



**Public Accounts Committee**  
Estate Management /  
Performance Management /  
States Annual Report and Accounts 2020  
**Witness: Interim Chief Executive**  
Monday, 7th June 2021

**Panel:**

Deputy I. Gardiner of St. Helier (Chair)  
Connétable K. Shenton-Stone of St. Martin (Vice-Chair)  
Connétable R. Vibert of St Peter  
Senator T.A. Vallois  
Mr. G. Phipps  
Dr. H. Miles  
Mr. P. van Bodegom  
Mr. A. Lane

Ms. L. Pamment, Comptroller and Auditor General

**Witnesses:**

Mr. P. Martin, Interim Chief Executive  
Mr. R. Bell, Treasurer of the States  
Mr. M. Thomas, Director of Risk and Audit

[12:59]

**Deputy I. Gardiner of St. Helier (Chair):**

Good afternoon and welcome to the public hearing with the chief executive and treasurer on the 2020 annual report and accounts. I am Deputy Inna Gardiner, chair of the Public Accounts Committee and I will ask the pane to introduce themselves.

[13:00]

**Connétable K. Shenton Stone of St. Martin (Vice-Chair):**

Karen Shenton-Stone, vice-chair of the P.A.C. (Public Accounts Committee).

**Dr. H. Miles:**

Helen Miles, lay member.

**Mr. P. van Bodegom:**

Paul van Bodegom, lay member.

**Mr. G. Phipps:**

Graeme Phipps, lay member.

**Senator T.A. Vallois:**

Senator Tracy Vallois, member of the Committee.

**Connétable R. Vibert of St. Peter:**

Constable Richard Vibert, member of the panel.

**Mr. A. Lane:**

Adrian Lane, lay member.

**Deputy I. Gardiner:**

If you would like to introduce yourselves?

**Interim Chief Executive:**

I am Paul Martin, I am in the interim chief executive and head of public services for the Government of Jersey.

**Treasurer of the States:**

Richard Bell, Treasurer of the States.

**Director of Risk and Audit:**

Mike Thomas, director of Risk and Audit and was interim for Group Reporting towards the end of this process.

**Deputy I. Gardiner:**

Thank you. We will start with the questions on the performance management.

**Mr. A. Lane:**

Okay, so we will lead off with the efficiency targets. In section 4 of the annual report and accounts you have disclosed £40 million proficiency savings being made, £15 million of those were one-off measures. Can you tell us how they will contribute in the future given that they are one-off?

**Interim Chief Executive:**

I think Richard is going to start with this one.

**Treasurer of the States:**

Thank you. I should probably start by saying we have a history of delivering efficiencies or savings on a combination of recurring and one-off bases. Generally the one-off basis is to meet the target in the current year and then follow it up with recurring savings on an ongoing basis. The £15 million one-off measures, either through a process of one-off savings themselves or from deferral of growth have been rolled forward into the current year and are being monitored by E.L.T. (Executive Leadership Team) and by individual S.L.T.s (Senior Leadership Teams). When you add the 2021 target to it, we are monitoring just short of £35 million during the year. So they are monitored monthly. Obviously that was an additional challenge over that which was originally envisaged but we are, as I say, looking monthly to see where they are being delivered on an ongoing basis.

**Mr. A. Lane:**

How long are the savings rolled forward?

**Treasurer of the States:**

The target rolls forwards in that the cash limits in a majority of cases will have been impacted by the ... assuming that that saving is made on an ongoing basis.

**Mr. A. Lane:**

Okay. You also had savings described as arising from deferral of spend in future years. That feels like actually exacerbating the problem in future years because you are going to spend more money than you have spent this year. Does that not just create an even greater challenge?

**Treasurer of the States:**

It will create a greater challenge, however, particularly in 2020 we had very high levels of growth and investment agreed by the Assembly in the Government Plan for 2020, however COVID impacted heavily upon departments in terms of being able to deliver that growth. So we see in particular for that this is year deferral of growth arising from capacity to deliver both that growth, which means from a one-off saving perspective was available to balance the books in 2020 but obviously if and when departments catch up that one-off will not be available. It counts as part of the £15 million on the one-off out of the overall total of £40 million in efficiencies.

**Interim Chief Executive:**

If I can answer that, in jurisdictions everywhere I guess one of the impacts of COVID was to divert management attention away from efficiencies and cost reductions that otherwise would have been achieved. So the pattern that I can see here is one that we will see in jurisdictions and governments throughout the world and therefore the underlying plans that the Government had in place that would have been achieved in 2020 we should expect now to take place in 2021 and beyond.

**Mr. A. Lane:**

How does £35 million in 2021 compare with the original target?

**Treasurer of the States:**

£15 million one-off in 2020 that were not delivered on a recurring basis plus the rebalancing measures for 2021 of £20 million.

**Mr. A. Lane:**

So it is consistent with the amount in the original plan. To what extent do you have line of sight on that at this stage?

**Treasurer of the States:**

The deadline is to have delivered them by the end of the year, the monitoring forecast gives that target.

**Director of Risk and Audit:**

There is monthly reporting on that through to E.L.T., which analyses the changes over the year by department.

**Mr. A. Lane:**

Okay, if we turn to the year-on-year expenditure disclosed in the accounts of the States of Jersey, there is a £250 million increase year on year, can you tell us what the high-level reasons were for that increase?

**Treasurer of the States:**

From a high-level perspective, looking at type of expenditure, so we are up on social benefit expenditure by £138 million, on staff costs by just over £40 million and other operating expenditure by £48 million. Of that total £250 million the lion share of that is £190 million, which includes expenditure across each of those categories, leaving £60 million from a combination of growth but also including pay award allocation in 2020 at just short of £16 million.

**Mr. A. Lane:**

Okay, and the fact you have made £40 million of saving presumably means you have also re-spent that £40 million on something else as well?

**Treasurer of the States:**

Yes, that is where that would have been net off as well, yes.

**Mr. A. Lane:**

So the £60 million of non-COVID related increases is actually £100 million of non-COVID-related increases?

**Treasurer of the States:**

Well, yes, on a grossed out basis that would be the case, reflecting the scale of growth that is embedded in the expenditure plans of 2020 as a result of the Government Plan 2020 which we ...

**Mr. A. Lane:**

Okay, so just to confirm that £100 million of increased gross ...

**Treasurer of the States:**

On a gross basis, yes.

**Mr. A. Lane:**

... is in line with the original plan is what you are saying?

**Treasurer of the States:**

Well, yes, to the extent that some of that growth was offset, growth and investment that was in the Government Plan 2020 was used to offset some of the expenditure.

**Mr. A. Lane:**

Okay.

**Treasurer of the States:**

Sorry, some of the efficiencies.

**Mr. A. Lane:**

Turning to the accounts themselves, or the future accounts, clearly COVID has impacted on reported performance this year, how will you go about ensuring that 2021 is then built against an appropriate baseline performance.

**Treasurer of the States:**

Financial performance of performance.

**Mr. A. Lane:**

Performance.

**Treasurer of the States:**

Performance. I will pass back to the chief executive on that.

