



STATES OF JERSEY

Corporate Services Scrutiny Panel

Review of the Medium Term Financial Plan Public Hearing with Treasury and Resources

WEDNESDAY, 1st AUGUST 2012

Panel:

Senator S.C. Ferguson (Chairman)
Deputy J.G. Reed of St. Ouen (Vice Chairman)
Connétable D.J. Murphy of Grouville

Witnesses:

Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources)
Treasurer of the States
Head of Financial Management – Accounting and Reporting

Also Present:

Mr. W. Millow (Scrutiny Officer)
Ms. J. Hales (Scrutiny Officer)

[15:04]

Senator S.C. Ferguson (Chairman):

Right. Welcome to this hearing of the Corporate Services Scrutiny Panel, talking about the Medium Term Financial Plan. The warning is there, if you would like to read it.

Treasurer of the States:

Thank you.

Assistant Minister for Treasury and Resources:

Thank you.

Senator S.C. Ferguson:

It has not changed since last time and please note that if there are photographs it will only be for the first 5 minutes while we discuss the admin side during the hearing, there will be no photographs or

interruptions from the floor. Thank you very much. Right, now in order to have things straight for the ladies who do the transcription, if you could say who you are and what your role is, please.

Assistant Minister for Treasury and Resources:

Deputy Eddie Noel, Assistant Treasury and Resources Minister.

Treasurer of the States:

Laura Rowley, Treasurer of the States.

Head of Financial Management - Accounting and Reporting:

Kevin Hemmings, Treasury.

Connétable D.J. Murphy of Grouville:

Dan Murphy, member of the committee.

Deputy J.G. Reed of St. Ouen:

James Reed, Panel member.

Ms. J. Hales (Scrutiny Officer):

Janice Hales, Scrutiny Officer.

Mr. W. Millow (Scrutiny Officer):

William Millow, Scrutiny Officer.

Senator S.C. Ferguson:

Sarah Ferguson, Chairman of the Panel. Right, so if we look at procurement, what is the current state of progress towards the achievement of the £6.5 million procurement savings?

Assistant Minister for Treasury and Resources:

The £6.5 million is across the whole of the States body. It is not just on the Treasury and Resources Department side and currently we have achieved £3.1 million of savings that have been agreed by Departments and have been removed from their cash limits. There are other amounts that savings have been identified and quantified and we are currently in negotiations with the various departments to see how those are allocated across those departments and their cash limits reduced and we are confident that by the end of 2013 we will achieve the full £6.5 million saving target.

The Deputy of St. Ouen:

That is not what is necessarily portrayed in the Medium Term Financial Plan.

Treasurer of the States:

It is.

The Deputy of St. Ouen:

It is?

Assistant Minister for Treasury and Resources:

Yes.

Treasurer of the States:

It is exactly what is in the Medium Term Financial Plan?

The Deputy of St. Ouen:

That the whole £6.5 million will be delivered by 2013.

Treasurer of the States:

Yes, so we have at the moment ... but do you want me to deal with that, Assistant Minister?

Assistant Minister for Treasury and Resources:

Yes, please.

Treasurer of the States:

We are holding just around £3.5 million against the C.S.R. (Comprehensive Spending Review) restructuring savings. If we were not to fully deliver from procurement savings we do have a backstop, do you remember that? Yes ...

The Deputy of St. Ouen:

So in fact it is not necessarily the case that this whole £6.5 million will be delivered and in fact you have already allowed for the fact that possibly £2.5 million will need to be sort of allocated or provided through the C.S.R. restructuring.

Assistant Minister for Treasury and Resources:

That is not quite true. There is provision there if we do not make the targets that it will be matched by contingency, so if we ...

The Deputy of St. Ouen:

Just be clear, are we going to be able to deliver the full £6.5 million ...

Assistant Minister for Treasury and Resources:

We are.

The Deputy of St. Ouen:

... by 2013 and not rely on the contingency funds that are allocated at present in the Medium Term Financial Plan?

Assistant Minister for Treasury and Resources:

I am comfortable that we are on target to achieve the £6.5 million but I cannot give you certainty because we are dealing with things in the next 18 months. What I can tell you is that £3.1 million has already been saved and taken from office budgets. We have other matters that savings have been identified and quantified but we are negotiating with the various departments to see what proportion of their element of that is taken from the cash limits and the residual amount that we are still looking to achieve, to achieve the full £6.5 million, is a work in progress. It is there to be achieved by the end of 2013, which is in 18 months' time.

Senator S.C. Ferguson:

Yes, but on top of that we are then pouring money into procurement for the transformation programme, so the net effect is virtually nothing.

Treasurer of the States:

Well, no, that would not be right.

Assistant Minister for Treasury and Resources:

No, but you could say the same about all Departments where we are making savings in Health, for example, as you know, in excess of £3.5 million but we are planning in the M.T.F.P. (Medium Term Financial Plan) to invest substantially in Health Services, so that argument could be equally used there.

The Deputy of St. Ouen:

It is true to say that with regards procurement savings your Department is ultimately responsible for ensuring that they deliver.

Treasurer of the States:

No, each Department is responsible for delivering its own share of the savings and the co-ordination of that is presently done within the Chief Minister's Department.

The Deputy of St. Ouen:

You say it is the Chief Minister that will ultimately ...

Treasurer of the States:

Yes, Caroline Anderson, the colleague within the Chief Minister's Department, who co-ordinates the overall C.S.R. savings programme.

Senator S.C. Ferguson:

Yes, but procurement is yours, procurement is Treasury and Resources.

Treasurer of the States:

But each Department has to deliver its share of about £6.5 million.

Senator S.C. Ferguson:

Absolutely, but procurement ...

The Deputy of St. Ouen:

The Procurement Department ...

Treasurer of the States:

The overall management of the C.S.R. savings programme is done within Chief Minister's ...

Senator S.C. Ferguson:

Yes, but the Procurement Department is yours.

Treasurer of the States:

We are co-ordinating the £6.5 million, which is part of that. We are co-ordinating that within Treasury and Resources but each Department is making its own contribution to that £6.5 million, so that £6.5 million for procurement savings does come from departments other than Treasury and Resources.

Senator S.C. Ferguson:

Yes, but the running of procurement comes under Treasury and Resources.

Treasurer of the States:

The function does, yes.

