

STATES OF JERSEY

Public Accounts Committee

MONDAY, 20th SEPTEMBER 2010

Panel:

Senator B.E. Shenton (Chairman)
Connétable J.M. Refault of St. Peter (Vice-Chairman)
Senator A. Breckon
Mr. M. Magee
Mr. A. Fearn

Witnesses:

Mr. H. McGarel-Groves (Acting Treasurer)
Ms. A. Taylor (Head of Financial Accounting and Control)

In Attendance:

Mrs. M. Pardoe (Scrutiny Officer)

[11:28]

Senator B.E. Shenton (Chairman):

I will start off just by reading out the normal Scrutiny Panel statement. The proceedings of the panel are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005 and the States of Jersey (Powers, Privileges and Immunities) (Scrutiny Panels) Regulations 2006 and witnesses are protected from being sued or prosecuted for anything said during hearings unless they say something that they know to be untrue. This protection is given to witnesses to ensure that they speak freely and openly to the panel when giving evidence without fear of legal action, although the immunity should obviously not be abused by making unsubstantiated statements about third parties who have no right of reply. The panel would like you to bear this in mind when answering questions. I think it would be helpful if we could just, starting off with you, Hugh, just if we go round the table. It is good for a level for the microphones as well because this is being recorded. If you could just give your name and title, please.

Acting Treasurer:

I am Hugh McGarel-Groves, interim Treasurer of the States.

Head of Financial Accounting and Control:

Amy Taylor, head of financial accounting and control.

[11:30]

Mr. A. Fearn:

Alex Fearn, independent member, Jersey Public Accounts Committee.

Mr. M. Magee:

Martin Magee, independent member.

Senator A. Breckon:

Senator Alan Breckon, member of the Public Accounts Committee.

Connétable J.M. Refault of St. Peter:

Constable John Refault, member of the Public Accounts Committee.

Senator B.E. Shenton:

Senator Ben Shenton, Public Accounts Committee.

Mrs. M. Pardoe:

Mel Pardoe, Scrutiny Officer.

Senator B.E. Shenton:

We will start off with a quick question about pensions. We are only going to have the hearing for an hour and so if you could keep your answers as concise as possible. For my sins I was reading the Social Security report and accounts at the weekend and it has the standard statement within the report and accounts that we have within our own financial report and accounts, which is that P.E.C.R.S. (Public Employees Contributory Retirement Scheme), while a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Now, this statement that the employer is not responsible for meeting any ongoing deficiency in the scheme has obviously been agreed by the people that signed the accounts, by the Ministers responsible of the various departments and by the auditors, but we have been in correspondence with the Committee of Management to the pension fund who seem to disagree with the statement. Perhaps I could have your comment on this.

Acting Treasurer:

I have seen correspondence on this matter. The position that I am informed applies in relation to the 2009 accounts is that the auditors were satisfied that what is reported in the accounts is the correct position. I would say it is an unusual arrangement that I have not come across elsewhere where the employer is not responsible for the deficit on the scheme, but that appears to be the agreement that has been made and the auditors have verified and assured themselves that it is correct, so I am informed.

Senator B.E. Shenton:

So one assumes that if the employers are not responsible for any ongoing deficit, then the members of the scheme are, therefore, responsible?

Acting Treasurer:

Well, I would say the Committee of Management is responsible for looking after the interests of the members of the scheme in accordance with the rules of the scheme and the agreements that have been reached.

Senator B.E. Shenton:

Right, okay. I just wanted to get your thoughts on record. Moving on to the actual department, the Treasury Department, you have come in as interim Treasurer. What level of changes have you had to implement since you came in? How much change was required since your first day in the post?

Acting Treasurer:

Well, I came in with a brief as interim Director of Finance, a position that was reporting to the Treasurer of the States. The brief was to investigate the situation in the Treasury and make recommendations, which I did at the end of my third week in post. At a previous meeting with the Public Accounts Committee, not a public meeting, I discussed the contents of that report with yourselves. I think in essence the findings were that the Treasury was not appropriately structured to meet its responsibilities adequately. There was insufficient senior posts. The allocation of responsibilities within the structure left certain individuals with a broader span of responsibility than they could reasonably meet, so the main part of my recommendations was to increase the number of director level posts from 2 to 4 and to also adapt the structure under those posts to one that left each post holder with a reasonable span of responsibility that they had a reasonable chance of meeting. So, we then ... those recommendations were accepted and the new structure came into effect from 1st June.

Senator B.E. Shenton:

I think the P.A.C. (Public Accounts Committee) would share your view that prior to you coming in the Treasury Department was not appropriately structured, as you say, and that we did have some fairly grave concerns. One thing I am trying to get my head around at the moment, we had a meeting with the Chief Executive of the States of Jersey. What is your actual reporting line or how do you operate in cohesion with the Chief Executive of the States?

