



STATES OF JERSEY

Corporate Services (MTFP) Sub-Panel

Review of the Medium Term Financial Plan Public Hearing with the Chief Minister

MONDAY, 3rd SEPTEMBER 2012

Panel:

Senator S.C. Ferguson (Chairman)
Deputy J.M. Maçon of St. Saviour (Vice Chairman)
Deputy J.G. Reed of St. Ouen
Deputy J.H. Young of St. Brelade
Deputy S.G. Luce of St. Martin

Witnesses:

Senator I.J. Gorst (The Chief Minister)
The Chief Executive
The Economic Advisor
The Director of Human Resources

Also present:

Mr. S. Fair (Panel Advisor)
Mr. M. Oliver (Panel Advisor)

[10:16]

Senator S.C. Ferguson (Chairman):

Good morning, ladies and gentlemen. Welcome to this hearing of the Sub-Panel of the Corporate Services Panel which is conducting a high-level review into the Medium Term Financial Plan. There is a health warning there. I think you may possibly have seen it before; if you would like to read them and digest. We have nobody photographing, so we do not need to pursue the health warning on that. I wonder if we could say who we are and what our positions are for the benefit of the ladies who do the transcription.

[Introductions]

Senator S.C. Ferguson:

The Medium Term Financial Plan is a document that has been lodged by the Council of Ministers. What role have you as Chief Minister played in its development?

The Chief Minister:

Well, as you would expect, there have been two roles really. One is as Chairman of the Council of Ministers and the other is as Minister of the Chief Minister's Department. Obviously the nuts and bolts of the plan get developed in each department with the Minister, with the Senior Officer and the Finance Officer, together with Treasury, until it is in a position. So everybody makes submissions: what they are currently spending, where their cost pressures are, where they feel policy is going. So it is, in effect, based on the Strategic Plan and it is a financial plan to give effect to those strategic policies but developed departmentally, brought together by Treasury, then considered by the Council of Ministers as well and it has gone through, as you know, various iterations and changes as we have gone along. So my role has been one as a departmental Minister but also as chairing the Council of Ministers.

Senator S.C. Ferguson:

Yes. What sort of prioritisation process did the Council of Ministers follow when you were putting the plan together?

The Chief Minister:

As you would expect, we took the projections from Treasury, the income tax forecasting brief, to look at income. We took the economic forecasting and factored all of that in, which helped us get to that sort of base area of where we needed to be. Ministers came forward with, as I said, where their cost pressures were, where they felt there was extra money needed to deliver the States Strategic Plan, and then we had to sit down and start finding ways of trying to deliver that and looking at the changes that might need to be made. I think when it comes to those what we might call new money and dealing with cost pressures, we went through 7 different iterations of looking at not only the actual spends but also timing of spend and how we could fund it and all of that obviously in light of changing economic circumstances, which has been, I suppose you could say, the underlying difficulty that we, like every government, have had to try and deal with. They have been changing all the time.

The Deputy of St. Ouen:

Was it not the case, though, that when the Strategic Plan was developed and agreed it was required to be delivered within certain resource parameters? Would you say that those requirements or parameters that were set have now changed within the Strategic and Financial Plan?

The Chief Minister:

I do not have the proposition with the financial statement of the Strategic Plan, but I think we were quite clear in the Strategic Plan debate that if we really wanted to change our health service and we really wanted to get people back into work we needed to spend money. I think we have been quite upfront in that and I have clearly said that throughout the whole of this process.

Senator S.C. Ferguson:

Yes, because the top priority in the Strategic Plan has been to get people back into work.

The Chief Minister:

Yes.

Senator S.C. Ferguson:

But where do you think the new jobs from 2013 to 2015 are going to come from?

The Chief Minister:

Right across the economy. I mean I have said to you before, to the main panel, some of the concerns, certainly from employers as reported, are the risk of employing. So we have put forward some schemes which have helped to share that risk, certainly around financial risk, and we have also said that as part of the back-to-work strand of work we need to review legislation as well to see if there are risks there which employers are finding difficult to deal with which need to be changed. Our experience from Advance to Work shows that sometimes when there does not appear to be a job there might be stress in that employment environment. When they are able to take a chance on an individual without cost to that firm, they see that there is a person that can do the job and then they take them on and create a full-time job. So it is easy to say there are not any jobs and, on the one hand, that might be right. When we start engaging with employers and putting in schemes that do share this risk, as I have said, then we do see that jobs can be created and are there, but it is a matter of trying to share the risk of employing and that is what a lot of our schemes have almost had at their heart.

Senator S.C. Ferguson:

Yes, but you said a minute ago that the new jobs will come across the economy.

The Chief Minister:

Yes.

Senator S.C. Ferguson:

So you are subscribing to the assumptions about growth that are in the Medium Term Financial Plan? You are quite happy with the assumptions?

The Chief Minister:

I am content with the assumptions. If we just go back to what I said a moment ago, the only thing that we can be certain about - and governments are finding this a difficult reality to live with - is that economic circumstances seem to be changing from week to week, if not from month to month. So I am still content with them. Again, the only certain thing is that reality will be something different as, to some extent, it always has been, but we have to make central assumptions, which is what we have done here. Yes, we

know that since we started developing the economic situation - I do not want to tread too much on the Economic Advisor's toes - it certainly has not improved and in fact it has probably worsened. But, as we stand today, then I am still content with them.

The Deputy of St. Ouen:

Just before we move on, could you tell us what part the Corporate Management Board has played in the development of the plan?

The Chief Minister:

A similar part to that which it always plays. The chief officers work with Ministers in bringing forward their own proposals and budgets for the departments and they help to co-ordinate that as well in a centralised or unified way. They have been part of this iteration process of trying to get to a workable solution as well.

The Deputy of St. Ouen:

In your opinion, have all their comments that they made on the Medium Term Financial Plan been acted upon in a positive manner by the Council of Ministers?

The Chief Minister:

Maybe the Chief Executive is better placed. Obviously I do not attend the Corporate Management Board, so I cannot say anything.

Chief Executive:

Yes. I think, as the Chief Minister explained, that iterative process was one of taking all of the submissions from the departments, working with Treasury to hone them down into a plan and, as every iteration took place - and I think we ended up with finally option 6 or 7, as the Chief Minister explained - at each stage the Corporate Management Board was looking at the level of growth that was being requested, whether that could be moved by a year to try to make sure that, in terms of the 3-year period, we manage to balance the budget in those 3 years. There was obviously some give and take to say we could move one element from 2013 to 2014 or vice versa. So it was doing the nuts and bolts of it to present then to the Council of Ministers for final approval.

The Deputy of St. Ouen:

One last question on that matter. How much importance or attention was paid to provision for what I would call policy and development, as is bound to be the case over a 3-year period that the Government is delivering services?

The Chief Minister:

Well, we have got to say that the Strategic Plan, which looks out for the 3 years of Government, very clearly set 7 priorities and the funding streams have been developed on those 7 priorities. You are right; there will inevitably be some changes throughout the course of the 3 years. I know you are probably not satisfied quite with the level remaining, but there are still contingencies in the plan for changes, for circumstances which are unseen. One thing that the plan has not hard-coded in is looking at the elements of savings and efficiency savings. So in 2013 we have got to the final year of the C.S.R. (Comprehensive Spending Review). The savings are in there, but we are conscious that work on savings and efficiencies needs to continue to take place in 2014 and 2015 and beyond. Some of those savings might be able to be taken into 2015. Some of them might fall through into M.T.F.P. (Medium Term Financial Plan) number 2. Why I am raising that now is because that will obviously give other flexibility as well perhaps around some of the economic forecasts and eventuality as opposed to forecast and also allowing for perhaps some policy change as it might take place during the course of the 3 years.

Senator S.C. Ferguson:

Will the Council of Ministers be producing a report to show that these savings have taken place and where they have taken place?

The Chief Minister:

The C.S.R. ones or the future ones?

Senator S.C. Ferguson:

Well, the C.S.R. which is underlying this. We will get on to monitoring this.