**Interim Chief Executive:**

Thank you very much. So if I could I would like just to put this in a little bit of context that the question was about baseline, I think. But I want to talk a little bit more about performance during the year and the committee will understand that I am in a bit of an unusual position because I was not in post in 2020, I came to post during 2021. I have interrogated obviously both this report of 2020 and also the predecessor report on 2019 to understand the context of performance and I want to say that I think that the annual report shows a detailed and an impressive account of the year's performance obviously in an exceptionally unusual year, which is what you are pointing towards in 2020. Both in terms of the protection of lives and the protection of livelihoods, but also in the continuous improvement of the government and its operations. I think that in a broad sense the annual report for 2020 in front of you is an advancement on what came before in 2019. It is an impressive account of the Government's work and despite the pandemic I think it shows continuous improvement that is commendable. I want to say a little bit, if I may, about some of the performance measures and in doing so, if you will consent, I will answer your question about baselines. Are you happy for me to do that, Chair.

**Deputy I. Gardiner:**

Yes.

**Interim Chief Executive:**

Thank you. What I want to do really is just to give some examples of baselines in performance and how there has been movement. There has been quite a lot of movement in performance measures and that again would happen in every jurisdiction. It is extremely interesting to see it in a Jersey context. I am looking at page 60, just to take one example of performance, which refers to children, young people, education, skills, performance measures and we see some very big fluctuations there in areas like the number of children in need, which has decreased by 25 per cent, or the number of referrals to children's social care services, which is decreased by 47 per cent. I use these as examples of indicators that, on the face of it, they have changed a great deal and they maybe, and probably are in those cases, telling us something about performance which is COVID-related, because of the particular circumstances of last year, and may indeed generate new risk for the coming period, for the years ahead. So that is one category of performance changes where I think we are aware that there may be new risks that are opening up as a result of what took place during 2020. Then if I move on to another kind of indicator, on page 72, take as an example the number of ... this is in Infrastructure, Housing and Environment, the number of passenger bus journeys which fell by 55 per cent. So the total number of passenger bus journeys last year, 2.2 million, a drop of 55 per cent. Again, obviously COVID-related but a different kind of issue here. So that is a performance that has changed a great deal, is of concern and the risk there - is a different kind of risk - is of changes to habit. The risk in that kind of change is that there may be some permanent change to Islander habits which we want to consider and see how we can revert. That is the second. There are 4 I will draw attention to. The third is on the same page, page 72, and is a reduction in the number of visits to the household recycling reuse centre to 38,800. That is a different kind of change, I think. That is performance which has dramatically moved but I think we would not ... we are not unnecessarily worried about it, we think it is related to COVID in 2020 but probably will not be sustained as a pattern going forward. That is a different category again. Finally, on page 77, there are a number of indicators where performance is sustained in an unusual year, in a way that I think is quite encouraging. The example here on page 77 is the Justice and Home Affairs where prisoners with accommodation placement on leaving or another indicator, prisoners with employment in place when leaving prison, has sustained, it has risen slightly by 12 per cent in both cases. These are examples where performance has been sustained despite it being an unusual year. What I am really trying to say in answer to your question on baselines is on some indicators there are significant fluctuations. The baselines you have in the annual report relate to 2019 in all of the examples that I have given and 2020 was obviously an unusual year that does generate some concerns in certain indicators.

**Mr. A. Lane:**

So how and when will you go through the process of deciding what the right baselines for this year's performance are?

**Interim Chief Executive:**

I see that not as being a one-off task. I do not think we should aim to say we have one set of baselines for performance measures and for the indefinite future we will measure our performance against those baselines. Not least because many of these performance measures themselves are relatively new and are not necessarily the best insights that we could get into service performance. I think we should rather see it as an iterative process that will continue as we identify new and better performance measures that give us ever better insight into the performance of services and then what matters is longitudinal study that says over a period of time ... you know, we will be in a better position in a year to see what performance was like in 2021 but over a number of years we will increasingly gain improved insight into performance. The original baseline for some indicators may be 2019, in the examples that I have given, in some they may be 2020 or indeed this year itself may become a baseline for some new measures.

**Mr. A. Lane:**

I think that answers it, thank you.

**Dr. H. Miles:**

We see from the report as well that staff costs have increased £43.4 million and expenditure on consultancy and temporary staff has increased by £3.5 million and £1.9 million respectively in 2020 compared with 2019. How much of that increase was related to COVID and therefore how much will be reversed in 2021?

**Treasurer of the States:**

I do not have a breakdown to give me that figure precisely but COVID obviously played a great part in that rise, although it is not just limited to that rise. So just short of £16 million arises from pay awards and other forms of growth.

[13:15]

There are significant costs in there that we would not see ... for example, the cost of employment of G.P.s (general practitioners) during COVID in there of £4 million. Testing and tracing, the figure including testing and tracing amounting to £7 million obviously, some of it may well reduce in the coming year but will still be in, to some extent, during 2021. In terms of temporary staff, likewise that was from testing and tracing and, of course, testing and tracing fees are still with us. Beyond that consultancy staff has increased for a number of reasons, which you will find at the P.59 analysis coming out soon, if not already out. £3.5 million of those were COVID-related, some testing and tracing picking up in there as well. On an ongoing basis in H.C.S. (Health and Community Services) as well as M.D. and for major projects such as the hospital in particular, and some of those hospital



roles will continue into coming years. Some of those reflect struggles in filling key roles among those departments, particularly during the COVID period and some of those had been transferred from consultancy to staff but obviously that reduced the amount.

**Dr. H. Miles:**

What pressures, and you have mentioned a few, generally has COVID placed on the finances of the States of Jersey?

**Treasurer of the States:**

Fair to say, in my experience, an unprecedented one. I am pleased to see that in the end the pressures placed upon the finances were not as great as those that we set out in forecasting, looking to see what those reasonable worst-case scenarios with COVID might be for the population, the economy and therefore finances. From a balance sheet perspective, you will see a slightly stronger balance sheet at the end of the year last year with revaluation on investments and building, notwithstanding the fact that we did use reserves during the year in terms of the Consolidated Fund, in terms of cash balances but also in terms of leaning to a degree upon the Social Security Fund by taking the £65 million supplementation. At this point I say from a balance sheet perspective currently, the States finances have weathered the current storm. During the year, particularly in the early weeks, days, months, we were particularly interested and focused our attention on ensuring we had the liquidity in place. As a result of not needing to spend as much as we might have done in worst-case scenarios for COVID on the Island, we have not started to draw that down in 2020 but have in 2021. The real challenge will be on an ongoing basis and, in particular, the impact in the year on income and expenditure and, in particular, on expenditure. Income held up robustly well, although we have yet to see the impact upon revenues arriving from impacts upon business through corporate income tax but as a result of the closed borders, to a degree, there was a lot more consumption by Islanders in total leading to increases - G.S.T. (goods and service tax) and impôts increases in particular, tobacco duties ... given we did not have duty free we see leakage from that going forward. It was really the challenge on expenditure that we saw in 2020 that created the pressures with expenditure up 17 per cent and unprecedented levels of deficit at £113 million. That was not, as I said previously, anything like we would have seen had COVID had a worse outcome for Islanders and the economy.

**Dr. H. Miles:**

Thank you. What enhancements to financial management did you have to implement then as a result?