Acting Treasurer:

Well, I am the same in most respects as other chief officers in the States. We each have a responsibility to our Minister. We also have a reporting line to the Chief Executive, and jointly we work together on the Corporate Management Board, known as C.M.B., as a corporate management team guided by the Chief Executive.

Senator B.E. Shenton:

But you are slightly different from your other accounting officers inasmuch as you are a States appointee.

Acting Treasurer:

Yes.

Senator B.E. Shenton:

I think the concept of the Public Finances Law was to give you a certain level of independence so that you were free from political coercion or influence. Would you say that that is working and that you have enough independence?

Acting Treasurer:

I think there is a case for the Treasurer to have a slightly more strongly defined role than the law presently provides. I have twice been in director of finance positions in U.K. (United Kingdom) local authorities where they have a power under the U.K. law known as section 151 which gives the director of finance authority to override in certain circumstances and stop expenditure that would be potentially an overspend and to ensure that the intentions in the budget or Business Plan are complied with. The Treasurer here does not have that power and I think it is something that ought to be considered in the next set of changes to the Public Finance Law. I think probably if I was involved in those changes it is an area that I would be suggesting, even recommending, something similar might be a good idea here.

Senator B.E. Shenton:

Yes, the Chief Executive when we asked what his role was, his role was very much to ... as he saw it, was to make sure the budget was spent appropriately and it was not to actually control costs as a sort of overarching macro view. Section 151, the C. and A.G. (Comptroller and Auditor General) tends to share your view on that, I believe. I do not want to put words into his mouth; he is not here. But I believe that he would also share your view. I understand also in the U.K., for example, where a Minister goes against chief officers' advice, he has to make a written statement as to why he has gone against that advice and that becomes a public document, is that correct or not?

Acting Treasurer:

I think broadly it is correct and I think broadly the same would apply here. Certainly on the odd occasion when the Minister for Treasury and Resources has chosen not entirely to follow officers' advice, then the written ministerial decision does record the reasons why, and I think that is the correct and proper thing to do. I cannot say that happens in every department, but certainly in the Treasury that is what happens.

Senator B.E. Shenton:

No, we have come across instances where the Minister has gone against officers' advice, normally because of perhaps the flak he would have taken from the public and he had other political considerations, but those have not actually been minuted that he went against advice and it makes life for us slightly difficult because when we have the accounting officers in they just go: "Well, that was not the advice I gave." It means that the accounting officer cannot be held to account and obviously the Minister does not have to explain his actions.

The Connétable of St. Peter:

Certainly it would also give a certain amount of comfort to accounting officers that they can say: "Well, it is down to the Minister to make the decision", in

other words almost abdicating their role in advising him appropriately. Is that an area that you would like to drill down to as well?

Acting Treasurer:

I think I personally take the view that officers should take responsibility for areas that they would expect to be able to under their professional responsibilities. As a qualified accountant dealing with a Minister who is not a qualified accountant, there are clearly areas of knowledge that I would have that he would not. I do not think you can reasonably expect a Minister to take responsibility a long way outside the political arena, frankly. I think officers are employed to bring the experience and knowledge they have in their areas of expertise and that is what we should be doing. Obviously at the end of the day it is the Minister's decision, but if it is a relationship that is working well then I would not expect the Minister to take a different view where it is within an area of professional knowledge and expertise that I have. I would expect the same to apply in other functions.

The Connétable of St. Peter:

A little bit earlier on, Hugh, you mentioned the Corporate Management Board. Which role do you think that the Chief Executive Officer makes within the Corporate Management Board in dealing with the macros of the financial situations with the executives that sit equally on the C.M.B. with you?

Acting Treasurer:

Well, the Chief Executive is in, again, an unusual position in Jersey because in strict terms the Chief Executive is only the chief officer to the Chief Minister's Department, to the Chief Minister himself. So, as far as I am aware there is nothing in law that gives the Chief Executive direct authority over each chief officer. The chief officers are strictly reporting to the Ministers. But there are functions such as the States Employment Board that are, I think, a factor in the Chief Executive's authority over the rest of the States functions. I think it is another area that Jersey could well give consideration to whether not only does the Treasurer have the right specified authority but does the Chief Executive.

The Connétable of St. Peter:

Is the C.M.B. weakened if there is no real authority within it? Does it have an effective purpose then if there is no what I would call management control over the board as such?

Acting Treasurer:

I think it can be. I take the view that it is intended the Chief Executive should be the Chief Executive and, therefore, if I am asked to do something by the Chief Executive I try and do it. There is not normally a conflict with what the Minister for Treasury and Resources is wanting, but it would be for me to resolve it if there was a conflict. I think the intention is the Chief Executive should have authority over chief officers and that is how I deal with the relationship. I think that is the only sensible way of making it work. But certainly in other organisations ... it is a bit like the issue in the Council of Ministers with the Chief Minister not having the authority that one would be

used to seeing elsewhere. It seems to be the Jersey way, really, but I think it could be improved and that might be beneficial.

