

# STATES OF JERSEY

## Public Accounts Committee Hearing Emerging Issues - States Spending Review Review of the Report of Comptroller and Auditor General

FRIDAY, 15th JANUARY 2010

**Panel:**

Senator B.E. Shenton (Chairman)  
Connétable J.M. Refault (Vice Chairman)  
Senator A. Breckon  
Senator J.L. Perchard  
Mr. A. Fearn  
Mr. K. Keen  
Mr. M.P. Magee

**Witness:**

Deputy Chief Executive - **DCEO**

**In attendance:**

Ms. M. Pardoe (Scrutiny Officer)  
Mr. C. Swinson (Comptroller and Auditor General)

[12:04]

**Senator B.E. Shenton (Chairman):**

Good morning, John.

**Deputy Chief Executive:**

Good morning.

**Senator B.E. Shenton:**

Do you know everyone around the table, or would you like ...

**DCEO:**

Yes, I think so.

**Senator B.E. Shenton:**

Because I think we have met you before, have we not?

**DCEO:**

Yes.

**Senator B.E. Shenton:**

I have to do a little bit of housekeeping here. 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, P.A.C and P.P.C.) (Jersey) 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 can 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 the questions. Well, thank you for coming along this morning. I was thinking last night about how to set the scene and it reminded me about 7 or 8 years ago I did a Managing Performance course in Daventry and I sat next to a chap who was a manager of a large power station in the U.K. (United Kingdom) and he had been given an instruction to cut costs 10 per cent a year for each year for the next 3 years and to ... and if he could not do it to find himself another job, which seemed quite tough. He was in the second year of the cost cutting and judging by his demeanour he was having a few problems in finding where they were. Your relatively new role, could you very briefly outline what your role is within the States with regards to cutting costs, or keeping costs under control; what your targets are and what happens if those targets are not met?

**DCEO:**

Well, I think I need to define my role first of all, which is that of Deputy Chief Executive, but also Chief Officer Resources in the areas for which I have direct responsibility as opposed to the overview position that the Chief Executive has within the constitution of the States. As Chief Officer Resources I have direct responsibility for human resources, information services, property procurement and the J.D. Edwards computer function for the States. So, of those I have direct responsibility ...

**Senator J.L. Perchard:**

You said property procurement?

**DCEO:**

Sorry?

**Senator J.L. Perchard:**

Did you say ...

**Senator B.E. Shenton:**

And procurement.

**DCEO:**

And procurement, sorry, yes. So, of those areas I have direct responsibility for from within my own organisation and to assist other departments in meeting any targets they may have set on them, which would impact on human resource, I.T. (information technology), et cetera. I do not have direct responsibility on other departments achieving their targets that have been set by their Minister. I make that absolutely clear. There is a difference in terms of the constitution of the States. The Minister is

a legal entity and the Chief Officer is the accounting officer for his department. They are responsible for delivering their savings. My role is there to assist them in delivering them and providing the management structure and the organisational structure that facilitates that delivery.

**Senator B.E. Shenton:**

So, I suppose the very first question then is are you happy with the progress achieved in implementing the proposals that were examined by the C.M.B. (Corporate Management Board) and by the C. & A.G. (Comptroller and Auditor General)?

**DCEO:**

Well, again, I think I draw the line here between the 2 distinct outputs from the Comptroller and Auditor General's report. Part of the outputs are very much departmental, service provision focused and cuts; those are the responsibility of the Minister and Chief Officer, the Accounting Officer of those departments, but part of the proposals in the Comptroller and Auditor General's report cover your questions 2, 3, 4, 5, 6, I think, which are my responsibility to provide the facilitation and the services across the organisation to help departments deliver those and that hopefully is what I can expand on today.

**Senator B.E. Shenton:**

Very well. So, are you happy with the progress of the areas for which you are responsible for?

**DCEO:**

Yes, we are making significant progress now. It has taken a few months to establish baseline, where we are, and start to put in place organisational structures and new direction for where we want to go and some of those are outlined to you as we go through the following questions. But we have a very long passage and a very long path to go down and this is going to be a long change programme. This is not going to be an overnight change and we are not going to achieve results without significant change in how we manage our business and how we go about delivering services, which is a ... if you reflect back to the 2004 period when we introduced the change programme and we took £20 million out of the organisation across the board and in a number of areas - which, again, I can come to as we go through the various questions - where I see us going now is a further change programme of significant scale in terms of the first one, a number of orders of magnitude greater, and that will need a very carefully planned programme of works and a delivery programme, which will take time to deliver and a significant restructuring of many areas of the organisation.

**Senator B.E. Shenton:**

Can I just ask my colleagues that when they ask their initial question can you introduce yourself, just for the recording lady to get a ...

**Male Speaker:**

Certainly, yes.

**Senator J.L. Perchard:**

Can I just ask a question on something John just said, ladies and gentlemen? Senator Jim Perchard. You said: "Achieved results" and can you explain, John, how you are

going to measure achievement of results? What targets have you set, for example, in property management or procurement? How can we measure your success?

**DCEO:**

Well, measure of success ... I am just in danger of drifting into the next set of questions, so we might have to go into them and come back out again. In terms of measure of success in property?

**Senator J.L. Perchard:**

Well, just generically. What systems have you put in place to measure success?

