

Ministerial Response: S.R. 9/2010

Review title: Scrutiny of the Comprehensive Spending Review

Scrutiny Panel: Corporate Services

Introduction

This is a joint response by the Chief Minister and the Treasury and Resources Minister as both are referred to in the Scrutiny Report. It should also be mentioned that, as CSR Part 2 has now been completed and the 2011 Budget approved, some of the findings and observations have been overtaken by events. However, it is hoped that the comments below are helpful and informative to the Scrutiny Panel.

Findings

	Findings	Comments
1	Doing nothing is not an option.	The Ministers completely agree with this statement and have frequently stated so.
2	Figures issued by the Minister for Treasury and Resources and CSR Team have been inconsistent and confusing.	It is accepted that the figures were initially confusing but both the 2011 Business Plan and Budget have subsequently made them clear. However, the figures are often misrepresented in the media and hence the public can find them difficult to understand.
3	Department Expenditure Limits should not have contingency funds available.	The central provisions cover 3 elements : <ul style="list-style-type: none">• Annually Managed Expenditure – volatile expenditure outside a

		<p>department's control (eg Social Security Supplementation and Income Support). The report suggests this also includes items such as pay and pensions but this is not the case.</p> <ul style="list-style-type: none"> • Departmental Expenditure Limit – expenditure considered manageable within a department • Unforeseen One Off Expenditure – exactly as the term suggests. <p>The report suggests that there should not be a provision for DEL but good practice elsewhere recognises that there are times when changes in this kind of expenditure cannot be managed from within a department, especially in-year. The longer term effect may be able to be accommodated but the immediate impact cannot. This is the prudent and sensible way to provide for such events and will not lead to intentional overspending.</p>
4	Department contingency funds should only be funded from within their own budgets.	Departments will be encouraged to maintain their own contingency fund and they will not be able to access central provisions unless it is clearly demonstrated that internal contingencies have been maintained and used appropriately.
5	There is no mechanism to ensure that £50 million savings are achieved.	The delivery of the increased target of £65 million savings is now the main thrust of the CSR Team. A robust and deliverable plan is being drafted which will incorporate appropriate monitoring and control as well as stewardship and governance.
6	Although the Panel agreed with the principle of the CSR, it considered the delivery is likely to fail.	As above, the delivery of the savings target is critical. The initial savings of 2% have been agreed and the Budget includes an 'in principle' approval of a spending envelope for 2012 and 2013 which encompasses the £65 million savings target. The CSR Delivery Team will undertake an overall planning, monitoring and co-ordinating role to ensure the target is attained. Chief Officers, reporting to their Ministers, will be responsible for delivery of the

		CSR proposals within their departments.
7	Only a few Ministers are rising to the opportunities for significant changes.	This Scrutiny review looked solely at the 2011 2% savings. These were not significant and should have been 'business as usual'. The 2012/13 savings of a further 8% was where significant changes would be required and these have now been identified. All Ministers contributed to the savings target and, in addition, the corporate savings of over £20 million will also be allocated out over departments.
8	Ministers are responsible for the outcome of the CSR.	The Ministers completely agree with this statement.
9	The balance between the CSR and FSR is key to the impact of the CSR.	The Ministers completely agree and this is why an increased savings target of £65 million was agreed subsequent to the 2011 Business Plan debate. It became clear that members wanted to see a change in the balance between taxes and savings and hence the Council of Ministers agreed an increased target.
10	Departments are not all responding to the CSR timescales.	Although some departments struggled to achieve the CSR deadlines, all departments did return proposals which were then put forward in the 2011 Business Plan. Subsequently all departments responded with proposals to achieve the further 8% for 2012/13.
11	HSSH do not have a routine cost identification system.	Improved financial management and reporting is being implemented as part of the Treasury restructuring which will assist in ensuring proper and appropriate financial control and monitoring is undertaken in all departments.
12	Without a routine cost identification system, robust monitoring and measurement of the success of proposals will be impossible.	Agreed but, as stated above, systems and processes are being improved and the impact of the CSR proposals will be monitored and recorded.

