



STATES OF JERSEY
Corporate Services Scrutiny Panel
Finance Sub-Panel
Hearing with The Chief Minister
TUESDAY, 26th MAY 2009

Panel:

Senator S.C. Ferguson (Chairman)
Connétable D.J. Murphy of Grouville
Deputy R.G. Le Hérisier of St. Saviour
Mr. M. Oliver (Panel Adviser)
Mr. M. Robbins (Scrutiny Officer)

Witnesses:

Senator T.A. Le Sueur (The Chief Minister)
Mr.B. Ogley (Chief Executive, Chief Minister's Department)

(Audio missing from 11:17:42 to 11:29:13)

... their forecasts of expenditure and their proposals for change increases or reflecting decreases, for example, demographic changes in Education, so it starts from the department itself and the forecast - if it is a forecast - is put together by the finance team working with the officers in the department, signed off with the Chief Officer and the Minister and then that is put forward to the Treasurer on behalf of the Treasury Minister. It is then aggregated and the Council of Ministers process is very much a political process to determine within the, what they regard as, acceptable limits of spending the relevant priorities that they will then put forward to the States. I think we all recognise that the Treasury is not resourced to carry out a detailed

analysis of the proposals put forward. It happens in some countries and organisations but you do need the level of resources to do that and I think you would find that the Treasury does not have those resources.

Senator S.C. Ferguson (Chairman):

I guess the Minister made a very strong case.

Mr. B. Ogley (Chief Executive, Chief Minister's Department):

Okay, but I think that is an important ...

Deputy R.G. Le Hérisier of St. Saviour:

Well, Bill, having said that, there have been these sort of elephants in the room that have been around a long time like supplementation and rent rebate and another one obviously is, as the Chairman has said, the level of staffing costs in the States which, we all know, is at a higher level than it is in comparable jurisdictions, for example. In other words, you could come to a conclusion that, other than saving paper clips and using fewer stamps, there are key core issues and if you could wrestle with these issues and perhaps come up with options, it would sort of counter the view that there is this sort of inexorable rise from a more elderly population and more demands from Education, et cetera, et cetera. Do you think you could do this exercise but on a more selective basis?

Senator T.A. Le Sueur (The Chief Minister):

I think you pretty certainly could. Okay, you would need perhaps resource devoted to those particular areas and what you would get then I think is a step change. In other

words, if you, for the sake of argument, decided to abolish supplementation or to transfer that business to somebody else, you would then get a step change in States expenditure downwards. I think your question was then will they still creep up again from that lower base? I think the answer is probably yes. That is one aspect and certainly, in terms of priorities, you could say, as a States organisation, should we maintain supplementation as this existing level of priority or should we say: “No, that is a priority that can be transferred to employers or employees or some other sort of revenue maybe” and that has been a political choice which needs to be an informed political choice rather than one made on emotion or unintelligent ideas.

Connétable D.J. Murphy of Grouville:

Through the Chair, if I may, that brings us on to the question I was going to ask which is when the departments produce their budgets, do they prioritise when they are producing them to you? Do they come to you and say: “Well, I want £5 million. It is imperative we get this £4 million but it does not matter about the other £1 million.” I know they are not going to say that but, if you follow me, they are going to prioritise their internal budgets as well or would it be an idea to do so, do you think?

Senator T.A. Le Sueur:

I think, to a large extent, they will prioritise, firstly, with what is the statutory requirement and, secondly, to meet existing obligations but I think there is a danger anyway in doing that. What is a low priority in one department may still be a more valuable benefit to the Island and a higher priority in a different department. It is only at ministerial level when you are looking at the organisation as a whole that you could say: “What is in the overall best interests of the Island?” I think - and I am maybe just

harping back on the same issue - we do not have enough resources at the centre to be able to look at that in a sufficiently co-ordinated way so we are reliant to some extent on the input from those departments as to what they consider relatively high or low priorities but without any way of validating that. I think sometimes we have all felt that departments will put up sacrificial artificial low priorities on the basis that they are so emotionally charged that no one would ever take them away.

