

PUBLIC ACCOUNTS COMMITTEE

(30th Meeting)

14th April 2008PART A

All members were present, with the exception of Connétable T.J. du Feu and Mr. A. Grimes, from whom apologies were received.

Deputy S.C. Ferguson, Chairman
 Senator L. Norman
 Connétable D.J. Murphy
 Deputy A. Breckon
 Deputy J.G. Reed
 R. Bignell
 C. Evans
 M. Magee
 Advocate A. Ohlsson

In attendance -

C. Swinson, O.B.E., Comptroller and Auditor General
 P. Monamy, Clerk to the Public Accounts Committee

Note: The Minutes of this meeting comprise Part A and Part B.

- Minutes. A1. The Minutes of the Meeting held on 10th March 2008 (Part A only), having been previously circulated, were taken as read and were confirmed.
- Matters arising. A2. The Committee noted the following matters arising from its previous Minutes -
- (a) **Follow-up work on reports and recommendations (Minute No. A2 (a) of 10th March 2008)** - The Committee noted that responses had now been received from a majority of the departments concerned, with the exception of Property Holdings. The Committee recalled that, on 10th December 2007, sub-groupings of members had been agreed for the allocation of specific responsibilities for ascertaining the status of the matter under their respective purview. It was further agreed that as far as possible the existing sub-groups would be assigned responsibility for the areas of interest arising from the ongoing States Spending Review;
 - (b) **States Spending Review (Minutes Nos. A3 and A4 of 10th March 2008)** - The Committee noted that with regard to reports recently published by the Comptroller and Auditor General (C&AG) regarding "Pension schemes for States' Employees" in respect of "governance", "liabilities" and "status", consideration would in due course be given to the publication of a Committee comment on the reports, rather than a public hearing and the publication of a subsequent report by the Committee.
- States Spending Review: draft report A3. The Committee, with reference to its Minute No. A4 of 10th March 2008, received a copy of the draft "Report on the States' £35 m expenditure reductions" which commented on particular issues which had been raised in the report by the

arising from
public hearing on
11th February
2008 - comments
invited.
512/1(16)

Comptroller and Auditor General (C&AG) entitled “£35 million Cost Reductions”

The Committee noted that whereas the C&AG’s report had sought to identify and verify the reductions in expenditure which had been claimed by the Executive, it was apparent that -

- (a) the approach to savings was not consistent across all Departments;
- (b) the definitions of savings were not consistent across all Departments;
- (c) the evidence for the savings was not available from all Departments;
- (d) there were doubts as to the sustainability of certain reductions in expenditure;
- (e) there was evidence of a lack of concerted corporate action in the management of finances; and
- (f) measurement of Performance was not clearly defined.

The Committee further noted that the result of these issues had been that of the £35 million, the C&AG estimated that-

- (i) £21.9 million represented a reduction in expenditure;
- (ii) £1.5 million represented deferred expense;
- (iii) £5.8 million represented Corporate efficiencies;
- (iv) £4.06 million was a reduction in expenditure from other sources or from exogenous factors; and
- (v) £2.5 million arose from increased income.

Members were invited to submit their comments on the draft report of the Committee to the Chairman by the week commencing 21st April 2008, following which it was agreed that the Chief Executive of the States and the Treasurer of the States - who had both appeared at the public hearing held on 11th February 2008 - would be invited to review the final draft.

Draft States of
Jersey 2007
Financial Report
and Accounts.
1038/1/2(11)

A4. The Committee commenced consideration of the draft States of Jersey 2007 Financial Report and Accounts which had been provided to the Comptroller and Auditor General (C&AG) under the provisions of Article 32(1) of the Public Finances (Jersey) Law 2005.

Having noted that the C&AG had no input into the format of the presentation of the Financial Report and Accounts, members of the Committee commented as previously that it remained difficult to reconcile the figures against prior years, rendering it problematic to obtain clear answers to relevant questions. Further, it was agreed that the approach adopted by Ministers in the formulation of their respective reports contained in the Annex to the Accounts resulted in no clear match being available as between the information provided in the 2 documents.

It was reported that at a recent public hearing under the aegis of the Corporate Affairs Scrutiny Panel, the Treasurer of the States - when giving evidence to a Panel investigating States spending plans for 2009 - had suggested that in relation to additional expenditure Jersey’s political system was “inherently incapable of proper financial management.” The Committee, having considered whose job it was to ensure that annual expenditure within each area came within agreed budgets, concluded that only departmental Chief Officers could influence the outcome.

The Committee agreed that it would be helpful for the C&AG to present to the forthcoming public hearing (which was scheduled for July 2008) a re-stated set of figures which would be more readily understood than those prepared by the Treasurer of the States. It was considered that if the present emphasis in the Financial Report and Accounts on net revenue expenditure (N.R.E.) was as a consequence of the present wording of the Public Finances (Jersey) Law 2005, then perhaps it would be desirable to seek to change that Law. The C&AG

confirmed that N.R.E. was not an appropriate figure to seek to establish control over as there was little control over the elements which comprised the net figure.

Harbours
Department lease
to St. Helier
Yacht Club of
premises at South
Pier, St. Helier:
review of
recommendation
of Property
Holdings
Department.
1060/62/1
(149)

A5. The Committee noted that the Chairman had called-in for review the recommendation of the Property Holdings Department that the decision of the Minister for Economic Development regarding the surrender and renewal of the lease to the St. Helier Yacht Club of its clubhouse at South Pier, St. Helier - the lease term being 26 years with a provision for the lessee to extend the term for a further 21 years, at a commencing annual rent of £40,000 - be accepted (R.25/2008 refers).

The Committee noted that the issues arising from the above-mentioned recommendation appeared to be -

- (a) should individual departments deal with issues like property when there was a professional department (Property Holdings) to deal with such matters?
- (b) why were the professionals at Property Holdings not brought in until the end of negotiations?
- (c) why was the lease inconsistent with those for surrounding properties at the harbour?
- (d) should the Harbours Department be providing subsidies without proper accountability or authorisation and why were these not shown in the accounts?
- (e) in view of the concerns raised about the various parcels of property held by other trading departments, were matters regarding property being dealt with by those without the appropriate expertise?

The Comptroller and Auditor General (C&AG) indicated some concern as to how a situation had arisen whereby the Harbours Department had apparently agreed to enter into a lease which had no development break clause. **However, it was recognised that full details of the background to the proposal were not yet available and that the review of the matter was therefore ongoing.**

Treasury and
Resources
Department:
Ministerial
Decision
TR-2008-0035 re
delegation of
approval of
internal budget
transfers.
1446/1(60)

A6. The Committee noted that the Minister for Treasury and Resources had delegated the approval of internal budget transfers within the Treasury and Resources Department to the Treasury Finance Director, the Income Tax Finance Director and the Assistant Director - Finance and Strategy, Jersey Property Holdings (Ministerial Decision TR-2008-0035 refers).

The Committee noted that the reasons for the decision were stated as being that the delegation would decrease the administration currently existing around the process. It was noted that at present, Financial Direction 5.26 required a Ministerial Decision as supporting documentation for internal budget transfers and that each year there were a number of revisions made to the budget of the Treasury and Resources Department, none of which constituted major policy changes and most of which related to administrative amendments and re-allocation of funds to areas of greater need. Consequently, the proposed transfers would always be internal to the Treasury and Resources Department.

The Chairman indicated that she had requested further details of the rationale for the decision from the Minister for Treasury and Resources.