonging to individual schools who may carry forward up to 3% of their budget
- Fee paying schools – surpluses accumulated in fees
- Higher Education – underspend on university fees in 2011 will mitigate uncertainty in fees levels for 2012/13 and beyond
- Healthy Eating School contract – balance of funds to complete the project
- Departmental restructuring reserve – to leverage staff change as a result of smaller numbers in secondary school
- Lunchtime supervision shortfall – to increase funding available to schools
- Teaching assistant restructuring – to introduce a new framework for teaching assistants
- Nursery Education Fund Growth – increasing numbers going into nursery education
- Sports Advisory Council grant – reinstatement of part of 2012 cut.

- ICT – to implement the Department's ICT strategy. The MTFP proposes additional capital funding for a new ICT strategy which will respond to curriculum development, initiatives such as Digital Jersey and Gigabit Jersey and the requirement better align education and training with the demands of employers. The new strategy will also involve the retraining of teachers to be able to deliver a more sophisticated curriculum. The new strategy should be available by Easter 2013 and curriculum change is anticipated for September 2014. **The Scrutiny Panel will closely monitor this strategy which is a crucial strand of the recently approved Economic Growth and Diversification Strategy (Priority 4.1)**

- **Capital Allocation**

5.1 What are the Department's capital projects?

2013: School ICT - £1m; St Martins School - £7.7m

2014: Autism Support Unit - £1.066m; FB fields running track - £810k; Les Quennevais artificial pitch - £650k; St James Centre -£2.5m; Replacement primary school - £15m; School ICT - £1m

2015: School ICT - £1m

2016: Les Quennevais School refurbishment and extension - £7.5m

2017: Grainville School Phase 5 - £9.7m

2018: Le Squez community centre - £2m

2016 -20: Jersey Heritage: refurbishment and improvement of facilities at Elizabeth Castle - £10m (£2m per year over five years)

5.2 Which capital needs, if any, are not being addressed?

The proposed commencement of Les Quennevais and Grainville Schools projects has been delayed.

Construction of Skills Centre, redevelopment of Crabbé Activity Centre and refurbishment of St Mary's school not included in the capital programme.

- **Savings**

6.1 Has the Department met its CSR savings for 2012 and 2013 and, if not, what contingency plans have been put in place?

The original target for CSR savings of £11.1m will not be met due to the States decision in P.72/2011 not to support the reduction of subsidies to fee paying schools. The Council of Ministers has agreed to reduce the savings target for ESC to £7.6m and to extend the period for achieving these savings to 2016. An adjustment of £6,303,000 has been made to the ESC budget to cover the CSR savings shortfall for 2013 reducing to £4.6m in 2015.

6.2 What savings proposals, if any, will the Department implement in 2014 and 2015?

The Department has agreed to a programme of savings totalling £4,466,000 to be achieved between 2013 and 2016. The savings arise from:

- Non - fee paying sector – managing demographic change - £1,086,000
- Fee paying sector – introduction of property occupancy charge for VC and JCG; ceasing grant to independent preparatory schools (St Michael's and St George's); aligning funding formula for all fee paying primary schools - £810,000
- Student Finance – return of 2012 growth money to Treasury and introduction of household assessment for fees (following a White paper consultation) - £1.9m
- Special Needs – new model of vocational education - £250,000
- Library – removal of funding for trainee librarian - £23,000
- Youth Service – restructuring of management team - £40,000Sports Division – restructuring of management team; increased sports income, reduction of grants to clubs and associations, devolved pitch management - £199,000. **The Scrutiny Panel is concerned about the impact of increasing the cost to the public of participating in sport and the restoration of budget cuts to clubs and associations. The Panel intends to examine the Department's strategy for promoting sport at all levels including disabled sports.**
- Arts and heritage – 5% savings on grants - £59,000
- Charges for instrumental music - £90,000

6.3 What user pays charges have been considered and which are proposed in the MTFP?

The following new charges were described in the 2012 ABP: (a) Nursery education – payment for additional hours in school nurseries and (b) introduction of charges for instrumental music

6.4 What plans for outsourcing, if any, does the Department have?

None

- **Cross-cutting Matters**

7.1 What proposals within the MTFP will impact upon the work of other Departments?

Transfer of skills and training schemes to Social Security

7.2 What proposals within the MTFP are dependent upon the work of other Departments?

Skills strategy – partnership with EDD and Social Security

8. Other matters

Procurement savings in 2013 - £700,600

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HSSH Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Department of Health and Social Services

Presented to the States on 16th October 2012

S.R.8/2012

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Review of the Medium Term Financial Plan (“MTFP”)

Health

Conclusion

As a result of the work undertaken, the following matters in particular should be noted:-

- **Report and Proposition**

A fundamental part of the future of the Island’s Health & Social Care relies on the Proposition being approved. The hospital is listed in the MTFP as a marker to say “it is happening” and if a key area does not obtain funding, the future of the Island’s health will start to unravel. The Department has told the panel that it is not an area that can be cherry picked.

- **Health Insurance Fund (“HIF”)**

The States agreed that funding from the HIF would continue until the end of 2012. The Council of Ministers has asked that a proposition be considered for HIF funding to continue until 2015.

- **Information Services**

Funding has not been allocated in the MTFP for the development of significant IT systems. Funding has been identified within Phase II of the Health White Paper (“HWP”), although this will not be until post 2015.

- **Nursing Staff**

The inability of a population the size of Jersey’s producing sufficient qualified nurses means recruitment is normally done off Island and predominantly in the British Isles. At times it has been difficult to recruit and retain nursing staff and the Department has been working with the States Employment Board (“SEB”) and in partnership with the nursing trade unions to carry out an Equal Pay for work of Equal Work review for nursing staff. This scheme has involved looking at a basket of nursing jobs currently on the Nurses and Midwives pay structure in Jersey and comparing them with similar posts in other pay groups within Health & Social Services (“H&SS”) and with the National Health Service (“NHS”). The Panel have been informed that findings showed that there was a substantial difference in pay of jobs with equal weighting, depending on the grade of post. The results of the findings have now been taken back to the SEB seeking agreement to do some additional research on how to close the gap within the existing resource. The H&SS Finance and Human Resource Directors ("HRDs") are working with Treasury and Employment Relations - Chief Ministers Department on looking at a way forward how to address the issues the work to date has identified.

Certain initiatives that have been put in place are under review but it does not necessarily mean that nursing staff will remain in Jersey.

- **2% Business As Usual ("BAU") Growth**

The Department has been allocated 2% real growth for BAU items. The Department reported that expenditure relating to new drugs and the increase in inflation on drugs is a significant demand on this 2% growth. The Department has links with Guernsey and the NHS and can achieve discounts through collective purchasing however it is presently unclear whether there is a contingency in place should the increases exceed the growth allocated within the MTFP.

- **Capital – The Hospital**

Funding (approximately £300m million in the MTFP) is required for a new hospital. There is a budget of £350,000 for a feasibility study in 2013 and £2,000,000 for planning in 2014. These proposed costs are listed within the Capital Programme for 2013 – 2015. The Capital Programme does not list the £332 million of funding for the hospital and hospital ward extensions and states "this position excludes an estimated £300 million for hospital works and £32 million for hospital ward extensions – future funding options are being actively pursued".[103] Further reference has not been made as to which further options are available and what avenues are being pursued for funding. There is also significant investment required to deliver Phases 2 and 3 of the Health reforms which is still to be determined. The Hospital Pre-feasibility study is due to report in October 2012. This will provide greater clarity regarding the size of hospital required. The States Members briefing prior to the Report & Proposition debate will provide additional information.

- **Residential Care**

There are several key areas that require addressing within the special needs service. The Panel and an expert Advisor earlier this year published a review of respite care services for children and young people with complex and challenging needs. The

sums allocated respond to some of the recommendations made in that report but more detail is required. A budget of £4 million has been allocated for a care home for adults with complex needs with £2 million allocated for children's homes.

[103] Excerpt from the draft MTFP

- **The MTFP in relation to the 2012 Annual Business Plan** (“**ABP**”)

1.1 The 2012 ABP provided the Health Department with a net expenditure limit of £171,211,800. The net expenditure limits proposed in the MTFP are £184,262,400 for 2013, £190,621,400 for 2014 and £197,981,400 for 2015. We were advised that the reason for the difference was “the draft MTFP includes funding for the implementation of the White Paper, vehicle replacement and a reduction relating to procurement savings.”[104]

1.2 The 2012 ABP included real growth funding of 2% for BAU issues, Nursing establishment and recruitment and medical staffing, all of which have been taken forward.

1.3 Cumulative growth allocations within the MTFP amount to £5,370,000 for 2013, £10,180,000 for 2014 and £14,180,000 for 2015 and are committed to supporting strategic priorities as outlined in the HWP. Growth commitments of £7,320,000 for 2013, £2,130,000 for 2014 and £16,130,000 for 2015 have been committed from the 2012 ABP. An additional £1,447,000 for 2013, £744,000 for 2014 and £223,000 for 2015 have also been included as growth commitments from the 2012 Business Plan[105] but do not directly support strategic priorities.

1.4 A Sub-Panel has been set up to oversee the entire HWP process. Public Hearings took place throughout July and early September with the Minister from Social Security, the Minister for Treasury & Resources and the Minister for Health and Social Services. Public Hearings also took place during this time frame with various stakeholders. The Sub-Panel have appointed three advisors. One advisor has produced a draft report with the other two providing advice to the Sub-Panel. The Health & Social Services Department went to Public consultation with their HWP which finished in July. The Report & Proposition, which is the result of the HWP and consultation, has been lodged and is to be debated on 23rd October 2012.

- **Departmental Services**

2.1 The Department has plans to implement significant service changes in the near future, all of which is detailed within the Report & Proposition.

2.2 The Department has a number of delivery plans in place to address the Strategic Plan “Promote Family and Community Values”. These are highlighted in the Outline Business Cases (“OBC”) within the Report and Proposition and the Children and Young People’s Strategic Framework which is being overseen by the Children’s Policy Group[106]. At the

[104] Response to written questions
[105] States of Jersey MTFP
[106] The Children’s Policy Group (CPG) is a cross departmental working group that includes HSSD, ESC, HAD and Probation.

Public Hearing with the Assistant Minister for Health, we were advised that "….*as a Department we do not lead on the actual Children's and Young People's strategic framework, but a lot of the work that we do contributes to that framework, to the Children's Policy Group, which I think has 6 or 7 streams of it…*"[107] The Children's Young People's Framework is overseen by the Children's Policy Group of which the Minister for Health & Social Services is the Chair.

2.3 Funding for the H&SS side of the development of the services for children which are contained within the Services for Children Early Intervention OBC are included within the Report & Proposition for the first MTFP period (2013 – 15). The Report & Proposition and the HWP also outline the services for children that should be developed from 2016 onwards. It should also be noted that the OBCs only identify the strategic service investments. Services will continue to develop operationally to meet the needs of Islanders.

2.4 Staff levels are due to be increased by 120 full time equivalents ("fte") in 2013, 100 fte in 2014 and 60 fte in 2015. There is an increase of 66 additional fte in 2013 which relate to the implementation of the white paper.