The Chief Minister:

Yes, okay. Well, yes, they will because they already have for the previous years and you have seen Treasury recently lodged a report saying where the savings were going to take place in 2013 and then there will be an update on that once we have got past 2013.

Deputy J.H. Young:

You said "hard-coded", those savings are not hard-coded. Can you just explain that a little bit, what you mean? Does that mean you have not identified them or what?

The Chief Minister:

In 2013, of course, they are because we have taken it out of the base. For the big C.S.R. programme we have taken it out of the base budget. So you will see a reduction in those budgets, but what I am talking about with regard to 2014 and 2015 is a lot of the work that the Director of Human Resources and the Chief Executive are leading on: reform.

[10:30]

Obviously we have not quite yet gone public on some of how that might look but we are doing that tomorrow. So you will see us looking for opportunities to deliver our services in a different way, which we know will lead to savings but that are a bit further down line. It is not right for us to go back and just put the numbers in without having done more work on them, because that is what we did with C.S.R. I know we use the term “fat out of the system”, but we took a lot of latitude out of the system and now we are wanting to do it in a much more joined up, thought-through way rather than just saying: “We have got to balance our budgets like this and this is what we are going to do.” Now we are trying to set in train a programme which will take a number of years but we know savings will arise from it.

Deputy J.H. Young:

But those are targets?

The Chief Minister:

They are, but the other thing as well, of course, is that what we are trying to do is move departments away from spending up to their budgeted spend. We have slowly seen that taking place over the last couple of years but we need to make sure that that is the norm. Just because the States has agreed a budget does not mean to say you have got to spend it and ultimately it is spend that is important and not budget.

The Deputy of St. Martin:

Chief Minister, could I just ask a question? You talk a lot about savings but would you accept that most people, when you talk about savings, think that you have to save on expenditure. You get to the end of the year and you have spent less. Do you agree that people get confused when on one hand they are told a department is saving money and at the end of the year they have spent exactly the same? On one hand they say: “We have saved,” but they are given more money to spend on growth in other sections and in actual fact what we are doing is playing on words because departments get to the end of the next year and they have spent as much as they did the year before. They may say they have saved but in reality they have spent the same.

The Chief Minister:

I do not think it is a play on words but it could appear like that, because what we are saying is they would have spent more if we had not taken those savings out of that budget. So we come to the start of the year and we say: “Right, we are cutting out of your budget £3 million.” So that baseline budget is reduced by £3 million. Of course, we still need to put money in for perhaps some pay inflation or inflation on other expenditure. So it does get a little bit more complicated than just saying: “Last year we sent £1. This year we are spending 90 pence.” It is not quite that straightforward. What we do is we take the £1

and say: "Last year we spent £1. We are allocating you 90 pence for this year, but obviously you might have some pay and other bits of inflation. You might want to go and change the way you are delivering your health service, so we are giving you an extra 20 pence to do that."

The Deputy of St. Ouen:

Can we just move on to allocation of funding because obviously that is basically what, for the most of part it, the Medium Term Financial Plan tends to try and do. You previously stated: "If it is something that we proactively think that we should be delivering then we need to put it on a proper funding in the base budget." What confidence do you have that this has been achieved in relation to all departments' expenditure over the 3-year period?

The Chief Minister:

I have said to you before that this is a 3-year plan and we have been absolutely clear that we have not achieved that goal in the first year and it is taking us the course of the plan to try and achieve that. I hope that all Ministers have come forward and taken a similar approach to the one which I have taken and that is as you have just explained. Spend on international in my department was not in the base budget and during the course of this 3-year plan we have put it into the base budget so we can be certain about delivering it. Inevitably we have focused, as I said, on those 7 areas. So I think we can be confident that the vast majority is now in the base budget, but John might speak for other C.M.B. members.

Chief Executive:

Certainly the priorities in the Strategic Plan, obviously the area where we have seen the largest growth, is in health and the Health Department has done a lot of work in developing the outline business cases to support their programme. So from a financial management perspective we are very comfortable with the quality of the business cases that have come forward from Health to justify the additional level of expenditure and that is where there is a large element of growth. As the Chief Minister said, within our own Chief Minister's Department the international section, which is having to put more and more emphasis on representing the Island and picking up some work that the U.K. (United Kingdom) Government may have done for us in the past but they no longer do, we now have to do now ourselves. We have to put the budget in there because in the past it was not budgeted and it was always a sort of hand-to-mouth type approach, which is not good financial planning and financial management. The other areas: obviously the Economy Growth Strategy was approved by the States a few weeks ago, before the summer recess. So that is really setting the direction or setting the blueprint for how jobs are going to be created and obviously grow the economy in certain areas to allow the expenditure that E.D. (Economic Department) have identified as part of their growth needs.

The Deputy of St. Ouen:

The actual question, though, was regarding providing proper funding in base budgets and so the question is: are you confident that that has been the case or have you got some serious concerns around some of the areas?

The Chief Minister:

Well, I have not got any serious concerns and I am confident that that certainly is what we have tried to do, but obviously I have to caveat that with where we started about changing economic circumstances and, as you have pointed out, perhaps a slight change in policy direction throughout the course of the 3 years.

Deputy J.H. Young:

Can I just come in? Base budgets obviously are about current level of service provisions. Are you confident that - for example, Health that the Chief Executive referred to - the current level of spend is in line with current base budget?

The Chief Minister:

When you say "current level of spend" ...

Deputy J.H. Young:

Well, where we are now. The starting point: the base budget being the current position moving into 2013. Are you confident that the base budget that we have got is the right level for that service as it is running today?

The Chief Minister:

Well, they are running their service on that base budget as it currently stands. You get the service out of the money that, to some extent, you are putting in. Now, this is one of the reasons why we are focusing on Health in the way that we are; because we think that the service needs to change and needs to improve.

Deputy J.H. Young:

Sorry, Chief Minister, let me clarify the question. Would it be correct that they are not over-spending now but the plan is that the level of spend should increase?

The Chief Minister:

The plan is that the level of spend should increase. If you had Health before you they, no doubt, would tell you that every year it is a struggle to try and contain their spend into the budget that they have got because of improved technologies, increased drugs cost, more drugs, all the issues of competition for nurses, competition for doctors, cost of physical environment, all of which are changing all the time. Let

us be honest. They do struggle to deliver the service they do deliver with the money that they have got. It is one of those areas that you could put lots more money in and potentially they would still struggle.

Deputy J.H. Young:

Thank you, Chief Minister.

The Deputy of St. Ouen:

The draft Medium Term Financial Plan states: "We manage our service delivery through the departmental structures. So it is essential that our financial management framework provides departments with sufficient certainty of funding to allow them to manage within their cash limits. Departments can then provide the right level of services for Jersey." What risk is there that such an approach will lead to increasing expenditure without rigorous checks upon it?

The Chief Minister:

Well, I think we have got to, in the system, build in checks and I think they are built in and the reporting of spend by Treasury right across departments to stakeholders is better than it ever used to be. It is that reporting of the information which will help manage spend as we go, but we also know that the role of P.A.C. (Public Accounts Committee) is very important to see that we are under review to make sure that money is being spent efficiently and appropriately. By nature it is easier to spend than it is to save. So we have always got to guard against that and one of the questions that we are asking as part of the modernisation and reform programme is: "What services should be delivered and who should be delivering them and how can they be delivered more efficiently and more cost-effectively?" That is a question we should continually ask. So you are right, we should because there is that danger that we must guard against.

The Deputy of St. Ouen:

They are fine words that you speak, Chief Minister, and you focus on the P.A.C. as the tool to monitor States expenditure. The reality is that we have had, over many years, report after report being written by not only P.A.C. but, more importantly, the Comptroller and Auditor General highlighting the deficiencies and the ineffectiveness of the States managing their expenditure. Yet you suggest that we can rely on the current structure when, even recently, deficiencies were being highlighted within it; significant ones that say that we have difficulty in properly managing and monitoring our expenditure. What confidence do you have now that says: "Well, we do not need to worry about that anymore; we have dealt with it"?