**Treasurer of the States:**

It is fair to say 2 areas. Firstly, putting processes in place. We rely largely upon the processes we have and we have to think through what we needed in terms of agreement from the Assembly to spend money. I am grateful to the Assembly for approving those upper limits that we have. We have seen a Public Finances Law that in the event of an emergency the Minister can take £10 million, which in this situation was proved to be nowhere what will be required and, indeed, of the many of the powers that were allowed for the Minister during the year by the Assembly, we have retained the one that says that up to £100 million can be spent by the Minister if she thinks that the lives and well-being of Islanders is under threat or the health and safety of Islanders is under threat. That is the first step in making sure that we had approval and we have learnt from that and figured that in terms of how we have moved forward. The challenge would be cash flow management. In some places cash has not been the big challenge, the challenge has been making sure you delivered the returns of cash balances rather than retain overly generous balances but we have not found ourselves in the past in a situation where potentially being able to lay out hands on cash would have been a problem. So we had to develop cash flow modelling early on. That has continued into this year. We have done as well as we can with the existing systems but look forward to a time where we have a new system that helps considerably with that cash flow management but also getting more accurate data from departments in particular and knowing where our big items of expenditure will fall and it will assist us with that as well. I would say that risk management and the early development of finance transformation, particularly the gentleman to my left and his team, have meant we are in a much better position than we were previously to have that dialogue as the Ministers were making decisions around risk management. But that also gives the opportunity to jump forward as well. I have talked about the emergency clauses in the P.F.M. (Public Finances Manual). One area I think we have struggled with is turning around the reporting as quickly as we had previously done because of COVID and that is one of the areas I think I would concentrate on in the future is turning resources towards that reporting, maybe getting extra resources in to make sure that we can report on performance into the future.

**Dr. H. Miles:**

Thank you. I am going to hand you over to Paul to pick up on some of the estate management concerns.

**Mr. P. van Bodegom:**

Estate management, page 178 of the annual report contains a section on key risk and uncertainties. Page 187 notes that a corporate estate strategy has been produced and that funds have been allocated to implement planned maintenance programmes. The table on page 192 of the report however notes that the effectiveness of the planned maintenance procedure and compliance with health and safety requirements needs improvement as identified as issues prior to 2020. Why did

it take so long to finalise the estate strategy and why is it taking so long to develop a more detailed plan for maintenance to support the estate strategy?

**Interim Chief Executive:**

Thank you. I think this is for me to answer. Let me start by saying that I think that from my point of view this committee is doing us a great service in its review into estate management. That is extremely helpful and we are looking forward to seeing the outcome of that work. It is important because it is an area of concern and it has been an area of historic weakness that has needed addressing. I appreciate that you have had many discussions, because it has been an area of study on estates management with my colleagues and that has been very important. The achievement during the past year is the publication of the strategy that you mentioned and commencing in a very purposeful way the move towards a more corporate, unified and strategic approach to Property Holdings. I agree with you that it has been slower than we would have ideally wished but the publication of the strategy and the work of the Government to move towards its implementation is a sign of improvement but from a low base. We know the reason that the base is low is because the legacy is of property management being contained within each of the departments in the Government of Jersey with probably an inconsistent approach to understanding stock condition, health and safety issues, usage. So this is an enormous piece of work, as I know everybody here appreciates. The focus on health and safety definitely has the attention of top managers. We had a report on health and safety in our estate to our E.L.T. on 19th May and when I have attended meetings of the States Employment Board the vice-chair has impressed on me the importance of health and safety and the priority that the States Employment Board places on it. Without question it is an area of interrogation and of priority. New people have been hired during the last year to help us proceed and implement the strategy. That has obviously been something that has held us back, having the right people in the right roles. I think 5 additional people have been appointed or in place over the last year, including in specialist areas like legionella, critical areas like legionella and the water safety. That progress has been made and I think that in the move towards the single office site, the current Cyril Le Marquand House site and also possibly the move to the new hospital, we are going to see progress in estate rationalisation at a speed that has not been seen before. I do not think this is a case just of having a strategy and then everything carrying on as it was before, we both have a strategy and a capacity within I.H.E. (Infrastructure, Housing and Environment) to implement and to focus on health and safety and also an imperative and a momentum behind that as a result of the major estate rationalisations that are taking place that I think can give the committee some confidence that we are moving in the right direction that the health and safety risks are understood and they are in the process of being addressed. Although, in summary, I think I would say that with such a significant legacy of issues that progress does not get completed in a year.

**Mr. P. van Bodegom:**

Have you any idea on timescale currently?

**Interim Chief Executive:**

You are talking about timescale for what? Timescale for the implementation of all outstanding health and safety issues?

**Mr. P. van Bodegom:**

Yes.

**Interim Chief Executive:**

That will be a matter of a number of years. Not least because Jersey Property Holdings only currently has a minority of the total estate of the Government of Jersey within its own framework. So there is a process which I am sure you understand and you will probably be talking about with my colleagues, there is a process of moving management of the estate from the department in which it is currently based into Jersey Property Holdings. Too often we find that there is a lack of adequate resource to support a building maintenance so that can impede progress. I would certainly say, thinking about moving to a new hospital, we should expect that during the lifetime of the next Government that this progress should be complete.

**Mr. P. van Bodegom:**

Thank you. I will hand over to Graeme.

**Director of Risk and Audit:**

Could I just add to that? The other key point, from a governance point of view, at officer level there is a board that has a focus of attention on health and safety which brings all the departments together to share good practice. The other cultural addition to that is the fact that it focuses on risk management as well, so learning from any incidents that do happen. Because I see it from a risk management and assurance point of view within Government. The joining of those different bits at a corporate level is quite powerful to move that forward.

**Deputy I. Gardiner:**

Just to clarify, on 19th May what was presented to E.L.T., the report about health and safety, like a status, or the maintenance plan?

**Interim Chief Executive:**

It was a current assessment of health and safety risks and priorities.

**Deputy I. Gardiner:**

Do you expect to see a plan, even though it will be split over the years, as it is within this year or do you think the plan will be finalised?

**Interim Chief Executive:**

So I think what we expect is that there will be consistent reporting from my colleagues in Health and Safety to E.L.T. on progress in implementing the priorities.

[13:30]

**Deputy I. Gardiner:**

But would they present you what are their targets for quarter 3 and quarter 4 in 2022? What is their plan going forward, not just the progress?

**Interim Chief Executive:**

Yes. It would be, as Mike has said, a risk managed and prioritised programme and their reporting on the implementation of it.

**Deputy I. Gardiner:**

Does the programme exist? Was the programme finalised?

**Director of Risk and Audit:**

Not to go away from this thinking there is no health and safety across the organisation, because there are some departments that do this particularly well. It is the consolidation of that across the organisation to develop a broader plan. I do not attend the executive leadership team, but I know from a senior level that process started 6, 8 months ago in terms of training all senior leaders around understanding strategic health and safety. The project is now being dealt with through the organisation. In terms of the level of detail you are asking, I am sure we could ...

**Deputy I. Gardiner:**

I appreciate your answers, they are really, really helpful, but I am trying to establish if we have a plan in place that they will report on or the plan needs to be developed, and currently you will get an update of the process, and the plan will be developed by the end of the year, for example. I want to be clear: do we have a plan or a plan is to be developed?

**Interim Chief Executive:**

We do not yet have a comprehensive assessment of the condition of all of our properties. So we are not yet in a position to have a comprehensive plan on all our sites. What we have is a growing

and developing plan, which is about where the greatest risks that we are aware of are and how those are being addressed.

**Deputy I. Gardiner:**

Okay. Would assessments on our property be finalised this year or will it be ongoing?

**Interim Chief Executive:**

I would need to get back to you with that timetable.

**Deputy I. Gardiner:**

Okay, absolutely.