Mr. B. Ogley:

Can I also add a bit of a response which partly picks up also Deputy Le Hérisier's point, the Chief Minister talked very much about the process of political prioritisation which is key to this issue of choosing priorities but also there is a political managerial interface as well when you talk about: "Are there some key issues we could deal with?" If you recall, we made a one-off investment and we did reduce States running costs by £20 million per annum. Yes, it was re-invested into political priority areas but that programme happened and if the question is, is there another programme that you could put in place to achieve that, I think, yes, there is. I think the Council of Ministers recognised that, but it would need another slug of investment to make ... we could run through them but there are probably 5 key areas you would want to look at that would require some upfront investment and you could make - I would expect it would take you a couple of years - significant savings. What you then decide to do politically with those savings is, I think, the other part of the prioritisation, so my answer would be yes on your question, Deputy.

Senator S.C. Ferguson:

Yes, because how do you factor in unexpected expenditure such as Williamson, Health Reciprocal Agreement? How do you factor those into the budgeting? Should you have a contingency fund or is that the £20 million that the F.P.P. (Fiscal Policy Panel) say you can keep in the consolidated reserve?

Senator T.A. Le Sueur:

I think the F.P.P. said you should maintain a small level. If not the F.P.P., at least it would be a policy that we need to maintain a certain amount in the consolidated fund and also partly in order not to fall foul of the Public Finances (Jersey) Law which says you must not overspend the fund. I think in terms of how you deal with unexpected expenditure, yes, I think a contingency fund would be an advantage. I am not sure how much it would need to be but I have a note here with a question mark of £10 million but it has got to be at least of that sort of magnitude, but maybe I will come back to that in a moment. The alternative way is to do what you do at the moment with the Public Finances (Jersey) Law which says if you have not had unexpected expenditure, it is up to the States to agree whether to spend that or not. Now you could have a contingency fund and then, presumably, transfer that responsibility either to the Treasury Minister or the Chief Minister or the Council of Ministers but it would be an executive decision at that stage. There is a contingency fund to be used on contingencies, it has £10 million in it, providing your contingency does not exceed that £10 million, then it is up to you to go ahead and spend it. Do we want to leave that authority with the States or with the Executive? I would say, probably in terms of budgeting, is better to leave with the Executive. We should have the contingency fund because, each year, for one reason or another, we seem to have an 11(8) request or more than one which causes States spending to increase over and above that which

is budgeted. Whereas if you had a contingency fund which is at the discretion of the Executive to spend if required, then at least your budgeting would be more accurate because you have already built in that contingency fund. If you did not spend it, then, arguably, you could tuck it away in the strategic reserve or something. Whereas what we do at the moment is the converse. We budget to a certain level to balance our books and then end up with an 11(8) request which then unbalances things again.

Senator S.C. Ferguson:

Going on from that, do you think that public sector pay should be locked into the forecasting process?

Senator T.A. Le Sueur:

Yes, public sector pay policy needs to, because if you think that public sector pay accounts for over 50 per cent of total expenditure, if you do not have some sort of policy in respect of pay, how on earth are you going to forecast and control expenditure as a whole?

Senator S.C. Ferguson:

Are you going to have any serious evaluation of manpower while you are Chief Minister?

Senator T.A. Le Sueur:

Any valuation is going to be serious. We would not do it frivolously but I think, again, this depends on the level of resource available. The impression I get, both from my own observations over the last few years and, indeed, that of the Comptroller and

Auditor General, is that in virtually every department, people are working to capacity and, in some cases, departments are under-resourced. Now, that may be because of the policy direction that we currently adopt. You could well take a slice of employees out of government by ceasing to do certain things or by changing your policies but, politically, it is unlikely that those changes would be acceptable. You could, for example, stop doing a whole swathe of operations locally and outsource them all to a hospital in the U.K. (United Kingdom) or Europe who you might think do it more efficiently but I suspect, from the public point of view, they would be less content.

Senator S.C. Ferguson:

Well, the Auditor General's report in one instance did say that Health did not know what their management costs were and, therefore, it is difficult perhaps to look at the level of staffing there. We hear a lot about productivity and, obviously, not every department in the States is working to its full capacity. How would you improve productivity?

