

STATES OF JERSEY

Corporate Services Scrutiny Panel Comprehensive Spending Review Hearing

FRIDAY, 18th JUNE 2010

Panel:

Senator S.C. Ferguson (Chairman)
Deputy T.A. Vallois of St. Saviour
Connétable D.J. Murphy of Grouville

Witnesses:

Connétable M.K. Jackson of St. Brelade (The Minister for Transport and Technical Services)
Deputy K.C. Lewis of St. Saviour (Assistant Minister for Transport and Technical Services)
Mr. J. Rogers (Chief Officer, Transport and Technical Services)
Ms. C. Walwyn (Acting Finance Director, Transport and Technical Services)

In attendance:

Mr. M. Robbins (Scrutiny Officer)

[09:34]

Senator S.C. Ferguson (Chairman):

Good morning, Minister. Welcome to this Corporate Services Scrutiny Panel hearing on the Comprehensive Spending Review. Before we start, if you could all say your name and position for the benefit of the ladies who transcribe.

The Minister for Transport and Technical Services:

Good morning. Mike Jackson, Minister for Transport and Technical Services.

Assistant Minister for Transport and Technical Services:

Deputy Kevin Lewis, Assistant Minister for Transport and Technical Services.

Acting Finance Director, Transport and Technical Services:

Christine Walwyn, Acting Finance Director for Transport and Technical Services.

Chief Officer, Transport and Technical Services:

John Rogers, Chief Officer, Transport and Technical Services.

Connétable D.J. Murphy of Grouville:

Dan Murphy, Constable of Grouville.

Deputy T.A. Vallois of St. Saviour:
Tracey Vallois, Deputy of St. Saviour.

Senator S.C. Ferguson:
Sarah Ferguson, Chairman.

Mr. M. Robbins (Scrutiny Officer):
Mick Robbins, Scrutiny Officer.

Senator S.C. Ferguson:
What exactly is T.T.S. (Transport and Technical Services) required to do by statute?

The Minister for Transport and Technical Services:
The majority of services are required by statute and these include disposal of waste, either liquid or solid, maintaining infrastructure, including roads, dealing with road traffic accidents and ensuring the road users are safe, and of course that encompasses Driver and Vehicle Standards. In terms of the list, if you like, we have customary law, Entertainments on Public Roads, the Highways (Jersey) Law, the Loi Sur La Voirie (dix-neuf cents quatorze), Public Utilities Roadworks Law, Roads, Drainage (Jersey) Law, Road Traffic Law, Drainage (Jersey) Law 2005, Policing of Parks (Jersey) Regulations 2005, Extinguishment of Roads, Main Roads Classification Act, Motor Traffic (Jersey) Law, Roads Admin (Jersey) Law, Road Traffic (Jersey) Law and the Motor Vehicle Registration 1993 Law and, of course, the Main Drainage Law.

Senator S.C. Ferguson:
Thank you. What functions do you perform that could be either run by the private sector or part of a private/public partnership?

The Minister for Transport and Technical Services:
Clearly, we have reviewed all of our operations and classified areas into where skills are only available within and where skills are best placed in the private sector and where skills are available from both. We have considered all options in relation to working with the private sector but experience has shown that full outsourcing is not always the best solution. In considering these opportunities, any outsourcing opportunities, we are mindful of the impact on other areas within the States, in particular Social Security. Often radical outsourcing may appear to bring savings but in reality costs associated with the management of an outsourced contract lead to implicit subtleties and other wider implications. We continue to look at these options for 2012 and 2013 but our preferred and more achievable direction is to become more commercial and work with local suppliers to provide the most cost effective Island-based solution. I come with a commercial hat and take the view that my staff are one of the best assets in the organisation and it is up to me and my management team to use them to the best of our ability.

Senator S.C. Ferguson:
You have not got a review looking at it: it is an ongoing thing?

The Minister for Transport and Technical Services:

We have a series of reviews in all departments. We have I think it is about 13 or 14 reviews going to all sections at the moment with the concept of trying to establish where there are areas that we can possibly bring in the private sector but our initial feeling is that we can probably do it better within and cheaper. Effectively, once you bring the private sector in there is a need for the private sector to make profit and if we cannot do our side better we are not managing our own staff in the correct manner.