The Connétable of St. Peter:

Okay, thank you, Hugh.

Senator B.E. Shenton:

Just going back to where a Minister decides not to take his officer's advice, would you necessarily know that that has been the case?

Acting Treasurer:

You are talking of other Ministers?

Senator B.E. Shenton:

Yes.

Acting Treasurer:

I am aware of situations that have arisen in other departments where Ministers have not taken their officer's advice. It obviously is a difficulty when that arises. It has been an ongoing area of debate within the Comprehensive Spending Review, not necessarily ... I am not saying this in a way that implies it is inappropriate. Officers will provide advice on options and it is for the Minister to choose which options are appropriate taking into account political considerations and so on.

I think what we have seen in the comprehensive spending review is some difficulty in achieving targets where officers have made recommendations and Ministers have not always been able to find politically acceptable options that achieve the target. That is the main area that I have seen those kind of issues arising.

Senator B.E. Shenton:

But will this information come out in the public domain?

Acting Treasurer:

Well, the outcome for 2011 is in the public domain. It is certainly intended that the outcome for 2012 and 2013 will also go into the public domain in due course, yes.

Senator B.E. Shenton:

Okay. Changing tack very slightly, we have had produced certainly over the last 2 or 3 years a huge number of outside consultancy reports on all sorts of things. In fact, we have just had a committee of inquiry report on the Reg's Skips case which was fairly damning of the Planning Department and the way it is run. If I just pick on one of these reports, there is a BDO Alto report on Operation Rectangle which was a review of the efficient and effective resources to do with the Home Affairs Department. When these reports come out, and including the Reg's Skips case report, are these reports that are of interest to your department bearing in mind they are critical of the way a

department is being managed and, therefore, there is financial implications to that?

Acting Treasurer:

Well, I see all internal audit reports as a matter of course. There are certain reports commissioned by departments for their own private use which I might not necessarily see unless they chose to make me aware of them because there might be things that I need to be made aware of. I have not read that particular report you have just referred to.

Senator B.E. Shenton:

This review of the efficient and effective resources report? It may be a little bit unfair, then, to ask you. There was question marks there with regard to the accounting officer role within Home Affairs. Are you aware of these problems and do you have any recommendations to sort it out?

Acting Treasurer:

I think that the issue probably relates to the Chief of Police and the historic child abuse issues. I am aware that there is a view held by a number of senior individuals that the Chief of Police should become an accounting officer separately from the Chief Officer for Home Affairs. My view is that that would be the right thing to do. It is obviously not appropriate in the present circumstances where the Chief of Police has resigned. I would hope that when a new Chief of Police is appointed that in due course the new Chief of Police can become an accounting officer. The discussions I have been involved in have also considered the role of a police authority, which is an entity that exists in the U.K. involved with the police. Again, I think that would be a good idea here. There are a number of areas where if the Chief of Police is an accounting officer it would be difficult to answer questions, for instance, from the Public Accounts Committee because it would relate to matters that were extremely confidential. The role of the Police Authority in the U.K. is to deal with police matters in a way that is acceptable to all parties and it does seem to work reasonably well. So, that looks like a potential solution here. So, I think it is something to be revisited once the new Chief of Police is appointed.

Senator B.E. Shenton:

When the Chief Executive appeared before us, he gave an assurance that ... I understand that public sector employees, certainly the more senior positions, their remunerations are published in the U.K. to a greater detail than they are published here. When he came in, he did give us an undertaking that they would actually follow the U.K. standard, which is publication not only of salary but also bonuses and pension contributions, right down to the last detail. Did he pass this information on to you at all after the hearing that he had given this assurance?

Acting Treasurer:

Yes, I have been involved in discussions with him and it has been discussed at the Corporate Management Board. It is certainly the intention to achieve compliance with U.K. G.A.A.P. (generally accepted accounting practice) so far

as reasonably possible given that Jersey is unusual in a number of respects. The intention of U.K. G.A.A.P. is to apply those forms of disclosure that you mentioned to the individuals who are either the directors of the organisation or considered equivalent to directors. So the issue in Jersey is determining who is equivalent to a director of the organisation, and discussions are still continuing on exactly how that is going to be defined, but the intention is that having agreed who the equivalent of directors are, then the disclosure will be in line with U.K. G.A.A.P.

Senator B.E. Shenton:

Who will decide who the ... the parameters for who is equivalent director? Will it be the Corporate Management Board or will it be politicians or ...?

Acting Treasurer:

I think the Comptroller and Auditor General has a role in this. It has to be defined in the Jersey Financial Reporting ... Memorandum ...?

Head of Financial Accounting and Control:

Manual.

Acting Treasurer:

... Manual which ultimately has to be approved by the Minister for Treasury and Resources. So ultimately it is the Minister's decision, but the recommendation will come from the Corporate Management Board, yes.