Assistant Minister for Treasury and Resources:

The function, the personnel involved in the procurement come under the full-time equivalent head count of Treasury, yes, they are Treasury staff.

Senator S.C. Ferguson:

Yes.

Assistant Minister for Treasury and Resources:

But the actual co-ordination to make sure that the £6.5 million is achieved is done through what was formally the C.S.R. team, I think they have changed their title going forward ...

The Deputy of St. Ouen:

One last question on the subject.

Assistant Minister for Treasury and Resources:

... which is the Chief Minister's answer to this question.

The Deputy of St. Ouen:

As you were saying each Department is responsible to deliver a portion of the £6.5 million procurement savings and we are reliant on each Department doing that. Why is it not the case that the procurement savings are attributed and identified underneath each Department so that we can track whether or not those savings have been and will be delivered and what ...

Assistant Minister for Treasury and Resources:

But, Deputy, because you cannot salami-slice the procurements because a procurement in, say, telephone costs, you cannot apportion that, yet how do you equally apportion that across the Departments by the number of telephones that are used or by their head count? Yes, depending on the type of procurement saving will depend on how you allocate that across each Department. Yes, individual Departments are responsible for making procurement savings but how each element is built up there is room for negotiation there between Treasury and those Departments.

Senator S.C. Ferguson:

Yes, but surely each Department must have an idea. That was the whole point about the C.S.R., that it was 10 per cent.

Assistant Minister for Treasury and Resources:

No, it was 10 per cent of their cash limits, plus there was the £6.5 million procurement, plus there was £14 million of terms and conditions. The 10 per cent, I think, came to £55 million in total. The 10 per cent ...

Senator S.C. Ferguson:

Was £65 million.

Treasurer of the States:

£65 million.

Assistant Minister for Treasury and Resources:

But the 10 per cent across the departments was ...

Treasurer of the States:

It was £50 million, was it not ...?

Senator S.C. Ferguson:

The £14 million came later.

Assistant Minister for Treasury and Resources:

£50 million, yes.

Treasurer of the States:

Yes.

The Deputy of St. Ouen:

Okay, now I hear what you are saying, so let us just focus on the Treasury and Resources Department. What contribution are you going to be making to procurement to meet the shortfall between the current £3.1 million and £6.5 million?

Assistant Minister for Treasury and Resources:

There is no actual shortfall, it is a work in progress but ...

The Deputy of St. Ouen:

Yes, you obviously know your contribution.

Assistant Minister for Treasury and Resources:

Yes, but we will get the terminology correct. I will let the Treasurer answer that in detail.

Treasurer of the States:

We have already more than achieved our ... the Treasury contributions, the £6.5 million, was originally meant to be around £442,000. We have achieved more than 3 times as much as that from our insurance because of the insurance savings that we have made. The Treasury contribution to the overall delivery of C.S.R. savings is significantly in excess of our original target.

The Deputy of St. Ouen:

Great, I am pleased you mentioned that because that is the next question.

Treasurer of the States:

Yes, okay.

The Deputy of St. Ouen:

It is to do with the insurance savings of ... I think you have mentioned it at one point £2 million, the overall saving. I just would like to know, how will that be achieved?

Treasurer of the States:

We have done it already, Chair. We have done 2 things: the first is we have re-tendered our insurance contract. We have better terms for our insurance contract. We have more cover for our new insurance contract and we have also delivered a saving of £220,000 a year for each of 5 years. I think that must be the £1.1 million rather than £1.2 million, to which you are referring. It is £220,000 a year ongoing savings for the 5 years of the contract, so that is the first thing. Then the second thing that we have done is the insurance gets recharged out to Departments from a central budget.

[15:15]

What we have also done is there was not a clear ... we have a clearer match as between the properties and people and so on that are insured within Departments and the cost that is now being charged to them. That had got a little bit out of kilter so we have reviewed that and in so doing we have been able to make savings as well. We have made savings in 2 different ways: one, from renegotiating the contract and the second from reviewing the centrally-held budget for insurance and reviewing the charges that need to be made out to Departments, the recharges that need to be made out to Departments, and we have made savings there as well.

The Deputy of St. Ouen:

Just let us be clear, this saving is a corporate saving on overall insurance costs, am I right?

Treasurer of the States:

Well, arguably there are 2 different elements to it. It is a corporate saving insofar as the budget is all held centrally and ...

The Deputy of St. Ouen:

Right, it is a corporate saving which each Department will benefit from because up to now each Department has been contributing, correct me if I am wrong, to a central cost to fund insurance?

Treasurer of the States:

In future each Department will have a budget. This is treated as a below the line expense, so Departments are given a budget for their insurance costs and they charge the same amount as the budget, so they do not bear any risk on the insurance costs at all. What had happened over time was that the budgets that were being given to Departments and the recharges that were going alongside were not matching sufficiently well with the actual people, vehicles, properties that Departments had. We have reconfigured that so that it is better structured now. But that its savings do not go to individual Departments, Departments will still only pay against the budget that they are given. If they are given a budget of £100,000 they will be charged £100,000.

The Deputy of St. Ouen:

That is a relatively new change in procedures.

Treasurer of the States:

It is not a change in procedures. The procedure has always been to recharge as a below the line item. What is different is that we have done work to update the basis upon which those recharges are calculated. The Departments will still get a budget to match the recharge, so there is no detriment to them at all.

The Connétable of Grouville:

Yes, can I ask, in the C.S.R. table schemes that have been adopted, increasing rent at market levels that are subsidised, you have a couple of those in there, increasing market rentals that were subsidised and rationalise office space; okay, now these are the rents charged out to other Departments, are they?

Treasurer of the States:

We are not making savings by charging other Departments more, if that is what you mean, so that would not be a saving

The Connétable of Grouville:

What is it then? It is here saying: "Total savings £400,000, total savings £200,000, increasing rents to market levels." That is pretty clear to me, you are going to put rents up to save £200,000 there and £400,000 there.

Treasurer of the States:

There are 2 different owners to the rents of Property Holdings. Those are the rents of the private sector.

The Connétable of Grouville:

Is it rented out to the private sector?

Treasurer of the States:

Yes.

The Connétable of Grouville:

What you are doing is increasing them to market rents?

Treasurer of the States:

Yes, and then we generate income.

