

### **3.3 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the £21 million departmental underspends:**

Thank you for your kind permission to ask this question. Will the Minister provide Members with a breakdown of the £21 million departmental underspends showing how these were obtained, by department and service, and stating whether they were obtained by efficiency savings, increased charges, staffing reductions and/or reductions or cessation of service provision; and will he further indicate how the £13 million returned to departments will assist in delivering overall C.S.R. targets?

#### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

I will attempt to do it justifiably shortly and sweetly. The Deputy's question has 2 elements where departments have underspent. There are a number of reasons why departments have underspent, for example, the Chief Minister's Department had an underspend of £168,000 relating to the timing of the Census work. There are lots of other examples, which is difficult to go through in an oral question. What I can say is that the States accounts will include, when they are published before the end of May, the most detailed account of expenditure that I think we have ever issued and it will answer a number of those questions. If the Deputy requires more information over and above that which is in the States accounts, then of course he can address them to individual departments. With the move towards medium-term financial planning, departments are, however I should say, being encouraged to have confidence in underspends that are going to be allowed to be carried forward in line with the proposed increased flexibility that departments will be given 3-year cash limits and then work within them. I also would like to ensure, if I may, that the Deputy does not confuse underspends and planned C.S.R. savings. While there are elements of early delivery of C.S.R. savings within the underspend discussions what I can say is that these do not materially contribute to the £21 million worth of underspends. The second half of the Deputy's question referred to the carry forward process itself, which is overseen by the Treasury. Departments have had to justify why they need to carry forward any element of their budgets and these explanations have been scrutinised by the Council of Ministers before approval. The £13 million return to the department covers a number of initiatives, most are a result of timing rather than supporting the achievement of C.S.R. savings themselves, however some previously identified savings to be achieved over a longer period of time - like the reduction in schools' grants and fee-paying schools - are planned over a longer period. I can go into more detail if Members would wish but I think that most of the information is going to be in the States accounts.

#### **3.3.1 Deputy G.P. Southern:**

I thank the Minister for his answer and obviously there will be further material coming. In particular, I am concerned that there has not been involved any cessation or reduction in service provision, front line services in particular. Can the Minister assure Members that there has not been reduction or cessation of front line services and is he equally confident that in the C.S.R. stage 2 process, front line services will not be cut?

#### **Senator P.F.C. Ozouf:**

The £65 million savings reductions will not lead to an absolute maintenance of all services that the States provides. There are political discussions about what are front line services, but generally speaking the £65 million worth of savings, of which I have

a high confidence of being able to be presented towards this Assembly for this Assembly to make their decisions on, are reasonable, are appropriate, and where departments are stopping services and reallocating money elsewhere, I think that those matters should be supported by the Assembly. The Deputy does not believe that £65 million can be delivered. I think we can and we must.

**3.3.2 Deputy D.J. De Sousa of St. Helier:**

I wonder if the Minister would undertake right now to clarify for both Members and the media that these underspends are not savings, they are underspends of departments that have been budgeted for, but for some reason the work has as yet not been carried out, so it is not savings, they are underspends of work that has not been carried out?

**Senator P.F.C. Ozouf:**

I do not think I understand the point that the Deputy is making. This Assembly sets budgets for departments. Last year departments underspent those budgets by £21 million. Some of that, not a large amount of it, were departments getting on with delivering C.S.R. savings. Other ones were elements of discretionary expenditure, which was delayed over a period of time. While I heard the Chairman of the Public Accounts Committee, it may have been taken out of context, saying that underspends were as bad as overspends: I congratulate departments. I congratulate Ministers, their chief officers and their Assistant Ministers on making sensible decisions in terms of timing of expenditure in order to deliver a more efficient public sector.

**3.3.3 Senator S.C. Ferguson:**

I might say that perhaps underspends are bad budgeting. But does the Minister not think that it was somewhat naïve to issue this plain amount without an explanation, and will he issue a written explanation to Members before the States Accounts are out, unless the States Accounts are going to be out this week?