- **Growth Allocations**

3.1 The table below shows growth commitments from the 2012 Business Plan supporting strategic priorities as listed in the ABP.

Figures in £'000	**2012**	**2013 ***	**2014***	**2015 ***
Health Growth @ 2%	3,320	3,740	6,920	10,550
Medical Staff Sub Specialisation	-	300	610	920
Nursing Establishment	-	1,000	2,030	2,080
Nursing Terms & Conditions	800	600	620	630
Total	**4,120**	**5,370**	**10,180**	**14,180**

* - cumulative from 2013

3.2 These pressures were identified in the 2012 ABP and commitments were made by the Council of Ministers, and subsequently endorsed by the States, to make growth provision for these priority areas.

[107] Record from Public Hearing with Assistant Minister for Health

3.3 There are additional growth bids which are proposed within the MTFP to reform H&SS which are detailed within the HWP. The original funding bids included in the HWP are £6,118,000 for 2013, £10,295,000 for 2014 and £11,487,000 for 2015. The MTFP proposes funding of £4,518,000 in 2013, £9,390,000 and £11,020,000 beyond the allocation of growth in the ABP. In addition to these growth bids, there is a Capital expenditure proposal of £332,000,000, estimated as £300,000,000 for the building of a new hospital and £32 million for hospital ward extensions.

3.4 The 2013 revenue growth allocation to support the proposals contained in the HWP were reduced by 10% in 2013 "based on the level of funding that was affordable in 2013". It was envisaged that the non-recurring costs of the HWP would be funded from the restructuring provision (£1.1 million in 2013, £0.9 million in 2014 and £0.5 million in 2015) but these have not been given funding. The Department has been issued with funds from the restructuring provision for a number of issues although funding for the non recurring issues of the HWP will have to be found in other areas.

3.5 It may also be worth noting that there is a growth bid within the MTFP for the creation of two posts following the publication of the Verita Report to the sum of £200,000. These posts were originally funded from restructuring in 2011 but at the time, were not allocated permanent funding. These two additional posts have been in place since 2011 and are key components to the ongoing safety within the Health service. These posts come under the Chief Ministers Department.

3.6 There is also planned property maintenance to H&SS buildings which come under Jersey Property Holdings ("JPH") of £630,000 in 2013 which will be funded from growth allocation. (JPH comes under Treasury &Resources ("T&R")). It is worth noting that not all property has been transferred to JPH and the Health Department remain responsible for 40 properties. This is due to some of the very specialist requirements relating to some property, for example the network of oxygen supply has to be maintained by people with the relevant expertise. At a Public Hearing with

the Assistant Minister for T&R and the Corporate Services Scrutiny Panel, the Assistant Minister advised that *"……H&SS would retain maintenance responsibility for 40 properties; JPH would have responsibility for 137 and responsibility for a further 23 had yet to be decided……"*[108]

[108] Record from Public Hearing with Assistant Minister for Treasury & Resources to Corporate Services Scrutiny Panel

- **Other Allocations**

- The Department had an underspend of £1,028,000 in 2011 and the amount requested to be carried forward was for the following:

Bowel cancer screening - £100,000

Used to meet initial set up and capital costs. This sum allows for the development of this service with the recurring revenue cost being met from additional funds allocated to the department in the 2012 BP.

Individual care packages - £150,000

Used to help address the current number of high cost care arrangements

Reduced delayed discharges - £100,000

Used to address the number of patients in hospital waiting for discharge to the community and residential homes. The allocation on £100,000 from carry forward funds together with a further allocation in 2012 will allow this issue to be addressed particularly over the winter months.

Tamiflu - £522,000

It is normal practice to write off stocks of drugs that are past their expiry date. On this occasion Health advice was that the expiry dates of stocks of Tamiflu have been extended and therefore do not need to be written off.

Medical equipment - £156,000

Funding had been committed in 2011 but the equipment will not be delivered until 2012. This is simply a timing issue.

4.2 No contingency funding has been allocated to the Department but it receives income from the HIF of £6 million in 2011 and in 2012 for Primary Care Services. The

Council of Ministers has asked that a proposition be considered to contribute a further £2 million from the HIF for 2013, £6 million in 2014 and a further £6 million in 2015. This is to go towards funding Primary Care Services.

4.3 It is proposed that the Department receives additional funding of £7.75 million for 2013 and £2.1 million for 2014 from the proposed sale of Jersey Telecom ("JT") preference shares.

This funding will be allocated to Capital Projects although there is a reliance on the sale of the JT preference shares in order for the funding to become available.

4.4 From 2013, all vehicles on the asset register will start to be replaced by Jersey Fleet Management (which is operated by Transport & Technical Services (“TTS”)) and leased to H&SS. It is expected all assets will be replaced by 2018. Cumulative funding of £90,000 in 2013, £200,000 in 2014 and £300,000 in 2015 has been allocated to this scheme. By the end of the process (assuming funding continues into the next MTFP) the Health Department will no longer have vehicles on their asset register and will in turn lease them from Jersey Fleet Management.

5. Capital Allocation

5.1 The Department has a number of Capital Projects over the period 2013 to 2015 and long term from 2012 to 2032. The Projects are a combination of BAU and HWP and as previously mentioned, there is a Capital expenditure proposal of £332,000,000 for the building of a new hospital and hospital ward extensions. A pre-feasibility study has yet to be completed and presently this expenditure is unfunded.

The Capital Projects are as follows:-

Capital Projects - 2013	
Upgrade of Main Theatres	2,100
The Limes Refurbishment	1,700
Replacement of General Hospital – feasibility	350
Mental Health Facility at Overdale – feasibility	350
Relocation of Ambulance & Fire Station – feasibility	100
Adult Care Homes	4,000
Children’s Homes	2,000
Replacement assets	2,484
Total	**13,084**

Capital Projects – 2014	
Upgrade of Main Theatres	1,837
Replacement General Hospital – planning	2,000
Intermediate Care	500
Refurbishment of Sandybrook	1,700
Replacement Assets	2,789
Total	**8,826**

Capital Projects – 2015	
Replacement assets	2,595
Replacement of MRI Scanner	2,277
Replacement RIS/PACS IT assets	1,567
Total	**6,439**

6. Savings

6.1 The Department has stated that it is on target to meet the Comprehensive Spending Review ("CSR") savings but these are increasingly challenging.

6.2 The Panel were also informed that the Department is constantly under financial pressures which are increased by the demographic changes as well as new technologies and treatments and above average inflation on key costs such as drugs. At the Public Hearing with the Assistant Minister for Health we were advised that "…*the inflation on drugs alone never stays within the 2.5% RPI type figure that you would expect. In the NHS it runs in the region of 8% per annum. In addition to that, we do experience inflation on the drugs budget, if you like, in terms of new high cost drugs that come to the market. In a typical year, the increase in drugs cost to the Department is likely to be somewhere in the region of £1 million – that comes out of that overall increase in our budget…."*[109] The Department went on to say that they talk to Guernsey and others to help get large discounts on collective buying.

6.3 Another spending pressure identified by the Department is the rising cost of medical insurance and as Jersey are not part of the NHS, they cannot participate in the Medical Negligence Scheme and have to deal with any negligence cases independently.

6.4 There is also large expense in off Island care and visiting consultants of which there is no alternative. There is a separate specific funding area for Nurses within the

MTFP due to the lack of local people with appropriate experience and the difficulty of recruitment. Whilst recently this seems to be less of a problem, it is acknowledged that recruitment successes increase and decrease throughout the year. At a Public Hearing with the Minister for Health on 17th September we were advised that *"…….Future projections across the modern world anticipate ongoing challenges and difficulties with nursing recruitment but as a snapshot right now, this summer, we have had a very good summer. We are not complacent and we are not taken that as a given that it is all going to rosy in the*

[109] Record from Public Hearing with Assistant Minister for Health

future but this year we are recruiting very well…..At the end of last week we only had 19 vacancies and we had to recruit an additional workforce of about 1,000 nurses. I think we would be considered, in any hospital in any jurisdiction I have ever worked, as very good indeed…..”[110]

6.5 Normal practice requires stocks of drugs past their sell by date to be replaced however, the expiry date on the stocks of Tamiflu have been extended and therefore were not written off in 2011. The Department has therefore been able to carry forward this funding in the sum of £522,000 to partly cover the necessary write off in 2012.

6.6 The Panel have been informed by the Department that there are no new user pays charges within the MTFP. Any existing charges are as stated in the 2012 ABP and the Department has no plans for outsourcing. [111]

7. Cross-cutting Matters

7.1 Many of the cross-cutting work streams are the essential ‘enablers’ to HSSD’s complex and ambitious change programme. They include Workforce, Estates, Primary Care, Technology, and Commissioning. In order to ensure efficient delivery, these areas have been separated out so that activities can be applied to all relevant areas. Without a focus on these enablers, the changes identified in the OBCs will not be delivered[112]. This also applied to the delivery of the Children and Young People’s Framework.

7.2 The implementation and success of the HWP will require positive support throughout the entire States organisation and the support of private and third sector organisations. As previously mentioned, there is a proposal within the MTFP for additional funding from the HIF which will be dependent upon a States decision.

8. Other Matters

- **Charitable Donations**

The Department receive charitable donations in a number of ways although it was stated that they do not have a great reliance on them. The donations are accounted for separately in a set of charitable funds which the Comptroller & Auditor General (“C&AG”) had previously audited. Any charitable income is streamed into the particular type of care for which it was received. In 2011, the Department’s accounts include £262,000 received from charitable donations. This comprised £139,000 from Charitable Organisations specifically contributing

[110] Record from Public Hearing with Minister for Health on HWP
[111] Response to written questions
[112] Excerpt from Draft MTFP

toward specialist nursing posts and £123,000 from charitable funds to purchase specific items. At the Public Hearing with the Assistant Minister for Health, we were advised that *"….it is not always about the money, in many respects it is the charities and societies that have expertise. The engagement of the National Autistic Society is not around their funding but around their expertise that they bring to the table in terms of the development…."*[113]

- **Private patient**

The hospital theatres are operating at 90% - 92% of capacity and there does not seem to be much transparency around the percentage of private patients being seen to public patients. The waiting list for some public patients for certain operations is up to 18 months and more research is needed in this area to help ascertain if this waiting list is a result of private patients taking priority. The panel have recently been advised that regular reports are produced detailing the percentage of private patients being seen to public patients by consultant team for management action and these figures are reported to the Ministerial team for information on a quarterly basis. There is a reduction of approximately £650,000 in net revenue expenditure in hospital inpatient services between 2012 and 2013. We were advised this was due to an increase in private patient income which was planned and implemented during 2012 and CSR savings.[114]

- **Grants and subsidies**

Grants and subsidies are listed as being reduced by £570,000 in 2013. At the Public Hearing with the Assistant Minister for Health we were advised that *"…….it is not a reduction in the amount of funding going to any particular organisation but more of a classification of that expenditure…….as we move forward, more and more of that expenditure is going to get classified as purchasing the service from that provider and the move that you are seeing in 2013 is the first part of that…….talking about funding generally, I can say we are not proposing to cut any funding to any third sector organisation in 2013. I say funding because it is across the spectrum….there may be changes in the way we fund them but the funding will still be available…. we are moving away from grants to applying a service level contract so therefore it comes under a different category…….."*[115].