**DCEO:**

Now, I need to answer these specifically. In terms of property, we know we have a very large property portfolio, some of which is ... well, most of which is quite old and much of which is inefficient. Now, in terms of gaining success in improving performance of the property portfolio, it has to be the understanding of the needs of the major service areas of Health, of Education, and of the organisation - the Government side of it - for the next 15-20 years and coming up with a strategy that will allow us to provide modern, efficient building to meet those services and then dispose of what is not required

**Senator J.L. Perchard:**

That is a target?

**DCEO:**

The target is to get that disposal. If I bring that down to a specific, which we will come to when we talk about the property question you have raised, the office strategy, you have asked specifically about that. There is no one answer to property in terms of what the right office strategy should be, but we do need to make sure we provide modern, fit-for-purpose office accommodation that removes as much overhead as possible from the organisation. Example, if you have 6 departments each with its own reception facility and we can get those 6 into one office block with one reception facility there is an efficiency to come out. If we can go from occupying 180 square feet per person and we can get that down to 110 square feet - and these are not figures that are fixed, but these are examples - then that is how we can reduce the size and scale of the property portfolio.

**Senator J.L. Perchard:**

That is measurable.

**DCEO:**

That is measurable.

**Senator J.L. Perchard:**

Anything else measurable? Sort of yields or ...?

**DCEO:**

Well in ... I mean, those are obvious property ones. In terms of yield, it is very much about being able to sell what is redundant stock in there and making sure that we achieve market value for the properties which are available to sell.

**Senator B.E. Shenton:**

For how many years did we have a property strategy? Because we have not done a lot about implementing it. We have written the strategies, we write the strategies, but we do not seem to do much about implementation.

**DCEO:**

No, we have not had an office strategy that I can see, that has been one that has been worked through, fully evaluated, and been put forward for proper investment appraisal and project appraisal.

**Senator B.E. Shenton:**

So the States of Jersey will never have an office strategy?

**DCEO:**

I cannot see one which I would be comfortable to sign up to and say: "I can deliver this for you." I am starting saying: "I have not got one" and I am going to develop ... I am in the process of developing one, but there are a number of questions that we have got to go through first. One of the key questions is if we are going through a significant Comprehensive Spending Review, which might result in change, then I need to make sure that what we put forward as an office strategy reflects that change.

**Senator B.E. Shenton:**

Why do you think the States ... I mean, it is commonsense to have an office strategy, would you not say? I mean, why has the States never had an office strategy?

**DCEO:**

Traditionally we have lived in days of old under the committee structure and if we turn the clock back to committee structure of being ... each committee being a very autonomous organisation and structure and at that stage, certainly prior to Ministerial Government, there probably was not the culture within the organisation to look at significant change. I have heard the word used many times by many people of "silo" operation and I think that reflects on how we occupied our accommodation.

**Senator B.E. Shenton:**

So can you give us a date as to when the office strategy will be in place?

**DCEO:**

Well, we have said we are going to have an outline by the middle of this year of where we want to be. If it boils down, I ... certainly I am following the line at the moment that we need to understand fully what Education require, because they have a very big estate and clearly we need to provide for them for the future. We need to understand exactly what Health require because they have a huge estate and there is much of that estate which they have already said ... and certainly we are working with them now within Property Holdings to see how best we can consolidate that for them and free up property and parts of the estate that could be sold or redeveloped.

[12:15]

Then I split into 3, so it is Education, Health and then general property, which is predominantly the office accommodation. It is then review that office accommodation and determine what is the right solution.

**Senator B.E. Shenton:**

In your reply you said you had to have an outline by the middle of this year. That is really not a response to the question, is it? When do you hope to have a property strategy in place?

**DCEO:**

In place? I am not going to set a date on that very simply because I want to see what the outcome of the Comprehensive Spending Review is and what change might come about as a result of that review before we set a strategy. Because we could be in danger of setting a strategy based on what I know today and yet an output of a Comprehensive Spending Review, which might take 3-5 years to fully implement, may well determine that we want something different in terms of the number of square feet of office accommodation, how this portfolio is laid out between Education and Health. I need to know the outcome of that before we fix it. What I will be doing, and what we do need to do by the middle of this year, is determine what is a reasonable square footage of office accommodation we require, what the opportunities are to deliver that and where it is delivered. Is it one large estate for office accommodation for the States? Is it 2, is it 3 units? That is what the strategy will identify. Then we go into the funding of it. There will be a significant capital investment to make in order to deliver it. On the back of that will be the sale of redundant stock.

**Senator B.E. Shenton:**

So when will the Comprehensive Spending Review be completed?

**DCEO:**

That is very much down to the Ministers and the States to determine. I cannot ...

**Senator B.E. Shenton:**

They have no deadline date for that, no?

**DCEO:**

Well, the Comprehensive Spending Review is setting itself about a 6-month period in which to undertake the reviews, but then clearly it has got to go through the political cycle to gain approval for whatever the outcomes are. Once we have that then ... and everyone is committed to it, then we can start the delivery side.

**Senator B.E. Shenton:**

Are you talking about months or years or ...?

**DCEO:**

I think that is a question that you will have to address ...

**Senator B.E. Shenton:**

So we do not know when anything is going to happen?

**DCEO:**

No, what I can give you is the dates for which areas I am responsible for will be delivered, but I cannot ... it would be wrong of me to try and deliver a fixed strategy and then a decision taken 6 months later will change it.