Senator S.C. Ferguson:

What problems do you have with working practices when change is involved in an exercise such as the C.S.R. (Comprehensive Spending Review)?

The Minister for Transport and Technical Services:

The black book.

Senator S.C. Ferguson:

I have read it, okay. If we skip on, what would be the financial benefits of taking waste from Guernsey?

The Minister for Transport and Technical Services:

We recognise that working with Guernsey over their waste disposal would produce benefits for both islands, as with any joint solution, and I am interested to note that P.A.C. (Public Accounts Committee) are over there today. Maybe they will be considering those avenues as well. Specifically there would be gain in terms of economies of scale and the ability to run a more efficiently operated plant. This would be offset in part by increased maintenance. The plant is built to cope with the predicted waste growth over the next 25 years. So, based on a population and waste growth model which we have, in the short term there is likely to be sufficient capacity to manage Guernsey's waste. The future would have to be reviewed, depending on circumstances prevailing, but if waste growth is less than predicted then our capacity for dealing with Guernsey's waste could be extended. In truth there are 3 areas, as I indicated before in the States. There is the technical side which is quite achievable, there is the political side or the tribal side, shall we say, which is perhaps not achievable, but certainly from our point of view economically and technically it is certainly achievable.

Senator S.C. Ferguson:

Are you finding that the growth in waste is following your predictions?

The Minister for Transport and Technical Services:

With the downturn in the economy there is a reduction in the waste arising. John may elaborate further on that.

Chief Officer, Transport and Technical Services:

The waste growth figures were pre-economic downturn and we have seen a substantial drop in waste arising, particularly from the commercial sector because developments within the Island have diminished somewhat. So, yes,

when you look at the model, models are a prediction. The prediction was assuming some growth. That has not happened so there is a difference between what was originally predicted and what we have now. It can come back the other way and Jersey is very efficient at doing that and has a very strong economy if you look at it over a long period of time. So I do not think we can say we have got huge amounts of capacity but I think any growth is year on year. If you have some loss of that you do give yourself some headroom, which is great, potentially very beneficial for both islands.

Senator S.C. Ferguson:

You have just completed a review of how the drainage section operated and achieved £105,000 savings on the instigation of efficiencies, overtime restrictions and 2 voluntary redundancies. It is understood this took 18 months to complete. How achievable is the timescale for the C.S.R. 3 and 5 per cent savings?

The Minister for Transport and Technical Services:

Well, certainly challenging but we are striving to achieve it. As I mentioned before, we have a programme of reviews due to be completed at the end of 2010 and these will result in efficiencies. However, it is difficult exactly to quantify where all the savings will come from within the current timetable.

Senator S.C. Ferguson:

Yes, because if we go on we start looking at the services where your department and the parishes and everybody overlap. You are doing services for other departments. Do they make the department money or is it a cost?

The Minister for Transport and Technical Services:

No, it is cost neutral in effect. However, all departments, and certainly within the States, we are all trying to make savings and we have to be conscious that the services we supply to other departments is done as efficiently and effectively as possible otherwise we will end up in the position whereby they will say they can get whatever service done for less cost and we will have to justify the difference, which I will have difficulty in doing. So, unless we get our efficiency up to scratch and provide a full commercial service to other States departments we will have problems.

Senator S.C. Ferguson:

Yes, because we are hearing from other Ministers that there are non-core items like, for instance, gardening where they are looking to make savings and this surely is just going to impact your particular setup.

The Minister for Transport and Technical Services:

Well, there is a risk because we have certain statutory areas of gardening, for want of a better word, that we have to deal with and my philosophy is to continue to do those with our own staff but attempt to offset the cost by undertaking commercial work. We are quite seriously looking to a method of doing that by reviewing the Parks and Gardens Department with a view to making it more commercial and being able to deal with other departments' requests, whether it be other departments or parishes' needs and

requirements but on a commercial basis on a par with what others are doing. I agree we can never be at the same sort of cost as a small man in a white van but, as I said earlier, we have good staff, skilled staff who are very well equipped to deal with all jobs. We have got equipment; why not use it to the benefit of the public by reducing the cost of statutory work?