Senator B.E. Shenton:

Because I was just sort of being a little bit cynical. I would have imagined that they would try and set the bar as high as possible, whereas perhaps the politicians would want the bar set an awful lot lower.

Acting Treasurer:

There has been a debate about this and different views, but we seem to be quite near a consensus at the moment.

Senator B.E. Shenton:

What sort of timeframe are we looking at now?

Acting Treasurer:

I think we are talking within weeks, are we not?

Head of Financial Accounting and Control:

Yes, we are. At the moment we have had the discussion with the Corporate Management Board and we are currently discussing it finally with the Comptroller and Auditor General and with the auditors, and I believe that the Comptroller and Auditor General is planning to talk to the Public Accounts Committee as well in due course.

Senator B.E. Shenton:

Oh, okay.

Head of Financial Accounting and Control:

Hopefully next week so, yes, we are very close to getting to a point where we are in a position for the Minister to be able to issue the standards.

The Connétable of St. Peter:

Just coming on to something completely different now but still talking about finances, though, what role do you think the Treasurer has got in helping to control staff costs?

Acting Treasurer:

Well, one of the issues that became apparent to me when I first arrived is that the reporting on expenditure is or was relatively limited. There was a system of giving the Council of Ministers a quarterly report and there was a monthly flash report that was provided to the Corporate Management Board and a limited number of other senior individuals. I am used to a much more detailed form of financial reporting which would include things like staff costs analysed in great detail but also include a whole range of other financial criteria which I think are important to understand if you are going to have proper financial control of the organisation. So we are in the process of setting up this reporting. One of the new Treasury director posts will have responsibility for this new reporting. It will not come fully into effect until 2011, but it is the intention that the numbers that we will have available for reporting against for 2011 and subsequent years will have a great deal more detail available to support them.

The Connétable of St. Peter:

Do you see those reports that you will hopefully bring in 2011, do you see any synergy between those reports and the work of Human Resources?

Acting Treasurer:

Yes. We certainly need to make sure that we are as one with the H.R. (Human Resources) Department. The difficulty they have is that their information system, known as H.R.I.S. (Human Resources Information System), frankly is not a very good system. It is very difficult to get reliable information out of it and there are difficulties at the moment in establishing correct headcount figures, for instance. We do get there in the end by means of manual reconciliations but it is very cumbersome and unsatisfactory. One of the areas that we need to improve our systems is in that area.

The Connétable of St. Peter:

But you say the H.R.I.S. system has been in place now for, what, 4, 5 years and it has not been effective since it was first introduced. Certainly departments should have manageable systems to be able to draw down information reasonably quickly to be able to produce the reports. Do you have any idea what that has not happened?

Acting Treasurer:

Well, I think it is symptomatic of the sort of general problem across the States that until fairly recently each department had its own information systems but there was not an organisation-wide arrangement that allowed that information

to be pulled into the centre and made available on a corporate basis. So, certainly in Treasury we are now establishing the financial information and other related information such as staff numbers that is obviously crucial to report with financial information to support it. It takes time to build a system to do it.

The Connétable of St. Peter:

I think one of the things that was quite frustrating to P.A.C., we had a hearing here with H.S.S. (Health and Social Security) where the acting chief officer at the time said that they had no H.R. records at all, they relied totally on the central office H.R.I.S. system, as you say, to do that. This for me seemed to be a big chasm in an effective reporting line and an effective management control within departments, certainly within the States. Are you aware if that is still continuing, this lack of information coming from H.S.S., one of the biggest employers in Jersey?

Acting Treasurer:

Well, I mainly only get involved with the financial information. My impression of the financial information in Health and Social Services is that it is one of the better departments in terms of its financial information. They have quite a well-established financial team who seem to be able to produce good reports, explaining variances and that sort of thing. I am not personally aware of issues they have on the H.R. side. There are a lot of issues in the Health Department and it would not surprise me if that is a problem area, but I have no knowledge other than that.

The Connétable of St. Peter:

This is the reason ... I realise it is not a purely financial question, but with your financial controls as the interim Treasurer it just concerns me that you do not have perhaps more control or more direction to do with H.S.S. and the amount of staff and the effect or non-effect of management of that staff. That is really why I raised that question.

Acting Treasurer:

I think the role of Treasury is to ensure there is challenge, to ensure that there is proper information available and explanation of variances. It is not for Treasury to tell managers and other functions that they have too many or too few staff, but what we can do is make comparisons with other parts of the organisation internally and also if we can obtain relevant information externally. If the comparisons show that, for instance, the number of staff appears more or less than whatever we are comparing with, then that might be a reason for the management to reconsider their position. But I do not think it is for us to say: "You are employing too many staff." All we can do is make comparisons.

The Connétable of St. Peter:

Just question things, yes. Okay, thank you.