**Senator A. Breckon:**

Can I just ask you, John, and I will not ... I might have picked up a contradiction there. Initially you said you could not get involved at departmental level and yet as an office strategy, there is a coming together for some savings on space and resources, so how can you do that if you have got that tension?

**DCEO:**

It is about working with departments to provide professional property expertise, understanding their requirements from a service provision point of view, and then matching that service provision with suitable accommodation.

**Senator A. Breckon:**

How could you tell them to do it and make them do it?

**DCEO:**

I cannot tell them to do it. What I can do is provide them with the opportunities that whatever the new solution is we will provide savings overall, which we as ...

**Senator A. Breckon:**

How would you make them do it?

**DCEO:**

Ultimately, that is a decision for the respective Minister to make.

**Senator A. Breckon:**

So they could still be in that silo then?

**DCEO:**

That is how we are constituted. Well, how ... sorry, how you are constituted as a government.

**Mr. K. Keen (Independent member):**

Kevin Keen. Can I ask about that? John, I suppose when you sort of see that there is the Office of the Chief Executive and there is a Corporate Management Board one gets the impression that the ... that it is the Corporate Management Board and the Chief Officers are driving things forward. When we are talking about a £50 million structural deficit it seems to be close to a crisis in my mind. It seems a clarity of leadership and who is responsible for what is pretty essential if it is going to be resolved. Are you saying really as the Deputy Chief Executive that you do not ... that really we are back to a sort of silo mentality where you do not have any control over the departments to deliver on these efficiencies?

**DCEO:**

No, I think we have joint working, which is about trying to deliver results for the good of the Island. So I do not accept ... it is not silo mentality in the ... and we do not

work that way. We work a very different way with respective Chief Officers and departments. Ultimately, the Minister for their respective department will make the decision with the Council of Ministers, and ultimately the States, as to what the Education requirements will be for the future or Health requirements and from that we will then provide the most modern office accommodation, if it is office we are talking about, or facilities, to enable Health to deliver their services.

**Mr. K. Keen:**

So that is not just policy, that is execution of policy, which I thought was ... that is a Ministerial responsibility as well.

**DCEO:**

Once the Ministers or the States, whatever level it gets to, have made the decision on where they want their policy to be for the future then the delivery of it will be down to the respective Chief Officer and to myself and my team in our various threads of H.R. (human resources), I.S. (information systems), property procurement, to provide them and help them deliver those services. It might be a rationalisation that is focusing on office accommodation and property at the moment, but it could be on best procurement practice, which we will talk about later.

**Senator J.L. Perchard:**

Staying on property there, John, was ... do you share my disappointment in the way that Property Holdings has started off in its first few years in the fact that it has not been able to put a proper value on the whole portfolio, particularly with regards to rental values, and be able to download that towards departments so that departments are responsible for the area of space that they have and are accountable for that? That is one way surely that you can hold the departments to be ... account to be efficient by once we are fully on-stream with G.A.A.P. (Generally Accepted Accounting Principles) that they will be liable for a rental fee for the amount of space they use?

**DCEO:**

The question of paying rent for properties has been raised ... I think it has been in the last 2 Business Plans and I think it is referred to in this Business Plan.

**Senator J.L. Perchard:**

It is a criteria ... success criteria, in fact.

**DCEO:**

It is absolutely right that we have clear accountability and these departments must ultimately have full knowledge of the cost of the service they deliver to include the property side of it. So I have no question whatsoever about that is where we need to be. The question is how we are going to get there and how do we deliver that in a way that we do not end up with a lot of redundant property, departments offloading redundant property? If for whatever reason it cannot be sold or it gets bogged down in the disposal side of it then someone has got to carry that cost. I would certainly prefer to have the strategy set out so we know where we are going. We have an agreed output in terms of how ... what is the office - I will stick on office accommodation for a moment - accommodation going to be, where is it going to be, when is it going to be delivered, when it is delivered, and it is delivered with so many square feet per person and staff are accommodated, it is at that point that they start



paying for it. If they require more they pay more and they pay for it out of their budgets. If they can find another way of ... a better way or they reduce capacity, then obviously that is reflected. But to start charging now across the whole range of property we have got in a very diverse way I think is going to be end up being a major problem.

**Senator J.L. Perchard:**

So what is the timescale for achieving this, John?

**DCEO:**

It is about delivering this office plan, about knowing where we are and delivering it.

**Senator J.L. Perchard:**

What is the timescale?

**DCEO:**

I have said it a couple of times, and I am not going to say it any more, I am not setting a date of when it is going to be delivered. What I am setting is a date for when we are going to have an outline of what we require. It will then be subject to approvals as required to deliver it.

**Senator J.L. Perchard:**

In the Annual Business Plan a success criteria, and I will read it out: "The introduction of a charging mechanism to recover the full cost of property from occupying departments." So it is ... you know, you are charged with that. Just, again, I will ask when do you think we will achieve this?

**DCEO:**

I have said it twice, I have said it 3 times, when we get a property plan and we get approval for it and we can deliver it. What we will be doing now is working out what it ... whatever we come up with in terms of office accommodation will ultimately have a cost to it, a capital cost. That will have to then be reflected in a rent annualised cost, a rental cost, and once we have that figure we will then know what is a realistic figure to set, to build into budgets and to start charging for. But if I started now and I took the total square footage, which I think is in one of our property plans, of what we accommodate ... of what we use today and we started charging on it, I think we will end up in a cottage industry of charging each other for it and it is certainly not an area I would advocate going down. I wholly support and I think it is absolutely right that we have a proper charging structure in place so departments know the cost of the property they accommodate and we charge for it appropriately, but I strongly believe it should be at the point in time when we provide that new facility.