The Connétable of Grouville:

Okay, they are saying here that these rents are subsidised, is that right? At the moment they are subsidised, are they?

Assistant Minister for Treasury and Resources:

We do not rent out every States property at its full market rate.

The Connétable of Grouville:

The reason for that?

Assistant Minister for Treasury and Resources:

Some organisations are charitable organisations and they get those at a below market rate and that will probably continue in virtually every instance but there are other users who get reduced rates for various other reasons. An example that I can call on is Fort Regent ...

The Connétable of Grouville:

It would be interesting to know why they are undercharging rents for those organisations.

Assistant Minister for Treasury and Resources:

If you let me explain, an example is some of the units at Fort Regent are not charged out at their full market rate. That is a decision by E.S.C. (Education, Sport and Culture) that looked at charging the full market rate. Property Holdings, as you know I am collectively responsible for, will say the market rental on a unit up there is X. They decide that for social reasons or whoever is occupying it, they do not wish to pass on that charge and it may be at a lesser rate because it is a not for profit organisation running some type of sports facility or something.

The Connétable of Grouville:

Yes, but this is an awful lot of money, £400,000 in one instance and £200,000 in another, those are the only 2 I have seen, so we must be undercharging to an enormous extent at the moment.

Treasurer of the States:

No, not ...

Assistant Minister for Treasury and Resources:

Not when you consider the size of our property portfolio.

Treasurer of the States:

The rents that presently we do have a ... the rental and F.M. (Facilities Management) charges to Departments is around £2 million, the rental and F.M. charges to third parties, which is the private sector, also around £2 million and then we also have fee income and general recharges of £1.4 million. Those figures are a proportion of £5.4 million.

The Deputy of St. Ouen:

F.M. stands for what?

Treasurer of the States:

Pardon?

The Deputy of St. Ouen:

F.M. stands for what?

Treasurer of the States:

Sorry, Facilities Management.

The Deputy of St. Ouen:

I see.

Senator S.C. Ferguson:

They do not have those in St. Ouen.

The Connétable of Grouville:

I am a bit puzzled by this, I must say. Taking away the stuff that you are already renting out at property market rental and then discounting out of that obviously charitable works, which you are doing as well, and what is left? What is left is basically an undercharge of £600,000, is that correct?

Treasurer of the States:

I do not know. What is the £600,000? I do not know what you are referring to.

The Connétable of Grouville:

There are 2 items in here where you are increasing rents by £200,000 and £400,000.

Treasurer of the States:

Yes.

The Connétable of Grouville:

You are increasing those but not including the charitable sector in that and not including somebody who is already paying market rents and you are undercharging £600,000 in other places.

Treasurer of the States:

We are not necessarily undercharging, the part of what the Assistant Minister refers to is a conscious subsidy for the purposes that are described, so that is not undercharging. We are also ...

The Connétable of Grouville:

If you are putting it up by £600,000 you must be undercharging and you will have to achieve another £600,000.

Treasurer of the States:

We are in part. We are doing as we say, we are increasing rents but we are also rationalising office space as well, that is also part of the way in which we are delivering the £400,000.

The Connétable of Grouville:

Okay, thank you. We want to move on a bit, so I still want to come back to that at another date perhaps and we will go through that ...

Treasurer of the States:

Okay.

Assistant Minister for Treasury and Resources:

We will provide you with a more detailed paper.

The Connétable of Grouville:

But it does not really matter. I understand the charities side, that is fine, yes.

Assistant Minister for Treasury and Resources:

What we will do, Constable, we will provide you with a little more detailed paper to explain it.

The Deputy of St. Ouen:

That would be helpful.

Senator S.C. Ferguson:

Yes, that would.

Assistant Minister for Treasury and Resources:

It is quite complex ...

The Connétable of Grouville:

Sorry, I was not supposed to come in on that because I do not ...

Assistant Minister for Treasury and Resources:

It is a complex ...

Senator S.C. Ferguson:

I will handbag you later.

The Deputy of St. Ouen:

Yes, that would be useful, thank you.

Assistant Minister for Treasury and Resources:

Yes.

Senator S.C. Ferguson:

Yes, okay, go on.

The Deputy of St. Ouen:

We have spoken about the £5.4 million or thereabouts from Property Holdings with regards income. What other sources of income does your Department have?

Treasurer of the States:

We do not really have much.

Assistant Minister for Treasury and Resources:

That is pretty much it in terms of departmental income. There obviously are other income streams but they are not part of Treasury and Resources, for example, on the Currency Fund we make money out of selling the new £100 note, for example, and that generates an income. That is not part of Treasury's cash limit and Treasury's budgets, that is part of the Currency Fund. So there are other income streams but they are not part of our Department's budget.

The Deputy of St. Ouen:

Right, the reason why I ask is that in the draft Medium Term Financial Plan - yes, it is still a draft - it shows an income allocation of your department in 2013 of approximately £7 million. In your written answers that you provided, income amounts to £5.4 million and I am just wondering where the other £1.6 million comes from.

Treasurer of the States:

We have a lot of funds that we are responsible for as well. For instance, the Consolidated Fund will receive income from the Common Investment Fund. As you know, we invest the Strategic Reserve in the Common Investment Fund, we invest the Consolidated Fund balance and we invest various things in the Common Investment Fund and that generates returns.

Senator S.C. Ferguson:

Effectively it is the Common Investment Fund.

Treasurer of the States:

It is that element of the Common Investment Fund that relates to reserves which are held by Treasury, yes.

The Deputy of St. Ouen:

Why is it classed as income of the Treasury and Resources Department and not considered to be a sort of return to the fund?

Assistant Minister for Treasury and Resources:

It is Treasury-held assets effectively, because it is effectively the Consolidated Fund which, in household terms, is our current account.

The Deputy of St. Ouen:

Okay, so we are looking at the income generated from our current account, not the other funds.

Treasurer of the States:

That is one example.

Assistant Minister for Treasury and Resources:

No, and that is part of the Common Investment Fund and that is how we get the extra income.

The Deputy of St. Ouen:

Right, so are you suggesting that the income generated from all the funds that the Treasury are responsible for, that would be most of them, amounts to £1.6 million?

Assistant Minister for Treasury and Resources:

No, no, no, Deputy. As I have explained, on the Currency Fund, the income generated on the Currency Fund goes back to the Currency Fund. The income generated on the Strategic Reserve

stays within the Strategic Reserve and so on across the board, including the Social Security Funds, they are all invested via the Common Investment Fund.