The Chief Minister:

I have not said that we do not need to worry about it. I said we have got to be constantly vigilant, as you indicated, but what I have said is that the monitoring of it and the reporting of it is, as far as I am concerned, far better today than it was previously. The new Treasurer has come in. There is more co-ordinated joined-up reporting. There is more information about spend to budget and timing of that spend

and timing of that spend. So I think that is certainly far better and we can be confident in that. I said that P.A.C. was just one element of that and I lead you to the questions that we are asking ourselves as part of the reform programme, which is absolutely the right thing to do but it is not a one-off. It is a constant questioning of that: "Where can we get better efficiencies? Why do we need 2 of those when one will deliver the same service but cheaper?"

The Deputy of St. Ouen:

Thank you. How much flexibility should departments have with regards the Medium Term Financial Plan and what are the mechanisms that have been allowed for within the Medium Term Financial Plan to let that take place?

The Chief Minister:

That is a good question. Do you want to take that?

Chief Executive:

I think traditionally, because we have always worked on an annual cycle, there has always been this point of closure of the accounts on 31st December and the question of carry-forwards has been one that has taken time to evolve. So going from a one-year cycle to a 3-year cycle, part of the plan we built into this, a department has a known cash limit for 3 years; so it can defer some expenditure in the one year in order to have further expenditure in the second year. The way we have been doing it for the last 2 years and successfully working with the Treasury is that, for any savings that departments have been able to accrue in one year, they have been allowed to carry it forward into the second year. That has worked well for departments in terms of planning for taking some of the peaks of expenditure out of certain areas of work. The 3-year plan will give departments much more flexibility in that. Obviously there are annual cash limits which they have to work to. So we do not want departments spending zero in year one and then having a huge expenditure in year 3. We want to make sure it is managed properly, but this will give some flexibility for departments to be able to look at where they need to have expenditure and how they can manage it in that 3-year cycle.

The Deputy of St. Ouen:

I understand your aim and I think it is an excellent one, that you allow departments to manage their budgets more than just on a year-by-year basis. I think the issue that I have - and I would like to know your view - is that some carry-forwards could be classed as a "one-off" or deferred expenditure. How do you ensure that those carry-forwards do not ultimately lead to increased ongoing expenditure which will impact on the next Medium Term Financial Plan?

The Chief Minister:

That is part of the process that Treasury are ... I do not want to say quite "hot" on, but are alive to that issue; that when you have a more flexible budget you do need to make sure that you are not just, as you

rightly say, carrying it forward to increase overall expenditure but it is for either a specific project or saving or cost pressure which you know can be managed in the long term and not just in the short term.

[10:45]

Treasury are very careful and have been, up until now and over the last 2 years, of the way that they have approved carry-forwards for departments. So they have allowed some carry-forwards to help departments deliver their savings because they are saying: "Okay, we know that you are going to have a difficulty here. So if you carry that forward to do that particular piece of work, it is going to deliver savings there," rather than being precious about it. But you are right; it will be part of the monitoring and the ongoing monitoring that needs to take place to make sure that it is not happening as you suggested.

The Deputy of St. Ouen:

Is it not the case that, since you have been in office, carry-forwards have been used for ongoing revenue expenditure which does impact on and will increase departments' costs over a longer of time? What comfort can you give us that that sort of matter will be properly dealt with and we will not see the year-on-year increases in expenditure over and above that which was agreed by the States as we have seen in the past?

The Chief Minister:

You are right and that goes right back to the point that I and the Chief Executive alluded to with regard to international. Carry-forwards were used to fund that base spend. What we have tried to do as far as possible in this plan is to make sure that those sorts of pressures are in base budgets. So you should not see that sort of carry-forward in future.

The Deputy of St. Ouen:

Just picking up on one last point on that; the draft Medium Term Financial Plan proposes to use funding essential contingencies for some of the growth and indeed ongoing revenue expenditure items that you have said would be better included in any base budget over the period of the plan to the extent that none of the £13 million now envisaged for contingencies in 2013 will remain. Do you think that is acceptable?

The Chief Minister:

Yes, because it comes back to the point that I made earlier about what we have tried to do is use the 3-years to address some of the issues that you so rightly are concerned about. That has meant that in order to deal with those timing issues we have had to ... I think we have used the term "planned use of contingencies", certainly in 2013, and there is only then flexibility available in 2014 and 2015, but we have consciously done that to try and address some of the issues that you have rightly highlighted and as you have rightly highlighted in the past.

The Deputy of St. Ouen:

It is admirable that you have tried to do that, but I find it difficult that - and we are perhaps just about three-quarters of the way through 2012 - you can now determine exactly what costs and funding will be required for the whole of 2013 and have identified all the likely unforeseen events. We are well aware that they do happen on an annual basis, whether it is bird flu and so on and so forth. How have you done it? Where is your crystal ball, or is it the case that you are hoping above all hope that you will not require any additional funding or that unforeseen expenditure will not arise?

The Chief Minister:

Well, we are not hoping above all hope. What we are trying to do is address the issues that you rightly highlighted. We have used assumptions which are, I think, reasonable, albeit with the caveat that I gave earlier. It is trying to balance all these aims at the same time and there is no doubt that it is indeed difficult and we have been quite clear that in 2013 it is finely balanced.

The Deputy of St. Martin:

Chairman, maybe I could change the direction a little bit. Chief Minister, how do you view the Island's economic position in relation to the U.K. and the European economic position currently?

The Chief Minister:

It is difficult enough trying to comment on our own economic conditions and circumstances without trying to comment on the United Kingdom and the European Union. There are far better qualified people around this table than myself to make economic commentary, but it is fair to say that it is difficult and it remains difficult and it remains uncertain. It would appear that the pressure remains on the downside and we cannot but acknowledge that that affects us, which is why I started out in the cautious way that I did right at the start of this hearing.

Senator S.C. Ferguson:

It used to be that Jersey lagged the U.K. by about 18 months. Is that still the case?

Economic Advisor:

I am not sure that it has ever been the case that we have just lagged behind the U.K. by 18 months. Looking back over sort of past trends - if that was the case it would have been easier to forecast - we have shown different trends to the U.K. at different points in the cycle. So I do not think there is any simplistic rule that we just lag behind the U.K. economy. The correlations that we found were more hard-wired into the global situation and particularly global financial markets. Now, clearly that was helpful in the past in predicting where we were going and the direction of the economy, not least because of the financial services sector being dependent on what was happening in those financial markets. I think in the current world that relationship has broken down. So it is hard to look at what is happening in the financial markets and say: "What does that mean for Jersey performance today or, in fact, next year?"

So it is very uncertain times and even if that relationship had existed in the past, which I challenge, I would be cautious about using any strong relationship from the past, certainly in the short-term, given these unusual economic times.

Senator S.C. Ferguson:

I think my past goes back a bit further than yours. Sorry, Steve; carry on.

The Deputy of St. Martin:

It is interesting that we have that view because what that view is saying is that in the past we have used certain calculations and formulas to come up with an answer and it is a lot less reliable to do that in the current circumstances that we have at the moment. Nevertheless, we have come up with 3 years of forecasts here and we are now in a situation, Chief Minister, where 69 per cent of States income comes from income tax and, of that 69 per cent, 84 per cent is personal tax which means that, as we go on to Government income, 58 per cent of it comes from personal income tax. Now, we are given some projections in here for the average earnings in the next 4 or 5 years, but if we do not make those average earnings we are in big trouble and when it comes to balancing your budget you either spend less or you tax more. Now, we are very committed to not taxing more but would you not agree that there must be a level of uncertainty in some of these figures for average earnings? For example, we are told that average earnings are going to increase by 3.5 per cent this year alone. Surely that cannot be the case and it will therefore affect our income in the Medium Term Financial Plan.