**Mr. A. Fearn (Independent member):**

Alex Fearn. With regards to that comment, I mean, obviously one of the things I interpret within this plan is that can be used as a catalyst for change. So, if departments are not aware of their true cost to the States by applying this metric departments are aware and that allows departments then to understand the true cost and to maybe act as a catalyst to push through. So, to me, waiting on an overarching plan when you have got something that can act as a catalyst is probably not optimal, bearing in mind that the timing of the deficiency that we have in the States income.

With regards to departments that you do directly control, obviously bearing in mind the split of responsibility that you have, have you gone ahead and produced your own plan for your shared service areas with regards to office space?

**DCEO:**

Not for my own particular areas because they are all located ... we have 2 locations: one is Cyril Marquand House and one is just up the road here, Property Holdings. Certainly some of our accommodation within the resources section is already down to open plan, fairly tight accommodation in terms of unit space and it is a fairly good indicator of what we can achieve. It is not ... I think it could be better and certainly given the nature of the building we occupy it is not that efficient because of the space utilisation of it. But it is an indicator of where we want to be. We certainly ... Property Holdings have certainly come up with figures for what we would be using as the model of space, square footage per person, including circulation space of about 110 square feet per person, which is a reduction from about ... I think it is about 185 we are on at the moment. So it is a pretty substantial reduction. If we could achieve that, the indicator that this is where I think more work needs to be done is that we could reduce from the current ... currently we have 500,000 square feet of office accommodation. Of that about 200,000 needs to remain with its service areas, so it would be like a medical secretary's office within Health, et cetera, or an operation within the T.T.S. (Transport and Technical Services) side of it. That leaves us with about 300,000 square feet of occupied office accommodation. If you apply the figures I have just given you that means we require about 150,000 square feet of office accommodation. So it is quite significant and that gives you an indicator of where we want to be. Now, what I seem ... what I saw happen before I took on this role was a model was presented of one unit of accommodation of 150,000 square feet and I think everyone ran off with that idea. What they had not done, which is why I am playing a slightly different role here and I am being more careful, is saying: "If you try and provide 150,000 square feet, given the nature of the business we conduct in the States and the roles we fulfil, where is the best place to put that accommodation?" Do you, by putting all those people together in one building where you maximise efficiency in terms of space utilisation, provide one office in the middle of town, prime office accommodation? Now, 150,000 square feet is one and a half times the size of the biggest office block that has just been built in Jersey. So, just picture the biggest office development that has just been completed at the moment is the new building on the Esplanade for one of the big legal practices and that is 100,000 square feet. We need a building of one and a half times that size and it has got to be within access. Now, the problem with going for that one building, it means you are bringing all the staff into that one location in the morning and a large proportion of them come into gather their information for the day and go off, out to do their job. I question whether that is a sensible use from a transport policy. Looking at the much broader perspective, is that the right solution? Personally, I am not satisfied that it is and I think it needs a lot more work doing to it. My own view - and I say this is very much my own view - is what we need is a consolidated, central core office facility in the town centre somewhere to service the main functions of government and a secondary office space somewhere on the periphery of town that does not require all the staff to come into the town centre and then go out again. I mean, that is why I want to look very carefully at providing the right solution.

[12:30]

**Mr. A. Fearn:**

Under the subsequent strategy that you have outlined, so that is obviously helpful to understand.

**DCEO:**

That is exactly what we are doing.

**Mr. K. Keen:**

I agree with Mr. Fearn about the importance of these market rents and I think it has been around since 2005, but I think there are other things than offices and I think particularly where the States operate in business, you know, operate their own businesses, there seems to be no reason why you could not get on and put those market rents in so that you would know whether those businesses were profitable or not. You know, in many cases they are in competition as well. So why are you not getting on with that, John, and getting that done? You have got quite a big department there and they are highly qualified people. Why can they not fix rents for the non-office accommodation so we can at least get this moving?

**DCEO:**

Which ones do you have in mind?

**Mr. K. Keen:**

Well, you have got light industrial; you have only got Fort Regent, you have got car parks, you have got all sorts of things where you operate a business. Why can you not fix rents for those properties? Sports halls, College of Further Education ...

**DCEO:**

I struggle a little bit ...

**Mr. K. Keen:**

I think that is the ... I thought that was the purpose of these market rents so that you can ... so that when you operate your business you know the true, full cost of that, especially when you try to do a ... especially if you try to do a user-pays policy so you can recover the proper costs.

**DCEO:**

All right. I struggle a little bit with your concept of the College of Further Education being in competition with others. I do not quite understand how that one would go in, but the principle - I think if we just stick with the principle of it - there is no reason why that could not be pursued. There is then a funding mechanism required in order to achieve that route, but obviously it will have a knock-on effect on to other user departments. The simple reality is we have limited resources to deliver that sort of change, but it is one that could be looked at at some stage in the future. There is no reason why it cannot be done and some of those areas where they are sole, unique trading operations, they could start looking at it as part of their trading function.