- **Information Services**

[113] Record from Public Hearing with Assistant Minister for Health
[114] Excerpt from MTFP Annex
[115] Record from Public Hearing with Assistant Minister for Health

There is a need for IT systems to be developed to integrate with primary care and make the exchange of data to improve patient care more efficient yet there does not seem to be any provision for improving the current infrastructure. The Department has made significant investment over recent times but this has seemed to focus solely on the replacement of the hospital administration system. The significant funding that is required has not been included within the first period of the HWP which is 2013 to 2015 and is phased for the second period of HWP developments.

- **Departmental Services**

The Department have stated that they do not lead on the part of the States Strategic Plan relating to Children (Promoting Community & Family Values). The Director of Community & Social Services clarified that Health & Social Services lead on the Children's and Young People's Strategic Framework, which is overseen by the Children's Policy Group, which the Minister for Health and Social Services chairs. Further research may be needed in this area to ascertain the Department's overall involvement and how this important area will be funded.

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States of Jersey
States Assembly

États de Jersey
Assemblée des États

HSSH Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Department of Home Affairs

Presented to the States on 16th October 2012

S.R.12/2012

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Review of the Medium Term Financial Plan ("MTFP")

Home Affairs

Conclusion

- Growth funding has been allocated to the Department in the MTFP to meet contractual arrangements (staff increments for uniformed services), to deal with new vehicle replacement arrangements, equipment replacement and to maintain two services (offshore ship fire fighting and Prison Me No Way!!) whose funding would otherwise be uncertain.

- At the time of its Scrutiny hearing the department estimated that approximately £1.4 million of the originally proposed CSR savings were to some extent at risk and that the likely requirement for compensatory finance would be £600,000 for each of the three years of the MTFP.

- In order to manage this, the Department had contingency plans consisting of £1.2 million in carry forwards from 2012 (to be reviewed in the September quarterly financial report) and alternative savings proposals of £200,000 for each of the three years would need to be found. (These figures are subject to ongoing review and are expected to be reduced before the MTFP is debated).

- The workforce modernisation programme for the SOJ Police Force and reform of the Criminal Justice System are key elements in the savings programme. The Police have accrued savings in order to allow for a phased introduction of savings projects such as the modernisation of the Criminal Justice System rather than a one off impact in 2013.

- The Scrutiny Panel has investigated the potential risks relating to the current under-manning of Jersey Customs and Immigration frontier teams, an item for which no growth funding bid was made, and will publish a report in due course.

- **The MTFP in relation to the 2012 Annual Business Plan ("ABP")**

1.1 How do the Department's cash limits in the MTFP compare with those in the 2012 ABP?

The net expenditure limit for Home Affairs Department ("HAD") in the 2012 Annual Business Plan ("ABP") was £48,584,600.

The HAD indicative spending limit for 2013 in the MTFP is reduced to £47,434,100 (a net decrease of £1,241,500) due to the effect of Comprehensive Spending Review ("CSR").

In 2014 and 2015 there are small increases in the cash limit (£737,800 in 2014 and £318,700 in 2015) due to non staff inflation (2.5%) and MTFP growth.

1.2 What commitments from the 2012 ABP have been taken forward?

The 2012 ABP contained a growth proposal for HAD for £186,000 for 2013 to cover the impact of staff incremental rises for uniformed services, Police, Fire and Rescue and Prison (included in Figure 10 of the MTFP in the line 'Other growth commitments 2012 ABP – not directly supporting Strategic Priorities'). This funding pressure, arising from reduced staff turnover, progression through grades, increase in staff numbers at the Prison and recruitment drives (SOJ Police and Prison) was considered to be a contractual obligation and therefore not new 'growth'. Prior to 2011 incremental increases had been met from existing departmental resources, by delaying vacancies or diverting resources from non pay budgets, which was not sustainable given the high percentage of staff costs within HAD budget. (Note: 80% of HAD budget is staff expenditure). A reduced amount of £144,000 to cover the cost of staff increments has been included in the Department's base spending limit for 2013, rising to £450,000 in 2014 and £600,000 in 2015.

1.3 What developments have there been?

New vehicle acquisition funding arrangements managed by Jersey Fleet Management ("JFM") require additional funding for annual leasing charges to JFM, instead of funding through a minor capital head of expenditure.

The implications of running costs for the new Police HQ have been discussed with the Treasurer and will be dealt with separately, but are unlikely to impact fully until 2016.

The merger of the Fire and Rescue Service and the Ambulance Service (proposed under the CSR process) is not being progressed as it is not considered to be a priority by Health and Social Services. Consequently the HAD has not been required to make compensatory savings and the 2013 budget reflects the reduced savings requirement.

- **Departmental Services**

2.1 What service changes, if any, will the Department implement?

- Repatriation of prisoners – the prison population will be reduced by returning foreign prisoners to their country of origin and British-born prisoners to the UK on unrestricted terms.

- Zero hours tutors – reduced numbers in the prison, as a result of the above, will lead to a reduction in non-core educational activities at the prison.

- Passport printing – will be transferred to the UK following a decision of the UK government due to changes to passports associated with the introduction of biometric data.

- Police Authority – will be constituted in 2013 following the adoption of the SOJ Police Force Law.

- Civilianisation of certain police functions as part of a programme to modernise the criminal justice system

2.2 What policy changes within the Department are imminent?

- UK plans for e-borders remain unclear at present – may be subject for growth bid in the next MTFP.

- The introduction of Taser by the SOJ Police (will be funded within existing resources).

- Vetting and Barring scheme – recent changes in the UK will be reflected in forthcoming legislation.

2.3 How does the Department address the Strategic Plan priorities?

HAD provides frontline statutory services to ensure the safety of the community. While not specifically listed as one of the seven key priorities in the 2012 -15 Strategic Plan, Community Safety was a specific key priority in the previous Strategic Plan and included work on specific partnership projects on the night time economy, alcohol, domestic abuse and anti-social behaviour, as well as supporting the progress of the Alcohol Strategy and Jersey Domestic Abuse Strategy. Adapting the Building a Safer Society programme has been necessary due to the reduction in funding and staffing as part of CSR savings.

HAD addresses strategic priority 4, reforming government and public service, through its workforce modernisation programme, particularly affecting the SOJ Police Force. The current position is that the Force has civilianised seven posts in 2012 in order to help meet its CSR targets and is actively considering another 12 posts where civilianisation may be an option.

A review of medical/dental/optical benefits for uniformed services is part of an ongoing corporate review led by States HR.

- o *What increases in staff numbers does the MTFP propose?*

In 2013 there will be a reduction of 7 full time equivalent ("fte") posts across HAD as a result of the CSR process. Other manpower changes within HAD will be managed within the bottom line headcount.

- **Growth Allocations**

3.1 Which of the Department's growth bids were successful? Are they justifiable?

No new growth for HAD has been identified in the MTFP – HAD is seeking only to maintain existing services through its four growth bids. In addition to the commitment in the 2012 ABP to fund staff increments for uniformed officers (see section 1 above) the following three growth allocations have been successful

- <u>Equipment/vehicle replacement</u> – additional funding of £200,000 per annum has been allocated in the MTFP from 2014. HAD will manage slippage of one year (2013) by phasing expenditure and by carrying forward unspent balances from 2012 to 2013.

- <u>Marine Incident Response Group (MIRG)</u> – funding is required to maintain the Island's offshore ship fire fighting capability following an announcement by the UK Department for Transport that funding would cease for this purpose. HAD will fund the costs in 2013 by carrying forward unspent balances from 2012 to 2013. £50,000 per annum is proposed in the MTFP from 2014.

- <u>Prison! Me No Way!!!</u> – An amendment by the Chief Minister to the 2012 ABP consolidated funding for this scheme. A revised partnership agreement has been made with PMNW! which requires £60,000 per annum, £30,000 of which will be met within the existing HAD budget and £30,000 from growth. The growth allocation for 2013 is £27,000 rising to £30,000 in 2014 and 2015.

Total growth for HAD amounts to £171,000 for 2013; £559,000 for 2014; £150,000 for 2015.

3.2 Which bids, if any, were unsuccessful and what will the impact be?

None. HAD bids for equipment/vehicle replacement and MIRG have been slipped by one year and will be managed as described above.

3.3 Did any spending pressures not lead to growth bids?

Business changes made by the SOJ Police have assisted with the development of a dedicated Custody Unit, the formation of a Response Investigation Team and the creation of a domestic abuse post, negating the need for growth bids.

3.4 Have all previous spending pressures been addressed?

Funding pressures identified by Service Heads have been addressed by the above growth allocation or by reprioritisation of resources.

In 2008 a Scrutiny Panel identified a significant shortfall in funding for the Customs and Immigration service. The funding for staff increments has reduced the problem; however, the frontier teams remain under-manned. A reinstatement of posts given up as part of the 2004 Fundamental Spending Review process would require a case for pure growth; however, the Minister considers this not to be a priority. The Scrutiny Panel has investigated the position and will publish a report shortly.

- **Other Allocations**

4.1 What access to contingency funding will the Department have?

HAD has accrued savings in order to build up an internal contingency in order to allow for a phased introduction of CSR savings over the next two years and to meet a potential slippage of £1.4m in its savings target to the end of the MTFP period. A balanced budget will be achieved over the course of the MTFP by (a) agreed carry forward from 2011 of £992,800 and (b) further projected underspends of around £200,000 in 2012 to be carried forward to 2013. These figures are subject to ongoing review and are expected to change before the MTFP is debated.

4.2 What access to restructuring provision will the Department have or be asking for?

An amount of £29,000 was agreed from the restructuring provision for the costs associated with changes to PECRS required for the introduction of a new Prison Officer grade. Some of this has been spent in 2011 with the remainder carried over to 2012.

HAD will be making a bid for reimbursement of backfilling staff costs in respect of the Criminal Justice Process review. Further potential restructuring bids are currently of a confidential nature.

4.3 What impact is expected on the Department's sources of income?

HAD 2012 income budget is £1,795,900. The main sources are passport fees, fees for legalisation of documents, immigration fees, prison canteen sales, prison horticultural and carpentry sales, property rentals and police checks. A number of HAD income streams are linked to UK charges, eg passport fees. There is an assumption in the MTFP that existing charges will be increased by 2.5% per annum. HAD is reviewing how required increases in income can be generated.

- o *What access to Carry Forward funding has the Department received?*

HAD carried forward £1,453,534 from 2011. This was allocated principally to mitigate slippage in CSR savings delivery (£992,800 - consisting of £799,000 for SOJ Police and the remainder for non-police projects). The carry forward will also be utilised as follows:

- Restructuring provision – to complete changes to PECRS related to new Prison Officer grade - £24,500

- Delays in 2011 maintenance projects managed by Jersey Property Holdings - £102,000

- Specific projects – Offshore fire fighting capability (£50,000); PMNW! grant (£45,000); Criminal Injuries Compensation Scheme - supplementation of budget (£44,200); Vetting and Barring Office – additional staff may be required for SOJ Police following review of staffing and arrangements with the Criminal Records Bureau (£55,000); provision for new pay spine for Prison Officers (£90,000).