The Chief Minister:

The thing with forecasts is that they are always uncertain and they always have been uncertain. We can do all sorts of sensitivity analysis around them but you, to some extent, get out what you put in. That sounds logical but you take a position and you do your forecast based on certain premises, but forecasts have always been uncertain. I suppose one of the difficulties is in times of uncertainty we are much more aware of their uncertainty and prone, perhaps, then to think that there is some forecasts which could be certain, but that is not the case. The only certain thing you can be sure of with a forecast is that activity will not be what you forecasted it because it just never is. I do not know if the Economic Advisor wants to say anything about those figures, because he has done quite a lot of work on it and on comparison with the U.K. as well which I think you alluded to. So it might be better for him to ...

Economic Advisor:

Yes. I will just give you a little bit of background but tell me if you are familiar with the way we have gone about these forecasts. There is a fairly standard approach used. We have looked at the way it is done in the U.K. with the independent Office for Budget Responsibility. They publish a lot of detail about their methodology and we have tried to replicate, where we can, a similar approach. So we are trying to give objective analysis and objective assumptions, accepting that they are assumptions with uncertainty around that. So for the initial 2011-2012 period we drew on the published forecasts of the Fiscal Policy

Plan and our own independent experts as it was at that point in time. Now, remembering that these forecasts were done in March of this year to feed into planning process around the M.T.F.P. Going out beyond that period there is no complicated model we can use to forecast out up to 2015 and in fact there are not many economies that do that. The approach that we have adopted is, I think, a cautious and relatively prudent one in terms of assuming a fairly average performance for the Jersey economy. That is average relative to long-term trends and also average relative to what we have seen in recent years. So it is very much a situation of weak economic performance in the short term going back to an average performance beyond that. Now, you asked around the average earnings number. Clearly the 2012 number has come in lower than the number in this particular forecast. I do not quite agree that if the average earnings number is slightly lower that means that we are in big trouble. I think if you look at the sensitivity analysis ...

The Deputy of St. Martin:

Maybe “big trouble” was the wrong term to use, but when you have 58 per cent of Government income coming from personal income tax and your average earning starts to fall and you have used figures to predict forward, surely you would have to make some changes.

Economic Advisor:

The first thing is that they are not falling. They are growing at a slower rate than was expected. Now, as I say, the sensitivity analysis in there is that one per cent on average earnings is only about £2-3 million. That is a rough ballpark estimate. So if indeed average earnings are coming in lower, you have to ask the question: “Why is that? What is happening?” I think since these forecasts were done in March it is fairly clear we have had a range of economic data. We have had 2 business tendency surveys. We have had the survey of financial institutions. We have had retail sales data. It is hard to find much positive news within all that data and I think the economy in 2012 is performing weaker than we were probably expecting in March. Now, the real question is: if that is the case, what does that mean for policy? Well, again, if that is the case, you would want your economy to adjust. You would want fiscal policy to adjust. You want your automatic stabilisers to work to help push the economy during that downturn. So it does not mean you go out and change policy. You allow the economy to adjust. Also, in terms of that performance in 2012, you should not confuse that with performance going further out up to 2015. I think your question at the start related to our performance relative to the U.K. I would like to think we are in a stronger position than the U.K. We do not have the debt overhang. We do not have the need for austerity that the U.K. has. So we should be in a stronger position, but both economies are dependent on what happens in the global environment and what happens in the Eurozone as well and we all know that is incredibly uncertain.

The Deputy of St. Martin:

Would you not agree, though, if you had had the figures that you have at your fingertips currently when you wrote this plan you would have put it in a slightly different way?

Economic Advisor:

I would have done slightly different economic assumption, yes.

The Deputy of St. Martin:

So my question then would be for the Chief Minister, given what we know currently should we not be looking to tweak this plan before we adopt it in November?

The Chief Minister:

Well, I am not sure we are quite at that point yet. As the Economic Advisor said, the sensitivity of that particular figure that you spoke about is not a large amount. What we should not be doing is making, I do not think, unnecessary knee-jerk reactions today for what we think might happen in 2014 and 2015 bearing in mind the other bits of flexibility that we have already spoken about this morning, the other contingencies, the looking for savings that we are going to be making elsewhere. So we are trying to move our mind-set from just one year to 3 years and that in itself is quite difficult and we are trying to deal with uncertainty and that, again, layers another difficulty on top of that.

[11:00]

So we do not want to, as I say, necessarily rush to change things. We have had initial economic advice, as I have said and the Economic Advisor has just reiterated, about the uncertainty and the difficulty that we have been experiencing, but there still remains in place these strong fundamentals which, when we look around us, other economies do not have or do not all have. So we should not forget that.

The Deputy of St. Martin:

So you do not envisage any changes to this before the debate in November?

The Chief Minister:

I did not say that. I said we should not have any knee-jerk reactions. I stopped before I finished what I was saying. We have had the Economic Advisor's initial advice. We know that we are going to have the advice from the independent F.P.P. (Fiscal Policy Panel) and it might be that, in light of their advice, there need to be some changes, but I do not think that we should today be making a knee-jerk reaction to say we should change it now. We need to keep getting that further advice as we go along and, of course, there will be other numbers coming out as well before we debate it.

The Deputy of St. Martin:

Could I just get one last question in, Chairman, please, before I finish?

Senator S.C. Ferguson:

Yes.

The Deputy of St. Martin:

As a document, Chief Minister, this is fairly optimistic. There is growth, there are increases and generally how one would wish things to operate in the future. But out in what I would term the real world, where you speak to people on the coalface, there is a lot of despondency and pessimism at the moment. Would you not agree that there must be a halfway house between this and what we hear outside the Assembly and that in reality we are somewhere between the two?

The Chief Minister:

It depends who you listen to, of course, or it depends what your response should be to pessimistic and weak circumstances. I suppose, first of all, I would say is there that differential and I am not sure that there is when you look at the work that the Economic Advisor is doing and you look at the work of the income tax forecasting group, which is better and stronger than it has ever been before. Treasury, no doubt, when they appear before you, will tell you that income to date is better than forecast. So I am not sure that there is quite that differential anyway. If there were, would that say then that we should be cutting expenditure or should we be looking for further stimulus? They are questions that we would need to ask ourselves and consider. I come back to one of the point I made right at the start. There are no easy answers. Economic circumstances are difficult and they do continue to change. So I suppose what I am saying is that myself, the Minister for Treasury and Resources and the Council of Ministers recognise and know that we may need to be flexible, but equally we need to get that independent advice and we need to be listening across the board and not just to a specific individual or a specific group.

The Deputy of St. Martin:

You did say something right at the beginning of this meeting: "Reality will be different," and my immediate reaction was: "How? Is this not realistic if we think reality is going to be different?" But I appreciate it is a living document. As we move forward reality will be different.

The Chief Minister:

The other thing is I am trying to be completely open with you. In the past governments have said: "These are our forecasts. This is what is going to happen." We know that is not reality. Reality is we take our best assumptions, we make our best forecasts, but we know that something else will happen but we do not know what that is.

Deputy J.H. Young:

Can I come in on that point, please? Does that mean, Chief Minister, there is an acceptance by the Council of Ministers that, depending on this new advice, there may need to be a plan B or are you firm that this is the plan?

The Chief Minister:

It becomes very emotive when we start saying: "Oh, this is the plan," and then there is a plan B, C, D, E and whatever. If the forecasts change and we have to move things around or the F.P.P. say: "You should be putting more into the economy in 2013" - and we have already talked about how tight the amount is we are putting in - then we are going to have to consider that and we might need to make changes, but it is not a plan B. These are the strategic priorities that the States have agreed and the Council of Ministers wholeheartedly endorse and want to provide spending to deliver them. That is our plan. There might need to be changes around the edges as we go along.

Deputy J.H. Young:

But, Chief Minister, the plan we have got, as I understand it, is here is a plan to achieve the States Strategic Plan and it is based on the forecasted income levels and on that we can afford to spend a different level. What I think I heard you say is that when we have this new advice the Council of Ministers will consider whether the plan needs to change. Would that be ...

The Chief Minister:

Well, I would probably say it needs to be amended slightly, but it might be different.

Deputy J.H. Young:

So there could be a process downstream of that advice?

The Chief Minister:

We will need to consider it, yes.