13	Successful inroads into benefit fraud may reduce, or even avoid altogether, future proposals for necessary cuts in benefit.	Completely agree and Social Security are already progressing this by employing more fraud investigators. In a similar way, additional tax staff have been employed to increase the tax revenues in the Tax Department.
14	The States Assembly must not sidestep unpopular and difficult decisions relating to benefits	The Ministers completely agree. The Social Security Minister has now agreed to save £4 million from his budget in 2012/13 and the Chief Minister and Treasury and Resources Minister will work with him to achieve this target. It will not be easy but must be part of the overall savings plan.
15	The Minister for Home Affairs must stand by his decisions and not expect the responsibility to be picked up by the States as a whole.	The Ministers agree and every assistance will be given to the Home Affairs Minister to achieve his targets.
16	There is no saving recognised in the area of the Treasury training budget.	The Treasury will achieve their savings – if additional training is required in other areas, the budget will have to be found from within cash limits.
17	States Members remuneration and membership numbers is not part of the CSR.	The Privileges and Procedures Committee agreed to participate in the CSR process albeit that the States of Jersey Law states that they alone are responsible for their budget. Savings have been found in other areas of the States Assembly budget and, in fact, following the States approval to reduce their membership, ongoing savings have now been put forward. It is for the States to decide on membership and the remuneration panel to decide on pay. The Council of Ministers cannot interfere in this process.
18	The PPC must advise the States Members Remuneration Review Body to consider an invitation to join the CSR process.	This is a matter for PPC and not the Chief Minister or the Treasury and Resources Minister.

19	The Health, Social Security and Housing Scrutiny Panel should review the changes proposed in the Housing Department.	The Ministers agree – each Scrutiny Panel should review their departments' proposals.
20	Large savings will be found in the cross cutting areas of the States.	It is acknowledged that, as part of the CSR Part 1 process for 2011, the major cross cutting elements were not considered. However, for 2012/13, a target of £20.5 million has been allocated to Terms and Conditions of all States employees and procurement. Support from central departments – HR, ISD and Property – will be key to departments also achieving other savings and certainly IS/IT support and provision and Property Strategy are incorporated.
21	Jersey needs to decide if economic principles from outside apply to Jersey.	There are few economic principles that can be applied regardless of the nature of the economy concerned and the economic conditions it faces. The Jersey economy is different compared to its larger neighbours given its focus as an offshore centre but also as a small island economy with limited resources. Jersey is not immune to the basic economic principles but economic analysis and advice will be critical in determining what economic principles apply to Jersey and under what conditions. We should not slavishly apply economic principles to Jersey and neither should we just assume that Jersey is so unique that the basic rules of economics do not apply.
22	Some invest to save is necessary to ensure success of the CSR.	The Ministers completely agree and this is why a Restructuring Provision is included in the 2011 Budget and within the spending envelope for 2012/13 and also why the Article 1(1)(8) establishing an early fund for Voluntary Redundancies was requested and approved by the States earlier this year. This level of savings cannot be achieved without some investment.

23	2% cuts create minimal social impact.	The Council of Ministers proposals have been designed to minimise the impact on front line services as far as possible.
24	Significant work needs to be done on public perception of the roles undertaken by States staff.	The Ministers agree that the public do not understand everything that the public sector do. They see the front-line roles but not those behind the scenes. Better communication in this regard would be helpful.
25	The Island is being nudged towards a high tax, high spend government.	The Ministers do not agree with this finding. The reason for cutting public expenditure is to ensure Jersey is not a high spend government and, although taxes are increasing, this is not to the level to suggest Jersey is a high tax jurisdiction. The proposed tax increases are less than are being implemented in almost all other developed economies.
26	The Council of Ministers may not have the resolve to deliver the full CSR package.	It is critical that the Council of Ministers remains determined to deliver the savings especially now that taxes will increase.
27	The Council of Ministers must undergo a change of culture to succeed with the full CSR.	Both Ministers completely agree with the statement made in the Scrutiny report that 'Doing things differently must be the normal thought process, not the exception'. This will mean a change of culture throughout the States including the Council of Ministers.
28	What happens to Ministers who fail?	The 2011 2% budget reductions are now inscribed in budgets and the Accounting Officers are responsible for delivering the savings to ensure their budgets are not exceeded. The 2012/13 spending envelope has now been approved by the States in the 2011 Budget and the Council of Ministers have agreed to deliver budgets within the overall envelope. If initial proposals prove to be undeliverable, alternative initiatives will have to be put forward.