Senator T.A. Le Sueur:

When you start with the premise that not every department in the States is working at full capacity, I would question that and say: "Well, where is the evidence of that?" Can you give me a particular department that you think is under-performing or not performing at full capacity because I am not aware of any in relation to the Business Plan they currently have? I am quite prepared to be enlightened.

Senator S.C. Ferguson:

That supposes that the Business Plan is realistic.

Senator T.A. Le Sueur:

But it is a Business Plan which is approved by the States ultimately.

Senator S.C. Ferguson:

True.

Deputy R.G. Le Hérisier:

Just on the Chairman's point, Chief Minister, would you say, for the most part then, that in terms of expenditure forecasts, we have to sort of park the manpower costs because, essentially, the system is operating at a fairly optimal level in that regard?

Senator T.A. Le Sueur:

I think you would say that if you wanted to make significant changes to manpower levels, you would have to take some serious policy decisions which, my feeling is, the States Members and the public do not have the appetite for. Clearly, if we got to a situation where we could not afford that level of expenditure, then the perception of the States Members and the public may change. I think no one voluntarily wants to have a reduced standard of living if they can continue to maintain the existing one. If times are hard, then they have to accept: "Yes, in that case, I will have to tighten my belt, cut my costs accordingly."

Deputy R.G. Le Hérisier:

We are seeing, obviously, emerging pressures for childcare services and we have seen the prison where it was felt they were operating at too low a base and so forth. Do

you think - and this was obviously a point that the Treasury Minister made quite strongly to us - soon we are going to reach a crossroads where the issue will simply be: "Do you want to keep current services and, indeed, enhanced services or do you want to pay higher taxation?" You cannot get away with trying to balance both, as now.

Senator T.A. Le Sueur:

I am sure that is correct, yes. As you say, we see those increasing pressures. There are pressures, in some cases, imposed on us from outside as part of our international obligations and standards seem to keep rising so I think it is inevitable that if we are going to try to maintain those sorts of policies, we are going to have to either increase revenue which means taxation in some form or economic growth. When we looked at fiscal policy, we said: "We can get what we can out of economic growth but recognise that that will not solve everything. We can get what we can out of efficiency gains but that is not going to solve everything and the rest will have to come out of taxation." I do not know if that policy still holds good. If you are saying do I want to raise taxes, the answer is no.

Deputy R.G. Le Hérisier:

On that issue, going back to the Chief Officer, as I understand it, he said earlier in response to my question that there were indeed areas that you could focus on and you would find savings. Could you be more specific?

Mr. B. Ogley:

Yes, I could but I make the point that to achieve these savings needs some significant upfront investment and I have mentioned already the fact that the Treasury Department does not have the capacity to act as a central core questioner and forensic Finance Department which I think is fundamentally important if we are going to find more savings, so there is one area of investment. There is already a big programme of work in place on procurement; how we buy things, some greater standardisation. We already have a target of overall £5 million from procurement to be achieved. We are a long way down that line but there is considerably a lot more to do. You mentioned that everybody - and the Comptroller and Auditor General - has focused in on the issue of terms and conditions, allowances structures, pay structures and whether there are incentives for productivity improvements to be built into the structure; all of those issues. That is a pretty fundamental and far-reaching review and then we will need a lot of political will to see it through but, clearly, there is I think a lot to be done there. They are questions about the staffing levels and structures across the piece. I cannot, today, point to areas of deficiency but I am fairly sure if we sat down and looked at it, particularly if we had a root and branch review of the organisation structure at the same time ... as the Chief Minister said, if we carry on doing what we are going now as we are doing now, then my view is that staffing levels are very pushed indeed and the organisation is creaking. We have taken a lot of staff and resource out but I do have a belief that you could have a different organisation structure and significantly reduce, in some areas, your staffing structure. I think we have also all recognised that the States, just its office of State, is very far-flung, is in lots of different standards of accommodation and it would be my view that if we could put in significant investment then I think you could really reduce our office holdings, probably aggregate into one or 2 centres, and that would have a significant impact. I have no

doubt, in capital terms, you would make the investment and you would get the returns, so capital neutral, but in terms then of assisting you to save on staff; the back office staffing structures, reception staffing structures, basic administrative processes and working patterns and behaviours. There is a terrific amount to be gained.