Deputy T.A. Vallois:

If other departments decide to go outside and ask companies to do their garden servicing which therefore would reduce your income from, say, that department, how would that affect your ability to make the savings?

The Minister for Transport and Technical Services:

In effect it would increase the cost because we will always have the statutory costs of the gardening work, which we cannot get away from. We cannot move away from that statutory list which I mentioned earlier on. So I have to look to see how I can offset those costs and this is one way I am hoping to achieve it.

[09:45]

Deputy T.A. Vallois:

As Minister, if you felt that it was not viable within your department to do that, you would be able to change that statutory requirement.

The Minister for Transport and Technical Services:

Well, not easily, no. Effectively all I could do is take a proposal to the States to remove the liability and I suspect that would not be very well received.

Deputy T.A. Vallois:

But that is a possibility.

The Minister for Transport and Technical Services:

It is a possibility, indeed, in certain areas, not all. In certain areas like parks and gardens, if you like, but within the drainage side and the road side it is not so easy.

Senator S.C. Ferguson:

No, but the cleaning and the rubbish collection, at the moment we have yourselves doing rubbish collection and down in St. Aubin we have got yourselves doing rubbish collection, the parish rubbish collection and I think Harbours do some of it too.

The Minister for Transport and Technical Services:

No, T.T.S. does all the harbour work now. That was absorbed when we took over the harbour yard.

Senator S.C. Ferguson:

Oh right, that has been changed.

The Minister for Transport and Technical Services:

St. Aubin, as you mention, is a case in point. We have done a little bit of a swapping arrangement to improve the efficiency down there in that T.T.S. are using their machines to clean some parish roads and the parish staff are hand cleaning some of the T.T.S. roads which cannot easily be done by machine and that is being done on a trial basis and seems to be working quite well. So one does try to seek efficiencies and I am quite open to discussions with all my fellow Connétables to further that end. St. Helier ring road was another one, we did a swap there. So we do the outer bit and St. Helier do the middle bit.

Senator S.C. Ferguson:

Yes, because that has been a bone of contention for some years.

The Minister for Transport and Technical Services:

Indeed.

Senator S.C. Ferguson:

There are allegations that when you price for tenders you are not producing full cost tenders: (a) is it true and (b) is it realistic if it is true?

The Minister for Transport and Technical Services:

I will ask John to comment on that.

Chief Officer, Transport and Technical Services:

I do not know of any examples. What tenders would you ...?

Senator S.C. Ferguson:

There were, I think, tenders for painting lines on roads and so on, doing a bit of back engineering on the tender price. The competitors did not believe that you could actually do it. If you left out the overheads you could do it for that price. Perhaps it is something I should take up ...

Chief Officer, Transport and Technical Services:

It is the first I have heard of it so I am not going to comment further.

Senator S.C. Ferguson:

Yes, I am sorry.

Chief Officer, Transport and Technical Services:

It is a serious comment that needs to be investigated.

Senator S.C. Ferguson:

Perhaps I can take it up with you outside of this.

Chief Officer, Transport and Technical Services:

If you could provide me with the details of that I will investigate. The difficulty with States tendering, with tendering for external work, is where do you start with the overhead allocation. I have worked in the private sector and overhead is either a proportion which we do through the JD Edwards system as a factor of 1.4. There is other overhead which you could apportion to that

but at what point do you stop? We can investigate. We are a big organisation doing lots of little pieces of work. Should an overhead include some of my costs, some of the F.D.'s (Finance Director) costs? Those are the questions you need to address but the standard point is 1.4 times the labour rate gives us effectively an overhead allocation. That is fairly nominal, depending on the services.

Senator S.C. Ferguson:

What are the contractual issues requiring Connex to cut their cloth in accordance with the C.S.R.?

The Minister for Transport and Technical Services:

There is no contractual requirement for Connex to make savings within the period of the current contract, which runs up to 13th January. However, we have got a good working relationship with them and both parties recognise that there are inefficiencies within their organisation, if you like, and we are working together to drive out those and gain mutual benefits.

Senator S.C. Ferguson:

One thing that has cropped up frequently is comparing the system in Jersey with the system in the U.K. (United Kingdom) where the water companies all deal with the liquid waste. Is there any reality in this? Is there scope for working together?