29	2% savings are only the start of the process.	The Ministers completely agree with this statement – as already mentioned, the 2% should just have been ‘business as usual’ with the main effort going towards identifying the additional 8% in 2012/13. Furthermore, this process will not finish with 2013. As stated above under Finding 27, a change of culture is required to be constantly examining ways of doing things differently and more efficiently to save money.
30	The CSR timescales, as agreed by the Council of Ministers, were exclusive.	Both Ministers acknowledge that the time available for Scrutiny to do their job on the 2011 Stage 1 CSR process was not appropriate and will endeavour to work with Panels in the future to ensure an effective Scrutiny process is written into the timescales.
31	Jersey needs an economic growth policy.	The existing economic growth framework covers skills, enterprise, competition, infrastructure and macroeconomic stability and is the legacy of the previous Economic Growth Plan. Policies should continually be reviewed and evaluated and only continue where they have been successful. New policies should also be developed to build on previous ones and fill gaps in the existing framework. Jersey has an economic growth framework and work is already underway to update and improve it.
32	The election period due in 2011 is a threat to the success of the CSR.	The election period always brings challenges to the ongoing process of government. However, the 2011 Budget included an overall spending envelope which the States approved and the delivery mechanism to work up the 2012 and 2013 proposals has started. It is hoped that the election process will not adversely affect the CSR.
33	The Panel anticipates the CSR will fail to produce £50 million of savings.	The Ministers do not agree – and the increased target of £65 million must be achieved to support the increased taxes which will be implemented.

34	Very little has emerged relating to user pays.	Both Ministers, and the Council of Ministers as a whole, were disappointed that not more user pays proposals were forthcoming. It may be that, because user pays proposals could not be used to offset each department's savings targets, that they were not given the consideration necessary. But it was important that departments or Minister could not put forward additional charges in place of actually reducing their expenditure. More work will be done on this aspect to see whether there are other opportunities which are appropriate to progress.
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Recommendations

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1.	The Minister for Treasury and Resources must publish details of the total forecast deficit in clear terms.		Accept	The 2011 Business Plan and Budget not only explained clearly what the deficit is forecast to be but also put it in context and explained how it has developed.	Done
2.	If DEL contingencies are required, they should be funded by a further 2% saving from departmental budgets.		Reject	As explained in the above comments, this is a prudent central contingency. A further 2% saving to provide for this would not have been possible and the overall spending envelope incorporates this requirement. Following the States approval of Deputy Vallois's amendment, there are now only limited provisions for either DEL, AME or unforeseen expenditure in 2012/13.	
3.	The CSR team must devote a high priority to the crosscutting areas of the organisation.		Accept	The cross cutting elements are important and warranted a review of Terms and	Ongoing

				Conditions as well as significant investment in procurement. This is now ongoing.	
4.	The Chief Minister must justify and provide analysis of why Jersey is always different in each case.		Reject	Jersey is not always different but whether it is deemed to be different for certain reasons or more conventional, this should be made clear when justifying policies.	
5.	The Chief Minister must make documentation publicly available listing and explaining both the 'Invest to Save' and 'Growth' principles.		Accept	The 2011 Growth is itemised in the 2011 Business Plan and the Paras 5.4.6 and 5.4.7 detail the rationale for both growth and Restructuring Costs ('Invest to Save').	Done
6.	A clear statement is needed from the Council of Ministers on the direction they intend to take the Island.		Accept	The clear statement was made both in the 2011 Business Plan and Budget documents which was then debated by the States.	Done
7.	The Chief Minister must not allow Ministers to fail to deliver the CSR savings.		Accept	The 2011 savings are now inscribed and budgets and will be delivered. The Council of Ministers agreed to bring forward budgets to achieve the overall spending envelope in 2012/13 and, in the 2011 Budget debate, the States approved these spending limits. Ministers will have to deliver savings/user pays proposals to deliver the £65 million. There will be flexibility to deliver savings in different ways if these are considered more appropriate.	Ongoing
8.	Ministers must be prepared to take responsibility for failure to achieve the required CSR savings.		Accept	Ministers must take responsibility for delivering the level of savings approved and be prepared to explain why variations have occurred and how they will be	Ongoing

				managed.	
9.	The Chief Minister should ensure the publication of an Economic Growth Policy before the end of 2010.		Reject	The existing framework is in the process of being reviewed, updated and improved. The Economic Development Minister will complete this by the middle of 2011.	
10.	It is essential that the Council of Ministers achieve at least £50 million of savings.		Accept	The agreed target is now £65 million and it is essential this is delivered.	Proposals now put forward
11.	More work is required on the economies of public service pricing. (User pays).		Accept	User Pays should be closely considered and will be as part of the 2012 and 2013 Budget preparations.	Ongoing
12.	All Scrutiny Panels should review CSR proposals within the areas of their remit, applying the specialist knowledge they have acquired for those subject areas.		Accept		Ongoing