**Mr. G. Phipps:**

You have touched on the main area, but I will follow up a bit more. First of all, I congratulate your organisation on the development of the document. It is very well done, a little late maybe, but it is well thought-out. The key challenge is the implementation, not just health and safety and not just maintenance and not just making sure we have the asset management plans. All of which are very important. What are your key challenges converting this strategic document into a working level of organisational implementation across the Government? What are the key challenges? When do you anticipate you can say yes? There are always going to be ongoing improvements and stuff. What is your target to say: "Okay, this is all in place."?

**Interim Chief Executive:**

The practical imperative that will drive forward the whole process begins with the consolidation of offices into a single site. That creates an unstoppable process between now and 2024 of identification of existing surplus properties that we can relinquish. That is really helpful, as is the hospital, because it means the priority for estate rationalisation is underway now. I hope that we will be able to rationalise our estates as we go through that process. In other words, from this point on, as we now have the confidence of knowing the footprint of the single headquarters, that should enable us to start freeing up estate in preparation for that move.

**Mr. G. Phipps:**

Do you have plans to monitor and track the implementation of the strategic document all along, because that is what we will be looking for in our study?

**Interim Chief Executive:**

Yes.

**Mr. G. Phipps:**

So that we can reflect with confidence that in fact there is a process and a mechanism, so all of the different, not individual items, you oversee the whole thing to make sure this document, which is excellent, is being done?

**Interim Chief Executive:**

Yes. I am not sure whether the committee has oversight of the Corporate portfolio, the C.P.M.O. (Corporate Portfolio Management Office). I do not know whether that is something you have talked about here. Something very positive that the Government has done over the last year is to create a portfolio of major projects. There are about 140 in there at present, which we monitor through the executive leadership team and through other processes on a continuous basis. So this is providing a level of detailed rigour of implementation risks for, in that case, 140 major projects facing us. That would include the estates strategy. What we should be able to do within this year is to incorporate that monitoring within the reports that you receive and that we publish on the performance of the Government of Jersey. So that we are reporting, not just on the performance outcomes in the Government that we talked about earlier, across all of our services, and, of course, our financial monitoring as well, but importantly also about the major projects that we are in the process of implementing. That will give you and Islanders generally a line of sight over the implementation, certainly of the estate strategy, and of the whole portfolio of change that the Government has undertaken.

**Mr. G. Phipps:**

Thank you, that will be very helpful. I will pass it over.

**Senator T.A. Vallois:**

If I can just follow up on not having a comprehensive plan for your health and safety across all departments, what risk is there for those that are less advanced with their health and safety requirements? Not being recognised equally in terms of need under the estate strategy?

**Interim Chief Executive:**

Well, that is a question about risk.

**Director of Risk and Audit:**

In terms of the allocation of resources, priorities have to take place. Have we got to that level of sophistication where risk is driving that process? I would say not at the moment. Within the team that looks at the plan maintenance activity then they will allocate a rate into the different types of work that needs to be undertaken and there will be discussion about the sort of resources that need ... obviously within the bigger context that Richard has described earlier, for the overall financial

plans. It will always be a balancing act. If you ask me to say which departments are better than others in terms of managing around planned maintenance, that would be difficult to do. There are lots of good things going on out there. They are bringing it together into that one place. It would be beneficial for the organisation just to help with that prioritisation. As the interim chief executive has said, we are dealing with a legacy position where departments worked on their own. Some put more resource to that and other things than maybe some others.

**Senator T.A. Vallois:**

That is the point I was trying to get at: how do you prioritise, in terms of need, if you do not have that comprehensive plan? I suppose that is the best way of asking the question.

**Interim Chief Executive:**

What Donald Rumsfeld called the unknown unknowns is probably what you are heading towards, is it not, the things that we might not know because we have not got to them yet? I understand we are doing random visits and random audits, so that we do have some ... as well as a consistent programme, which we must have about the areas that we know are a greater risk. We also have an awareness that there may be some risks that are out of our lens, because possibly in a particular department, in a particular section within a department, they are not aware of the risks in their building site. So I have to acknowledge that remains a risk.

**Director of Risk and Audit:**

Yes, coming in from a slightly different angle, from the insurance angle, we are in the middle of doing the renewals on that and that is asking those questions from a financial reporting angle. We have asked those questions from a valuation point of view. From a number of different angles there is a light being shone on these things. From the insurance point of view, the insurers are right here asking more significant questions than they ever have, because the market place is in a completely different place than it was 10 years ago. From different ways in terms of managing the risk, we are gathering that information. As the chief executive said, the larger risks would obviously be the ones that we will be focusing on in the first place and make sure they are covered off, whether through insurance or another planned maintenance route.

**Deputy I. Gardiner:**

Thank you. We will move now to the audit of the 2020 accounts. Adrian, please.

**Mr. A. Lane:**

We will start with, you have had 2 changes of auditor in quick succession, can you just explain for the public why that is?



**Treasurer of the States:**

The last but one set of auditors had been in place for, someone tells me it is, 20 years although it feels a little bit longer than that. We went through a tender process under the office of the C. and A.G. (Comptroller and Attorney General). The previous auditors, Deloitte, were appointed as a result of that process. It was identified after that first year that there was a potential conflict of interest arising with Deloitte. Therefore, the decision was taken to move to another process where another set of auditors ... appoint the third set in 3 years or the third set in 23 years, depending on which way you want to put those statistics. Yes, we are on to the third set. However, the experience working with the current auditors has been very good. Basically they were new, secondly, they were appointed in the autumn of the year in question and, thirdly, that audit took place entirely remotely as a result of COVID-19.

**Mr. A. Lane:**

Just then reflecting on the previous year's audit, Deloitte raised a number of control findings. Were you able to deal with all of those in advance of the current audit season?

**Treasurer of the States:**

The majority of those, yes, it is fair to say, and they were across changes to the consolidation process, improvements to collation of data, manually collected, and quality and timeliness of working papers. If you have more detailed questions, I will pass you over to Mike for some expansion upon those 3 areas.

**Director of Risk and Audit:**

A lot of the control issues that were raised we have tried to encompass in an overall project of improvements around delivery of the annual report and accounts. In most of those areas we have made progress. There are still a few which we will continue to work on, some of them because of timing, some of them because of resources. On the whole, most of them have been dealt with, because we have made the process more consistent. There are templates built in. We have tried to automate it where we can, ahead of the I.T.S. (Integrated Technology Solution) coming in next year. I would say there is a very positive direction of travel, but there will always be points that the auditors raise for us to think about. We accept them in a positive manner and we respond accordingly.

**Mr. A. Lane:**

Obviously Mazars have qualified their audit opinion on the States accounts. Can you outline why that is?

**Treasurer of the States:**

It is set out in their opinion. They have qualified their regularity report in respect of one transaction. It must be said, they have not qualified their report of the true and fairness of the accounts and have only issued an except-for opinion in respect of a single transaction. That arises from the process involving a special payment relating to severance pay to the former chief executive and whether that payment did or did not follow the Public Finances Manual requirements. Just briefly touching on regularity; regularity relates to whether money was spent for the purpose that it was intended by the States Assembly and secondly, in shorthand, whether it was in line with the rules and authorities governing that expenditure. In this case, that would be the Public Finances Manual. There is a requirement in respect of special payments, i.e. payments outside the normal course of business for the States for there to be consultation with Treasury and Exchequer, not me personally, but the department, ahead of agreeing to any such payments. In the view of Mazars, as that did not happen that gave rise to an exception against the rules governing the expenditure, giving rise to a single exception to the regularity.