- **Capital Allocation**

5.1 What are the Department's capital projects?

2013 - 2015

- Relocation of Police Station: continuation of funding in tranches: 2012: £2m; 2013 £1m; 2014: £1m;

- Prison Improvement Works: Phase 6: construction of new Secure Gatehouse and Administration/HQ facility in 2015: £7.5m;

2012 - 2032

- Relocation of Police Station: final phase of funding £4m

- Prison Improvement Works: Phases 7 – 12: £36.2m

- Minor capital assets: £7m (in the period 2023 – 32): to fund specialist equipment and vehicles not purchased through Jersey Fleet Management

- Tetra Radio replacement: £4.5m scheduled for 2022

- Fire appliance replacement (Arial Ladder Platform vehicle): £0.45m

All property projects are managed and delivered by Jersey Property Holdings.

5.2 Which capital needs, if any, are not being addressed?

- No provision for the redevelopment of the Summerland and Rouge Bouillon sites following relocation of the Police Station.

- Replacement of Jersey Fire and Rescue Service HQ has been dropped from the capital programme due to reduced funding. A feasibility study for the potential relocation of JFRS with the Ambulance Service is included for HSS in the 2013 Capital Programme (£100,000).

The programme for the Prison Improvement Works has been stretched.

- **Savings**

6.1 Has the Department met its CSR savings for 2012 and 2013 and, if not, what contingency plans have been put in place?

At the time of its Scrutiny hearing the department estimated that approximately £1.4 million of the originally proposed CSR savings were to some extent at risk and that the likely requirement for compensatory finance would be £600,000 for each of the three years of the MTFP. HAD is confident of making the savings eventually although this will take a further two years beyond the initial three years of the CSR process, eg repatriation of prisoners will not be implemented until the middle of 2013.

Contingency plans are in place for the short term delivery of savings until the projects are fully implemented and savings realised. The Police have accrued savings in order to allow for a phased introduction of savings projects such as the modernisation of the Criminal Justice System rather than a one off impact in 2013.

6.2 What savings proposals, if any, will the Department implement in 2014 and 2015?

In order to manage this, the department had contingency plans consisting of £1.2 million in carry forwards from 2012 (to be reviewed in the September quarterly financial report) and alternative savings proposals of £200,000 for each of the three years would need to be found. (These figures are subject to ongoing review and are expected to be reduced before the MTFP is debated).

6.3 What user pays charges have been considered and which are proposed in the MTFP?

- Increase in fire certification charges: £5,000

- Fire and Rescue Service (Charges) (Jersey) Order 2012 provides for the imposition of charges, at the discretion of the Chief Fire Officer, in relation to (a) the provision of technical fire safety advice; (b) humanitarian services, such as rescuing persons and giving them medical aid

otherwise than in an emergency, helping persons to gain access to places, and rescuing animals; (c) extinguishing a fire or rescuing a person at sea; and (d) responding to a malfunctioning automatic fire alarm, when there is not an emergency.

- Anticipated £87,000 in 2013 in new or revised ‘user pays’ charges: escorting explosives; charges for technical fire safety inspections and Building Control consultation work; delivery of Workplace fire safety courses

- Law Enforcement review: cost recovery from offenders (£25,000) and work permit fees (£37,000)

- User pays charges for policing of events was considered but has ran into difficulties in the past.

6.4 What plans for outsourcing, if any, does the Department have?

Outsourcing of prison transport and court security – ongoing consideration of this opportunity. There is a possibility that a larger project could include the outsourcing of the Police Custody Suite and the provision of Forensic Medical Examiners (FME).

- **Cross-cutting Matters**

7.1 What proposals within the MTFP will impact upon the work of other Departments? What proposals within the MTFP are dependent upon the work of other Departments?

A feasibility study for the potential relocation of JFRS with the Ambulance Service is included for HSS in the 2013 Capital Programme (£100,000).

- **Other Matters**

Procurement savings targets of £275,800 have been included in the MTFP for 2013. Major elements include insurance, print management and energy management.

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HSSH Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Department of Housing

Presented to the States on 16th October 2012

S.R.9/2012

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Review of the Medium Term Financial Plan (“MTFP”)

Housing

Conclusion

- **Borrowing & Advancement of Funds**

The Department has received an advance of £27.1 million from the Department of Treasury & Resources (“T&R”) which it doesn’t need to start paying back until 2014. It is envisaged this loan will be repaid in 2014 assuming the Housing Transformation Programme (“HTP”) goes through when it will be converted into an internal loan from the currency fund. This repayment is based on the “assumption” that the HTP will be approved.

At the moment, the Department cannot borrow from the currency fund as a Department and this is one of the reasons it was advanced the funding by T&R. Should the HTP not be approved or be delayed, there could be a negative impact on the capital programme for other Departments as the necessary funding may not be available. At present, the Department is using the £27.1 million to invest in current housing stock and will repay this loan from sales.

The Department will require an initial £96 million for the Social Housing Programme for 2013 to 2015 and a further £289 million to deliver the Affordable Housing Framework for the Future (which forms the basis of the HTP). It is noted within the MTFP that the funding of £96 million will be repaid from Housing Funding Sources. The Department has no plans in place should the HTP not be approved and a lot is being left to assumption. At the Public Hearing with the Minister for Housing, the Minister advised us that *“…..I have not had a letter from the Minister for Treasury and Resources but it is on record at our meetings that this money can be made available……I am not the least bit worried about it…..”*[116]

- **Rental uplift**

The MTFP does not reflect the 90% rental uplift which is detailed within the HTP but it is reflected within the Annex which followed. Further research may be required in this area to understand the impact it will have on the Department’s income.

- **Available Land**

[116] Record from Public Hearing with Minister for Housing

There is a lot of reliance on States land becoming available in order for new housing stock to be built. In the short term, the Department has sufficient land to build on to meet immediate needs but longer term, it needs more land. It is reasonably confident that the land it requires will be made available but there is a reliance on other projects happening within a certain time scale for the land to be released.

- **The MTFP in relation to the 2012 Annual Business Plan ("ABP")**

1.1 The Department is in an unusual position in that it is set a negative expenditure limit each year as it returns funds to T&R. The Housing Department make a return to the Treasury and the Treasury fund income support. The Housing Department which operated a Rent Abatement and Rebate scheme had the budget and cost for them transferred to Social Security in January 2008. The "net income" from the Housing Department to T&R is calculated on a three year basis (previously annually) in line with the MTFP timescales.

1.2 The 2012 ABP provided the Housing Department with a net revenue expenditure limit of (£24,557,500). The net expenditure limits proposed in the MTFP are (£26,798.500) for 2013, (£27,971.500) for 2014 and (£29,338.500) for 2015. We were advised that the reason for the difference was "the Department has now been allocated Comprehensive Spending Review ("CSR") Procurement Savings of £491,000. The remainder of the differences is due to amended assumptions for rent increased in future years"[117]. (The figures are in brackets due to them being in the negative).

1.3 The Department did not have any growth commitments in the 2012 ABP. They are anticipating the HTP will successfully go through the States early next year and will solve any of the problems related to housing issues.

1.4 A Scrutiny Sub-Panel has been set up to oversee the entire HTP process. The majority of Hearings took place throughout July and involved all Ministers within the Political Steering Group plus various stakeholders. There are a number of pieces of policy and formation reports still outstanding from internal consultants. The White Paper has been out for consultation and the responses are currently being collated. The responses are due to be presented to the Council of Ministers on 20th September with a final report and proposition due to be lodged in November.

- **Departmental Services**

[117] Response to written questions

- o There are proposals for service changes within the HTP to include the transfer of policy and regulatory functions to other bodies. These include the transfer of landlord services to a new wholly States owned Housing Association and the introduction of a new rents policy.

2.2 Proposals contained in the HTP include the creation of a States owned Housing Association which will enable the Association to borrow as currently, Departments cannot borrow. There will no longer be a cash limit but rather a return will be made by the Housing Association directly to the States similar to Jersey Telecoms, Jersey Post etc. Funds will be treated as States income rather than Departmental income.

2.3 The new rents policy involves raising existing social housing rents to 90% of their market value. The MTFP does not reflect this uplift in rent. It is envisaged that this uplift in rent will allow the Department to address maintenance issues and invest in current housing stock.

2.4 The Department has plans to implement significant service changes in the near future, all of which is detailed within the HTP.

2.5 The Department is a strong supporter of the Promote Family and Community Values which forms part of the Strategic Priorities. It supports work with various Resident's Associations on its estates to help promote community values. In addition, the Department's Assisted Living Team remit includes significant levels of multi agency working in order to ensure a co-ordinated approach is applied in supporting vulnerable children, young people and families with housing needs. The Department is also a key partner in the Children's and Young People's Strategic Framework.

2.6 Staff levels are due to be increased as follows:-

Year	FTE
2012	43.6
2013	47.6
2014	48.6
2015	48.6

2013 Changes

Job Title	F.T.E.	Comments
Repairs and	+1	This additional post was identified in a review of

Voids Manager		the Department's maintenance function. It is expected to be funded from savings in the maintenance budget as a result of improved internal processes and will also deliver a better service for customers.
Customer Services Manager	+1	The Department has recently taken back all customer service activities from Cyril Le Marquand House. This transfer did not allow for the transfer of this post, although the post holder is now located in the Department.
Asset Management Support Officer	+1	This post will maintain and update the condition survey of the Department's housing stock, as the Department seeks to actively address its maintenance backlog. This is vital to ensure that the Department gains the best value from its maintenance spend.
Assistant Finance Officer	+2	These two posts support the financial processes of the Department. One of the posts is focused on income recovery and will be cost neutral through a reduction in bad debts, whilst the creation of the other post formalises a position that has been filled by temporary staff for a number of years.
Assisted Living Officer – George V	- 1	Identified C.S.R. saving through retirement of current post holder.
Total	**+4**	

2014 Changes

Job Title	F.T.E.	Comments
Customer Services Officer	+1	As part of a recent review of Housing Services, a number of service improvements were identified for the Department to become a best practice housing provider. This post will ensure improved customer services as recommendations are implemented.

- **Growth Allocations**

3.1 As previously mentioned, the Department did not make any growth bids but have asked for funding of £96.1 million to fund the Social Housing Programme for 2013, 2014 and 2015. A further £289 million will be required as part of the long term capital plan. Both bids for funding form part of the HTP.

3.2 The approval of the HTP is fundamental if the Department is to move forward with its long term goal of providing an affordable housing framework for the future.

3.3 The Minister is of the opinion that funding pressures, both past and present, will be addressed through proposals being brought through the HTP.