Senator S.C. Ferguson:

It was said at the briefing given to States Members on the M.T.F.P. that if we do not achieve the income part of the Medium Term Finance Plan then we will have to dig deep into reserves. Do you subscribe to that particular philosophy?

The Chief Minister:

I do not recall that comment.

Senator S.C. Ferguson:

I do. I wrote it down.

The Chief Minister:

We need to see what that independent advice is. We need to remember that the fundamentals of our economy are strong and also that forecasts and reality often differ. Do we, as a first port of call, need to

go and look at our reserves? Well, as you know, we have used some of the currency fund to help deliver housing projects. There might be other areas or other amounts that we could use to do a similar piece of work or the other thing is we can look at savings and try to bring forward some of those savings. That is far from ideal, but asking chief officers to consider, if this does not transpire, where we could make savings.

The Deputy of St. Martin:

Could I, Chief Minister, go back to the 7 different spending options which you mentioned earlier in the meeting, that you discussed around the table? There are calls from people outside for a plan B or plan C or alternative views on where we might be going, but am I right in thinking that the 7 different spending options that you considered would be an alternative that you might go back to if the circumstances change?

The Chief Minister:

No, the 7 iterations were about trying to get funding pressures and growth pressures into a balanced position rather than options.

The Deputy of St. Martin:

So they were not alternative plans?

The Chief Minister:

No, not in that respect, but we say "alternative plans". It is difficult to comprehend quite what alternative plans might be. If we acknowledge that we need to be spending money on getting people into work, if we acknowledge that we need to be delivering a new and reformed health service, if we acknowledge that we need to be transforming the public sector, if we acknowledge that we need to be investing in housing, they are all things that we believe are right priorities for Government.

The Deputy of St. Martin:

In that case, if our income fell we would have to look at ways of replacing that income.

Senator S.C. Ferguson:

Which brings us back to reserves.

The Chief Minister:

Yes, but do not forget we are also working slightly behind. So we have time. Yes, we should be having appropriate contingency planning about where savings can be made if things change, but also we know that there are going to be savings arising from the reform programme. Because it is not in black and white and because we cannot quantify it today sometimes it is quite difficult, but we will be making savings from the reform programme and they will be coming through. What we do not want to do is box

ourselves into an unhelpful C.S.R. type approach where departments stop working together again and look at the services that they are delivering right across the departments to see where those efficiencies can be made. If we start going back and asking departments to top slice their budgets, they will go back into their silo mentality and we will not be able to deliver the bigger and the more sustainable savings that we know we need to do in the medium and longer term.

Senator S.C. Ferguson:

Yes, thank you.

Deputy J.M. Maçon:

Thank you, Chief Minister. You brought us helpfully on to the next section which concerns human resources. When the Chief Minister appeared before the Corporate Services Panel in August the Panel was advised that the Council of Ministers had been quite cautious in not putting the benefits of the organisation programme in the M.T.F.P. Could you please expand upon what those benefits might be and how the M.T.F.P. might need to be amended as a result?

The Chief Minister:

Bearing in mind what I have just said about knee-jerk reactions and just amending it, I am not sure that we will need to do that because it will be a document that gets approved or not, or amended by the States. What we want to make sure is that departments are delivering savings and that departments are not necessarily spending up to the budgeted amount just to spend up to the budgeted amount. As I said, we are going public with the ... I do not want to say the big idea reform, but talking about some of the fundamentals of reform. But if we simply say if we are offering 2 or 3 very similar services at 2 or 3 different outlets that are doing roughly the same thing, should we be doing that or should we be saying: "Okay, that one service could be delivered online. It could be delivered through one outlet or perhaps 2 outlets rather than the 4 or 5 that are currently happening." So it is going back to the fundamental question about, do we have a joined up front office? Do we have a joined up back office? Are we providing services in the best way for the public as well? A growing number of our community would be happier if they could interact with the Government over the internet. That is not for everybody; we still need to have facilities available for people to be able to walk through the door, but we need to be looking at all these areas because it is here that we can make efficiencies.

Deputy J.M. Maçon:

I am sure the Panel would welcome that. Can I just ask though, in your machinations then, have you factored in things such as amendments to perhaps the Data Protection Law in order to allow these types of things to happen?

The Chief Minister:

The Data Protection Law is not as restrictive as we might sometimes think it is. Why do I say that? Because I know when I first moved to Social Security we were always told: "You cannot do this because of Data Protection." There are ways of getting data sharing agreements with two parties to allow data to be shared and, providing that you explain to the individual that this is the purpose that you are using the data and you are going to share it with this other body, then it can be dealt with. You have to remember that in a computerised age data protection is even more critical than it ever was. So we have to work by that legislation, but there are ways of doing it where data can be shared but people are aware of what is happening with that data.

Deputy J.M. Maçon:

Are you not concerned that those types of processes lead to perhaps more a bureaucratic system when a change of legislation might be more effective when delivering those types of changes?

The Chief Minister:

It might be and we would have to consider that, but we have to always be conscious of protecting people's privacy and their data because it is very important.

Deputy J.M. Maçon:

Could you please also update us on the terms and conditions review which was started some considerable years ago?

The Chief Minister:

Really all that has been, in effect, transformed into what we call public sector reform. So we have moved it all across. Yes, we have had to work with our current pay offer within the confines of a set budget but now we are putting it all together and talking about reform in the public sector, which involves terms and conditions because if people are going to have to move places of employment or work differently their terms and conditions are fundamentally tied into that as well. So it needs to be dealt with as a whole.

[11.15]

Deputy J.M. Maçon:

Given that evolution, what has been put in place to prevent the drag that we have had on the previous reviews?

The Chief Minister:

Well, hopefully the fact that it is part of one of the strategic priorities of the strategic plan and the Council of Ministers and the Ministers are very much personally committed to it, it is one of those priorities upon which Ministers will be judged.

The Deputy of St. Ouen:

Is there now an implementation or development plan to change the public sector reform that you have just spoken about that is detailed insofar as we have a clear view of the changes that will take place over the next 3 years?

The Chief Minister:

Yes. As you know we are briefing the States Members tomorrow morning and then I think that will be going public tomorrow and there will be a political steering group set up as well, a group of non-executive directors, which will come alongside and help John and Mark deliver that, so there will be a clear process that will be gone through. I am going out and communicating with staff and interested parties about my vision about reform and about change and the place of every States employee in that change.

The Deputy of St. Ouen:

What support are you currently seeing from our employees with regards to your proposal for the public sector reform?

The Chief Minister:

Well, I do not know if you want to ...

Chief Executive:

The level of response has been quite encouraging, especially recently. Obviously we have had a lot of discussion with the unions already at different stages and the Director of Human Resources and I presented to them about 6 weeks ago, before the summer holidays. I think all of the groups saw the need for changing the way we deliver services because I think they all recognise the pressures that the Island and the world economy is under. So, I do not think there was any rejection of the fact that we have to look at how we do it. Obviously the question is, we have to work with the staff and certainly the unions, to make sure that in reviewing services, reviewing the way we deliver them, as the Chief Minister has said, is done with the staff. I was very encouraged by the level of recognition that they all had that we do have to work together to review how we deliver those services in the future. So, what we are just about to start, as the Chief Minister has explained, is a series of meetings with large groups of staff in late September and then early October presumably going around to the departments to actually talk to staff about how they see opportunities within their departments, and not only within their own departments but by working across with others. We already have some examples; one I regularly use is the Back to Work team that we brought together the 3 teams from Economic Development, Education, and Social Security. That one team has worked together very well in terms of changing the way in which they go about providing that core service to the public.

The Deputy of St. Ouen:

There is quite a significant gap in fairness between recognising that there is a problem and agreeing to a programme to deliver the solution to address the problem. At what point on a scale of 1 to 10, with 1 being recognition and 10 being acceptance of the solution, would you suggest we are with our employees at the moment?

Chief Executive:

I do not think I would want to put a number because they vary depending on which group you talk to. There are some I would put in the 7, 8, 9 bracket because they are doing it as part of their work. There are some very good examples and there are some that might be slightly behind that. I would not say the States overall is at that particular point on that spectrum.