**Mr. A. Lane:**

Do you agree with the qualification?

**Treasurer of the States:**

Do I agree with the qualification? It is a matter of judgment. Audits, believe it or not, are not always black and white. There are grey areas. Those opinions are based upon the evidence they see in front of them. On a personal level, I understand fully the basis for the qualification and respect their right to do so.

[13:45]

I can, therefore, see why they have done so. I do, however, take a view that that qualification is heavily weighted towards a technicality in the Public Finances Manual. If I just expand upon that as to why I am saying that. This requirement interest in the Public Finances Manual is largely to ensure that individuals or managers or leaders in the organisation, who are contemplating such often novel and sometimes contentious payments, do so in light of receiving the right advice. In the case of this, it was a decision of the States Employment Board, who undoubtedly took the most senior and expert advice available to them at all points during that process leading to the payments to the former chief executive. The one exception to that would be the requirement to consult and to take advice from the Treasury and Exchequer Department.

**Senator T.A. Vallois:**

Could I just clarify, who is responsible for the Public Finances Manual?

**Treasurer of the States:**

The Public Finances Manual falls to the Minister for Treasury and Resources, who is a member of the States Employment Board, if that is what you are indicating. The real requirements within that Public Finances Manual, notwithstanding the fact that the Public Finances Manual is one of the means through which the Minister for Treasury and Resources fulfils her responsibilities, is to ensure in these cases that professional advice is taken. However, it is a moot point, given that the Minister for Treasury and Resources is a member of the States Employment Board and issues the Public Finances Manual.

**Senator T.A. Vallois:**

When you say “technicality”, could you explain what you mean by that?

**Treasurer of the States:**

There is a requirement to consult with the Treasury and Exchequer. In the view of Mazars, as a result of that requirement, the payment is not in accordance with the rule book, if you like, which is in this case the Public Finances Manual, for those who have been around long enough, the Financial Directions that were in place previously.

**Mr. A. Lane:**

I know the chair will come back to some of these points around special payments, so if we could just turn to the audit again for a few more moments. Apart from the qualification matter, when was the audit completed?

**Treasurer of the States:**

Technically, the audit is not completed until everything is signed off. That was done on 14th May 2021. However, it would be fair to say that my expectation outside of that, I would have been quite pleased to have it signed off by the end of March, if not that, into the first week of April.

**Mr. A. Lane:**

Why was that gap 6 weeks? Why did it take 6 weeks to deal with the resolution of that single matter?

**Treasurer of the States:**

As I have just indicated in terms of drawing attention to the fact that an audit opinion is just that, it is an opinion. We wanted to explore at quite some length with the auditors differing positions as to whether it amounted to a regularity qualification, in particular in seeking advice. We had many conversations involving me, my officers, the C. and A.G. and the audit team in Mazars. Obviously all of those meetings were remote as well, which has its challenge in terms of getting points across and having dialogue, but they were well-mannered, if not from time-to-time challenging. In addition

to which, of course, there are a number of process we needed to go through when we had evaluated our position in terms of disclosures, which we needed to consult on. We needed to make sure that they were the right disclosures to make. In addition to which, alongside C. and A.G., as you know, we issued a report. Completing that report to the satisfaction, in terms of being able to give comments back to the C. and A.G. through the formation of that report and its finalisation led us to the timetable we have now.

**Mr. A. Lane:**

With whom did you have to consult on additional disclosures?

**Treasurer of the States:**

We would have consulted in this case and we were indicating here with the other party, in this case the former chief executive. That is a matter of good practice, in that there were a number of disclosures already in place in the annual accounts, related to salaries and pension position for members of the executive leadership team, for example. This was an extension to that, a matter of significant public interest and sensitivity. So there was additional consultation needed once I had decided that we would make additional disclosures in respect of the amounts.

**Interim Chief Executive:**

Also there was liaison with the States Employment Board, of course, which is another element in quite a complicated range of consultations and discussions that needed to take place.

**Mr. A. Lane:**

That is consultation beyond just the normal process of agreed facts with related parties?

**Treasurer of the States:**

It took a bit longer, but not what I would regard as an overly lengthy process to do so.

**Mr. A. Lane:**

Did the delay of 6 weeks or so and the extra work cause any increase in fees for the audit?

**Treasurer of the States:**

Yes, there were additional fees that we are just finalising over the £26,000 including fees incurred as a result of the challenge and questioning relating to the qualification.

**Mr. A. Lane:**

Just in terms of the broader findings from the audit, what were the main recommendations for control improvements identified?

**Treasurer of the States:**

In their original report, the auditors' penned recommendations to improve internal controls, ranked not at a high level or as a particular urgent matter, 9 medium and one low. Further to that they made a further improvement related to related party transactions in one respect. Moving through what some of those were, they found that not all contract documentation for new starters could be located electronically, but it was subsequently accepted it was just a timing issue and we have better processes in place now. There were discrepancies between valuation spreadsheet for sea defence assets, which impacted the overall valuation; accepted and arrangements put in place to improve for the current year's audit. There were, in the auditors' opinion, a lack of supporting documentation for all journals that was not available, so we put a further improvement within 2021's audit as well. There was one new level access that had not been removed from a system that was found, there was still an employee of Government of Jersey, very different department, therefore, should not have had access to that system. That has now been corrected. There was adding on to journal controls, need for further controls to be put in place before implementing the new system in 2022. We prioritise resources away from our plans to consolidate the further strategic investments, i.e. the wholly-earned entities that are not currently consolidated in the accounts, largely as a result of having to do other works as a result of COVID during the year. The additional recommendation arises from the need, which I believe is currently being developed as a result of recommendations made in a recent C. and A.G. report, in that the declaration of interest for States Members do not extend to extended family. They are those that relate to the States Member in particular. That is not consistent with the requirements of International Accounting Standards and therefore that will be addressed or considered to be addressed through the Greffier of the States, I believe.

**Mr. A. Lane:**

Last question for me. The Director of Risk and Audit referenced the benefits the I.T.S. programme will bring, could you just outline very briefly for us what benefits that will be and when you might expect to see them?

**Treasurer of the States:**

Many of those wider benefits have benefits for the performance of the account and audit. So probably start from the position that the intent that I.T.S. would hopefully to a large degree but not entirely remove the fact or alter the fact that currently auditors place no reliance upon systems and therefore perform substantive audits all the way back. Obviously I.T.S. does not change all of those systems. The intent is that it would resolve part of that intent of sight or actually performance of the system controls. The other advantages at a very high level would be standardisation of processes and that we are taking what comes out of the box rather than changing what comes out of the box and having different systems; back to standardisation across the organisation. What we have at the

moment is a number of systems with sometimes slightly and sometimes more than slight disparities between the information in the systems. So having an integrated system would allow us, as a colleague of mine said often, a single source of the truth, rather than spend an inordinate amount of time on reconciliation, which would understandably be an issue at the year-end as well. We have a predominance of spreadsheets still being used during the year and obviously at the year-end, including data manipulation. The intent is the system will hopefully improve the time it takes to do reconciliations and to deliver reporting. At the end of the day, also to remove or reduce the significant amount of manual process and manual changes that need to be made as a result of the year-end processes.

**Mr. A. Lane:**

When do these benefits appear?