Mr. A. Fearn:

If I may, it is good to hear that the improvement in M.I.(?) data with regards to headcount is on stream. Are you aware of ... or due to be on stream in 2011. Are you aware of any interim controls in advance of that that would possibly be seen as limiting headcount in the States?

[12:00]

Acting Treasurer:

Well, there is a very strong control over recruitment that has been implemented. Every proposal to replace a post where someone leaves has to go to the Director of Human Resources for approval and that is quite a good control. We are starting to improve our reports to show staff numbers and that will highlight where there are variances from budget and from the previous year. I think it is somewhat the same answer to the previous question, really. We can provide information and we can challenge and make sure ... our role really is to make sure that management across the organisation has the information they need to be effective as managers. I think that is how I see what we are trying to achieve in Treasury at the moment.

Senator B.E. Shenton:

When we had the Finance Director in from Health he was a little bit critical of your predecessor inasmuch as he felt that he did not get enough feedback from the Treasury Department or assistance from the Treasury Department. Have you put things in place to make sure that you are working more closely with the finance directors and making it a 2-way exchange of information?

Acting Treasurer:

Yes, I have. I think my predecessor's practice was not to meet regularly with the finance directors in each department. I implemented monthly meetings with each finance director to review their results.

Senator B.E. Shenton:

Is that individual meetings or all finance directors together or ...?

Acting Treasurer:

It was individual but it usually involved their Chief Officer as well. So I would sit down each month when their financial results were available and review them, ask questions and so on, and where explanations were not satisfactory ask them to improve the reports to make them satisfactory. Since then I have also implemented one to one meetings with each finance director on a personal basis. So the intention is that the Treasurer should act as head of profession for the whole finance function and, therefore, each departmental finance director in effect has a dual reporting line to their Chief Officer and to the Treasurer. So I have been meeting with each finance director on a one to one basis as well so they can discuss their own personal objectives and other issues that I can help them with in a professional sense. So, I believe I have improved things to a reasonable extent, yes.

The Connétable of St. Peter:

Certainly, yes, I applaud the initiative you have taken there. Can I move on, Chairman, to another area now?

Senator B.E. Shenton:

Yes.

The Connétable of St. Peter:

Just a question for you. Many of the aims of the C.S.R. (Comprehensive Spending Review) were foreshadowed in P.58/2004 at the time of the Fundamental Spending Review. This 5-year vision expired in 2009 yet many of the aims have not yet been achieved. Why should C.S.R. be any different in your view?

Acting Treasurer:

Of course, I cannot comment on the past because I was not involved. I can only comment on the C.S.R. itself. I believe it is being carried out in an effective way. The intention is that once the savings have been agreed that the budgets for each department will be reduced by those amounts. So if a department has agreed, for instance, to find, let us say, £5 million of savings, then they will have £5 million taken out of their budget for the year in question. The Chief Officer, well, the accounting officer for that department would be in breach of the law if they spent more than the reduced budget that they were then given. So I think it will be effective in that sense. I think to be fully effective it is not just a case of taking money away. It needs to make changes to the way the processes work and the way the States is providing its services to the public. So I think the real challenge in the C.S.R. is finding ways of delivering mostly the same services more efficiently.

Senator B.E. Shenton:

You say that accounting officers will be responsible if they overspend but accounting officers ... the reality is accounting officers do overspend quite regularly and we use financial smoke and mirrors to bring it back in line. Now, we either use a 118 request where the States politicians are basically told: "If you do not pass this the accounting officer will end up in La Moye" or something like that. The money has been spent. We do not as politicians really have much choice. If the money has been spent there is not much you can do about it. Or you get, for example, Home Affairs, if you look at the reported accounts Home Affairs managed to spend to the penny what their budget was. Now, the reason they did that is because they were shifted money over from other departments or it was ... I mean, how do you spend ... take Home Affairs, how do you spend to the penny what your budget is?

Acting Treasurer:

Well, to answer that question, my understanding is that there was a fund controlled by the Treasury related to the historical child abuse issues and sufficient money was released from that fund to cover the overspend that had occurred in Home Affairs. It is the same issue with court and case costs which, as I am sure you are aware, has not been well controlled. When we raised the section 118 request recently we made a commitment that from henceforth we would ensure there is sufficient budget for court and case

costs; therefore, there is no reason for there to be an overspend ongoing; therefore, budget holders in that area have to act the same as budget holders in every other area and stay within their budgets. It clearly was accepted that the accounting officers could overspend in certain areas, not just in Home Affairs but in related departments involved with court and case costs in particular, and it is clearly unsatisfactory that that was ever accepted. In my book, you just must never allow budget overspends.

Senator B.E. Shenton:

But do you think the ability the move money round departments ... I mean, every year the Council of Ministers has like this "let us just move money around to make things work out". I remember a few years back, for example, there was a surplus on university funding and that ended up going on to Home Affairs because there was an overspend at the prison. It makes a little bit of a mockery of the whole controlling process to allow that to happen.