The Deputy of St. Ouen:

All right.

Assistant Minister for Treasury and Resources:

Also invested in the Common Investment Fund is our current account because it is related to the reserve, that is a Treasury asset and it is that asset that generates the £1.6 million; is that correct?

Treasurer of the States:

It is correct, but the total amount of ... we will see within Treasury income relating to funds other than the Consolidated Fund as well but it goes back into those funds. There are also recharges to funds which generates ... it is just an internal charge for some of our staff whose time is charged against funds.

The Deputy of St. Ouen:

Sorry, I just wanted to just do my own one, we have gross expenditure and we have net expenditure, we grew debt expenditure for every Department.

Treasurer of the States:

We do.

The Deputy of St. Ouen:

At the moment your Department is showing gross expenditure and an income and you are netting off the income against your expenditure.

Treasurer of the States:

Of course, yes.

The Deputy of St. Ouen:

What you have just told us is that £1.6 million of that income is derived from the Consolidated Fund, one of the funds that you manage, which you are attributing to your general income but, separately to that, other funds are not treated in that same manner.

Treasurer of the States:

No, we are not saying that.

The Deputy of St. Ouen:

No?

Senator S.C. Ferguson:

Which other funds are included in the £1.6 million? We have the Consolidated Fund, what else is included in that?

Treasurer of the States:

Which £1.6 million are you referring to, Chair?

Senator S.C. Ferguson:

The difference between £7 million and £5.4 million.

Assistant Minister for Treasury and Resources:

Again, we will provide a detailed paper to ...

Treasurer of the States:

I do not know where you are getting your figures from, Chair, I am sorry. I do not ...

The Deputy of St. Ouen:

No, sorry, the figures come from ... and if you had the answers that you provided to us from the general questions relating to the terms of reference in regard to this Medium Term Financial Plan ...

Treasurer of the States:

Yes, so just show me ... I am not sure which page you are on, I am sorry.

[15:30]

The Deputy of St. Ouen:

I am sorry, the pages unfortunately are not numbered, hang on, I will count.

Assistant Minister for Treasury and Resources:

Is it question one on the ...

The Connétable of Grouville:

Just past the letter of the 20th, James.

The Deputy of St. Ouen:

I cannot remember if it is the letter of the 20th or on this sheet.

Treasurer of the States:

Do you just want to pass me what you have in front of you, and I will deal with your question?

The Deputy of St. Ouen:

Hang on, bear with me.

Senator S.C. Ferguson:

We were just talking a minute ago about £1.6 million on top of ...

The Deputy of St. Ouen:

The income, which is the income.

Senator S.C. Ferguson:

We have £5.4 million income from Jersey Property Holdings and in the Medium Term Financial Plan it talks of roughly £7 million, so the difference between £7 million and £5.4 million is £1.6 million.

Treasurer of the States:

I really do not know where you are getting your numbers from, Chair, I am sorry.

Senator S.C. Ferguson:

I think if we ...

The Deputy of St. Ouen:

We will move on and I will ...

Senator S.C. Ferguson:

Yes, if we can drop you a question, if you give us an answer as to which fund income is included in your attributed income on page 146 of the M.T.F.P. where it talks about income allocated which is £7.3 million or something like that.

Treasurer of the States:

I will certainly do that.

Assistant Minister for Treasury and Resources:

Yes.

Senator S.C. Ferguson:

Yes, no problem. We need to move on, James.

The Deputy of St. Ouen:

Does Daniel want to deal with the ...

Senator S.C. Ferguson:

Right, if you would like to move on to Jersey Property Holdings, Dan.

The Connétable of Grouville:

Okay, has all the property now been transferred from the Health and Social Services Department to J.P.H. (Jersey Property Holdings), and if not why not?

Assistant Minister for Treasury and Resources:

It was transferred many years ago, was it not?

Senator S.C. Ferguson:

No.

The Connétable of Grouville:

No.

Assistant Minister for Treasury and Resources:

Which properties are you referring to that have not been transferred?

The Connétable of Grouville:

Well, all the properties.

Assistant Minister for Treasury and Resources:

Now all of them?

The Connétable of Grouville:

Yes.

Senator S.C. Ferguson:

No, some of them were transferred.

Assistant Minister for Treasury and Resources:

No.

Senator S.C. Ferguson:

Dan and I were on the P.A.C. (Public Accounts Committee) which interviewed Property Holdings on and off from Eric Le Ruez onwards and one of the things was that not all the property was transferred and not all the budget was transferred.

Assistant Minister for Treasury and Resources:

I agree, not all the budget was transferred. I think that all of ...

Senator S.C. Ferguson:

I do not think all of the property ...

The Connétable of Grouville:

The balance was probably the property they were keeping.

Treasurer of the States:

No, I do not think it was that scientific but the property ... we are working with Health at the moment on the transfer of some housing, some staff-related accommodation ...

Senator S.C. Ferguson:

Yes.

Treasurer of the States:

... to go between Health and Social Services and Housing so that that property can be better managed in the longer term.

Senator S.C. Ferguson:

It needs to be.

Treasurer of the States:

More actively managed and fewer voids and better maintained and so on. Because of the location of some of those properties, for instance, some of that staffing accommodation is at the end of Peter

Crill House, so some of that accommodation will need to stay with Health for practical reasons. But we are looking to transfer as much as we can over to Housing so that Housing can better manage it. Health have retained some of the responsibility around the hospital but we are still working with them on changing that because we are improving what we are doing within Property Holdings with regard to property repairs and maintenance. Tim Crane has made very good progress on that. We have completely restructured our Facilities Management contracts and made very substantial savings as a result on our facilities and costs. We are in a better position now to take over further some of the responsibilities from Health in relation to the main hospital site. The reason we have not done that hitherto is because there are some very specialist requirements at the hospital and the hospital have their own staff who have the responsibility. For instance, the hospital has a network of oxygen supply and that requires very specialist maintenance by appropriate people, so that sort of thing we have left with Health presently. We may, in the longer term, be able to develop a capacity within Property Holdings to manage that through Property Holdings but we have not got as far as that yet.

The Connétable of Grouville:

Sorry to interrupt here because we are going way off here.

Treasurer of the States:

I am just answering the question.