3.4 At the Public Hearing with the Minister for Housing we were advised that *"…….if the HTP is not approved by the States, the Department will come back to the States or Treasury will have to come back to the States to find another way of funding it……."*[118]

3.5 The Department has been advised by T&R that the £96.1 million of funding that has been proposed will come from a number of sources. At the Public Hearing with the Minister for Housing, we asked the Minister if he could elaborate on the different areas where the funding would be sourced. We were advised that *"…….I cannot really, to be honest, and it is not because I have tried to keep it a secret. Clearly that is a matter for the Treasury Team but I have had the Treasurer's absolute assurance that it could come from bonds. It could come from us borrowing from the States, which I find attractive because they are getting very low rates of interest. If I was to borrow from a bank commercially, I would be paying about 5 or 6% at the present time. We could go in the middle. Treasury get a little bit more than they are getting on their investment….."*[119]

3.6 The Department does not have an alternative in place should the HTP not be approved and the MTFP provides support for the proposals set out in the HTP White Paper.

- **Other Allocations**

4.1 The Department has not been allocated any contingency funding.

4.2 If the HTP is approved, the Department will bid for £685,000 from the restructuring provision to fund the transition into the new Housing Association. The Housing Association will be able to borrow privately as at present, the Law does not allow Departments to borrow. At the Public Hearing with the Minister for Housing we were advised that *"……the biggest problem for this Housing Department at the present time is that it cannot access finance other than in competition……"*[120] (the Scrutiny Panel understood the term "competition" to mean in competition with other States Departments).

4.3 The Department has two main sources of income – rental income and recharge income. Rental income is targeted to bring in £40,000,000 in 2013 with recharge income targeted to bring £2,000,000 also in 2013. These figures are based on assumptions in rent increases and recharges which follow any movement in prices levied by utility companies.

4.4 The Department has £1.38 million of funds carried forward from 2011 which it is using to help address maintenance backlog.

- **Capital Allocation**

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[118] Record from Public Hearing with Minister for Housing
[119] Record from Public Hearing with Minister for Housing
[120] Record from Public Hearing with Minister for Housing

5.1 The Department has a number of major refurbishment projects along with new homes on sites already in State's ownership proposed as their future capital projects. In addition, the department were advanced £27.1 million under P40/2012 to undertake six projects identified for 2012. It is envisaged that this will be repaid through the sale of existing housing stock. At the Public Hearing with the Minister for Housing we were advised that *"……the £27.1 million advanced, P40/2012 will be repaid assuming the Housing Transformation Programme goes through, in 2014 when it is converted into an internal loan from the currency fund. That is the idea and that is in the MTFP. It is assumed……"*[121]. The loan has a time limit of 20 years.

5.2 As stated earlier, all capital needs will be addressed, providing the HTP is approved by the States.

- **Savings**

6.1 The Department has stated that it is on target to meet the 2013 CSR savings and has no savings proposed for 2014 and 2015.

6.2 The Department has two user pay charges in place for 2012 which are increased rental income from reduced void turnaround times generating £60,000 and increased parking income from letting out more spaces generating £20,000. It is not considering any new user pays charges.

6.3 The Department has no plans for outsourcing any of the services it currently provides.

- **Cross-cutting Matters**

7.1 The Department is relying on States land becoming available in order to start building new housing stock. In the short term, it has enough supply but longer term, it will need more. There is reliance, for example, on the Summerland site which will become available when the existing Police Station moves. Whilst it is important that the land does become available, there is major dependence on it.

7.2 The Department has allocated £21,000 towards the recruitment of a Law Draftsman. This apportionment is split with T&R who will provide £70,000. The Department decided to provide the funding to help speed things up in relation to the formation of the Housing Association and the legislation required.

- **Other Matters**

  - **HTP**

[121] Record from Public Hearing with Minister for Housing

There is huge dependency on the HTP being approved by the States. There are vast levels of finance required in other Departments and it could transpire that there is not enough funding to go around. Due to the fact that there is no facility for Departments to borrow, the Department is planning on embarking on a set of proposals aimed at meeting the current short comings in planning the future of housing before the White Paper has been debated. At the Public Hearing with the Minister for Housing, we asked if the proposals were high risk and were advised that *"….the strategy is not without risk, I accept that…."*[122]

Should the HTP be approved, the MTFP will need to be amended. We have been advised that this is a technical amendment due to the Department becoming a Housing Association. The amendment will show a return being made by the Housing Association as States income rather than Departmental income. Due to the timeline of the HTP being lodged, this amendment, should it happen, will be made after the MTFP has been debated and approved by the States.

[122] Record from Public Hearing with Minister for Housing

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Environment Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Department of the Environment

Presented to the States on 18th October 2012

S.R.16/2012

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Review of the Medium Term Financial Plan (“MTFP”)
Planning & Environment

1. Overview of Departmental MTFP proposals

1.1 The Department of the Environment is the smallest spender of all States Departments. Of every pound spent by the States each year in revenue expenditure, this Department accounts for only one penny (1%).

1.2 The financial effects upon States finances of decisions on resourcing this Department are therefore relatively inconsequential. However, the effect on services provided by this Department is entirely disproportionate to its costs. Savings and economies arising from service reduction can impact on the fabric of the Island and give rise to substantial unintended adverse effects. Cuts are thus potentially very damaging.

1.3 From interviews with the Minister and Chief Officer, it is clear that the MTFP continues the apparent policy of the previous Council of Ministers in allocating a very low priority to the services this Department provides, which has had the effect of imposing damaging economies and failing to address long term issues.

1.4 Restoring some financial flexibility and providing the additional resources required to this Department could be achieved at modest cost; the effect on the States finances would scarcely be noticed but damage to the environment could be mitigated.

1.5 The following comments address the Corporate Services questions posed of the Environment Scrutiny panel in reviewing MTFP proposals in respect of the Department of the Environment.

2. The MFTP in relation to the 2012 Annual Business Plan (“ABP”)

2.1 This is summarized in page 54 of the Annexe to the MTFP.

2.2 The 2012 ABP voted £6.58 million, which is a reduction on £6.84 in 2011. From 2013 onwards, this is further reduced to £5.6 million.

2.3 Only one small item of growth is included in MTFP, an amount of £36,000 in 2013, £39,000 in 2014 and £25,000 in 2015 for succession planning of expert technical staff in the Planning & Building Department. This is to allow the phased recruitment and training of three supernumerary Building Control Officers to replace three senior staff who will be retiring in the forthcoming years, at lower salaries.

2.4 Reductions of been made in 2013 onwards for Comprehensive Spending Review ("CSR") savings of £495,000 plus £300,000 user pays, procurement savings and progressive income inflation reductions of £366,000 over 2013 - 2015.

2.5 No Departmental commitments are planned to be taken forward from 2012 into 2013; if they had been, arguably these would need to be accounted for in 2012. It is possible that Departmental commitments which have been declared as taken forward from 2011 into 2012 may not be finalised until 2013 in which case they will be required to be taken forward. The amount is £180,000 which is misdescribed in the MTFP page 153 as "*Changes in Planning Appeals*". In reality this is believed to be nothing to do with changes to the system, rather it is a liability for costs awarded by the Royal Court in lost planning appeals.

3. Department Services

3.1 According to the Minister and Chief Officer, neither the Planning Policy Team nor the Environment Department are adequately resourced at present to properly fulfill their functions of producing development plans and Supplementary Planning Guidance which are required by the Island Plan Land Plan and Environmental Regulation respectively. The MTFP fails to provide any mechanism for addressing this.

3.2 No additional staff have been included in the MTFP proposals. Four members of the Planning staff accepted voluntary redundancy in 2011 as part of CSR savings, and a further two posts have been lost through efficiency savings. Three other members of Planning's staff are employed on short term contracts which may be terminated if further savings are required during the MTFP period.

3.3 The number of planning applications is holding up but there has been a 50% decline in building applications and with it, a risk of non-achievement of fee income. The Department has a six month buffer in suspense accounts of income in advance, but if the decline is protracted, the department will need to seek additional funding during the MTFP period.

3.4 The Countryside Renewal Scheme will be reduced; support will no longer be given to farmers to install slurry stores, which reduce nitrate pollution of ground waters from farmland. This is a counterproductive cut and will result in increased costs for Transport & Technical Services treatment plant.

3.5 The standard of maintenance of coastal paths and conservation land is already seriously resource-constrained and risks of injury to users increased in consequence. There are 70km of footpaths, 10km of bridle paths, and 600 hectares (5% of the Island) of conservation land to maintain. The Department has the capability to manage a substantially larger program but not the operational resource. There appears to be general agreement that there is scope for creative work schemes but these would require pump-priming funding from the "Get People Back to Work" priority. No funding has been included in the MTFP.

3.6 The Sea Fisheries vessel is not achieving its target of 122 days at sea in regulating Jersey's waters enforcing local, UK and EU requirements. Due to lack of resources, this is reduced to 92 days at sea in the MTFP. The Panel was led to believe that there is evidence that this is leading to non - detection of breaches of the regulations.

3.7 The grants provided for energy conservation measures will also be reduced by 10% in the MTFP.

4. Growth Allocation

4.1 Only the growth bid for succession planning to replace retiring staff with junior trainees has been funded in the MTFP and this is a temporary uplift. This amounts to £36,000 in 2013 increasing to £100,000 in 2015. The cost will be offset by savings from the retirement of more expensive staff.

4.2 The following bids submitted in respect of the Council of Ministers' claimed priority of Sustainable Long Term Planning work have been ranked as low priority by the MTFP and are not funded in 2013-15:

- Master planning £100,000
  To implement the policy requirements of the Island Plan 2011

- Strengthening the protection of the Island's Environment £150,000
  To enforce compliance with environmental regulation, particularly in Marine and Water Pollution

- Countryside Infrastructure £100,000
  Required to adequately maintain coastal paths, national park and conservation land. This was intended to reverse the decline in standards and reduce risks of danger to users, especially arising from increased use following their high promotion for tourism and local lifestyle benefits

4.3 At the Panel's meeting with the Minister he was critical of the Council Of Ministers for, in effect, giving lip service to the importance of these long term sustainable projects whilst relegating them out of the MTFP. The Minister considers all these three projects to be of equal importance and of high priority.

4.4 The Minister also submitted a bid for £100,000 per annum to enable the production of future Island Plans to be phased, rather than carried out in one focused effort every 10 years requiring a large peak of work and a concentrated high cost at that time. This proposal makes sense not only in its financial benefits, but also because annual updating of the Plan is highly preferable. This

is the practice in Guernsey and results in Planning policies being revised earlier where they require modification and remaining more in tune with current priorities. The MTFP rejected this bid as low priority and maintains the status quo. It is considered that this will almost certainly incur extra costs in the longer run. The Minister regards this as symptomatic of a lack of support from the Council Of Ministers for the environment, in their placing these modest bids at the bottom of their list of priorities.

4.5 None of the longer term pressures on Departmental services put forward by the Ministry have been addressed by the MTFP.

5. Other Allocations

5.1 The Department has not received the benefit of any funds for restructuring services and it is considered that several opportunities for savings have been missed by the MTFP.