**Senator B.E. Shenton:**

I must admit, I do find it quite amazing. I mean, the States tend to send out a message about how efficient they are and yet ... I mean, just giving an example, when

Ministerial Government came in one of the Ministers took over an office at the department that he was now running and I said: "Was that not a bit extravagant" him having his own office and he said: "Well, it does not cost anything; it is already there." You are running departments like Education and like Health where you do not know what the costs of running the actual departments are and yet you are telling us that they are being run efficiently. We do not know how much it costs a bed in the hospital. You do not know what the costs are of the office space up at Education.

**DCEO:**

For the record, I have not said they are run efficiently.

**Senator B.E. Shenton:**

So you are saying that they are not run efficiently? You have not said they are run efficiently, so the implication there is what you are saying is the States is run inefficiently.

**DCEO:**

No. You said I had said ... sorry, this is ... I just want to clarify the record here. I ...

**Senator B.E. Shenton:**

Or the States as a whole.

**DCEO:**

Right, thank you. I have not said that. There are many opportunities. The Comptroller and Auditor General's reports made very clear a number of areas where there are opportunities for change - significant change - and improvement and efficiency. I think we all subscribe to that and we are all trying to work towards achieving that goal, which is about delivering more efficient services and a much better understanding of the value of those services and there is a far greater degree of transparency in terms of true cost to service. I certainly subscribe to that completely. I have always believed that is the position we should be heading towards but there is a significant gap between where we are today and getting to that point. What I am trying to do as part of my role is analyse where we are and then put in place the processes and the procedures to get there. I have a model which I was going to describe further on but I am going to describe it now because I think there is a danger that we keep missing a step in the States in the organisation. My model is very simple; it is 3 strands. One strand is what I would head compliance and in that you have codes of financial direction, you have audit, you have the where we are sitting today type route. In the middle we have processes, procedures, management, performance management, the systems; all the things which we know we should be doing well in order to deliver services. The third strand are the people in the organisation. Until we get the middle right, and that is where we have to focus our attention, what we do and we keep doing it, is we use the left-hand strand which is the compliance to beat up the right-hand box which is the people and we keep doing it. Until we focus on reviewing the procedures, the systems, the processes and get those right, then we are always going to have this conflict and it is something which it does not matter which strand we talk about here, it does not matter where we sit in the organisation, we are constantly doing that. One of my goals, and I want to talk about it when I get on to one of them because I brought it specifically to demonstrate what I have been doing and why we need to get there, is we have to get that right. That is

when we can start delivering real efficiency in getting the service improvements out to the organisation that we need to.

**Mr. M. Magee (Independent member):**

Excuse me, John, Martin Magee. I think the thing that Ben was touching on as well and the thing we find frustrating is things seem to take so long to get anything done within the States. In 2006 the States Assembly approved a proposition to create Jersey Property Holdings. The main goals were take over the ownership of properties, responsibility of management and taking over the responsibility for rationalisation and maximising benefits obtained through the ownership and minimising the costs attached to occupation by the States. Now, to me that is a bit like what you are talking about now 4 years later and you are not willing to commit to a date when a conclusion will be forthcoming. I think that is the difficulty we have because when is this going to happen? Is it going to be 5 years after they said it was going to happen? Why does it take so long to get anything done because it does not give us confidence? If this was a business it would have gone bust by now. That is the issue I have.

**DCEO:**

I think I share a lot of your concerns, and a lot of the concerns I have, about trying to deliver this is about getting to the point where we can deliver those services. I am frustrated many times by the time it takes to get to an end point and there are many examples that we could use - I do not think we need to go into them today - of why we get there. But this is now about trying to get to a point where we all recognise the need for this change and we are all prepared to work together and work to deliver it and not keep getting deflected off into other directions. The amount of time my staff spend on non-delivery of the subject we are talking about today - I have not analysed it but sometimes I think it would be worth doing - it would be quite frightening.

**Connétable J.M. Refault of St. Peter:**

John Refault. John, how are you going to generate the shared vision to your future?

**DCEO:**

By demonstrating the value of getting it right and delivering something that works for people.

**The Connétable of St. Peter:**

How are you going to demonstrate that?

**DCEO:**

Because I have put the work in to do it and I am now going to sell that as being the model that works for people. Once they have the confidence that they have a system in place and a process perceived, or whatever you want to call it, in that model and it works for them, it allows them to do their business, it takes away the constraints or the fear they have of if they get it wrong or something has done a flip from left box to right box and it works, it generates efficiency and it delivers a service. Once you are on that track and you can start building on it, you can cover a whole sweep of areas which will start generating efficiency. We are too quick to define the output without analysing the business process that we do today and we put in a fix there and we do not get out the efficiency we should be getting out had we gone through a proper

process review and analysed what it is we do, how we could do it better and put the solution in to deliver that.

**Senator B.E. Shenton:**

How much does that overlap with P.58 of 2004: the States 5-year vision?

**DCEO:**

We have done a lot of it and ...

**Senator B.E. Shenton:**

You have done a lot of visions but you have not done much implementation.

**DCEO:**

£20 million worth and I have the figures here we can go through, which is one of the questions. We delivered £20 million worth of savings out of it. I can read the figures out and where they have come from, if you like.

**The Connétable of St. Peter:**

Just one quick question back on the line I was at: what do you see as the single biggest hurdle to you achieving your vision?