The Connétable of Grouville:

Your gross spend in the Medium Term Financial Plan for your Department relates to maintenance of Health and Social Services's property.

Treasurer of the States:

It does.

Assistant Minister for Treasury and Resources:

Yes.

The Connétable of Grouville:

Yes. Which H. and S. S. (Health and Social Services) property does that refer to? Is this the one you are talking about for staff?

Treasurer of the States:

That deals with every property.

Assistant Minister for Treasury and Resources:

It is partly staff and it is partly ...

The Connétable of Grouville:

Specialist.

Assistant Minister for Treasury and Resources:

It is partly clinical space, it is operational space as well.

The Connétable of Grouville:

That is coming out of your budget and not out of Health's budget.

Assistant Minister for Treasury and Resources:

There is a mixture, not all of the property maintenance budgets were transferred from Health to Property Holdings when the properties were transferred from Health to Property Holdings.

The Connétable of Grouville:

But would you say that these issues then will remain following the transfer?

Assistant Minister for Treasury and Resources:

No, because this means that Property Holdings will then have sufficient budget to maintain the assets that it has.

The Connétable of Grouville:

Right.

Treasurer of the States:

Can I refer you to ... did you send this?

Head of Financial Management - Accounting and Reporting:

Yes, that has been sent.

Treasurer of the States:

Can I just refer you to the note that we sent previously? The current position is that Health and Social Services will retain maintenance responsibility for 40 properties. I do not know if you want to pick that up, Assistant Minister.

Assistant Minister for Treasury and Resources:

Yes.

Treasurer of the States:

Yes, I will just ...

Assistant Minister for Treasury and Resources:

The current status is that Health and Social Services have 40 properties that they will continue to maintain. Jersey Property Holdings will be responsible for 137. There is another 23 that have yet to be decided on.

The Connétable of Grouville:

Right, okay, so to get down to basics, we have 40 we are definitely keeping in Health and Social Services, which they are responsible for.

Assistant Minister for Treasury and Resources:

Yes.

The Connétable of Grouville:

Then another 23 are in the pipeline ...

Assistant Minister for Treasury and Resources:

There is another 23 in the pipeline and there is another 13 that are under specific utility management contracts and there is another 13 properties that we are considering developing.

The Connétable of Grouville:

How long is it going to take you to consider those properties, do you think?

Assistant Minister for Treasury and Resources:

The 23 to be concluded, I would anticipate that would be done within the next 6 to 12 months.

Senator S.C. Ferguson:

Who is going to look after Roseneath, Property Holdings or Health?

Assistant Minister for Treasury and Resources:

That property is a Property Holdings property. It was bought under the Property Holdings banner and it will be maintained within our budgets to maintain that property. There is some money put aside

already in Health's budget to bring that property back up to specification for its future needs. That is already within the Health funding.

The Connétable of Grouville:

When was that money allocated within the Health budget for that?

Assistant Minister for Treasury and Resources:

It was part of some additional funding that was forwarded and passed through the States 2 months ago I think.

The Connétable of Grouville:

Yes, but 2 months ago Health knew they were buying Roseneath.

Assistant Minister for Treasury and Resources:

Two months ago Health were in negotiations to buy it and needed to have the money in place to do so.

The Connétable of Grouville:

Yet they told us another story. They told Silkworth the day before they were not going to buy it.

Assistant Minister for Treasury and Resources:

I cannot comment on that.

The Connétable of Grouville:

I think it was 2 months.

The Deputy of St. Ouen:

Sorry, just going back so that the plan is that Health will retain what one would term as key type of properties, am I right?

Treasurer of the States:

Can I just deal with Constable Murphy's last question because I do not think we have dealt with it?

The Connétable of Grouville:

Yes, okay, so 2 months before the money was put aside for doing up Roseneath, yes?

Treasurer of the States:

Treasury, with the support of the Council of Ministers, had a Ministerial Decision from the Minister for Treasury and Resources to agree £1.7 million of transitional costs for Health during 2012 to help them prepare for the implementation of the White Paper and within that £1.7 million there is the sum of £100,000 for the acquisition of Roseneath. Is there a problem with that?

The Connétable of Grouville:

There is, a huge one. I am sure you will read about it in the papers. It is just like ...

Assistant Minister for Treasury and Resources:

Firstly, Constable, just for the record if you could just declare that you are ...

The Connétable of Grouville:

Yes, I have done.

Assistant Minister for Treasury and Resources:

... Treasurer of ... as well on the committee of Silkworth.

The Connétable of Grouville:

No, no, I have declared that earlier on. You must have heard me when I said I am a trustee of Silkworth, that is why I was so interested.

Treasurer of the States:

Oh, I see, I see.

Assistant Minister for Treasury and Resources:

Health and Social Services and Property Holdings have been in negotiations with the former owners of the property, being the Nemo Trust, since before Christmas.

Senator S.C. Ferguson:

Right, okay. Can we move on to pensions? The Medium Term Finance Plan indicates that additional funds will be provided to pay off the pre-1987 P.E.C.R.S. (Public Employees Contributory Retirement Scheme) debt.

Treasurer of the States:

Faster, yes.

Senator S.C. Ferguson:

Yes. How will the provision of the additional funding impact on the repayment schedule?

Assistant Minister for Treasury and Resources:

Are you talking about the additional £1 million ...

Senator S.C. Ferguson:

I am talking the P.E.C.R.S. pre-1987.

Assistant Minister for Treasury and Resources:

Yes, you are talking about the additional £1 million in the M.T.F.P. in 2013, £2 million in 2014 and £3 million in 2015.

Senator S.C. Ferguson:

Yes.

Assistant Minister for Treasury and Resources:

The accumulated effect is that it will reduce the time. Currently we are paying back £4.6 million of the P.E.C.R.S. debt which ...

Senator S.C. Ferguson:

Which is 80-some years.

Assistant Minister for Treasury and Resources:

Yes, 82 years.

Senator S.C. Ferguson:

Yes.

Assistant Minister for Treasury and Resources:

By increasing that to what will become £7.6 million, it will reduce the time period from 82 years down to a shorter time period.

Treasurer of the States:

I have sent you that calculation, Chair. You requested the actuary's calculation.

Senator S.C. Ferguson:

Oh, right, I have not seen that one. When did it come?