The Deputy of St. Ouen:

On average? Would it be halfway?

Chief Executive:

I cannot put a figure on because I can sit here now and give you some examples of 8s and I can give you ...

Deputy J.M. Maçon:

Would it be possible then perhaps for you to identify some areas where the most resistance to change perhaps might come from?

Chief Executive:

No, I do not think it is a case of saying "most resistant". I think certainly all of the groups that we spoke to recognised that there was a need for change and a need to work together in order to deliver it. What we now have to do is work with them in designing that change that suits their particular application.

Deputy J.M. Maçon:

Okay, from those groups who do you think would be the most difficult for that delivery to come from?

Chief Executive:

I could not put a number, or I could not put a group on, because I can think of some groups that you might think would be difficult but we have had some tremendous success with recently. Equally, there might be some where it will be harder because we have to bring in more departments and it will need more detailed review and structuring.

Senator S.C. Ferguson:

Have you not thought of looking at the correlation between entrenched views and the sickness levels? Because that very often ... there is a correlation between the degree of sickness taken and the satisfaction of the particular working group.

Chief Executive:

Sickness absence is something we are looking at across the whole organisation.

Senator S.C. Ferguson:

Yes, I know, but the higher sickness absence usually goes with the most unhappy working circumstances.

The Chief Executive:

Those are areas that we will be looking at with the staff groups in question.

Senator S.C. Ferguson:

Have you looked at it yet?

The Chief Executive:

We are looking at all sickness and in particular what we, as a system, call a Bradford Factor which you may be aware of which highlights particular areas, obviously there is sickness, and wherever certainly Corporate Management Board and chief officers are paying a lot more attention to those areas and coming out of that has to be, is there an underlying reason why there might be a particular problem in one area compared to another? So the answer is, yes, we are looking at it as part of the overall review of providing those services.

The Chief Minister:

But we have to get away from this idea that either we, as politicians, or Corporate Management Board, can tell staff what this new reformed Government service is going to look like. We have to engage people from the ground and us just saying: "We are going to cut your sick pay" might be the right thing to do but that is not going to deliver the solution.

Senator S.C. Ferguson:

No, no, no. I am sorry, you misunderstood me. You use it as a means to identify areas where there are problems. If you remember some years ago I put in the business plan an amendment to put a suggestion box in every department. Has that been done? No, I doubt it.

The Chief Minister:

I doubt it, but I do not know.

Senator S.C. Ferguson:

I think that would also be an indication of where the problems are.

The Chief Minister:

Yes. I mean, what we will do with this reform programme is go beyond just having any suggestion book or box but we will have an interactive suggestion ... I do not know if it is Facebook or what and the Director of Human Resources knows more about this, but where people can be asking questions all the time and they are being responded to and making suggestions because it is that that is going to help us deliver the buy in, so I would say while on the one hand there is a big gap between acknowledging a problem and delivering a solution, always half the issue is acknowledging the problem. Once you have acknowledged the problem, or that there is a need to change, then you are a good long way down to change because you have already engaged people with: "Well, it cannot go on, we are going to have to deliver this service differently."

Deputy J.H. Young:

I wonder if I could take us to the big picture. Chief Minister, we are moving from a one-year financial planning method to 3 years and we are doing so at a time of massive uncertainty, both in our economic circumstances and in some of the issues you have said in responding to other Members. Could you outline to the Panel please how the Council of Ministers intends to monitor this plan if it is approved as it stands throughout the 3 years to ensure that we both achieve it and deliver it and also if variations occur we take appropriate action?

The Chief Minister:

Yes. I mean, financial monitoring is already undertaken by Treasury and, as I said, a while ago now at the start of the hearing, that monitoring is far fuller than it has ever been before and far more detailed. That will continue. I think that has been in place now for probably 18 months or so. Reports across departments are currently presented to Corporate Management Board; Council of Ministers receive a quarterly report and that monitors performance against expenditure, it looks at income projections, so it is taking monthly, quarterly and annual monitoring and that will in effect carry on for the M.T.F.P. Treasury are planning to extend that to look at detail on reserves, their performance, look at provisions, look at balance sheet management as well, look at what is happening on the Common Investment Fund, what is happening on the cash funds and then obviously on top of that you have the annual report and accounts as well.

Deputy J.H. Young:

Thank you, Chief Minister. Is there a document set out that you could let us have explaining these processes that you have just explained?

The Chief Minister:

Yes. I will ask Treasury to send that to you.

Deputy J.H. Young:

Perhaps you could let us have that after the meeting. Just to check on the Council of Ministers there. So, the Ministers are going to get a quarterly report?

The Chief Minister:

Yes.

Deputy J.H. Young:

But the Corporate Management Board are going to do this task monthly?

The Chief Minister:

I wonder if it is quarterly for ... I am not sure. Chief Executive, do you know that?

Chief Executive:

Yes, the Corporate Management Board receive the budget position on a monthly basis which shows forecast to end of year expenditure against cash balance and then the Council of Ministers receive that on a quarterly basis which is a more comprehensive ...

Deputy J.H. Young:

Right. So, we are talking about the spending part of the plan ...

Chief Executive:

The revenue and capital expenditure is reported to Corporate Management Board monthly, Council of Ministers quarterly and the income targets also go to Council of Ministers quarterly.

Deputy J.H. Young:

All right. So the taxation figures will go to the Council of Ministers quarterly?

Chief Executive:

They will receive quarterly updates.

Deputy J.H. Young:

Will those be for the current quarter, or will they be 6 months or a year old by the time they get them?

Chief Executive:

No, probably in reality the Council of Ministers will see the quarterly figures probably about 3 months after that quarter.

Deputy J.H. Young:

So there will be this flow...

Chief Executive:

There is a lag.

Deputy J.H. Young:

Will, for example, the meetings of the Corporate Management Board that discuss this be open in terms of the papers, be circulated to Members so that we know what those monitoring processes are?

Chief Executive:

The minutes of the corporate management board are made public.

Deputy J.H. Young:

Thank you. Thank you very much. So, as you say, Minister, reality will be something different to a plan. You personally, how do you view your key task going forward? This plan is approved, you have outlined in the questions to other Members about the uncertainty and yet how we need to keep focused on achieving the strategic plan. Is that your prime number one priority?

The Chief Minister:

It is making sure that we are delivering on those priorities.

Deputy J.H. Young:

So, if there are variations and we start to fail to deliver you personally will take the lead and initiative on that?

The Chief Minister:

We will be looking for corrective action.

Deputy J.H. Young:

Thank you, Chief Minister. You have spoken quite a bit about savings and you have used the phrase: "We will be making savings." I think in the discussion you have said they are not hard coded. We do not know, which I kind of interpret as, "We do not know where they will be but we have set a goal". How are you going to translate that determination into reality, the nuts and bolts of it?

The Chief Minister:

We are absolutely committed to delivering public sector reform and that is where, as far as I am concerned, most of the savings or the savings will be delivered from but we purposefully have not put numbers on it into the M.T.F.P. for the reasons that I have said.

Deputy J.H. Young:

But we do have a couple of targets in there, I think.

The Chief Minister:

There are some, yes, that is right but not with regard to ...

Deputy J.H. Young:

I understand £3 million is one for the public sector. Terms and conditions review £3.7 million and £3.5 million ...

The Chief Minister:

Sorry, yes, we have to be careful of the terminology there. This is the balance of saving from C.S.R., where we were looking to save the £14 million so it is not connected with this reform.

Deputy J.H. Young:

Thank you for clearing that up. Procurement review and terms and conditions come under the hangover from C.S.R., as it were?

The Chief Minister:

That is right, yes.

Deputy J.H. Young:

So, what we are now talking about is new savings.

[11:30]

The Chief Minister:

In effect. Yes.

Deputy J.H. Young:

So we still have savings yet to achieve for the C.S.R.

The Chief Minister:

In 2013, yes.

Deputy J.H. Young:

But we now have a target for new savings and we are confident we are going to deliver all these?