5.2 There is a missed opportunity for very substantial savings which could be achieved by introducing a different Planning Appeals system to replace the Royal Court system, with an independent tribunal as the States originally approved when the Planning & Building Law was approved. Jersey is the only jurisdiction not to have an appeal system based on Planning merits. At present the Department has two full time appeals officers and a member of the Law Officers Department dedicated to this task full time, but there is still a significant backlog of appeals. The Department is also exposed to Royal Court costs being awarded against it and has provided for £180k for this purpose.

5.3 Such a change to the appeals system would also generate very substantial savings in reduced Royal Court time and eliminate costs for appellants which can amount to many thousands of pounds. There is a consensus on the need to make the change but in the absence of adequate Planning Officer resources, the

Minister has been unable to progress this proposal and it has been omitted from the MTFP.

6. Capital Allocations

6.1 The Environment Ministry's capital requirements are very modest. Of the total £1,646 million of long term capital needs of all Departments for which no funding mechanism has been identified in the MTFP, only £21 million relates to the Department of the Environment. There is a need for a strategy for longer term funding to be produced by the Council of Ministers, in order for the MTFP to dovetail sensibly with it.

6.2 The Department's short term capital requirement for 2013 -2015 is only £850,000 compared with £22 million capital provided in the MFTP for 2013 -2015 for all Ministries.

6.3 There is no indicative capital in 2013 for Department services. The MTFP includes three capital projects for 2013 -2015. £100,000 is included in 2014 for a mid-life refit of the Sea Fisheries vessel Norman Le Brocq, which is due to be replaced in 2019. £350,000 is included in 2014 to upgrade/refurbish the Meteorological Office weather radar equipment. In 2014 and 2015, £200,000 is included in each year for Countryside Infrastructure including construction and reconstruction of new footpaths in the National Park and environment-run car parks. These capital projects set out in the MTFP will be subject to separate States approval for each year in the budget. The Department's capital plan in the MTFP is therefore considered to be only indicative and cannot be relied upon.

7. Savings

7.1 The figures of Departmental income quoted in the MTFP on page 216 are incorrect; the department does not raise £2 Million of fee income, but £1.4 Million. This appears to be the result of inaccurate drafting of the MTFP report.

7.2 In addition to requiring CSR savings of 10% of the revenue budget, the MTFP requires the Department to increase income from planning fees to raise another £300,000 per annum in excess of inflation increases on charges amounting to £79,000 in 2013. This will bring the department's overall dependency on fee income from 35% of budget to 40% of budget. There will be no corresponding service improvement, and a lower service standard of 13 weeks for dealing with planning applications has been set.

7.3 Imposing a £300,000 real increase in fee income over and above CSR savings as a user pays charge whilst allowing service standards to fall seems likely to increase the serious problem of resource shortfall required to fully deliver the Department's services.

8. Cross-Cutting Matters

8.1 There are opportunities for significant savings through the co-location of the Planning and Environment teams, which are sited respectively in St Helier and at Howard Davis Farm at Trinity. This gives rise to duplicated support costs and increased management overheads which would be significantly reduced if Property Holdings were to address this unsatisfactory situation. It would require initial investment but would release revenue savings and long term, the opportunity to generate a capital receipt from the sale of the South Hill site and valuable potential land uses at the Trinity site.

8.2 Because of very strong synergy and opportunity for service improvements, there also appears to be potential to reorganise Health Protection and Environment Services, but at present, this route has been closed with the Health Minister preferring to operate shared environmental health services with Guernsey.

8.3 There is uncertainty over the future funding of the Department's Met. Office Team for which there currently is a service level agreement with Jersey Airport, under which funds are paid by the Airport for Met. Services provided locally and in the other Channel Islands. The future intentions of the Airport upon incorporatisation are unknown but it is thought there may be consideration of outsourcing to the

UK Met. Office. This would deprive the Island of a local weather forecasting service which benefits not only local aviation and marine interests but also tourism, the construction and agricultural industry and the community; such a change would also be expected to incur additional costs.

8.4 The Minister expressed concern about the lack of opportunity for the States to influence long term planning of important projects listed in the MTFP, for example the expenditure budgeted to Transport & Technical Services for a waste car plant. He considers such a plant may not be required as we could export cars once withdrawn from Jersey's roads.

9. Other matters

9.1 The capital projects set out in the MTFP will be subject to separate States approval for each year in the budget which will be approved annually. The Capital Plan in the MTFP is therefore stated to be only indicative and cannot be relied upon on. This rather seems to undermine the purpose of the MTFP providing greater certainty of funding.

9.2 In view of the substantial deficiency in the Department's budget and long term service shortcomings, the Minister should have the opportunity to cross-subsidize his service priorities using or applying all of the £300,000 additional income generated by the increased user pays charges being imposed in the MTFP and not just any windfall in excess of this amount. This option has been denied to the Minister as the MTFP is presently structured but would be consistent with the stated priorities of the Council of Ministers.

9.3 The Minister also voiced his concerns about the opportunity Ministers have to approve virement between expenditure headings or projects allocated in the MTFP during the three year period of the plan by approving the transfer on their own authority, and by so doing undermine the priorities of the Council of Ministers.

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États de Jersey
Assemblée des États

HSSH Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Department of Social Security

Presented to the States on 16th October 2012

S.R.10/2012

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Conclusion

- **Health Insurance Fund ("HIF")**

The HIF at present stands at a ballpark figure of £80 million. At the Public Hearing with the Minister for Social Security, reference was made in favour of the proposition from the Health Department to continue receiving funding from the HIF until 2015. We were advised that *"….the proposition that Health have lodged is one of the things that will be taking place in 2014 – we will have to decide how to use the HIF in the future and whether the contributions will need to rise accordingly….."*[123] This may need further research as to how the money should be spent and how much contributions will rise, if at all, as the MTFP makes no reference to these areas. It is noted by the Panel that in the forthcoming Health & Social Services proposition, more work will be done in this area.

- **Back to Work Schemes ("BTWS")**

There is considerable investment regarding the various BTWS that are due to be implemented within the Department. We raised a question around what would happen if, after 2015, the economic climate had not improved and the individuals who had attended the various schemes could not find employment. At the Public Hearing with the Minister for Social Security we asked a question around what if there are no jobs and were advised that *"….I think we have to have a tougher regime on non local licences…."*.[124]

This is an area that will require close monitoring throughout the life of the MTFP to ensure that the funding for these schemes is utilised in the right areas.

- **Housing Transformation Programme ("HTP") Implementation and Income Support**

Although a budget of £1 million has been allocated to improve the support available to those already on income support renting in the private sector, this may be the tip of the iceberg as this does not include additional support that will be required once rents in the Social rented Sector are increased. The Department has based this figure on cases that they are aware off and have already been forecast. Any new claimants who

[123] Record from Public Hearing with Minister for Social Security
[124] Record from Public Hearing with Minister for Social Security

contact Social Security regarding Income Support will be assessed on their health condition and other aspects that they might need assistance with. The new claimants could find that they are entitled to claim components of Income Support they didn't know existed. The impact of this could exceed the budget and as it is a statutory benefit, it has to be paid and the additional funding should it be required, will have to be sourced from another area such as departmentally held contingency and central Annually Managed Expenditure ("AME") contingency funding.

- **Recruitment and Carry Forwards**

The Department has funded 66.5 full time equivalent ("fte") posts from carry forwards in 2012 and has asked for funding in order to make these positions permanent. This is an area of concern that should the Department not receive the funding it requires, there is nothing in place to address what happens to the 66.5 positions or the services currently provided.

- **Assumptions**

There is a lot of reliance throughout the MTFP for various projects and schemes receiving approval by the States Assembly. There is no contingency plan in place should any of these schemes not receive States approval.

To achieve Comprehensive Spending Review ("CSR") and other savings targets, potential policy changes are currently under consideration. Whilst none will impact to the detriment of other departments these changes will include changes to benefits, some of which will impact benefit recipients and will require States debate. Details of these changes are still to be announced. [125]

- **Long Term Care Fund ("LTCF")**

The LTCF was originally due to be implemented in 2013 but was put on hold as additional work needed to be undertaken. It is now planned to be implemented in 2014. An initial sum of £580,000 has been estimated for implementation and development of the LTCF. In the MTFP, this is described as follows:

This is an initial estimate as the project is currently being scoped and is funding is funding for income collection only, based upon the contribution system being used, as the current plan is to collect income for 6 months before commencing payment of

benefit. Should that plan change further funding would be required. The sum includes IT set up costs, staffing and contract drafting.[126]

[125] Response to written questions
[126] Excerpt from draft MTFP

There is no indication as to where any additional funding would be sourced and at the Public Hearing with the Minister for Social Security, we were advised that *"……we are about to revisit whether that budget will cover it. If it will not then there is always the carry-forward route for next year …"*[127]

- **The MTFP in relation to the 2012 Annual Business Plan**

1.1 The 2012 Annual Business Plan ("ABP") provided the Social Security Department with a net revenue expenditure limit of £166,834,600. The net expenditure limits proposed in the MTFP are £183,354,000 for 2013, £186,957,000 for 2014 and £191,036,000 for 2015. We were advised that the reason for the difference was "largely driven by the impacts of the global economic situation as well as more local matters, such as the withdrawal of Low Value Consignment Relief ("LVCR"), upon benefit expenditure and the cost of providing services and schemes to assist those who are unemployed arising from the changed economic situation, leading to growth in base or growth bids".[128]

1.2 There was a base increase to benefit spending largely as a result of the changing economic situation which was committed from 2012. In addition, it was agreed to continue funding the cold weather bonus and food costs bonus.

- **Departmental Services**

2.1 Potential policy changes within the Department are currently under consideration. These changes will include changes to benefits – some of which will impact benefit recipients and will require States debate.

2.2 No Department specific systems or action plans have been developed in respect of the Strategic Plan however, the Department has existing activities and growth in place which will support the delivery of this outcome and will work with other Departments to ensure its delivery.

2.3 Staffing levels within the ABP for 2012 indicate 147 fte. This will increase beyond that number to 238.5 fte. This is made up of a transfer of 25 fte relating to Advance to Work and Advance Plus scheme from Education, Sport and Culture ("ESC") to Social

Security and the resourcing of the MTFP bids for the Back to Work Programme and Income Support which require an additional 66.5 fte – details of which are below.[129]

[127] Record from Public Hearing with Minister for Social Security
[128] Response to written questions
[129] Response to written questions

Area	**fte**
Back to Work	11
Income Support	11
Advance Plus*	6
Advance to Work*	1
Long Term Unemployed Unit	11
Work Zone	25.5
Job Clubs	1
Total	**66.5**
Plus fte transferred from ESC to Social Security	**25**

2.4 The majority of these posts have been funded in 2012 through carry forwards to employ temporary staff for the period of that temporary funding.