Treasurer of the States:

Oh, a while ago. I have sent that to you. There is a paper on the P.E.C.R.S.'s pre-1987 debt. You are looking puzzled. I will make sure it comes to you again.

Senator S.C. Ferguson:

If you could, please, because I do not remember ...

Treasurer of the States:

Yes, it is the actuary's paper.

Senator S.C. Ferguson:

The J.T. (Jersey Telecom) accounts came through okay, so ...

Treasurer of the States:

Yes, good. I will make sure that that comes to you a second time.

Senator S.C. Ferguson:

Thank you.

Treasurer of the States:

What we have not done, which is, I think, what you might be asking for, is have we asked the actuary to re-do that calculation to reflect the £1 million, £2 million and £3 million that the Assistant Minister has just referred to?

Senator S.C. Ferguson:

Yes.

Treasurer of the States:

We have not done that at the moment but we would be happy to do that if you would find that helpful.

Senator S.C. Ferguson:

Obviously there was an actuarial calculation that set up the 82 years for the £7.6 million, so obviously there is a different calculation but the 2 totals must be equal, therefore, yes. But obviously I will wait until the figures come through.

Treasurer of the States:

Yes, I will happily ask the actuary to ...

Assistant Minister for Treasury and Resources:

There will be substantial saving in the amount of cash that is paid out to P.E.C.R.S. if we repay it quicker over the next few years.

Senator S.C. Ferguson:

Yes, oh, yes.

The Deputy of St. Ouen:

Where will the funding come from to repay that pension off quicker?

Assistant Minister for Treasury and Resources:

In the M.T.F.P. by the end of 2015 we will be repaying at a rate of £7.6 million per annum. This is the £4.6 million by the end of 2015, that will be the annual rate. We are building it up at £1 million additional year-by-year for the next few years, that is the proposition. We would also like to make additional payments, regular payments, ongoing in lump sums as and when they become available and a possible source of those additional funds is if we have greater revenues received, taxpayer revenues received, than predicted.

The Deputy of St. Ouen:

Currently, just can you remind me, is it being funded from growth?

Treasurer of the States:

Yes.

Assistant Minister for Treasury and Resources:

Yes.

Treasurer of the States:

Yes, it is as the Assistant Minister says, it is growth of £1 million in 2013, an extra £1 million in 2014 and an extra £1 million in 2015, so by the time we get to 2015 we would have £3 million extra being repaid against the pre-1987 debt. To give you a ...

Senator S.C. Ferguson:

That is about £10 million or £11 million a year.

Treasurer of the States:

It would be £7.6 million a year because we spend about £4.6 million at the moment. By the time you get to 2015 it is an extra £3 million.

Senator S.C. Ferguson:

Yes, if we do not get the income, if we do not get it out of growth, where are you going to get the money to increase the payments to P.E.C.R.S.?

Assistant Minister for Treasury and Resources:

No, on top of that ...

Treasurer of the States:

It is in there already, Chair. It is funded already in the Medium Term Financial Plan. It is funded but we would have an £1 million in 2013 ...

Senator S.C. Ferguson:

Yes.

Treasurer of the States:

... rising to £2 million in 2014 and £3 million in 2015, so that ...

Assistant Minister for Treasury and Resources:

I think the Chair is indicating if we want to make repayments over and above what we are planning to do in the M.T.F.P.

Treasurer of the States:

Over and above that.

Senator S.C. Ferguson:

You are saying that, at the moment, with the income as we have it, growing as we have it, you will be able to pay it out of the income that you have coming in.

[15:45]

Treasurer of the States:

Yes, yes.

Assistant Minister for Treasury and Resources:

We will be able to repay it at a rate of, by the end of 2015, £7.6 million.

Senator S.C. Ferguson:

Because I think according to the early M.T.F.P.s you were thinking of alternative sources of ...

Assistant Minister for Treasury and Resources:

For lump sum repayments they ...

Senator S.C. Ferguson:

You were thinking of different sources of funding.

Assistant Minister for Treasury and Resources:

No, this £1 million, £2 million and £3 million have been in all the latest drafts of M.T.F.P.

Treasurer of the States:

I have to go back to ...

Assistant Minister for Treasury and Resources:

There are other sources that we are looking at to make one-off lump sum repayments.

Senator S.C. Ferguson:

Well, let us go on a bit then. The draft M.T.F.P. says that: "Further work will be done during the course of the plan to consider the future investment strategy of the Strategic Reserve." What will that work entail? What do you have in mind?

Treasurer of the States:

It is part of our normal practice, Chair, to review investment strategies for each of the funds that we have and, as you know, we present those investment strategies to the States typically once a year and as part of our normal practice and the Treasury Advisory Panel, which the Assistant Minister is part of, to review those investment strategies.

Assistant Minister for Treasury and Resources:

Yes. For example, we are looking at doing a piece of work saying, how big should the Strategic Reserve be? What is the optimal size the Strategic Reserve should be going forward to cover the 2 circumstances that would likely be drawn down? That piece of work has never been done and it is a piece of work that we are looking to do in the life of this plan. If we pick out a figure and it comes to a figure and the Strategic Reserve is greater than that or grows at a rate greater than what is required, then there is maybe an opportunity to use that additional growth for other purposes, such as repaying back the P.E.C.R.S. pre-1987 debt.

Senator S.C. Ferguson:

All right, so you are sort of looking at top-slicing the Strategic Reserve.

Assistant Minister for Treasury and Resources:

We need to find out what size the Strategic Reserve should be and if we have in excess of that at some time then we should maybe give it some consideration. Is it better to use those additional monies to repay a long-term debt or to use it from another source?

Senator S.C. Ferguson:

Because presumably you would sort of say: "Oh, well, the reserve should be so much this year" but how will you sort of change it for next year?

Assistant Minister for Treasury and Resources:

That is part of the exercise, we have to see what is the optimal size of the Strategic Reserve ...

Senator S.C. Ferguson:

Yes, but would you put it up by R.P.I. (Retail Price Index) ...

Assistant Minister for Treasury and Resources:

Let me finish, and then you have to decide, how much does it increase by year on year to maintain the same buying power?

Senator S.C. Ferguson:

Or should you put it up in line with earnings or perhaps total liabilities?

Assistant Minister for Treasury and Resources:

That is all to be discussed over the life of the M.T.F.P.