The Minister for Transport and Technical Services:

We have developed the liquid waste strategy at the moment and this will highlight the numerous different funding options. There is no indication which will be the favoured one at the moment but the work around the future organisation to deliver liquid waste is not at a sufficient level of detail really to promote a preferred option at this stage. We acknowledge that working closely with the water company really is quite a strong one.

Senator S.C. Ferguson:

Yes, because there are those that say they are perhaps taking advantage of the infrastructure provided by yourselves without putting anything into it.

The Minister for Transport and Technical Services:

Well, they do put it in but we take it out, looking at it from that point of view.

Senator S.C. Ferguson:

Yes, precisely.

The Minister for Transport and Technical Services:

You are quite right. Yes, indeed. It is a 2-way street, is it not?

Senator S.C. Ferguson:

Yes.

The Minister for Transport and Technical Services:

But it is certainly an area we are looking at.

Senator S.C. Ferguson:

Bearing in mind the £40 million backlog of maintenance on ... no, I think if we could just leave that question until later because I think the Connétable has some supplementaries because it is on roads. How far do your 2 per cent savings go to meeting the overall target of saving 10 per cent by the end of 2013?

The Minister for Transport and Technical Services:

It is in line with the future savings and therefore makes the remainder 8 per cent, so that is my next tranche, if you like, which we are working on at present.

Senator S.C. Ferguson:

So you have been working on 10 per cent over the period and this is just the beginning?

The Minister for Transport and Technical Services:

Indeed, as per C.S.R. guidelines.

Senator S.C. Ferguson:

Yes, because I believe there is a sort of certain difference of opinion among your colleagues. Some of them are starting with the 2 per cent as shaving it off while they start thinking about the 3 and the 5.

The Minister for Transport and Technical Services:

We have tried to adhere to the C.S.R. guidelines from the outset and have tailored our work to that and we intend to stick to it.

Senator S.C. Ferguson:

What obstacles do you see in achieving the overall 10 per cent?

The Minister for Transport and Technical Services:

I think one is, as I alluded to earlier on, the black book; secondly, is the lack of commercial realisation of expertise; and probably, thirdly, maintaining the political strength to deliver difficult decisions coming up to election time.

Senator S.C. Ferguson:

Commercialisation, what is the problem with that?

The Minister for Transport and Technical Services:

I think it is cultural in that there has never really been a need within the States organisation to be terribly commercially minded and I think there is a public perception that the organisation has grown like Topsy. There is a continual demand for cost cutting without the knowledge of what is required. We are stuck, if you like, with the statutory list that I mentioned earlier on and we have to look to ways and methods how we might reduce the cost to the public in continuing to provide those services.

Senator S.C. Ferguson:

Obviously there needs to be political will across the whole organisation.

The Minister for Transport and Technical Services:

Whatever we do I have to sell to my fellow politicians. My Assistant Minister and I go through all this in tandem and we think we have got a little bit of political nose, if you like, for these things and I know if I go off in the wrong direction my Assistant Minister will soon correct me.

Senator S.C. Ferguson:

Tie you to the front of his Alvis. Looking at the way you cost things, how certain are you that everything has been costed and accounted for? Can you tell me how much it costs to dig a trench?

The Minister for Transport and Technical Services:

Yes, indeed. We have got a pretty good understanding of our financial position but notwithstanding that I think anyone can always improve. I get regular financial reports, I have got confidence in the senior team and there are good procedures in place. I meet regularly with Christine here and I get updated on major issues. So, having said that, from a management point of view that is the information one needs to receive and I would be the first to say if I am dissatisfied I shall ask and I will get an answer. From a management point of view I am quite satisfied that I know what is going on.

Senator S.C. Ferguson:

As I say, I have a written question and sort of say: "Well, can you tell me how much it will cost to dig a 100 foot trench?"

The Minister for Transport and Technical Services:

Yes.

Senator S.C. Ferguson:

Super. How much?

The Minister for Transport and Technical Services:

How deep?

Senator S.C. Ferguson:

Touché.

Chief Officer, Transport and Technical Services:

And when?

Deputy T.A. Vallois:

So you would not have to go off and do a bespoke costing for that, you would know that? Around the region of the measurements provided you would know?