- **Growth Allocations**

3.1 The Department made a number of growth bids which are listed below.

rowth Bids	**2013**	**2014**	**2015**
	£m	**£m**	**£m**
Bids for Growth – AME			
Back to Work Projects	2.3	2.3	2.2
Employment Schemes & Incentives	3.1	4.6	4.7
Total	**5.4**	**6.9**	**6.9**

3.2 The Strategic Plan's most urgent priority is to "Get People Into Work" and over a three year period, the aim is to implement a "Back to Work" policy leading to lower unemployment. This will be achieved through investment in a broad range of support schemes to help locally qualified unemployed people improve their employability and find employment. There are existing schemes in place (Work Zone, Advance to Work,

Advance Plus, Work Wise) and these growth bids will assist with further investment in these schemes.

3.3 Other bids for growth were made as follows.

	2013	2014	2015
	£000	**£000**	**£000**
Income Support – Staff Costs	414	460	460
Private Sector Rental Support	0	750	1,000
Anti-Discrimination Legislation	0	150	200
Employment Tribunal **There are no sources in the current document.**	45	50	50
Staff Costs – Impact of FSR Implement	207	230	230
Total	**666**	**1,640**	**1,940**

3.4 All bids have been funded from growth apart from £45,000 employment tribunal and £207,000 staff costs for 2013 which are funded from central contingencies.

3.5 A bid was made for growth of Invalid Care Allowance which was unsuccessful. The last year had seen costs increase back to previous levels – possibly as a result of carers being unable to find work in the current climate. One of the CSR proposals the Department had set was entitled Total Benefits and Income Support Savings. Part of this saving will involve making changes to the Survivor's Pension and transferring the funding of Invalid Care Allowance into this fund which will represent a "budget" saving of £2.2 million for cash limit terms. This CSR saving has not yet been met as it requires States approval due to the changes in benefits.

3.6 The main funding pressures within the Department are predominantly arising from the economic downturn. These are addressed throughout the MTFP.

- **Other Allocations**

4.1 The Department has a contingency in place of £1,035,000 for 2013, £1,033,200 for 2014 and £1,061,500 for 2015. The Department will also have access to the central contingency. At the Public Hearing with the Minister for Social Security we asked a question regarding what would happen if the economic downturn continued beyond the forecasting the Department had presented regarding payment of income support and were advised that *"………if somebody qualifies we have to pay it. So if our forecasts are wrong and we have a greater number of households, we would have to go back to Treasury and say "we are obliged by law to pay this" so we will have to ask for some money from central contingencies……"*[130]

[130] Record from Public Hearing with Minister for Social Security

4.2 At present the Department has no requirement for funds from the restructuring provision.[131]

4.3 The Department has requested carry forward funding of £10,482,953 from 2011 to 2012. This is to fund the projects described below.

Project Description	Amount
Long Term Care Scheme	580,000
Temporary Insolvency Compensation Scheme	100,000
Increased Unemployment	2,000,000
d Weather Bonus	50,000
Back to Work. Proactive measures to reduce unemployment	7,403,953
Discrimination Legislation	100,000
Minimum Wage Research	25,000
Staff Costs	224,000
Total carry forward request	**10,482,953**

- **Capital Allocation**

5.1 The Department has no capital projects scheduled.

- **Savings**

6.1 The Department has met its CSR savings for 2012 and 2013 besides one. This saving is related to Total Benefits and Income Support Savings and requires approval of the States Assembly. There will be a saving of £6.3 million if this saving is approved.

6.2 There is a proposal within the MTFP for the Department to make additional savings by new measures in addition to the CSR targets of £3,000,000 in 2014, a budget reduction of £1,800,000 in 2014 and £1,200,000 in 2015 based on extending the supplementation certainty calculation for the period of the plan and a saving of £600,000 by removing the supplementation contingency in 2014.[132]

6.3 The Department has no user pays charges proposed within the MTFP.

- **Cross-cutting Matters**

7.1 Funding from the HIF to the Health Department is set to cease at the end of 2012. The Council of Ministers has proposed that additional funding of £2 million in 2013, £6 million in 2014 and £6

[131] Response from written questions
[132] Excerpt from MTFP Annex

million in 2015 to enable them to continue funding Primary Care Services. This proposal would need to be approved by the States as it had been previously agreed that alternative funding would be identified from 2013 onwards. At the Public Hearing with the Minister for Social Security we were advised that *"……The fact is that I think Health needs this money within the Medium Term Financial Plan to carry out the existing workload and also to fund, in particular, Family Nursing and Home Care where there is an S.L.A. (Service Level Agreement) and a grant in place and, while they have put in gross bids themselves, they need our assistance to continue with some of those services and also, particularly, fund the grant to Family Nursing and Home Care……But of course the HIF itself is quite healthy, very healthy in fact so we feel that we can allow cumulative deficits over the period of about £5 million to occur without any real damage to the HIF itself…..It would be a much bigger headache, of course, for Health & Social Services who would really have a big shortfall in their expenditure…."*[133]

7.2 The Department will also be affected if the HTP is approved and rents are increased to 90% of market rate. The Department has given an estimate of £1 million per year to be allocated to additional claims in income support as a result of this rent increase (in respect of the claims arising from increases in private sector rents). An Appendix to the draft MTFP shows the anticipated costs of increases in rents in the public sector although it is anticipated these costs will be offset by return from the new Housing Association. This is discussed in more detail under conclusions.

[133] Record from Public Hearing with Minister for Social Security

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Environment Scrutiny Panel

Review of the Medium Term Financial Plan (MTFP)

Department of Transport and Technical Services

Presented to the States on 18th October 2012

S.R.17/2012

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Review of the Medium Term Financial Plan (“MTFP”)

Transport & Technical Services

1. Overview of Departmental MTFP proposals

1.1 This Ministry is the major custodian of the Island’s public infrastructure responsible for over £1 billion worth of public assets on which the proper functioning of the Island depends. This extends to the design, operation, management and delivery of those assets.

1.2 The Departmental MTFP proposals successfully provide for continuing operations and the repair, maintenance, replacement and new investment in assets in the next three years. The Department’s spending plan is very complex and is not easy to follow. This report sets out the various pots of money set aside in Transport & Technical Services’ MTFP proposals, identifying Revenue expenditure, the use of carry forwards from the 2012 budget, the savings made, the allocated growth in revenue spending, the proposed capital budget for 2013 and indicative capital spending for 2013-14.

1.3 In particular the distinction between Revenue and capital budgets is very fluid in Transport & Technical Services and the Department has considerable, but not absolute flexibility, in the use of those funds requiring value judgments to be made on priorities as the need for assets changes over the lifetime of the MTFP. Similar projects in the MTFP appear as both revenue and capital items.

1.4 The MTFP makes provision for the Department’s revenue expenditure of £25.6 million plus capital expenditure of £11.7 million in 2013 and includes an indicative capital plan for the Department of £21.3 million for 2014 and £13.9 million for 2015. These capital sums for 2014 and 2015 will be subject to approval in each year’s annual budget so have to be considered indicative or tentative and cannot therefore be relied upon.

2. The MFTP in relation to the 2012 Annual Business Plan ("ABP")

2.1 The revenue budget element is summarized on page 105 of the Annexe to the MTFP.

2.2 The 2012 ABP voted revenue expenditure of £26.937 million, which is a reduction on £28.431 million in 2011. From 2013 onwards, this is further reduced to £25.598 million but will be increased to £26.792 million in 2014 and £26.439 million in 2015. The drop in 2013 represents the final year commitment to Comprehensive Spending Review ("CSR") savings, together with minor savings imposed on procurement (£176,000) plus user pays increases in charges of £100,000 on commercial green waste and vehicle plates. A net inflationary increase of £194,000 has been added

2.3 Real growth has also been added to the revenue budget amounting to £450,000 in 2013, £1.05 million in 2014 and a further £1 million in 2015. The £450,000 represents a bid for Parish centre improvements, the increases in 2014 - 2015 are for treatment and disposal of ash and Air Pollution Control residues ("APCr") from the Energy from Waste Plant ("EfW"). These latter amounts are offset by an assumed saving of £1.5 million in 2015 based on assumptions about income from the importation and treatment of Guernsey's waste. This is discussed further under Savings.

3. Department Services

3.1 TTS is divided into three broad areas of activity: Waste Management, Municipal Services and Transport.

Waste Management

Solid Waste:

Re-engineering and new assets such as the EfW Plant have significantly improved efficiency; the old Bellozanne plant has not been used since 2010 and is to be dismantled in 2013.

Liquid Waste:

There is a need for a re-appraisal of the strategy to establish both the best technology and viable funding for the future; major investment to replace key assets at Bellozanne is known to be required. Similarly a Transport & Technical Services survey of sewers identified those in the worst condition and requiring top priority for remedial action.

3.2 Any policy changes reflect developments in technology and research into improved methods of waste disposal; current priorities include deciding the best way forward to deal with ash from the EfW Plant and accumulated asbestos waste.

3.3 At the time of writing, it had just been revealed that a vital project for replacement of the sewage sludge treatment infrastructure at Bellozanne (reported cost £7 million) had suffered a serious setback due to the specialist UK contractor going into liquidation. Work had already begun on the project and a way forward was not clear at this time.

Municipal Services

3.4 This directorate is responsible for the maintenance of the Island's infrastructure assets which include sea defences, roads and sewers; it also handles the management of Departmental Capital Projects. There has been a substantial improvement in funding for costs of maintenance of infrastructure under the MTFP.

3.5 However, there are still concerns, particularly over the condition of our roads, identified in a TTS survey as a cause for concern because investment in them fell well below the level required during the period 2000 - 2007. The sums now provided in the MTFP will help prevent further deterioration but will not be enough to bring them back to where they should be.

Transport

3.6 The transport directorate has responsibility for the introduction of the Sustainable Transport Policy ("STP"), provision and management of public parking facilities and monitoring and registration of vehicles. The key objective is considered to be the introduction of the STP; however this has not been identified as a high priority under the MTFP so various aspects are currently not funded.

3.7 The new contract for the Island's Bus Services starting in 2013 is expected to deliver substantially improved services, new vehicles, new routes, greater frequency and increased ridership at the same time as making an annual saving of £600,000 per annum. Considerable effort has been put by Transport & Technical Services into the contract management to ensure this is achieved; however, it cannot be guaranteed that the transition will be completed without difficulties and implementation remains to be seen, so the anticipated level of savings should perhaps be considered an aspiration until the service becomes established.

3.8 Overall, the department has no plans to reduce existing services as a result of the MTFP but the low priority and lack of funding for the STP could limit public take-up of healthier transport choices such as walking and cycling.

4. Staffing

4.1 Some reductions in staffing had already been negotiated under CSR, notably as a result of a restructuring of Parks and Gardens, which included Voluntary Redundancy savings of £116,000 in 2011. Transport & Technical Services has provided apprenticeships for a small number of young people, who are not necessarily expected to remain with the Department but could use their training to seek wider employment and thus benefit the Island. No increase in overall staffing is proposed during the period of the MTFP.

5. Strategic Plan priorities

5.1 Given the nature of the Department's role, its key objectives largely include commitments to the Strategic Plan priority area of Sustainable Long Term Planning; objectives for the liquid waste strategy also relate to Reform of Government and the Public Sector.