**DCEO:**

It is a recognition of where we are today, a recognition of what we have to do and the freedom to get on and deliver it.

**Senator B.E. Shenton:**

The recognition by whom?

**DCEO:**

By all of us.

**The Connétable of St. Peter:**

I am still coming back to my original question then, unfortunately, how are we going to apply this shared vision?

**DCEO:**

I think there is a shared vision within the organisation that where we are today needs to move on to somewhere new. There are an awful lot of requests for delivering something new and something better, which is what we are now trying to do - I hope we will demonstrate in a few minutes - of what we are trying to deliver and the benefits it will bring us. There is, I think, a huge commitment within the organisation for saying: "We want something new, we want to be allowed to get on and deliver it and there is a call for it." I get the feeling, and certainly a very strong feeling from within - certainly most of the people I speak to - that they are crying out for the opportunity to get on and deliver it.

**Senator B.E. Shenton:**

Remuneration obviously is a big factor with regard to efficiencies and there has not really been any movement with regard to differential between public and private

sector over the last couple of years. Where does the element of moving towards a more efficient remuneration structure fit in within this vision?

**DCEO:**

Part of the comprehensive spending review is calling for a full review of terms and conditions and that will be part of ... we have the latest review which I think has been made public - you all had a copy of it - of the pay survey between public sector/private sector. That is a very good benchmark or starting point for the differentials that exist between the various groups. But the review is not just about pure pay, it is about the total package we have to do and it is about what we put in place for a more modern organisation for the future. Clearly, the levels of pay and the comparison between the public sector/private sector all have to be factored into it. There are an awful lot of elements in the public sector which are different to the private sector and we have to make that balance between the 2. There is certainly a need for it. I do not think anyone would - I certainly would not - disagree with it; I think it is imperative. We are going to do it as part of the comprehensive spending review. That will then have an output; that is one of the roles which I think you have down here in question 5: Human Resources.

**Mr. K. Keen:**

So, John, if the review came out that some people were overpaid, would you be recommending that they take a reduction in their pay? Or is it only upwards or standstill?

**DCEO:**

How you go about the transition between current rates of pay and a new pay scale is something which is a managed transition and that has to be managed over a period of time with the individuals concerned. There is clearly a need for saying once we get to an agreed new structure, it is no good just coming up with a new structure, you have to have a delivery plan for doing it. Now whether that delivery plan is a one-year, 2-year, 3-year or a 5-year plan, we need to see what the scale of it is and clearly there will be requirements that will have to be balanced to the individual's needs in many cases.

**Mr. K. Keen:**

In the private sector the individual's needs would have to go to one side for the survival of the business, so it would be much more quick and instant than that and people might have to take a pay cut. How do you align the public sector with the private sector so that you do have that sort of shared pain or I suppose we are talking about shared vision? What is fair enough for the private sector is also fair enough for the public sector rather than these long, drawn-out reviews and even longer implementations. Back to pay again.

[12:45]

**DCEO:**

Well a number of public sector organisations I am aware of in Jersey have delivered very effective change programmes where the change to their staff levels, their remuneration levels, et cetera have been managed over a period of time. We have seen some recently being publicised. I know of a number of big organisations in the

past who have done exactly the same thing and we have to work towards making sure - we in the States I think are seen as a good employer - and we have to remain a good employer and we have to manage our staff properly. There are 2 or 3 very big organisations in the private sector I know of over here who have managed a significant transition, I know 2 of them quite well, and I am very, very impressed as to how they have done it. If I could mirror that in the States I think we would be doing equally well but they have not all been quick-fire, one-off changes. Most of the changes I know of in the big private sector companies have been properly managed over a period of time.

**Senator J.L. Perchard:**

Does that mean replacing the Hay evaluation system with something new and more modern and more relevant?

**DCEO:**

As part of my role running Human Resources, and I know my H.R. Director is of the same view, we would both like to see the Hay system replaced and we would also very much like to see a far more common grading system. While I am on that, I have a very strong view that I think we have a structure which in some way divides the organisation between manual workers and civil servants. My goal would be that we have a one-tier structure. We obviously have to keep nurses and teachers in separate scales but within the service, I would like to do away with the manual worker and civil service grades. I would like to have one structure, one spine that recognises and rewards people and far fewer grades than we have.

**Senator J.L. Perchard:**

I think that is music to my ears, personally. Also, redundancy arrangements, and I do feel that the States have rightly earned a reputation for being a “job for life”. Once you are a States employee you have a job for as long as you want it and I suspect that the States are carrying much dead wood. Are there any plans to review the redundancy arrangements within the States?

**Senator B.E. Shenton:**

Can I add to that, would you say that the current redundancy arrangements are over-generous compared to the private sector?

**DCEO:**

The current voluntary redundancy arrangements?

**Senator J.L. Perchard:**

Yes, the whole redundancy arrangements, Chairman, rather than the financial arrangements, the fact they have identified people who are not performing and doing something about it.

**DCEO:**

Well, I am going to reflect back for a moment on my track record on what I have done in my organisation in that, within Transport and Technical Services public service, I took 100 staff out between the 1998 service review and leaving the department in May last year. Now if I can do it with the current constraints and the current pressures, then I have to ask the question why can it not be done elsewhere?



**Senator J.L. Perchard:**

It has to be done, John, do you agree?

**DCEO:**

Absolutely, yes.