**Treasurer of the States:**

They will start to appear in year-end 2022, but there are a number of phases to that. So the first 2 phases will be 2022. The H.R. (Human Resources) data and the accounting information should be reconciled with the same data in actual fact, as they are on the same system, but there are a number of modules beyond that as well.

**Mr. A. Lane:**

Okay. Thank you.

**Deputy I. Gardiner:**

You told the committee that the former chief executive was consulted on the disclosure regarding his termination payment in the accounts 2020. Did you consult other directors who received termination payment on their disclosure of these payments in 2020?

**Interim Chief Executive:**

Yes, we did.

**Deputy I. Gardiner:**

You did, okay. Thank you. The £500,000 payment to the former chief executive is disclosed as a single amount. What was the breakdown of the amount into its elements in terms of his contract and associated side letter?

**Treasurer of the States:**

For reason largely of confidentiality, we would set that out in words rather than give you a breakdown for amounts. There are obviously a number of contractual limits within the contract, consisting of

notice period, annual leave entitlements, payment at termination, pension entitlements. In terms of how the total amount was arrived at, my understanding by the States Employment Board, they arose from 2 clauses. One the mutual termination clause and, secondly, a clause or side letter relating to alleviation of reduction of pension arising at early retirement. So those were the 2 broad areas which gave rise to the limits envisaged in the contract.

**Deputy I. Gardiner:**

Thank you. Can you advise us of the minimum contractual amount that could be paid to the former chief executive?

**Treasurer of the States:**

I would say there are a range of ways in which you could look at this contract. If you were going down to the very minimum with a very strict interpretation you might end up talking about annual leave entitlement undertaken or minimum contractual entitlement as it might have arisen from notice all the way through to the limits that were in the contract which corresponded to the amounts paid arising from the contract. Hopefully you will appreciate that for reasons of confidentiality I am not going to go into a breakdown of those in a public setting.

**Deputy I. Gardiner:**

I understand and I appreciate it. I have to ask: what is the maximum contractual amount?

**Treasurer of the States:**

I think Mike just indicated that ...

**Deputy I. Gardiner:**

That it is also confidential, fair enough, I understand. Was the full £500,000 paid to the former chief executive?

[14:00]

**Treasurer of the States:**

Yes.

**Deputy I. Gardiner:**

Thank you. Was any amount paid to the pension fund in respect of the former chief executive termination of employment?

**Treasurer of the States:**

I am wrestling whether that is a matter of confidentiality, so I think I will come back to you on that.

**Deputy I. Gardiner:**

Okay, thank you. If people are leaving their employment from the States of Jersey, would they have immediate access to their pension fund as a rule?

**Treasurer of the States:**

Generally, that would be governed by the rules on the pension schemes and in this case access of the timing would be governed by those as well. I do not have sight of all contractual terms or all employees or office holders. The rules of access to the pension scheme are governed by the pension scheme rules. These payments related to alleviation of pension size, if you like, arising from decisions to retire early in terms of rules.

**Deputy I. Gardiner:**

Was the tax deducted from the payment made to the former chief executive? Would he pay tax in Jersey?

**Treasurer of the States:**

I think that is a matter of confidentiality as well. It is probably extending into matters relating to someone's taxation status. I will say that employers have responsibilities to deduct amounts due from payments and there were no exceptions in that. But also, of course, if you were to look on gov.je you would find the general tax exemptions set out by Revenue Jersey for the first £50,000 of termination payments is a matter of public record.

**Deputy I. Gardiner:**

Why do you think that the consultation that was required by the Public Finances Manual did not take place? If we are going back, I follow up a bit to the extent on the questions that Adrian asked.

**Treasurer of the States:**

Okay, so why do I think, well it was not ...

**Deputy I. Gardiner:**

Why the consultation, yes?

**Treasurer of the States:**

I will set out what I think to be the case or ...

**Interim Chief Executive:**



In a sense, obviously it is not like when you are asking to speculate in a way, are you not, as to why that might not have happened? It will be interesting to hear how Richard sees it but my understanding is that events were moving very quickly in obviously what was an unplanned way. I think in that situation sort of the need for rapid decision-making, unexpected turn of events, turns and twists of events, sometimes means that process is not adhered to in precisely the way that it should have been in a more orderly and calmer environment in which we normally work. I think my reading of it, and having read the minutes of the States Employment Board and talked to a lot of people, is it was the pace of events and the unexpected turns that led to the need for, I think understandably, rapid decision-making.

**Senator T.A. Vallois:**

Can I just check then on the basis of that answer whether that means there is a weakness in your internal control and whether that process was carried out with the other payment that was made through the accounts to a former D.G. (Director General)?

**Treasurer of the States:**

That process, in respect of the other payment, did take place.

**Senator T.A. Vallois:**

Okay.

**Treasurer of the States:**

I would echo the thoughts with regard the speed at which or the fast-moving environment in which this payment was made or agreed to and I think that is also back to the earlier question relating to that ranged between strict, contrite contractual entitlement and the upper limit envisaged within the contract and not necessarily give rise to the contractual entitlement, potentially created an issue relating to interpretation and the need to consult.

**Senator T.A. Vallois:**

But does that highlight a weakness in your internal control? No matter how fast or quick something is going, it is a substantial amount of public money. What particular internal controls would you now, looking back, say I want to change?

**Interim Chief Executive:**

Yes, I mean clearly it does and there is evidently learning from the situation; that is absolutely clear. I would say, from everything that I can see, that the public interest was followed by decision-makers who were trying to pursue what they saw as the best public service interest at that point in time. But definitely when we look back at this, particularly in the light of the C. and A.G.'s (Comptroller and

Auditor General's) report, and I am conscious that this committee as well is going to be reviewing this, of course there is learning and definitely we would incorporate that in any future occurrence of what was a very unusual situation.

**Treasurer of the States:**

It is probably worthwhile adding that had we been consulted I do not expect that a quantum would have been different. The C. and A.G. has made comments in respect of whether the fact that you end up with a qualification in the audit does not mean that you are not value for money in that respect or was not an amount that could be paid and is not unlawful. From my perspective, having looked at it afterwards and having spent quite a lot of time reviewing the situation and, essentially, liabilities, I do not think the amount ought to be different. I think, shall we say, that the organisation will learn from this. We would need to make sure that we have got all of the terms within the P.F.M. absolutely accurate. But this underlines the importance of consultation with the Treasury as a matter of course. I can understand why in this case it did not happen but it does happen more usually ...

**Senator T.A. Vallois:**

Is the internal control issue with the line management of the chief executive officer because, clearly, there was an ability to do it for a director general? I am trying to understand exactly what that control issue is. I understand you are saying there was speed but even at speed for such sums I would expect some learning to be identified from internal controls. Is there a particular issue with the line management of the C.E.O. (chief executive officer)?

**Treasurer of the States:**

I do not think it is a particular issue in terms of the line management for the C.E.O. perhaps in the sense that you make it but obviously with a chief executive and a P.A.O. (principal accounting officer), that is different to all of the relationships in that there is an officer who is the line manager. Therefore, in all cases, whether it is the chief executive or P.A.O., there is a novel set of circumstances or a unique set of circumstances surrounding those decisions.

**Director of Risk and Audit:**

Just to answer that, I think from a control point of view the P.F.M. is new this year or it was new last year, so I think the cultural change of making sure that is the source of sort of a point of contact to begin with for not just Members but officers as well, is still something sort of culturally I think is plain through the organisation.