Senator S.C. Ferguson:

You have 2 more alternatives to add to that then.

The Connétable of Grouville:

I fail to see how you would assess what the size of the Strategic Reserve should be, what access it is bringing ...

Assistant Minister for Treasury and Resources:

Exactly, we need to look at it.

The Connétable of Grouville:

In an ideal world it should have £500 billion in reserve so as we have no worries at all.

Assistant Minister for Treasury and Resources:

Well, exactly ...

The Connétable of Grouville:

At what stage do we reach the size where we do not have any more worries or less worries? They might say: "Drop it down to £500 million".

Assistant Minister for Treasury and Resources:

We have to do the piece of work, you have to start from somewhere. Over the next few years that is one of the tasks that Treasury will have ...

The Connétable of Grouville:

That is an exercise that is going to take maybe 6 years.

Assistant Minister for Treasury and Resources:

Yes. Over the next few years it is one of the tasks that Treasury wishes to carry out.

Senator S.C. Ferguson:

Right and if we look at taxation, the Tax Office Transformation Programme received carry-forward funding in 2011 of £380,000 for 2012 and the draft plan states that: "Funding for the remaining 3 years of the project has not yet been fully identified but will be a priority for funding within the resources allocated" to your department. How are you going to do that?

Treasurer of the States:

This is very much a management thing, Chair, by making the best use of the resources that we have. I do not think it is always necessary to ... because you need to make an improvement in one area there may be a way in which you can release resources from another in order to achieve it. I just do not see that it is always necessary to have growth and I know you think the same, so that is exactly what we are doing. We are looking to find ways in which we can better manage the resources we already have within Treasury to deliver a new priority, instead of always looking for growth.

The Deputy of St. Ouen:

Could you just confirm, though, that it was an original growth bid made by your department?

Treasurer of the States:

There was an initial proposal to do that but in the light of the total amount of growth bids that we received, Treasury, in its main role, in terms of bringing in or receiving all the growth bids from all departments, we knew that we had quite a gap to close and I could see that the nature, especially in my role, of the bids from other departments were much more important and much more in keeping with delivery of the strategic priorities. I would rather we tightened our belts in Treasury to manage better the resources that we have in order for Health to receive the funding that Health need in order to improve their services and, similarly, the other priorities being housing and jobs, which are job creation and job retention, which are obviously very important. While it would have been good to have growth to support the Taxes Transformation Project, in the light of the other pressures and priorities it did not seem to me to be top of the list, so we took it off.

The Deputy of St. Ouen:

But I think the issue that we would like to understand is that there was an original growth bid so obviously you felt that you needed additional money. You are then saying that we can now fund it within house and it is a management issue and we will deal with it.

Treasurer of the States:

Yes.

The Deputy of St. Ouen:

I suppose the question arises, if the other bids, should I say, are similar, in other words that a bid was put in but they could have dealt with it within the financial constraints and resources available, what confidence do we have that all the monies that are identified for growth are necessary?

Assistant Minister for Treasury and Resources:

To put it in perspective there were 6 attempts to square the circle in terms of allocating the growth that we had budget for and the amount of growth bids, so there were a number of reiterations where we came to. In terms of other Departments, for example, the growth bids for Health and Social Services, each of the 7 core elements of their White Paper, have detailed documents of work backing them up to substantiate their growth requirements. I cannot speak for every single Department or every single growth bid of the £32 million that was received for 2103 ...

Treasurer of the States:

Something like that, yes.

Assistant Minister for Treasury and Resources:

... or at least the 6 available. This one in particular, Treasury decided that we will find another way of doing it. I am sure other Departments are looking at some of their growth bids that also have not made the final cut, so to speak, and seeing if they could still provide those enhancements to their services in another way.

The Deputy of St. Ouen:

Finally on this matter, you are confident that although you have not had a growth bid for this particular matter, that you can deal with it within Treasury and Resources.

Treasurer of the States:

Yes, we have.

The Deputy of St. Ouen:

That you will not necessarily be coming back and asking for additional money later on?

Treasurer of the States:

No, we will not.

The Deputy of St. Ouen:

Great.

Senator S.C. Ferguson:

That is all right. No ...

The Deputy of St. Ouen:

I am just looking at it ...

Senator S.C. Ferguson:

Hang on, where are you?

The Deputy of St. Ouen:

I am just going to do the same sort of thing.

Senator S.C. Ferguson:

Okay, yes.

Assistant Minister for Treasury and Resources:

I see you were looking at the clock back there. Yes, it was my fault, I was at a meeting with the Chief Minister that overran, so I am happy to stay a few minutes longer if that helps you.

The Connétable of Grouville:

It is unlikely to help because he is coming here, I think, at 4.00 p.m.

Assistant Minister for Treasury and Resources:

I believe he is here at 4.30 p.m.

Senator S.C. Ferguson:

If we can just do ...

The Deputy of St. Ouen:

We would obviously spend a little bit of time ...

Assistant Minister for Treasury and Resources:

Yes, but I am just saying, if you want more time from me I am happy to give it.

The Deputy of St. Ouen:

Thank you for that.

Senator S.C. Ferguson:

Yes, thank you for that.

The Deputy of St. Ouen:

Obviously we are focusing on your Department and we need to understand whether or not all your funding pressures and the matters that you believe are important have been provided within the Medium Term Financial Plan or, alternatively, that you are comfortable that you can deal with any matters that appear or ...

Assistant Minister for Treasury and Resources:

To give you a simple, straight answer to that, yes, we are. We would not have published the Medium Term Financial Plan if there was something that Treasury needed to do that was not included in it.

The Deputy of St. Ouen:

I am interested in that comment, insofar as that some would suggest that trying to forecast one year ahead, let alone 3, is difficult and how are you able to have such confidence that additional requirements will not be placed on your Department, for instance, over the next coming years which you will need, by necessity, to deal with?

Assistant Minister for Treasury and Resources:

Okay, that is what we have contingencies for, and in the Medium Term Financial Plan there are built-in contingencies, that is what they are there for, to deal with the unforeseen. I believe that you can quite robustly predict your expenditure over a 3-year period and it is wise to do so. It allows you a bit more flexibility year on year to deal with pressures and to deal with improving services without increasing the cost of those services. Where we have predicted and done a substantial amount of work is on the income stream. We have done more work than ever before on identifying a more robust way of predicting our income.