**Senator P.F.C. Ozouf:**

I cannot do anything really about the timing of decisions. Ministers were certainly giving me pressure, understandably so, that they wanted to know what the Treasury decisions were about their carry forward as soon as possible because they wanted - we are now May - and they wanted to know whether or not they were going to get their underspends in order to manage their departments appropriately. The preparation of the States Accounts, as the chairman will know, take some time. While the Treasury has completed their work, the matters now are in the hands of the auditors and the States Accounts will be published imminently. I need, in the way that we run transparent administration in Jersey... when I make a decision about carry forwards, that is published and I issued a fairly detailed report in respect of where the carry forwards were going, which accompany the Ministerial Decision.

**3.3.4 Senator S.C. Ferguson:**

I am sorry, I think the Minister did not understand my question. I said was it perhaps somewhat naïve to issue a press release just stating that there is a £21 million departmental underspend without any explanation of where the underspends had come from?

**Senator P.F.C. Ozouf:**

The press release is just simply the indication that the Ministerial Decision has been made, all of which the detail of which is on easy media links now, one click away to look at the full report. If we had just published the Ministerial Decision then people might not have been aware of the fact that it would have been, and frankly I would be criticised either way. I think that I needed to make it clear that I was making the underspend allocations to carry forward and drawing the media and Members' attention to the fact that that has happened. Members, of course, will have the complete picture when they have the States Accounts, which are going to be published by the end of May or in very early June.

**3.3.5 Deputy M. Tadier:**

Point of order first, there will be a statement made later on by the Chief Minister to do with racial intolerance, will that permit oral questions, Sir?

**The Bailiff:**

Can we just concentrate on this at the moment?

**Deputy M. Tadier:**

The reason I am asking is because if not I will ask a question which covers both aspects.

**The Bailiff:**

I see. Any statement does have 10 minutes of oral questions.

**Deputy M. Tadier:**

That is fine. It will become clear later on. Thank you. The question in that case is, first of all, does the Minister accept that there is great unease about the way in which the money appears to have been reallocated to States departments in the guise, I would say, of savings, when in fact they are underspends? Secondly, does the Minister accept the fact that normal practice, I believe, is for the money to be returned to the Treasury and any subsequent spending would be brought back for the House to decide. There is an issue, I think, because Ministers are perhaps deciding priorities within the C.S.R. rather than the actual Members of this House.

**Senator P.F.C. Ozouf:**

No, I do not. The decisions in relation to carry forwards, if departments are underspent ... this Assembly has given the T.T.S. (Transport and Technical Services) £20 million, for example, it probably has not had that, but just by way of example, at the end of the year if T.T.S. have come forward, of which they should be recognised and congratulated that they have come forward actually only having spent £19 million of their expenditure because they have deferred some expenditure, if the Treasury is content to reallocate that money, not in exceeding any expenditure limits, then I think that it is perfectly reasonable for the Minister for Treasury and Resources, after an appropriate discussion with the department, to allocate that underspend. This Assembly is living within its overall means, that is one of the key objectives is living with overall net expenditure control and that is the discussion that will happen in this Assembly in the Business Plan when we confirm, and I have back, the £65 million worth of spending reductions across the States departments.

**3.3.6 Deputy M. Tadier:**

Supplementary? But does the Minister accept that it is very difficult for Members to know what are genuine underspends or perhaps which is money that has not been allocated or not been spent because the programme itself may not have been fully rolled-out over 2 years? It is a completely different matter for money being earmarked for a project which is ongoing, or simply for the Fire Service not having been called out to so many fires this year, and therefore that money has not been spent. Does he agree that the 2 are different and that States Members and the public, until we see the figures, it is going to be very difficult for us to judge the validity of where that money is being spent?

**Senator P.F.C. Ozouf:**

I do appreciate that there is a difference between underspend and C.S.R. They are linked in some ways, in the way that I have described. I look forward to seeing the Deputy at lunchtime with the update that we are going to have on the comprehensive spending review, it is this Assembly that makes decisions in relation to the comprehensive spending review and where those spending reductions are going to be allocated across departments. Those are going to be lodged in July and debated and confirmed by this Assembly in September. So if Members want, all the information is there. We have a very high transparency of information that is about C.S.R. and savings and I hope the Deputy attends at lunchtime.