**Senator T.A. Vallois:**

Just to make it clear, it was enabled for a director general but it was not enabled for the chief executive officer; that is why I asked the question about the line managers. The States Employment

Board are required under the Public Finances Law, are they required to follow the Public Finances Manual?

**Treasurer of the States:**

I might need to just confirm this position but the Public Finances Manual covers all States bodies. It does not just cover Government, for example. It includes those departments that are outside of Government in the part of the States. I believe the States Employment Board is defined as a States body.

**Deputy I. Gardiner:**

I have 3 very factual questions just to understand the facts. The first is when were you made aware of the former executive contract of employment and, as I say, the side letter exposed the States of Jersey to liabilities in the event of termination of employment by mutual consent? When were you made aware that the contract exposed the States of Jersey to liabilities in the event of termination?

**Treasurer of the States:**

I think, in part, I would have to go back to what was in the public arena in respect of knowing about this particular agreement that was signed up to, it was after the agreement had been reached.

**Deputy I. Gardiner:**

When were you aware of the settlement that has been entered with the chief executive to pay £500,000?

**Treasurer of the States:**

Some time after 12th November when I understand the payment was ...

**Deputy I. Gardiner:**

After it has been reached you have been made aware about the settlement you think.

**Treasurer of the States:**

Yes. I was obviously aware that there were discussions ongoing but only aware of the agreement then.

**Deputy I. Gardiner:**

When was the payment to the former chief executive authorised? What information did you consider prior to the authorisation of the payment?

**Treasurer of the States:**

When it was all authorised I was asked to look at the payment, so what I was looking at when I was looking at the payment was whether it was lawful and whether it was in agreement with or consistent with or in accordance with the agreement that had been reached. I took advice at that time before agreeing to the payment.

**Deputy I. Gardiner:**

Thank you.

**Connétable K. Shenton-Stone of St. Martin:**

Just to reiterate with what Senator Vallois has been asking: what steps are you taking to tighten the rules to ensure that this cannot happen again, that better due process is followed?

**Treasurer of the States:**

In respect of the particular cases, and I think it probably is important to note, as they will arise from any future terminations for any chief executive officer I think. The point that I have been making that we will make sure that everyone clearly learns the lesson, lessons learned from this particular example. The States Employment Board have themselves responded and part of that response is to acknowledge that they will ensure that they receive advice from Treasury and Exchequer on a more regular basis relating to those matters that are appropriate for the Treasury to understand. I now am invited to all States Employment Board meetings but such is my diary we try and rush in as and when I am sat there virtually in attendance to those matters that would give rise to potential future liabilities. We will look to the P.F.M. to make sure that any issues that we need to resolve within there are resolved. But the lesson in terms of it being learnt among the Treasury in terms of ensuring that business partners are aware of these, is that we talk through and we presented the findings in relation to the accounts and audit so that they are understood and higher up the attention of finance business partners, in addition to which we have discussed the findings of the executive leadership team so that the lessons are learnt.

**Interim Chief Executive:**

It is important to add to that as well, I think, that the learnings are partly about the nature of the employment contract because the discussions that had taken place upon termination in November obviously relate to an employment contract that was entered into towards the end of 2017 3 years earlier. I think that that is a very key element of the learning, to ensure that sort of the implications of employment contracts are fully assessed and understood at the point at which it is being signed. I am absolutely confident that that learning is in place.

**The Connétable of St. Martin:**

Thank you. There was a gap of 7 days between the former chief executive's termination of contract on 31st December 2020 and 8th January 2021 when his new 3-month contract started, so who was in charge during that week?

**Interim Chief Executive:**

I can help with that, my predecessor had in place an arrangement that is rolled forward into my tenure as well, which is that on every day there is an identified person, a member of the executive leadership team, who would take the role of chief executive in the event that she or he is incapacitated, so that takes place today and every day. On the 10 days in question it was the chief operating officer, Mr Quinn, who was acting in my predecessor's absence.

**The Connétable of St. Martin:**

Thank you. Did the former chief executive have access to the building or computers and attend any meetings during this time?

**Interim Chief Executive:**

I am not aware of that. I do not know whether you are, Richard.

**Treasurer of the States:**

I think we have to come back with a full answer to that.

**The Connétable of St. Martin:**

If you could come back, thank you. Was anyone else informed or aware of his non-C.E.O. status during that time?

**Treasurer of the States:**

I was aware.

**The Connétable of St. Martin:**

Was anyone aware, sorry?

**Treasurer of the States:**

I was aware.

**The Connétable of St. Martin:**

Do you think it was generally known?

**Interim Chief Executive:**

I cannot comment on that. I think we probably would need to come back to you, along with your earlier question.

**The Connétable of St. Martin:**

Thank you.

[14:15]

**Deputy I. Gardiner:**

I think that the main thing was the government employees were notified that he is not a chief ... because the States Members were notified.

**Senator T.A. Vallois:**

But, more importantly, was the Council of Ministers notified? Because, of course, as a head of public service, as the chief executive officer, has a responsibility under the law to advise and responsibility under 2 laws to advise and support those bodies. If you could clear that up for us that would ...

**The Connétable of St. Martin:**

That would be really good.

**Senator T.A. Vallois:**

Who knew what when? That would be very useful.

**Interim Chief Executive:**

Okay.

**The Connétable of St. Martin:**

This is for you, Chief Executive, you signed the performance reports for the States annual reports and accounts, what were the handover arrangements between yourself and did the former C.E.O. give you sufficient assurance to do this, as you obviously were not aware until presently?

**Interim Chief Executive:**

Thank you. I joined the Government's payroll on 1st March and I had a planned handover with my predecessor during the month of March, during which we obviously worked closely together. I had an opportunity to understand how this annual report would be developed and what the systems and process is underpinning detail is underneath it. He formally assured me in writing that this is an accurate and comprehensive account.

**The Connétable of St. Martin:**

Thank you. I will pass you on to our chair.

**Deputy I. Gardiner:**

Yes. Just like a wrapping-up question. Following the events of the last months and the conversation that we had today, would you summarise what changes, if any, we can see in the future in the Public Finances Manual or what will be different proposals to ensure ...

**Treasurer of the States:**

We will be reviewing the section on special payments. I would rather retain the requirement in respect of special payments, even though that does expose us to a risk in respect of material transactions where the Public Finances Manual is not complied with, for the reasons I gave earlier, to make sure that the organisation realises consulting with T. and E. (Treasury and Exchequer), largely so that we ensure that they receive the right advice. With emphasising this case and the case of the States Employment Board they did receive very senior and expert advice relating to this situation and in addition to which we having drafted a section relating to the States Employment Board in particular. We will finalise that and consult the States Employment Board and publish it.

**Deputy I. Gardiner:**

Any changes to the Public Finances Law?

**Treasurer of the States:**

The Public Finances Law, there is that recommendation that talks about the overlap between it and States of Jersey Employees Law. We will do our best to clarify the overlap that exists to a degree between the States Employment Board and the requirements of the Public Finances Law for accountable officers. At the end of the day just fairly obvious pay awards and, therefore, values attributable to employment of individuals are decided by the States Employment Board, yet accountable officers are charged with efficiency and effectiveness of their departments. Even from that perspective you can understand when our largest parts of expenditure relates to staff that there is some overlap in the responsibilities of the States Employment Board, as opposed to A.O.s (accountable officers). In practice that being the States Employment Board agree that is then given that but A.O.s make their decisions.