**Senator B.E. Shenton:**

But would you say that the current redundancy arrangements are very generous in the public sector?

**DCEO:**

I have to say my initial reaction would have been yes, until I heard some of the others being offered, some quite recently. Before I would give a definitive answer, I would want to understand exactly what was being offered currently in other areas.

**The Connétable of St. Peter:**

Just moving on, John, you spoke earlier on about your long change programme, how do you see that contributing to the possible structural deficit we are facing in 2011-12?

**DCEO:**

Because that change programme has to deliver the efficiencies we need that go towards meeting that deficit.

**The Connétable of St. Peter:**

But my problem is the word “long”. Is “long” 3 to 5 years, 5 to 8 years or is it one to 2 years? Because it needs to be one to 2 years to make a positive contribution to the perceived deficit, does it not?

**DCEO:**

If you go for a one to 2-year approach, we do not know the scale yet because clearly the Council of Ministers and the States need to make a decision as to how they are going to manage the deficit and what the level of savings is going to be. So, clearly, we do not have the definitive figure yet on which to set targets and goals. Depending on the scale, the last change programme was a 3-year programme and it delivered £20 million. That is the indication perhaps of what can be done but bear in mind the first change programme probably took out a lot of the low-hanging fruit in the organisation, so the next one is going to be harder to achieve and it will certainly need a lot more support to deliver it. But whether it is one to 2 years or 3 to 5 years, if we are serious about changing the whole way in which we go about providing service to the public, then there is going to be quite significant rationalisation of their services to meet the targets.

**The Connétable of St. Peter:**

So, from what you are just saying there, I am taking from that your change programme is not going to contribute meaningfully towards mitigating against the structural deficit.

**DCEO:**

Sorry, absolutely wrong. It is going to contribute towards it; it has to.

**The Connétable of St. Peter:**

So, it is going to be working within this relatively short term, then?

**DCEO:**

It has to.

**The Connétable of St. Peter:**

Okay. Thank you.

**Senator B.E. Shenton:**

We are talking about emerging issues 2008 and it is now 2010, the original C.M.B. paper envisaged it would be under standard terms and conditions. What work has been done on that in the last couple of years?

**DCEO:**

As I have just said the review of terms and conditions is being undertaken as part of the comprehensive spending review, so very little.

**Senator B.E. Shenton:**

Are you including looking at the final study of the pension scheme in that?

**DCEO:**

That will have to be part of it, yes.

**Senator B.E. Shenton:**

Have you any initial indications on that?

**DCEO:**

No, I would not want to make any comment on that at the moment.

**Mr. A. Fearn:**

Obviously the Chairman has mentioned the May 2008 report, I believe, so from my point of view, and many Jersey taxpayers have mentioned this, was that put to the Council of Ministers, the Corporate Management Board and the States with regards to the suggested savings? It appears to me that little or no action has taken place with regards to some of these recommendations. So, in your view, what have been the barriers, bearing in mind you have already mentioned the point in relation to communicating change, communicating the benefits of change, et cetera, what are those barriers and what is your view on how those barriers can be removed, bearing in mind the structural deficits that are just about to hit us as a jurisdiction?

**DCEO:**

Well, first of all, I have to disagree with you in terms of they have not been delivered. The letter that I wrote to the Chairman of the Public Accounts Committee on 26th March outlined what had been saved already, what had been built into the Business Plan for 2010-2012 and that totalled £2.75 million. So, to say it has not been achieved I think is wrong but if I can go on.

**Mr. A. Fearn:**

Of course, John, and I have a response to that.

**DCEO:**

Significant savings were made and were built into either “already achieved” box or “to be included” and they have been included and hardwired into the Business Plan. A number of them were considered by the respective Ministers but decided they did not want to pursue them at this stage. So, that is where the Ministers for their respective departments looked at some of those recommendations and decided that they did not want to follow those at the time. The Council of Ministers then considered all of the issues on 25th June 2009 and looked then at the 2010 Business Plan, having considered all of those recommendations and the service areas to be considered and looked at the indicative figures for 2011 and 2012. It was on that basis that they set their Business Plan and the States obviously subsequently approved it. So, to say they have not been reviewed is wrong; they have been. They were reviewed, you have had all the information which we sent through to you some months ago in terms of each department’s comment on individual service areas, individual proposals, recommendations, the impact on them, et cetera. There are a number of those I am sure will, in fact, if not all of them, come back and feature in those service reviews that will come through the comprehensive spending review the next time around. There is a lot of very valuable work contained and as we move towards closing the structural deficit, et cetera then clearly some areas which may have not been acceptable in the past will have to be re-reviewed and brought back into play.

**Mr. A. Fearn:**

Thank you. If I can clarify, I am sorry if that was not clear, my point was not about the proposals being reviewed; it was about them being implemented. The point about the Jersey taxpayer was their view is if one looks at State spending, for example, in 2008 or 2004 and compare it to 2009, 2010, it is higher. It is significantly higher. So, that is the point I was trying to make. States spending still goes on, States spending still increases and we have our structural deficit now which is obviously a perfect catalyst, I would say, to aid you in the quest for achieving efficiencies.

**DCEO:**

Yes, absolutely. I do not think that is an area which I would want to comment on in terms of why that growth has taken place. There is no argument it has taken place. What we do as the Executive and what the States do as the Government is clearly something which has to be addressed very seriously because it is a problem.