Acting Treasurer:

The law as I understand it gives the Minister for Treasury and Resources authority to be able to make those transfers, so that is what the States has decided. The way it is done is very publicly. If the Minister for Treasury and Resources has approved a transfer it is a matter of public record. There is a ministerial decision which is a matter of public record, so there is nothing hidden about it and it would only be done for very good reasons. The alternative would be to go to the States for a 118 request which is cumbersome and takes up a lot of elected Members' time, which is not always a sensible thing to do. But it obviously is a judgment to be made by the Ministers concerned on how to deal with it.

Senator B.E. Shenton:

Well, also because of the lodging period your 118 request would have to be in by October, I would think, because of the way the States sit. So any overspend in November and December, you are in deep trouble.

The Connétable of St. Peter:

Can I just come back? A few moments ago you mentioned about just cutting the money to departments was not a particularly good way of doing things and we need to drill down furthermore into the structure and improve that. So, having just completed a week's debating on the Business Plan certainly had for me the appearance of just taking money away. What is your view? Would you agree with my view or should we have gone deeper? I am putting you a little bit on the spot here.

Acting Treasurer:

I am aware that there were a large number of amendments raised suggesting that the expenditure in the Business Plan for 2011 should be reduced and I think there were amendments - I know there were amendments - raised the other way as well. As you are aware, the Council of Ministers felt that their Business Plan was the right balance. In the sense that I was involved in the finalisation of that Business Plan, working with Ministers, I do support the view

they came to. I was not giving advice to Ministers that they should be lodging a different Business Plan from what was lodged so in that sense I agree.

The Connétable of St. Peter:

Do you feel, though, that that was a little bit like just picking the low-hanging fruit and that from my perspective I did not feel there was any drilling down into the structure of the departments to find ways of improving the product of departments at a lower cost. It seemed to come across more, and I think to the general public it came across more, about cuts in services or cuts wherever they could rather than looking into the infrastructure of departments.

Acting Treasurer:

Well, this might sound a bit controversial but I have come from the U.K. where every public body is expected to find 2 per cent efficiency savings every year as a matter of course.

The Connétable of St. Peter:

That is year on year?

Acting Treasurer:

Year on year. The target for 2011 here was to find 2 per cent savings. I was surprised that it seemed to be so difficult to find 2 per cent because my experience of public sector organisations is that they are not particularly efficiently run on the whole. Perhaps I have had experience at less well run ones; maybe I should not draw overall conclusions. But certainly my impression of Jersey is there is plenty of scope for ongoing efficiencies, and I think a large part of the savings in future years can be found relatively painlessly by continuing to look for that kind of target level of savings year on year. Certainly within the Treasury that is how we approached it. We looked for 2 per cent efficiency savings in each of the years of the Comprehensive Spending Review and that gave us most of the savings target that we were asked to meet. I think there is an attitude of mind involved. You have to have a view that the way you are doing things can always be improved, and if you look around at I.T. (information technology) systems, for instance, and you look at other organisations that are doing things better than you are, one of the advantages in the U.K. in the public sector is that there is a ranking system for organisations. You have 5 star, 4 star, all the way down to one star. Unless you are fortunate enough to be a 5-star organisation you are probably going to find some other organisation that is doing it better than you are. So you go and find out how they are doing it and you copy them. That is how it works, really.

The Connétable of St. Peter:

Let us pick up on the ranking system. Just drilling into that a little bit more, we seem to have a tendency here in Jersey to keep looking and basing our performance against the U.K. best practice. For an Island jurisdiction do you think that is appropriate or should we not be looking for more similarities to our particular environment we have here rather than looking at a nation state like the U.K.?

Acting Treasurer:

Oh, I do agree. I think it is not necessarily appropriate for Jersey to be looking to the U.K. or any other large jurisdiction. The difficulty is having benchmarking information readily available. The attraction of using U.K. benchmarking information is it is readily available. Over the last 10 or 15 years a vast amount of benchmarking information has been generated and is readily available and so it is an easy way to go, but ideally it would be very nice to have information on other similar jurisdictions such as Guernsey, Isle of Man, other small states.

The Connétable of St. Peter:

The reason I ask that is particularly, just going slightly off track a bit for a moment, is that in my parochial life I have 5 F.T.E. (full-time equivalent) paid staff but I have a team of 55 people who work for the parish overall. Now, most people who come into Jersey are quite astounded by the amount of honorary work or non-paid work which is done. That is why I say that in Jersey we have a much better product essentially at less cost, yet we keep looking to the U.K. which has a far lower level of social commitment, should I say, in supporting work.

[12:15]

So that is why I asked that sort of question, are we comparing like with like, and I do not believe that we are. One of the other frustrations I have is we seek to always be in the average of the range rather than being at the top end, as long as we are okay rather than being the top end. Would you agree with that point of view?