The Chief Minister:

I am confident that we have done a lot of work on trying to make sure that the 2013 savings are deliverable. Obviously the terms and conditions saving is dependent on getting the pay offers approved by various staff groups but I believe it is a fair offer, as I have said before, and I hope that it will be accepted. The other C.S.R. savings are monitored on a RAG (Red-Amber-Green) rating system and as we sit here, although the Chief Executive might have more up to date information, they appear to be achievable.

Senator S.C. Ferguson:

Forgive me, but I think we have probably been here before, have we not? Because 3 years ago C.S.R. was sold as a culture change and public reform and the 4 important cross-cutting issues were to be dealt with and so on, so we are back again with the same thing. Can we be sure we are going to get there this time?

The Chief Minister:

Well, if we look back, was C.S.R. really that, and I am not sure that it was. I think C.S.R. was looking at departmental budgets and looking to see where money could be saved, not cross-cutting across department ...

Senator S.C. Ferguson:

No, it was sold to everybody...

The Chief Minister:

Well, I do not want to go back in time.

Senator S.C. Ferguson:

Sorry. No, but this is the impression we all had. Are we going to do it this time?

The Chief Minister:

We absolutely are, as I said to Deputy Maçon when he said: "How could you be certain if it was going to happen?" I think the difference this time is that it is one of the 7 priorities of the strategic plan. We are further along the line now than we have ever been in delivering it and I have no doubt that you are going to judge me and Ministers on delivery.

Deputy J.H. Young:

Minister, when do you think we might see ...

The Chief Minister:

The other thing I would say is, I do not think we have any choice. If we layer over almost all the other conversation that we have had this morning in the medium and longer term we have to do things differently otherwise we butt up against the pressures that the Deputy of St. Martin talks about, about if we do not do things differently and more cost effectively, what are the implications going to be? I do not think any of those implications are palatable and therefore we almost have no choice.

Deputy J.H. Young:

Chief Minister, it means for you it is an absolute priority, an issue of confidence even, that you are determined to deliver that.

The Chief Minister:

Well, I believe that probably all the 7 priorities if we do not make good progress on them then you are going to be asking why and that is rightly so.

Deputy J.H. Young:

But the plan depends on achieving those savings, so you are confident that perhaps by 2015 we will see realisation of those.

The Chief Minister:

We will have made a very good start on realising savings and, as I have said, really we will probably see the bulk of them but I am committed to pulling those savings forward all the time in M.T.F.P. too.

Deputy J.H. Young:

Thank you, Chief Minister. Just going back, before we leave the subject of the C.S.R. and what remains, how certain are you that the residue of those targets, £21 million I think, will also be realised?

The Chief Minister:

Well, as I just said, I ...

Deputy J.H. Young:

From the schools.

The Chief Minister:

Yes, unless the Chief Executive has any further information, they are being monitored and at this stage ...

Chief Executive:

Yes, the C.S.R. programme office, as the Chief Minister said, has a red, amber, green status that we monitor regularly and apart from the savings that have been flagged up as being an issue, certainly with education, the other savings are on target.

Deputy J.H. Young:

So it is procurement.

Chief Executive:

Well, procurement. There is a figure there I think on your sheet of 3.5. Some of that still has to be achieved and it could be that some of that will roll into the ...

Deputy J.H. Young:

So that is not all outstanding?

Chief Executive:

No, but a lot of work has already been done and in terms of achieving procurement there is still more to do and it is probable that some of that will roll into the 14/15 period.

Senator S.C. Ferguson:

Have we saved more than we have spent in procurement yet? We do seem to have put a lot of money into procurement. Every now and again we keep putting money in. Where are the savings? I think the payback period is ...

Chief Executive:

The amount of money we put in was a one-off and the amount of savings we are pulling out are annually recurring. So the answer is, in a very short period of time, probably already, we will have recovered the amount that we put in as a one-off.

Deputy J.H. Young:

If I may clear up a couple of other detail points. You mentioned terms and conditions review and the importance of that and I think, Chief Minister, you have mentioned the connection with the amounts described for pay offers in the Medium Term Financial Plan. Could you just cover that in a little bit more detail, particularly in the dependence – how dependent achieving those savings on terms and conditions are on the £25 million pay figures described in this plan.

The Chief Minister:

As you can see the 3.7 are totally dependent on achieving the pay offer.

Deputy J.H. Young:

Are you able to tell us how confident you are in a little bit more detail?

The Chief Minister:

I think I have already said that I think it is a fair offer and I hope that it will be accepted.

Deputy J.H. Young:

If it is not, we will not make the saving?

The Chief Minister:

Well, it is the States Employment Board's final offer so we hope that it will be accepted.

Deputy J.H. Young:

Thank you, Chief Minister. Efficiency. You have mentioned the word "efficiency," have you any thoughts on how we might assess that? Are there any plans, for example, benchmarking and public services, performance indicators, that my memory tells me used to be produced in the States but I have not seen any for many years. Have you any thoughts on this? How you might have achieved measures of efficiency?

The Chief Minister:

Yes. We are in the process of setting up delivery groups with a specific Minister in charge of delivering each of the 7 priorities and one of the first things that those groups will have to do is understand and come forward with key performance indicators for delivery of those priorities. You are absolutely right. It is important, otherwise how are we held to account?

Deputy J.H. Young:

Thank you. One last point. In the 3-year plan, obviously the growth bids cover a number of departments; the monitoring we have spoken about at a high level, what detail monitoring will be going on to ensure that monies get spent on those particular projects and they do not get varied or transferred onto other projects in the meantime?

The Chief Minister:

That is just normal departmental ...

Chief Executive:

When we set the Comprehensive Spending Review up I am sure you will be aware that we had money set aside for restructuring position so there was a very rigid process that any request from a department for funding for restructuring in order to deliver the C.S.R. had to go through the Programme Management

Office, which is run within Chief Minister's, and that had to go to the political steering group for C.S.R. and then for final approval it had to go to the Council of Ministers. So there was a very rigorous approvals process and then there was a close monitoring process from the programme office to make sure that the money that was put in to restructure was spent on exactly what it was ...

Deputy J.H. Young:

Is that going to be replicated for this plan?

Chief Executive:

Exactly ...

Deputy J.H. Young:

Is there a political input to that? Did I miss that?

Chief Executive:

The Chief Minister said there will be a political steering group.

Deputy J.H. Young:

Thank you.

The Deputy of St. Ouen:

Will the same apply to growth that is allocated to departments for the development of particular services?

The Chief Executive:

The management of expenditure of that growth will then be built into departmental budgets so the normal departmental expenditure management and reporting to Council of Ministers will have to be the process.

The Deputy of St. Ouen:

Hence the reason why the question was asked in the first place. What certainty can we have that the growth that we will be asked to approve for particular services and delivery of strategic priorities to individual departments will be used by those departments for that purpose and not used to offset savings, undelivered savings, or deal with other matters that perhaps might not have been foreseen at the time of determining the particular budget?

The Chief Executive:

I think as the Chief Minister said, in answer to the previous question, each of the key priorities will have a lead Minister and K.P.I.s (Key Performance Indicator) will be developed. So, part of that monitoring process has to be where growth has been allocated against a particular priority, for example, health or

E.D. or jobs and growth, then that priority has to be managed or monitored by the respective Minister and the team who are looking after it. So, there will be a governance at that level.

The Deputy of St. Ouen:

I am struggling to understand the Chief Minister's role. You have pointed to the Treasury as having responsibility for financial monitoring, you pointed to the Corporate Management Board who will be receiving budgetary position on a monthly basis, you pointed to the Council of Ministers, that they overlook, what ...

The Chief Minister:

What do I do all day? Is that what you are asking? **[Laughter]**

The Deputy of St. Ouen:

Surely you are the Chief Minister and as such one would expect, first of all, you would have told us: "The Corporate Management Board are directly reporting to me and on a monthly basis I get a sense of what their concerns are which I can then raise with the Council of Ministers." Is that the case, or is it as woolly as I have just described?