**Senator J.L. Perchard:**

I sometimes take offence at this suggestion that States spending has increased because politicians have approved some more spending, for example, £500,000 on adult respite. The States challenge its Corporate Management Board to get hold of public spending where it really has to prioritise and really make it count. It is a political judgment, for example, adult respite £500,000 is more important than other areas. Now, I do not feel we get the response from the Corporate Management Board to really take seriously public spending. It is usually easy to blame States Members for approving additional spending and it is the easy, cheap way out, I say. I put it to you, John, that the Corporate Management Board need to really get down and tackle public

spending within each department and really try and find out where it is. I ask you how you are going to make that happen?

**DCEO:**

Well the first thing I will say is I keep saying “we”, and when I say “we”, I say it deliberately because it is about us as the Corporate Management Board and the senior officers in the States working with you, with the respective Ministers, Public Accounts Committee, scrutiny committees, et cetera to determine those priorities. We cannot do it from one side or the other side and I do not agree with what you have just said, I am sorry. But it is not about you blaming us and us blaming you. It should not be that way. It is about working together. Clearly, politicians are elected Members to run the Island from a democratic point of view and that is a political position which is not my position. But it is about working with respective Members to determine what are the priorities for spend, how best to spend it, how to get the service and efficiency out of the service and delivering that is our role. We are definitely there to help Members deliver efficient services.

**Senator B.E. Shenton:**

But do you think there is a lack of deadlines in the public sector?

**DCEO:**

I think they could be tighter but equally a lot of the deadlines that we set are deferred, delayed or a lot of effort goes into what I would loosely term “non-productive” work in terms of meeting the real key objectives.

**Senator J.L. Perchard:**

I know we are getting short of time, but what would your advice be to the States and your colleagues as to how to fill the £50 million black hole that will be imminently be arriving in 2013?

**DCEO:**

Well clearly that is a political decision and political ...

**Senator J.L. Perchard:**

Well I am afraid it is not, John. It involves saving a significant amount of public spending and reducing public spending significantly. How are we going to do it?

**DCEO:**

In order to achieve that scale of saving, there are a number of service areas that will need to be radically reviewed to determine whether or not, firstly, they should continue to be provided by the public sector. Secondly, is there a completely different way of providing them? Do we have to rationalise totally the way in which some services are provided? There is without question an element of efficiency that can be taken out and we need to work very hard on driving that efficiency out but we will not achieve £50 million through just efficiency.

**Senator J.L. Perchard:**

How concerned are you that the pace of this change is restricted because of the possible lack of political support? If you knew you had political support, could this be speeded up?

**DCEO:**

Collectively, I think we have to deliver this in a short order of time. The time factors we have been talking about today are very, very pressing, whether it is one to 2 years or 3 to 5 years, there is a window and we have to get to grips with the service areas ...

[13:00]

**Senator J.L. Perchard:**

So there is no fear from your point of view that there would not be political support for radical reform?

**DCEO:**

That is a political question; I am not going to answer that. But from my side of it I ...

**Senator J.L. Perchard:**

It is not affecting the pace at which you propose change?

**DCEO:**

Once the scale of change has been identified and agreed, then there has to be a very clear understanding of what it is going to look like, how it is going to impact and we then have to have the freedom in order to get on and deliver it but it is going to be difficult, no question.

**Senator B.E. Shenton:**

You mentioned - and I would agree with you wholeheartedly - that a lot of time is wasted on non-productive work which is partly due to politicians, I think, and partly due to the processes. Is there something that we should be looking at how to eliminate or at least cut down on this element of non-productive work? Because it is quite large, is it not, the amount of work that is done that then is not relevant?

**DCEO:**

If we are going to deliver the savings to meet the structural deficit, then we have to have that clarity and that direction and it has to be totally focused on delivery. So we are going to have to look very carefully at what is the resource required to deliver and the resource that we currently apply to what we loosely term "non-productive". Either we have to increase resource in order to deliver, which is the last thing any of us want to do, or we have to be able to free up some time and get the staff working on that delivery programme.

**Senator B.E. Shenton:**

Unfortunately, we have run out of time. There are probably other things you wanted to say to the committee ...

**DCEO:**

Well, there is one other which I do want to say because I think it is very important because it does cover this model I was describing to you, is that we had a code of direction for procurement which has not worked very well, to be honest about it. When I looked at it, we re-wrote it and I looked at it again and said: "Well, there is very little difference between what we have now and what we have for tomorrow." It

is a bit better in the wording and it is a bit more prescriptive, et cetera, but it does not deliver what staff need which is the toolkit in order to deliver and it covers a lot of your questions about project management and governance. That is what I have brought, is the toolkit we have now developed for procurement, and that ...

**Senator B.E. Shenton:**

Well, perhaps we will have a separate meeting because I think it is fair to say that we felt perhaps the people in charge of procurement did not have enough teeth, so maybe that is something that you can address.

**DCEO:**

Well, hopefully, that will answer a lot of the questions and it covers your question on project management and governance and procurement. So, that is why I brought it because I thought if we were going to get on to those specific questions ...

**Senator B.E. Shenton:**

Yes, so we might call you back under different circumstances.

**The Connétable of St. Peter:**

That would be useful.

**Senator B.E. Shenton:**

Thank you very much for coming along.

**DCEO:**

Thank you.

[13:03]