**3.3.7 Deputy P.V.F. Le Claire:**

I would like to ask the Minister for Treasury and Resources what is going on at Transport and Technical Services because we had the debate recently on green waste and the issues in relation to commercial charges being introduced because it is costing in excess of £800,000 a year. Nothing gets mentioned and then 6 weeks later, they spend £1.6 million. So we are spending £2.4 million minimum this year on composting green waste before we have even introduced a charging mechanism or the weighing machine for that. What is going on at Transport and Technical Services? What money were they given? Is it not a fact that we do not make decisions in this Assembly? We just rubberstamp what the Ministers are going to do and then once we have rubberstamped it, they go and change their minds and do whatever they want anyway.

**Senator P.F.C. Ozouf:**

I am not an expert on all aspects. I can research the matter but it is a matter better addressed to the Minister. There has been a discussion in this Assembly about the introduction of waste charges and I just would remind the Deputy that one of the most important functions of this Assembly, on an annual basis and going forward on a 3-year basis, is to give departments an allocation and then it is up to the department as to how they allocate that, but Members are going to be persuaded on the makeup and the construction of those budgets. But we need to give departments some confidence that they have all **[Interruption]** ...

**3.3.8 Deputy P.V.F. Le Claire:**

Could I ask a supplementary on that very briefly? How does that answer marry with his previous answer that there is a high level of transparency in this process?

**Senator P.F.C. Ozouf:**

All the information is published and debated in this Assembly leading towards that decision but ultimately when the Assembly has confirmed an overall cash limit to a

department, then they must work within it and we must have confidence in Ministers and their departments to do that work.

**3.3.9 Senator B.E. Shenton:**

Will the Minister concede that if you are trying to run a balanced budget that accurate forecasting is vital and will he furthermore concede that the lack of accurate forecasting in this case may have led to higher taxation on the public of Jersey than was in fact necessary?

**Senator P.F.C. Ozouf:**

I have just done a calculation, and outwith the £8 million that was underspend from Social Security in respect of various different matters, which had previously been discussed, that has been returned to the Consolidated Fund. The actual underspend across departments was, I calculate, in the region of 2 per cent. I think that is a fairly reasonable tolerance for departments to operate in and I wish sometimes that the Chairman of P.A.C. (Public Accounts Committee) who is rightly critical about administration of public finances, for once says: “Well done, well done to departments for managing expenditure properly and not working towards the end of the year and just spending your budget.” **[Approbation]** So sometimes politics is difficult but sometimes say a nice thing, Senator Shenton, if I may say.

**Senator B.E. Shenton:**

Sir, could I just say: “Well done”? **[Laughter]**

**3.3.10 Deputy G.P. Southern:**

Notwithstanding the publication of the end of year annual report in which this material will be contained, will the Minister extract the details and publish them before, for the sake of Members of the States following-up with departments where these underspends have occurred, how they have occurred, as I wish to do in the next written questions session, which requires me to have that information before this coming Sunday? Will the Minister extract the data which fits this question and circulate it among Members so that they can do what they are required to do, hold Ministers to account for those underspends and to examine the way in which those underspends have occurred?

**Senator P.F.C. Ozouf:**

I would encourage the Deputy to wait for the States Accounts which will be published imminently. There is a huge amount of work that goes into the publication of the States Accounts and I would prefer to deploy Treasury resources to completing that work, getting that information out. If the information is not complete, then of course the Deputy can ask individual written questions to do it. I am sorry, I did not answer Senator Shenton’s other question. No, this would not change anything in relation to this Assembly’s decision in relation to the fiscal strategy. The public financial position of Jersey has improved, that is good, but nothing stops us from having to stick to the decisions on the savings programme and the taxation in order to rebalance our books.