The Connétable of Grouville:

Is that not already being implemented?

Mr. B. Ogley:

No, I am afraid it is not. Not in terms of the rationalisation of the office accommodation structures. We are working on it and looking at it but the point is to make it happen, you would need significant investment to rationalise the estate, probably some upfront building to be recovered from subsequent capital receipts and if you are doing it properly, you would invest in all of the organisational, behavioural and working practice changes. Everyone that has been through it will tell you you need to invest to make that happen. Now those are areas where I think you could see significant improvement but it is where do you get the upfront investment and where do you have the capacity to drive it through because these things do not happen just by goodwill? So you do need central capacity to make it happen and I do not see that existing at the moment, so we would have to create it even for the short-term.

Senator S.C. Ferguson:

You comment on a stronger central structure but under the Public Finances (Jersey) Law, the Treasurer is independent. Does that not hinder your efforts to have a sort of central structure? In the private sector, the Finance Director reports into the

Managing Director. Is it useful to have the Treasurer being independent and not technically reporting into the Chief Executive?

Senator T.A. Le Sueur:

I am not sure that happens in practice. If you are talking about responsibilities under the law or what happens in practice, I think a Treasury Executive will say: “Well, I am totally independent, so I am not going to talk to you lot.” It would not be fulfilling his job anyway, so the dialogue happens. Whether the Public Finances (Jersey) Law needs amending may well be the case but not necessarily for this reason alone. I think perhaps if you started with a blank piece of paper and said: “Design a correlation to the States”, would we come up with the one that we have got now? Probably not but in order to change what we have got now will require a significant amount of time, money and manpower. I would love to accelerate the pace of change but I know that it has got to be managed properly if it is going to succeed and I know that we do not have resource at the moment to manage that properly, so it is a conundrum. Yes, you have got to invest in order to save in the future but I cannot even evaluate the cost and benefits of that change because I do not have the resource even to do that. I know it sounds like I am just harping back to this resource in the centre situation.

Senator S.C. Ferguson:

No, the P.A.C. (Public Accounts Committee) did acknowledge that more resource was needed.

Senator T.A. Le Sueur:

Yes, and I think we have seen that and Deputy Le Hérisier will be well aware of the anguish in the success of the Fundamental Spending Reviews where, ultimately, the centre became the sacrificial lamb or cow in relation to the social expenditure which had to be maintained or enhanced. Now, you cannot have it both ways and if we are going to have a better managed operation, you may have to say: “Well, even in the short-term, we would have to deflect some expenditure from one area to another in order to achieve that.” Politically, how do you say maybe to parents that they will have to pay even more for university education or guitar lessons or for help or: “If you want to have a knee operation, you will have to pay for it” and so on? These things do not come kindly or politically simply.

Senator S.C. Ferguson:

Is that not a question of getting departments to think more corporately?

Senator T.A. Le Sueur:

Yes.

Senator S.C. Ferguson:

Now, how are you going to do that?

Senator T.A. Le Sueur:

By having a Council of Ministers, by having a Corporate Management Board, by having greater dialogue and 3 years into the system, I would say we are starting to see some improvements. Now, certainly at ministerial level - I will leave it to the Chief Executive to talk about corporate management board level - but the impression I get is

that there is a lot more working together across departments. Yes, there is still scope for more and maybe the whole departmental structure needs revising but, again, within the constraints of what we have, I believe that improvements have occurred in the last few years.

Mr. B. Ogley:

Can I just say, I think it is important to ... that I would never suggest that Treasury should be anything other than independent in relation to the functions as set out under the law? I know this absolutely because if you read it, the Treasury may not be directed on how a function of the office of Treasury is to be carried and the functions are very specific about financial management standards, monitoring compliance, professional practice, key strategic controls to secure sound financial management, financial information as available. Those are key functions that I think any Treasurer would expect and should be expected to fulfil, and as a professional officer with the relevant qualifications is the right person to determine how those standards should be. So, in that sense, I think the law is absolutely right. But I do think that through the management structure, the Treasurer reports to me in terms of his annual performance management, I carry out his performance review and appraisal in conjunction with the Minister and there are a lot of things that the Treasury does that are in addition to those functions. So when we talk about forensic financial analysis to aid or improve decision-making across the States and support these big practices, I would regard those as slightly aside from those independent functions of the Treasurer where he is acting as part of the management of the States in an area where that strengthening really would work. So I think the reporting lines work and I think his role on the Corporate Management Board, I know he said - we agree - if he had the resources to