**Senator T.A. Vallois:**

Can I just clarify the governance around that then in terms of the principal accountable officer is responsible for advising the States Employment Board, how does that work in terms of accounting practice, if it does at all?

**Interim Chief Executive:**

I think that has already been registered as an issue.

**Senator T.A. Vallois:**

Okay, I just thought I would check on this particular circumstance.

**Deputy I. Gardiner:**

We will have a meeting with the States Employment Board and obviously we would ask ...

**Treasurer of the States:**

While it is the same person, I think that might be chief executive, as opposed to P.A.O. but they are the same person, yes.

**Deputy I. Gardiner:**

Any other follow-up questions from the committee on these matters? Yes, so we will move to the Social Security Fund.

**The Connétable of St. Peter:**

Page 113 of the annual report notes the cancellation of £65.3 million supplementation grant to the Social Security Fund. The Government Plan for 2021 up to 2024 provides for no supplementation grant during those years, as it will be a consequential impact on the Social Security Reserve Fund. In the medium term, how do you plan to restore the balance of that fund?

**Treasurer of the States:**

I think this is me. You are right in that the Government Plan does envisage no payment to be made in 2020. It was obviously agreed by the Assembly and 2021 was agreed by the Assembly; 2022 and 2023 would, again, have to be agreed by the Assembly as a matter of statute. The plan, as it currently stands, does envisage going back to the level that it was in 2019, i.e. £65.3 million. But if you allow the calculation of supplementation, more commonly known now as the States grant, to run its course then that amount would be an estimated £100 million. This is at the heart of rebalancing finances out to 2024 and considering how the estimated income and expenditure should be brought into balance by 2024, that was the basis of the Fiscal Policy Panel advice to take a view to balance the books by 2024 and to run deficits up to that period in support of the economy recovering as we come out of COVID. I think their advice now talks about that might move to 2025 with the economy being back into balance. Also I would have to say that the time in making the decisions or in the year prior to that the valuation of the Social Security Reserve had outstripped or grown to a size much greater than its 5 years of annual expenditure target envisaged when social security with contributions were put up starting in late 1990s and into the early 2000s. It is currently



running ahead of that and notwithstanding the fact that the Minister for Social Security has had to draw down upon the Social Security Reserve Fund in the year, the Social Security Reserve Fund and Social Security Funds ended up higher at the end of the year than they did at the end of 2019 as a result of investment returns. From the perspective in the short term it has got back to where it was, however, there will be an ongoing impact of that. It is currently policy that we would not be looking to reinstate those funds in the short to medium term but we are looking at the policy for the Social Security Fund on an ongoing basis. Of course the commitment is to return the supplementation grant back to at least £65.3 million on a consistent basis by 2024.

**The Connétable of St. Peter:**

Also on page 113 of the annual report notes a transfer of £5.3 million from the Health Insurance Fund to general reserves for specific purposes; the Government Actuary's Department has previously reported that social security contribution rates will be insufficient to maintain the fund going forward. What are the plans for the long-term sustainability of the Health Insurance Fund?

**Treasurer of the States:**

You are correct, yes. The Assembly approved the £5.3 million reflecting the employment and other costs relating to taking G.P.s on to the books during COVID as part of the response to the COVID pandemic, in addition to which the Government Plan for the period envisages up to £35 million withdrawn from the Health Insurance Fund in order to invest in the Jersey Care Model in cost investments, which should aim to reduce the scale of health costs into the future, compared to what they would otherwise be, as opposed to where they currently are. It is fair to say my longstanding view has been to have 2 separate funding pots for health, to be unhelpful, often it leads to unhealthy trade-off to certain expenditure should be made from. There is a commitment, I think it is in the Government Plan, that we should bring forward by 2025 a sustainability review in respect of Health to encompass the future of the Health Insurance Fund and what gets paid from it; I should probably add a matter of good policy.

**Senator T.A. Vallois:**

Just the last couple of questions, just on insurance and we have touched on it before with regards to the estate management questions but can I ask how you are preparing for the forthcoming tender process for States insurance?

**Director of Risk and Audit:**

Okay, so I have got experts on this one because we are backed up in areas, as you say, at the current time. Just a little bit of background. So the States set up an insurance fund in about 2013, so as a degree of self-insurance and over and above that it buys insurance in from the sort of commercial markets, mainly in 2 spaces. One is for medical malpractice, as you can imagine the

hospital, and the other is for the more general insurances, so property but also the sort of things you might expect. We run on a slightly different timeline, so the medical one is just completed in terms of this year's update, so that is based on a whole lot of information that comes from our colleagues in H.C.S. and other departments that the insurers ask for. They then give you one where the market is and then charges an appropriate premium. The general insurance is being sort of project-led at the moment between myself, the head of risk, and one of our risk advisers, in conjunction with all financial business partners across the organisation and a whole host of other people who have got to input specialist advice. It is probably fair to say that this year the insurers are seen as sort of a hard new market, which is probably the first time for ... our brokers are telling us for probably 20, 30 years because of a whole host of different things that are happening across the world and not just COVID. There are a whole list of other matters that are sort of playing into their own views on risk. They presented us at probably January/February time with a 115-page questionnaire, which was sort of gathering the information. We are at the point of just our first draft of that. By the end of this week we will have a wholly completed draft which we will give to them. The deadline is to complete by the end of August, the renewal is at the end of September. We will, hopefully, be in a good position with a quality document that they can take comfort from. They do a whole host of things, they sort of do their own risk assessments across the organisation as part of that process. It is sort of being project-planned and it is running as part of a wider view we are taking on our overall strategy on insurance.

**Senator T.A. Vallois:**

Just considering what you have just said, a 115-page questionnaire must be fun to fill out but ...

**Director of Risk and Audit:**

No, just across our departments and other State entities it is a challenge.

**Senator T.A. Vallois:**

Do you anticipate any benefits coming from this process, considering improvements that have been made with financial management or the production of an estate strategy or the work on the health and safety plan, those bits and pieces that we are we seeing? What benefits do you anticipate from that?

**Director of Risk and Audit:**

It is interesting, I started to allude to the insurers ... well they obviously have done risk assessments, so they have visited individual schools, they have looked at the energy from waste product, these are risk assessments around our arrangements, around childcare, looked-after children, a whole host of things. Sense that they have sort of upped their game on that sort of recently and asking more detailed questions, so we are in the process of trying to respond to all of those. As I said, that

is a reasonably massive co-ordination task across the organisation. At the moment we are getting really positive feedback from them but it is starting to shine a light into some of those areas where, as was discussed before, around assets and evaluation of assets and sort of plant maintenance and them wanting to see sort of what arrangements we have got in place around some of those things. I think at the moment we are in a relatively good place with that, notwithstanding we know we have got some things to do better. But I think what they are also encouraged by is the fact that we are taking a stronger approach to risk management generally and health and safety. All those positive messages, hopefully, play into their positive view of the organisation. I think what we are finding is we are being open with them and honest about where we need to improve and then they can see a plan in place then that gets a tick in the box, if not a reduction in premium.

**Senator T.A. Vallois:**

Okay, thank you. I will pass to the chair.

**Deputy I. Gardiner:**

Thank you. Any follow-up questions from the committee members? No. We will follow up in writing the outstanding comments and I thank you for your answers and thank you for the public hearing today and the public hearing is closed.

**Interim Chief Executive:**

Thank you very much for your questions.

**Deputy I. Gardiner:**

Thank you.

[14:29]