6. Growth Allocation

6.1 The MTFP revenue budget includes growth allocated from the central contingencies budget of £450,000 in 2013, £500,000 in 2014, plus £500k in 2015. This is for a programme of Parish Centre Improvements as part of the States priorities for "Getting People into Work". This programme is intended to extend improvements in outlying villages by introducing a 'French style' village treatment to improve road safety on the public roads. This was submitted to the Council of Ministers as a £2 million bid, with a plan to complete two Parishes per year. The MTFP has reduced this to half a Parish per year. The number of local jobs created was estimated to be about six, which will be reduced in line with the reduced allocation.

6.2 Also funded as "other growth" in the revenue element of the MTFP is a project for the Treatment and Disposal of Ash, £1 million being included in 2014 and £2 million in 2015. In 2014 and 2015 these allocated funds are described as "off Island disposal of APC residues". The subject of future capital funding for residues from the EfW plant is further discussed under Capital requirements.

6.3 Several Transport & Technical Services bids were unsuccessful in being included in the MTFP. A bid to implement amendments to the Sustainable Transport Policy costing an extra £360,000 in 2013 and £100,000 in 2014 and 2015 respectively failed. This was to enable a project at Midvale Road, a feasibility study for a Snow Hill multi-storey car park, and five road safety schemes. Similarly a bid for £600,000 to implement a town hoppa bus was refused. In this case the sum was required to meet the expected increased needs of concessional passengers using this service. The rationale for the rejection of these bids is not known, as they might have been expected to score relatively well under States policy criteria such as "Back to Work" and the new health strategy of enabling older people to remain in their own homes.

6.4 A bid for £60,000 to reduce crowding on the school buses by 2015 was also rejected on grounds that this could be absorbed within the new bus contract.

7. Other Allocations

7.1 The MTFP includes £1.79 million carried forward from the 2012 budget into 2013 which is due to be spent on three projects in support of long term sustainable planning. These include £540,000 on liquid waste, where the sewage treatment plant requires major investment of many millions to achieve the standards expected of it; and £1.2 million on pre-processing a legacy of asbestos presently in store at La Collette, in readiness for disposal once a solution is agreed with the Minister for Planning and Environment.

7.2 The criteria Transport & Technical Services use for priorities for allocating funds for competing projects is based on three core values: maintaining the infrastructure, protecting the environment and training and improving current operations. This provides a subjective view but is balanced by assessing the impact and cost of not doing the project. In view of the constant risk of urgent unexpected expenditure Transport & Technical Services maintain a strategic reserve within their Departmental budget. It is not known whether this reserve is sufficient. Clearly there has been a legacy of past underfunding in maintaining vital public infrastructure which has increased long term costs.

8. Capital Allocations

8.1 The list of Capital Projects allocated in the MTFP for 2013 is on page 131 of the plan. Three projects are included for 2013; £9.9 million for the Transport & Technical Services Rolling Infrastructure Capital vote which is continued at a similar level in 2014 and 2015, £1 million for the Ash (APC) Cells at la Collette which is also repeated for 2014 and 2015, £700,000 in 2013 and £300k in 2014 for refurbishment of the Clinical Waste incinerator.

8.2 Concerning the first capital item, the Infrastructure Capital vote, Transport & Technical Services informed the Panel that previously they had only £4.5 million annually to spend on maintenance and repair of infrastructure. The capital funds in the MTFP amount to over £9 million for each year of the plan, 2013 - 15. The Minister and Chief Officer at interview considered the MTFP to be a considerable improvement from the days when the department was “fire-fighting” only as assets required repair.

8.3 This rolling capital infrastructure provision in the MTFP for each year 2013-15 (totaling £31.7 million) is sufficient to fund annually £3 million on roads, £1 million on traffic improvements, drainage infrastructure of £4 million and another £1 million for other assets. However this provision still only amounts to approx 1% of the £1 billion replacement value of total assets, which still assumes the life of the assets to be 100 years. In reality, many Transport & Technical Services assets will require replacement in 15 - 20 years and have to be extended in life well beyond that period, as is the case with the liquid waste plant. However, the point was made by the Chief Officer that many water companies in the UK put some of their asset lives at 150 years.

8.4 The treatment of incinerator fly ash (APC residues) for which funds have also been allocated in the indicative Capital Programme for 2014 - 15 in the MTFP will require further capital investment in new infrastructure which is not included in the MTFP figures. The currently proposed method of disposal of APC residues from the EfW plant is burial in lined pits at La Collette which are funded in the plan, but the Minister is working with the Environment Scrutiny Panel and the Environment Minister to identify by the end of 2012, an economic and sustainable alternative method of disposal which will avoid creating a legacy of hazardous waste for future generations. If successful, this has the potential for extending the life of the La Collette site, thereby ameliorating future capital demands. At present there is uncertainty whether the revenue growth budget for 2013 together with the existing capital budgets (2013 and earlier) plus the indicative capital amounts for 2014 - 15 will be sufficient to achieve all the objectives in respect of ash treatment and disposal. This will be part of the study which is in progress.

8.5 The clinical waste incinerator needs replacement at a projected cost of £15 million (although this is considered to be very approximate, as the Panel was also informed that a different type of incinerator would be the preferred choice). Such an incinerator would have a life of 15 years; no provision is currently made for this in the MTFP. The existing clinical waste is unsuitable for the EfW waste stream as it would require a plant to pre-treat the waste to enable it to do so. This is included in a feasibility study presently in progress. In the meantime, the MTFP includes funds of £1 million to refurbish the existing plant phased over two years to keep it in operation. The Island generates 150 tonnes of clinical waste annually which is more than projected, and there is a need to consider enhanced waste management. In the meantime annual costs of treatment of £418,000 are fully recovered by recharges. The MTFP includes capital expenditure of £750,000 in 2013 and £300,000 in 2014 for this project.

8.6 The following other projects are included in the indicative capital plan for 2014-2015. These will be subject to change. According to the Transport & Technical Services' Finance Director "*money cannot be moved from one scheme to another without going through hoops*". Unused monies are returned to the Capital fund. This Capital Programme for 2014-15 is based on the best available conservative figures which are indicative and subject to confirmation in each year's annual budget. The MTFP therefore provides a plan for capital spending in the next three years which will be subject to annual review as part of the budget.

- Sewage Treatment Works £3.1 million in 2014 for the second phase of the master plan for the liquid waste plant

- New Public Recycling Centre £2 million in 2014 for relocation from Bellozanne ideally to La Collette

- Bottom Ash recycling £1.5 million in 2014, to include metal separation, regrinding and conditioning of the ash

- Scrap Yard Infrastructure £1 million in 2014 required to meet environmental regulations

- EfW Plant replacements £1.5 million in 2014 and £681,000 in 2015 as its component parts will start to require replacement from 2014 onwards

- Pedestrian / Cycle track improvements £635,000 in 2015

- Sea Defences backlog £425,000 in 2015 – note improvements will be considered in the next MTFP.

9. Savings

9.1 The department has realised annual CSR savings of £4.5 million from its revenue budget and met its target of 10%, the final tranche of £2 million being saved in 2013. This is made up of £600,000 savings from the new Bus contract, reducing staff overtime by 15%, efficiencies from the EfW plant which is substantially more efficient than the former incinerator, changes to vehicle and plant recharges and staff reductions – although full details of these are as yet undeclared. In all about 30 items of revenue spending reduction have been made. The Minister and Chief Officer at interview indicated that these savings are not service reductions.

9.2 Additional "user pays" charges of £100,000 per annum are included in the MTFP from the sale of compost and the auction of local low number plates. Previously when income from the auction sales of personalised vehicle number plates was raised it is understood the funds were earmarked to desirable public purposes. The MTFP now requires these funds to be returned to fund general expenditure.

9.3 £1.5 million of additional income is included in the MTFP from the treatment and disposal of waste from Guernsey. This is entirely speculative and is dependent on future States decisions. Notwithstanding the prevailing market rates for waste disposal upon which this income figure is presumably based, a decision to import Guernsey's waste would be likely to generate additional expenditure in disposal, particularly in handling additional APC residues, both in capital and revenue expenditure and a low level of recharge would put doubt on the viability of such a proposal. The Panel has been advised that re-exporting quantities of ash to Guernsey after incineration of their waste is not considered a realistic option under relevant international conventions; therefore the full cost of disposal or recovery in Jersey or elsewhere would have to be factored in.

10 Cross-Cutting Matters

10.1 There is an opportunity which has been missed by the MTFP, which requires Property Holdings to bring forward a plan for consolidation of the department's operational premises.

10.2 At present TTS operate from Bellozanne, La Collette, Warwick Farm and South Hill. The Chief Officer has indicated that if the departmental premises can be consolidated into two sites, around solid waste operations at La Collette and liquid waste operations at Bellozanne, then significant efficiency gains can be released. Once the previous incinerator at Bellozanne is demolished then space will be freed up to create additional office space at Bellozanne enabling the department to move administrative operations from La Collette and South Hill.

10.3 There could also be space freed up at La Collette to enable the relocation of certain private sector waste recycling operators who are presently operating on unsuitable sites where their activities are seen as 'bad neighbours', although in reality much of their activity is helpful to the Island's recycling. Such a policy would require active management by TTS, but it seems worthy of investigation.

10.4 The Transport & Technical Services Department is considered to be expert in infrastructure and managing infrastructure. There is the opportunity to use these skills across States boundaries, to enable other Ministries to share this valuable resource. This is already the case with Vehicle Fleet management. However the role of the Driver & Vehicle Standards ("DVS") unit seems to be fall outside the range of Transport & Technical Services main specialty and there may be a case to consider the absorption of this unit in the future within a consolidated regulatory unit, possibly using advanced IT processes.

11 Other matters

11.1 Beyond the period of the MTFP the plan includes a forecast of long term expenditure required for the replacement of Transport & Technical Services assets up to 2032 which has been assessed at £471 million, for which there is as yet no funding plan. The items included are detailed in Appendix 4 of the MTFP:

- Waste Management £91 million
- Roads £41 million
- Public amenities £10 million
- Allowance for Liquid Waste Strategy £120 million
- General including sea defences £208 million

11.2 Some of these capital investments will be very much overdue, and others more current or predicted. However, the list serves to warn of the scale of the future task. Against this background with some exceptions the very modest investments proposed in the MTFP can only be viewed as short term measures. There is an urgent need for a long term funding plan to dovetail with the MTFP. The Minister has advised that the list in the MTFP will prevent future administrations coming forward with wish lists and bids for “nice to have” items in future. He sees it as a useful road map for future capital spending.

11.3 The Chief Officer considers this MTFP is the best deal that the Department can get in the current circumstances. The Minister is confident that the MTFP will enable him “to do the job with what we have but we can always go back to the Treasury if there is something unforeseen” although this was only if something major happened. One concern about the MTFP is that it extends the financial planning horizon by only two years, and fails to address the risk of “something happening” with Transport & Technical Services assets in the longer term. The latest problems with the Department’s new sludge digester project highlight the risks inherent in any major TTS capital project when the unexpected happens; it is to be hoped that sufficient guarantees are in place to prevent this incident becoming the first real test of the resilience of the MTFP, before it is even approved.

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