Senator S.C. Ferguson:

But last week at the presentation to States Members your Minister said: "If we do not achieve the income forecasts then we will just have to dig deeper into reserves."

Assistant Minister for Treasury and Resources:

What we will do, and what the Minister did indicate, is that we would effectively run a deficit for that period because we do need to deliver the services for the next 3 years that we have identified that we are going to deliver. We do need to support the Back to Work schemes and the Advanced Work Plus schemes. We do need to invest in skills. We do need to invest in our health service, so ...

Senator S.C. Ferguson:

Well, I would just ...

Assistant Minister for Treasury and Resources:

If our income levels fall short of what we predict we will still spend the same amount of money, that is what we are doing now, we are setting limits for the next 3 years. It will mean that we will potentially run a deficit and we will not get back to balanced budgets and that would have to be addressed in the Medium Term Financial Plan that comes after this one.

The Connétable of Grouville:

That means you take it out of the Strategic Reserve.

Senator S.C. Ferguson:

Yes.

Assistant Minister for Treasury and Resources:

No, it means running a deficit. It means we will have to find the money from somewhere else. You do not necessarily have to ...

The Connétable of Grouville:

Yes, when your pockets are empty you go to another pocket that is full ...

Assistant Minister for Treasury and Resources:

Not necessarily, you might borrow some and you might find other sources of income. You do not necessarily all go to the Strategic Reserve.

The Deputy of St. Ouen:

Just picking up on the contingencies, can you just tell me where I would find these contingencies that you just spoke about earlier?

Assistant Minister for Treasury and Resources:

If I could pass it on to the Treasurer who has the Medium Term Financial Plan in front of her.

Treasurer of the States:

Yes, there is a section for contingencies.

Senator S.C. Ferguson:

It is in here somewhere.

Treasurer of the States:

It is the third tab, I will just put my finger on there for that one. It is that one there.

Senator S.C. Ferguson:

What page?

Treasurer of the States:

Sorry, I have gone too far, I will just find it, third tab in at the top. Page 122.

The Deputy of St. Ouen:

122?

Treasurer of the States:

Yes.

The Deputy of St. Ouen:

Thank you. I suppose the question I have is that from this it seems that the contingencies are ... I mean there are various allocations and different reserves that are being set up to provide for contingencies.

Assistant Minister for Treasury and Resources:

Yes, there are 3 different types.

The Deputy of St. Ouen:

Are these the only areas where contingencies will be found?

Assistant Minister for Treasury and Resources:

Those are our contingencies, as laid out there.

Treasurer of the States:

We do fund the ...

Senator S.C. Ferguson:

We have spent this year's contingencies.

[16:00]

Treasurer of the States:

We do, nonetheless, have other reserves. So, for instance, we have an insurance fund that we could call upon if we have problems which are related to accidents and that sort of thing. We have an insurance reserve as well which is separate from this. Departments also have their own contingencies within their Departmental budgets as well that they can draw upon.

Senator S.C. Ferguson:

Have you actually added up how much we have in the way of ... without going into the Strategic Reserve and the Currency Fund, how much Departments and the insurance fund could cover in the way of contingencies?

Treasurer of the States:

Well, the contingencies are set out on page 122, Chair, so the £6 million ...

Senator S.C. Ferguson:

Is that the total of what is available for a contingency?

Treasurer of the States:

No. What I am explaining, Chair, is that in response to James's question is in addition to these contingencies we do have some other reserves as well, like the insurance fund, that we could call upon and Departments ...

Senator S.C. Ferguson:

How much is in that?

Treasurer of the States:

It is probably about £6 million or thereabouts.

The Connétable of Grouville:

How has this arisen, i.e. the insurance fund? I do not understand, how did it arise?

Assistant Minister for Treasury and Resources:

In simple terms, Constable, it is effectively a self-insurance fund. If you were like running a ...

The Connétable of Grouville:

We carry our own insurance then on various items.

Assistant Minister for Treasury and Resources:

Partly we do, yes.

The Connétable of Grouville:

Right. What sort of things ...

Assistant Minister for Treasury and Resources:

So, that is effectively premiums that we have paid to ourselves that we have not had to pay out on claims.

The Connétable of Grouville:

Yes, I understand that, yes. What sort of things would you be covering, obviously not a major airport disaster or comet strike in St. Helier or something like that? What sort of things do we cover for ourselves?

Treasurer of the States:

Well, I suppose the most significant thing that I could mention currently as an application of the insurance fund, would be the claims for historic child abuse. I mean obviously that is a very extraordinary item. There would be more routine items as well that would come out of the insurance fund.

The Connétable of Grouville:

Have we done that in order not to pay premiums on it to an outside body or have they been refused?

Assistant Minister for Treasury and Resources:

Yes.

Treasurer of the States:

Yes.

Assistant Minister for Treasury and Resources:

No, no, it is the ...

The Connétable of Grouville:

Is that sort of thing being refused for insurance?

Assistant Minister for Treasury and Resources:

No, it is the former. It is over the years that the States have decided that instead paying premiums to a third party and having nothing to show from it ...

The Connétable of Grouville:

It is not something where the insurer says: "No, we are not covering you"?

Assistant Minister for Treasury and Resources:

No.

Treasurer of the States:

No, it covers our excesses.

Senator S.C. Ferguson:

Right, okay, I think that is ...

The Deputy of St. Ouen:

Thank you very much. Apologies, I cannot, for the life of me, remember where I did see the figure £7 million, I know I have seen it.

Treasurer of the States:

Okay.

The Deputy of St. Ouen:

I will highlight that to you.

Treasurer of the States:

No, no, that is okay.

Senator S.C. Ferguson:

If you look under the Income Allocation at the back.

The Deputy of St. Ouen:

Is really just a reconciliation between that figure and the £5.4 million.

Assistant Minister for Treasury and Resources:

Yes. No, we can probably ...

Treasurer of the States:

Okay, that is not a problem.

Senator S.C. Ferguson:

Yes. We are only simple politicians and we need all the help we can get.

The Deputy of St. Ouen:

I should have noted the page numbers.

Assistant Minister for Treasury and Resources:

Thank you and, again, my apologies for arriving a few minutes late.

Senator S.C. Ferguson:

We are now over, thank you. Thank you very much for coming.

[16:03]