do the job that is expected of him in terms of this securing best financial management practices and being able, in terms of the financial management to hold departments and Chief Officers to account - at the moment, the balance is the other way as all the resources sit within the department and the reporting lines so he is inherently hampered in that - I think that would give you a proper and appropriate structure and I do not think it is a matter of the independence which I would never question, if that helps.

Senator S.C. Ferguson:

Super. If we carry on, we are still looking at the overall expenditure and the forecasting and so on. Are you going to listen to the F.P.P. this year? Last year, they took the Council of Ministers to task for ignoring them.

Senator T.A. Le Sueur:

I do not think we ignored the F.P.P. and I do not think that the F.P.P. assess policy. The States assess policy. The F.P.P. advises and the States would be well-advised to accept the advice of the F.P.P. because they are being wise individuals with no axe to grind; they are being independent. So, certainly, if you go back to that particular expenditure last year, it was done not to cock a snook at the F.P.P. or to say: "We do not believe you."

Senator S.C. Ferguson:

Oh, I never said that.

Senator T.A. Le Sueur:

But to balance the economic advice against some of the political realities. If you look, for example, at ... half that £10 million was to do with Social Security. Had that not been put into that particular expenditure and budgeted for, the chances are we would have come back and asked for an 11(8) request for additional money for Social Security which would then mean an unbudgeted expense. So if you are going to spend the money then, I think even the F.P.P. would agree, it is better to budget for it properly than to have it attack you unawares ... well, I would not call it “unawares” because we are aware of it but to have it caught up and used in Article 11(8) which I have to say grates because I would have hoped that that Article would only be used once every 5 years rather than once every 6 months, or maybe even more frequently if some States Members would have their way, they would see it as a convenient way of getting around the annual process by sticking an 11(8) request in whenever the mood gets them. So certainly the F.P.P. have an influence and it is in terms of the general spending envelope, if you like, and, ideally, I suppose it would have been good to say: “Well, if that £10 million spending was so important, we should have lost £10 million off something else.” There comes your political test. From where do you lop the £10 million to compensate?

Senator S.C. Ferguson:

I think we are getting back to productivity.

Senator T.A. Le Sueur:

Well, yes, I suspect you would be hard pushed to improve productivity by £10 million in a year.

Deputy R.G. Le Hérisier:

I got chastised by the Minister for Treasury for criticising appointments to the centre; the appointments that were put through on this package but surely you could argue, Terry, if you yourself were following your own disciplines, it should have gone through on the Business Plan; an improvement to, for example, a new Income Tax Adviser and so forth. It could well have gone through on the Business Plan. Could you not have also argued that, had it gone forward on the Business Plan - in the background, we have the Organisational Change Programme which was introduced when the Chief Officer came. Why did we not discuss the virtues, for example, of strengthening and maintaining the momentum of the Organisational Change Programme as opposed to getting these other people into the corporate office?

Senator T.A. Le Sueur:

I think, at the end of the day, we have no easy way of prioritising expenditure. I have spoken in the past about the fundamental spending reviews and the daily ear bashing one used to get at Howard Davis' farm. Now, effectively, what we have done is replace that by a States decision that if you say to Ministers: "Well, we think that £500,000 is better spent on advice to the Chief Minister's Department rather than on your departments, you are going to have to - let us do it simply - take a pro rata cut across your departments", there is still a tendency to say: "My department cannot manage with less than that, otherwise we would have given you it back anyway and we are down to rock bottom so we cannot knock any more off", so it is then ultimately the question of would the States Members have the will to lop any more off those departments? Arguably, in last year's Business Plan, you would have had a counterproposal by some Back-Bencher calling on the Council of Ministers to reduce

departmental spending proportionately to make good the £10 million. My gut feeling is that that would have been rejected and the States would have spent £10 million more willy-nilly, but that is a decision that could have been put to them. People do not like making hard choices, whether they are Ministers or States Members or members of the public.