Chief Officer, Transport and Technical Services:

Yes. We have effectively set rates which we work on because we do recharge a lot of that work. It is also a function of where you are digging. If

you are digging a road, are you in granite, are you in ... there is a schedule of rates you would have to work on but we do know the cost of that.

The Minister for Transport and Technical Services:

We have got the expertise that knows most of the pitfalls - are you on a hill and so on - and it makes a big difference. There are also issues of what is the sort of road it might have to be dug in. If it is Victoria Avenue, busy artery, you have got traffic management issues to consider which will jack the cost up. Whether it can be done at night, whether it has got surrounding properties: there are a lot of factors which can influence the cost.

Senator S.C. Ferguson:

How is this spending review different to the one produced in 2005?

The Minister for Transport and Technical Services:

I think the financial crisis has made the public finances that we presently have unaffordable. I think this is the major difference since 2005 and the general public want to see a change in how we deliver services and become more efficient. This time we have the central team, the C.S.R. team, providing assistance and direction where necessary and "trying" (I use that word in inverted commas) to co-ordinate the process. In addition, the savings are packaged with other flexibilities to improve financial management, including year end flexibility and the 3-year cash limits which would give us the ability to commit funds for longer periods and therefore achieve benefits from that point of view. We see the C.S.R. as an opportunity to continue to become more businesslike and provide an effective service which is fit for purpose.

Senator S.C. Ferguson:

You are obviously getting a lot of flak over Victoria Avenue. How are you going to get it across to people that you are actually working efficiently on that?

The Minister for Transport and Technical Services:

It is a very high profile job. It was tendered as being done by a contractor and I think we have about 80,000 experts on road construction in the Island which contact me regularly on the matter.

Senator S.C. Ferguson:

The others are in their prams learning.

The Minister for Transport and Technical Services:

I think quite candidly in retrospect there are things to learn in the way in which the job has been done. I am quite certain the outcome will be satisfactory. In any engineering job there is decision making to be done on the way. There have been variances which we have taken a view on. There have been issues which have to be dealt with. It is not signed off yet. Circumstances change and all I want to see from the public point of view is a satisfactory job at the end of it and I am not prepared to put up with any shortcomings on that.

Senator S.C. Ferguson:

Thank you. What confidence do you have in getting support from all the other spending departments for structural and States reform under the C.S.R.?

The Minister for Transport and Technical Services:

While I was asked to do a peer review of E.S.C. (Education, Sport and Culture), my knowledge of other departments is not really deep, apart from reading probably much as you do. My philosophy is to encourage my fellow Ministers to follow the C.S.R. rules. Clearly there is resistance and it is for the C.S.R. team to bring other departments into line and achieve the ultimate goal of reducing the financial deficit.

Deputy T.A. Vallois:

How do you find that possible when each Minister has got their own individual responsibility for that department?

The Minister for Transport and Technical Services:

I think it is just a question of encouraging the culture among Ministers and their chief officers to achieve the cuts that are necessary because if that philosophy cannot be got across it will not happen and Ministers have to realise the railway, the train is running towards the buffers and unless they do something about it there could be risk of losing the money they are having at the moment and having to make last minute decisions, which is never a very satisfactory way of dealing with things, in my view.

[10:00]

Senator S.C. Ferguson:

Yes, but perhaps you are at an advantage here because you took over a department which was efficient, whereas some of your colleagues have taken over departments which are not efficient.

The Minister for Transport and Technical Services:

It is not for me to comment on that ...

Senator S.C. Ferguson:

Sorry, it is an awfully leading question, is it not?

The Minister for Transport and Technical Services:

... apart from the fact that you are absolutely right. I have taken over a department which certainly is efficient and knows how much it is spending, and that is very attractive.

Senator S.C. Ferguson:

Are you prepared to take the difficult decisions relating to fundamental structural changes required to meet this challenge?

The Minister for Transport and Technical Services:

Yes, I am prepared to make decisions to achieve the necessary right outcome for the department and I have always and continue to make business decisions wearing a commercial hat rather than populist ones.

Senator S.C. Ferguson:

Thank you very much. That ends the public part of the meeting. I was going to deal with the roads when the Connétable of Grouville comes back because, as I say, he has some fairly strong supplementaries. I wonder if we could go into private session now, please.

[10:01]