Acting Treasurer:

I think Jersey does a lot of things very well. I have particularly enjoyed working here and I find it a very interesting and challenging role. I have learnt personally from the involvement I have had here and I am sure I will take that away with me and use it beneficially in other places. I just think it is a good idea to be open-minded to anything that you can see anyone else doing that might be helpful, but I think there are good lessons to be learnt from the U.K. and I am sure there are good lessons to be learnt from other places as well.

The Connétable of St. Peter:

From Guernsey even? We have colleagues from Guernsey here with us today. **[Laughter]**

Mr. M. Magee:

Hugh, could I ask a question just in terms of just the status of the voluntary redundancy programme at the moment because obviously that must underpin some of the C.S.R. objectives. Where does that stand because there is not really anything in the public domain about, you know, are people coming forward, are people being accepted, are targets being met?

Acting Treasurer:

I think the end of last week was the deadline for applications, so they will now be collated by the Human Resources Department and then there are panels sitting over the next few weeks to review them. Those that meet the requirements should then be able to go forward. The difficulty obviously is that it pretty much means not replacing the individual. I know a number of applications that were initially put forward could not really be progressed because it was not possible to manage without that particular position. So, for voluntary redundancy to be applicable the post in effect has to be deleted or there has to be a major cost saving of some sort to provide a business case to justify the expenditure.

Senator B.E. Shenton:

If you were finance director of a private company or a public company or whatever, you would look at the voluntary redundancy scheme as finance director and you might pass comment on whether it is financially expensive or not. From my point of view I look at the current arrangement and think it is very generous. Have you got any thoughts on that?

Acting Treasurer:

I think it is very generous but it is what has been agreed with the unions and staff and I understand the commitment has been made that the terms of the scheme will be available at least until the end of this year for those that wish to apply. But I have to say it is one of the most generous schemes I have come across.

Senator B.E. Shenton:

The commitment has been given until the end of ... until 31st December. Does that mean that there is talk about negotiations going on about changing it at the moment or ...?

Acting Treasurer:

There is talk. I have not been involved beyond that.

Senator B.E. Shenton:

Changing the point very slightly, obviously as Treasurer you are responsible for financial management within the States. The States is obviously an entity with a lot of tentacles going off into a lot of different areas, and I think we used car parking as an example when we wrote to you. Should the States be involved in car parking, because if the States is involved in car parking it means that the employees of the car parks are getting paid public sector wages which are very high, which means in effect that the public are paying parking charges which are higher than they should be because the States runs the car parks. That is the logic there. Do you look at ... and obviously we have had this small society lobby group as well. Do you make recommendations to the board as to any areas that we should not perhaps be involved in, or do you say: "We do this, this and this very well but we should not be here, here and here"?

Acting Treasurer:

Well, we are looking at these things as part of the Comprehensive Spending Review for future years. That did not form part of 2011 savings but it is certainly on the table for future years. As you are obviously aware, a certain number of previously state-run activities have been in effect privatised, so the utility companies are now private. Harbours and Airport is in a sort of midway position, I suppose, as recognised trading entities with some degree of independence and possibly that process will continue and possibly they will be given an increasing level of independence over the years ahead. I think there are opportunities with areas like car parks and anything else similar to continue down that track. Certainly, I think there is a balance to be struck between services that are best provided by public sector staff and services that may be better provided by private sector organisations. You have to be careful because you need to maintain the standard of services and there is always a danger when things are privatised that the standard may not be quite as acceptable as it was previously. But I think it is an issue with public sector terms and conditions being not necessarily ideal for providing services that do not necessarily need staff with those terms and conditions. Certainly, my experience in the U.K. is you can achieve cost savings by moving certain services out of the public sector. Having said that, I worked in a public sector organisation, Bedfordshire County Council, where they went to an extreme level of outsourcing and it was a disaster and they had to bring a lot of it back in-house again. So, there is a balance.

Senator B.E. Shenton:

Yes, I would tend to agree with you. I think the public sector do things, some things, far, far better than the private sector, so there is a balance.

Mr. M. Magee:

Could I ask a question on the stabilisation fund? I guess the question is how much is still in it and what is it going to be used for in the future?

Acting Treasurer:

I think the opening balance was £114 million at the beginning of this year. It has been used to fund the fiscal stimulus programme which is in total involving expenditure of about £44 million, so that will run it down. We are now into a situation where we are running an ongoing deficit, so 2010 is the first year that we will have an underlying deficit anyway which will reduce the stabilisation fund further. The Business Plan that was published a few weeks ago has information on how those balances will reduce and from recollection I believe the stabilisation fund will be down to a zero balance by the end of next year or thereabouts. So, this is obviously why it is so important that the Comprehensive Spending Review achieves its savings that it needs to and whatever other fiscal measures may be necessary to get back into a balance position as soon as possible.

Mr. M. Magee:

So there are no excess funds there that could be used, in effect, in lieu of cost savings, ie there is not another pot of money to be used as an alternative to cost savings?