Deputy R.G. Le Hérisier:

It still does not explain why these decisions were not put through on the Business Plan.

Senator T.A. Le Sueur:

Because, ultimately, it is pretty difficult to squeeze a quart into a pint pot.

Senator S.C. Ferguson:

I think because James' amendments to the Business Plan have tied down the capital spending in the following years. So what do you think it would take to restrain politicians from expenditure voted in the States against the advice of the F.P.P., et cetera, short of an extra brick in your briefcase?

Senator T.A. Le Sueur:

Even if I had an extra brick, it is a decision for States Members as a whole and it requires their self-discipline and willpower as much as the Council of Ministers. The Council of Ministers can recommend the level of spending. It is up to the States Members to say yes or no to it, in the same way that the Council of Ministers can set the level of income but States Members may still be inclined to throw tax allowances

or benefits into the pot. So you began by asking where the responsibility ultimately lies and under our current political system it lies ultimately with the States General Assembly.

Senator S.C. Ferguson:

So you would welcome the efforts of the Scrutiny Panels to make a better Scrutiny Review of the Business Plan.

Senator T.A. Le Sueur:

I would certainly welcome a better review of the Business Plan but I do not underestimate the difficulty in trying to achieve that, even in the 3 months that we might have between when it is presented and debated. It is a tight timescale, I acknowledge, for any panel to do. I am not going to tell the Panel how they should go about their business, as that is up to you to decide, but it may well be you have got to focus on one particular area as a whole and try and look at that in some detail.

Senator S.C. Ferguson:

How do you think public confidence in forecasting of expenditure could be increased?

Senator T.A. Le Sueur:

I am not sure that the lack of public confidence - if there is such a lack - is confidence in expenditure forecasting. The impression that I get is that the uncertainty is that our bottom line - which is the difference between expenditure and income - never works out exactly as was predicted. It is either higher or lower. Why cannot we get it bang on? That is generally because income is unpredictable. The property market can fall

flat and your stamp duty suddenly declines; you could not foresee that 18 months earlier. The economy may suddenly boom and earnings go up and tax receipts increase; you cannot necessarily forecast that. So I think it is in terms of income that the levels of uncertainty are greater and if the public do have doubts about the quality of forecasting, that is probably where those doubts arise but that is my assessment of the public view.

Deputy R.G. Le Hérisier:

Taking your argument that the real question is around the forecasting of revenue, if there were to be a sudden dip, despite your best endeavours to avoid that, and given what yourself and the Chief Officer have said earlier that there are these enormous fixed costs and: “Okay, we tried everything but, other than putting in massive investment, we cannot realise a lot of the savings”, what are you going to do with these public services that are being run at these costs if revenues start dipping all of a sudden quite dramatically?

Senator T.A. Le Sueur:

You are talking there, presumably, about a permanent dip rather than a structural type.

Deputy R.G. Le Hérisier:

Well, permanent or indefinite time, rather like trying to predict the end of this credit crunch at the moment which is, as you know, very difficult.

Senator T.A. Le Sueur:

That is relatively difficult but, again, what you can do is take professional advice and you have got the views of the Fiscal Policy Panel which are also influenced by the views of other people around the world with the general sort of feeling that 2 years is about the likely level and the corrective action that the States have taken, or have agreed to take, is really focusing on a 2-year period. At the end of that period, then it may well be and I just do not know at this stage what the outcome will be. If one looks at the current predictions - and they are just predictions - the likelihood is that there will be a permanent problem to be addressed and that will then require, I would guess, probably additional revenues in some form, whether that be in things like health funds to deal with the ageing population or a sewage charge to deal with the sewage works. I am not sure what the situation would be but I think if you took the ageing of the population, for example, you have got 3 stark choices. Either you have to raise additional revenue in order to look after those people, which you may well have to assess with an insurance fund, or you force those people to suffer living in degrading conditions or diminishing health which I think is politically unacceptable. In the same way as you could say: "Do we need a new sewage treatments works or could we do without sewage treatment?" I think logically, socially, on health grounds and all sort so grounds, the answer is that you cannot do without proper sewage treatment and there is going to be a cost to that. I think we have eliminated all the nice to haves or the majority of them, and those that are left are pretty small really, but it is the big ticket items like that which are going to, I think, impose considerable pressures on the Island going forward.

Deputy R.G. Le Hérisier:

Okay, thank you. So you would agree then with the statement that we are heading to a structural deficit?

Senator T.A. Le Sueur:

I cannot say that with any certainty at the moment. If I did, we would be paying for it now. I would say it is like one of those double negatives. I cannot be certain that there will not be a structural deficit in 2 years time and it would be irresponsible to say that that sort of situation could never occur.

The Connétable of Grouville:

We just seem to be skating around the G.S.T. (Goods and Services Tax) situation here, charging for old people being in homes and sewage charges. Every one except the central one which is, if there is a structural deficit, it is going to have to be attacked and that is the G.S.T. situation. Now, I am aware of your 3-year promise and I am sure you will keep to that but, after that, do you believe that we are going to have to seriously look at the G.S.T. situation?

Senator T.A. Le Sueur:

I think we are going to have to look at all taxes including G.S.T.

The Connétable of Grouville:

Yes.

Senator T.A. Le Sueur:

Just as we had a debate on fiscal strategy 4 or 5 years ago, we may well need to have an updated version of that in a couple of years' time.

The Connétable of Grouville:

When does the 3 years run out? Next year, is it?

Senator T.A. Le Sueur:

2011.

Senator S.C. Ferguson:

But is it realistic to be looking only at ways of increasing the revenue for the States?

Senator T.A. Le Sueur:

No.

Senator S.C. Ferguson:

Should we not be looking also at ways of reducing expenditure?

Senator T.A. Le Sueur:

Absolutely. What I was alluding to in the last couple of minutes was that there are some big ticket items like the ageing population and the sewage charges which are not going to go away.

Mr. B. Ogley:

You have made one comment because you mentioned “skating around G.S.T.” and these other potential charges.

The Connétable of Grouville:

I only mentioned it in the first 10 minutes we were talking about it.

Mr. B. Ogley:

When we talk about productivity, good decision-making and better management, there may be sound reasons. If you are looking forward to something like sewage where we know there is a major investment programme needed of renovation, it may well make sense to introduce - as the Strategic Plan suggests we have got to look at - an option of a sewage charge because you can move the whole structure into perhaps a more corporate organisation, an incorporating body or a separate body. Then you have a range of levers on decision-making when you talk about potential health insurance and the choices people make for themselves perhaps rather than the States intervening and saying: “You must make the right choice.” Having an insurance scheme will help people make those judgments and use their purchasing power, as it were, wisely. That has been seen to be effective in some places. So it is not just revenue raising; it can be changed and it can improve productivity.

The Connétable of Grouville:

No, I understand that. The ideal situation would be that we manage to cut States spending without cutting States services but that is a little pie in the sky, I think, we are not going to get there, are we? So we are going to have to look at revenue raising

in one form or another and the structural deficit at the moment is targeted I think at about between £50 million and £60 million, is it not?

Senator T.A. Le Sueur:

No, that is a current estimate.

The Connétable of Grouville:

An estimate, yes.

Senator T.A. Le Sueur:

But forecasting is, as we all know, a fairly inexact science.

The Connétable of Grouville:

That is why we are here **[Laughter]**.

Senator S.C. Ferguson:

Absolutely. Finally, do you think the current system of the way we handle forecasting and so on is suitably robust to deal with the decisions necessary for the changing economic climate? If we have a deficit, have we got the systems in place to deal with it?

Senator T.A. Le Sueur:

I think the systems are in place, yes, and what we need is the backbone to accept some difficult decisions - the easy decision is to do things more efficiently - and maybe even to do things like restructuring our office arrangements. What we have to accept

is you cannot do that at nil cost. There is an upfront cost to those sort of things which we have got to be prepared to accept, so it is not a question of either/or, I think it is a question of both ends. We need to continue looking at activities like that and also acknowledge the fact that there are certain things which I suspect have inevitably ongoing costs.

Senator S.C. Ferguson:

Super. Thank you very much indeed, Chief Minister.

Senator T.A. Le Sueur:

Thank you.