Acting Treasurer:

Not really. It has been used exactly for its intended purpose, which is to help stabilise the economy in a sort of short downturn and inject a certain amount of additional fiscal stimulus funding into the economy and also cover the deficit until measures can be taken to address it.

Mr. A. Fearn:

The fiscal stimulus package you mentioned, how has that been with regards to success factors? We heard from the Minister for Treasury and Resources the challenge process and the economic indicators used. Is there any evidence that that has been a success yet from your perspective?

Acting Treasurer:

I think from the knowledge I have the construction industry in Jersey would have suffered a great deal more without that fiscal stimulus package. The largest part of the funding that has been provided has been to the construction industry building social housing and other such projects. I would imagine that a number of building firms certainly would have had to reduce their labour force substantially without that support, possibly some firms would have gone under altogether. So I think it has achieved its purpose in that sense. I am also aware, as I sit on the Fiscal Stimulus Steering Group, that a substantial amount of funding has gone into providing training to youngsters coming out of school and college who have not been able to find employment to help give them skills in order to hopefully find jobs in the future. So I think that has been valuable, too, because otherwise I think those youngsters would not find it easy to get employment and you would be left with a core group of youngsters that would possibly struggle for quite some time to get jobs. So I think it has helped there also. There are a few worthwhile projects that it has funded that probably in a recession would have had difficulty, in normal times perhaps could have raised funding from the private sector, and so certain public buildings and such things have received funding and I think that has been a good thing. From the information I have seen, the construction sector seems now to be sort of back on an even keel and other projects not States funded are starting to move forward, so hopefully we are through the worst of the recession and the construction industry in particular has come out of it in good shape.

Mr. A. Fearn:

Thank you. With hindsight, you know, we talked about in an earlier meeting some of the financial indicators that are used. Would you want to see any improvements to those that are used particularly by the financial stimulus panel? Are they appropriate, are they forward looking enough, or was there some uncertainty about what those numbers were saying?

Acting Treasurer:

We have an economic advisory unit in the Chief Minister's Department that is responsible for these things. The only area I am aware of that the information could desirably be improved is forecasting future unemployment levels. It does cause the Social Security Department some difficulties in their forecasts, not having that information available. They in effect have to generate

unemployment forecasts themselves and that is not really what they are set up to do. So, I am in discussions with the economic unit on whether there may be some way that they can help the Social Security Department with that particular issue. But otherwise I think the statistics available in Jersey are pretty good. I am impressed given the relatively small economy that Jersey is that such a wide range of data is available.

Senator A. Breckon:

Can I ask you, Hugh, if the fiscal stimulus money, do you think it is where we should be in maintaining and repairing States properties?

Acting Treasurer:

Well, I suppose it would be nice if there was more funds available. The economic advice that was received was that a fund of about £44 million was the appropriate size in order to achieve the stimulus that Jersey's economy needed. It was then a case of making best use of that funding. Applications were sought from departments on ways of spending the money. There were guidelines produced as well on the right balance for using it. My understanding is that the outcome is fairly close to the original guidelines on how it should be divided up into different areas. Some departments were disappointed that their proposals were not accepted.

[12:30]

I think on the whole we have been able to allocate money to most applications ... almost all applications that had a good case to support them.

Senator A. Breckon:

Where were we with looking after our own property if we have to go to the fiscal stimulus instead of doing it out of some revenue stream?

Acting Treasurer:

Certainly, a number of States properties have benefited from the fiscal stimulus programme. With a fund of £44 million and priorities on things such as social housing and skills training for unemployed individuals taking up a large part of the fund, what was left for such things as spending on States buildings was relatively limited. I think the projects it has been spent on are reasonably good ones. I do not personally have knowledge of all the States buildings that could benefit from expenditure, but certainly the ones that I am aware of that did get funding ... there was a building involved with supporting homeless individuals. There are buildings involved in providing social care and other such things. I think when the outcome is fully in the public domain I believe it will be seen as the right way of spending the money.

Senator B.E. Shenton:

Well, it is 12.30 p.m. You are interim Treasurer of the States. When do you think the position will be filled?

Acting Treasurer:

I understand there are interviews for a permanent Treasurer on 1st October. I would imagine that there will be an appointment made some time in October and announced. It will obviously depend on the notice period that whoever is appointed has to serve in their present position as to when they can start. My contract is currently running to the end of January. I am expecting probably to be here until about then.

Senator B.E. Shenton:

Has anyone got any other ...?

The Connétable of St. Peter:

Can I be as naughty as to ask you do you know anyone that has applied?

Acting Treasurer:

The answer is no, I do not. [Laughter]

The Connétable of St. Peter:

All right, thank you.

Senator B.E. Shenton:

All right. Any other questions? Thank you very much. That has been most helpful.

Acting Treasurer:

Thank you.

[12:32]