The Chief Minister:

Well, you have put your finger on a very good point there and one of the fundamental concerns that I have about Ministerial Government, that the individual Chief Officer is responsible to the individual Minister and they are not responsible to me, nor are Ministers responsible to me. I chair the Council of Ministers, I am a Minister of the Chief Minister's Department and you would have thought that it operated in the way that you have just explained and I am of the view that that would be a far better way. That is not currently what the law allows me to do. Of course informally the Chief Executive brings to my attention on a daily basis issues that might be arising across departments that I need to speak to Ministers about but that works through goodwill rather than is the legal position.

The Deputy of St. Ouen:

In fairness, with the Corporate Management Board and other parties, you are quite able, with your Chief Executive Officer, to determine process and procedures so that you can monitor what is going on at that high level as ultimately you are the Chief Minister, whether you like it or not.

The Chief Minister:

Indeed, as I said, informally that is what we do. The Chief Executive Officer will update me as issues arise, or issues arising out of the corporate management board meeting, as you would expect. So, informally what you are suggesting happens but that is not the formal legal position.

Deputy J.H. Young:

But, Chief Minister, you do have personal authority, do you not? I mean, we are talking ...

The Chief Minister:

That is why I say, informally it happens.

Deputy J.H. Young:

The States elects the Chief Minister ...

The Chief Minister:

To do what?

Deputy J.H. Young:

Well, to assert what should happen.

The Chief Minister:

That is not what the law says. I do the ...

Senator S.C. Ferguson:

Unfortunately the law needs amending.

The Chief Minister:

I do that by goodwill and informally. The law does not allow me to do it.

Senator S.C. Ferguson:

One last question, in the annexed plan it states: "In relation to information services the priority for the M.T.F.P. period is to support the delivery of C.S.R. savings and the new strategic plan objectives across the States where these are depending on technology solutions." How much of delivery of the C.S.R. and the strategic plan is dependent on technological solutions?

The Chief Minister:

It sounds impressive, does it not? Of course a lot of the new ways of working are going to be dependent on technological solutions so I think that is right. There is a lot of change and a lot of the way we deliver service that will be and currently is dependent and there is an argument that says that itself; that technology delivery can be done in a more joined up and civilised approach than is currently the case. I do not know if you want to say anything?

Chief Executive:

I think that there are certainly examples which we can see and the opportunities we see is that we need to be putting far more services online to the public, so the web system that we have has been built on very stable foundation footings which gives it the capacity to grow and the aim will be that where the customer interacts with the public the first question to ask is, "Is it reasonable to put as much of that interaction online for those that are able to operate online with us?"

[11:45]

So that takes out a lot of the bureaucracy of having to come into an office and fill in a form. Another area which I regularly hear views expressed by certain groups, and understandably, is that if you are setting up a business in Jersey, for example, you have to fill in your name and address many times in many different departments. We need to lead the technology so that we make it as easy as possible if someone is going to set up a new business then that data, subject to data security et cetera, needs to be capable of being shared. So you simplify the process. That is where the investment in technology will come and certainly in the M.T.F.P. period, but over the reform period, which we will talk about tomorrow, there will no doubt be requirements for updating technology to provide that level of service and we are certainly looking to expend money out of the capital sums available in the M.T.F.P. for I.S. (Information Services) and also from the restructuring book.

Senator S.C. Ferguson:

What about new ways of working? You talk about services and so on, but surely a big part of it will be new ways of working.

Chief Executive:

Well, absolutely, but I am talking about I.S. in particular. New ways of working is part of the reform process, how we deliver services to the public. There is no question about it, it is linked but it is not I.S. I am talking about in the technology, do we need new systems? Do we need improved web-enabled systems, or physical hardware and software? The ways of working is what we will be talking about in the reform in general.

The Chief Minister:

But they are linked in together.

Senator S.C. Ferguson:

Yes, obviously, because not everybody needs a desk; they can work remotely.

The Chief Minister:

That is right.

Senator S.C. Ferguson:

Have we provided sufficient funding for delivery of the solutions?

Director of Human Resources:

Have to find the solutions. [Laughter]

The Chief Minister:

Well, there is money available but, as the Chief Executive has just said, for these changes but we are not at the point of saying what the solution is.

The Deputy of St. Ouen:

I am reading the Medium Term Financial Plan and it seems that the technology solutions have already been identified, costed, and will as such be provided for. Are you suggesting that is not the case?

Chief Executive:

Some have been. In the M.T.F.P. there is a section under the capital where there are certain capital projects for I.S. replacement equipment. That is identified, it is planned, and it will be spent in accordance with the plan. What we are moving into is discussion about as we start looking at reform again and we identify new ways of providing service, which is a service delivery, that will inevitably require some level of investment in technology to support that new way of delivering a service. That is why we have kept the restructuring provision in the M.T.F.P. as it is so that part of that will be used over the period to provide for additional technology, or new technology.

Director of Human Resources:

Can I just pick up on that? You make a really good point about the need for agile working, because the workforce in the future will be radically different. I mean, you can look at 15, 20, 25 years and the demographic change; currently we have more workers to every one person on the pension. In the future, based on the demographic change, we will have 1.8 workers to every pensionable person. Now, that is one of the big drivers for the reform programme really and clearly we need to use that workforce very differently. It is not just a B&Q solution, but how do you use people who are semi-retired or partially retired to deliver services? How do we deliver services more efficiently, more effectively in a sustainable public sector that we will all rely on in the next 20 years or 30 years? So that is one of the key fundamentals. I absolutely say you have hit the nail on the head. We need to create agile working because those older workers will not work 9.00 a.m. to 5.00 p.m. because they will have other duties; they will be doing childcare and all the rest of it. So we need to create a different solution to the workforce of the future and that is all part of what of the reform programme is all about. This is not just about unfreezing what we have got, making changes and refreezing it. It is about creating a way of

delivering public services that can adapt to the socio-economic challenges that we face; not in the next 5 years but in the next 10, 15, 20 years and that is what reform is all about.

Deputy J.H. Young:

How long will that take?

Director of Human Resources:

We have put the reform programme over 12 to 18. We need 6 years. There is no point in rushing it. We have rushed it so many times in the past and failed to deliver. This needs to be properly thought through, properly planned out. In relation to technology solutions we need to understand what we are trying to deliver here before we can align the technology to it. As the Chief Executive and the Chief Minister have rightly said, if you think about it 80 per cent of what people require, in terms of interface with the public sector, 80 per cent of people can have that solution delivered to them by digital technology or algorithms used in the telephone system. There will always be 17 per cent to 20 per cent of people who still need that interaction base, whether it is a call centre or whether it is an actual office, because they do not have the abilities to use technology in the way that we would like them to but that is a fact of society and whether they are aged or disabled, have learning disabilities, or whatever it might be. So, we need to make sure that the way we allow people to access is the most efficient way for their needs, it delivers as much as we can without physically touching people, because that is inefficient, unless it is physical care or whatever it might be, but as much as we can do online, do telephone triage or whatever it might be, that is the way ahead. I mean, we need to start thinking of these solutions because we will not have the workforce in the future. We are into a period of mixed economic issues and terminology, a decade of anaemic growth. We are going to have to think about how we are able to cost and afford the services we have today over a longer period of time and that is what reform is about. So, it is not a quick fix. It was never intended to be a quick fix. It is about how do we create a sustainable public sector?

Senator S.C. Ferguson:

The one thing that does intrigue me, I am sorry before we let you go, we talk about the dependency ratios coming down to 1.1 to 1.8. Have you moved the cut-off for later retirement when you do that?

[Laughter] Are you fiddling the figures?

Director of Human Resources:

I think you have hit the nail on the head. As you know what has happened in the U.K. the retirement age has risen from 65 to 67 and I think that is going to be a facet that we will all live longer, and hopefully prosper, and in living longer and prospering better we will be able to deliver services part time perhaps. We need to look at how we use our workforce and how we use our population in the workforce.

Senator S.C. Ferguson:

Yes, because 25 per cent of our retired population in the census report is really quite well qualified and to throw them on the scrap heap is rubbish.

Director of Human Resources:

Absolutely. Totally agree. That is where we need to think of the way we use our workforce and our working practices and that is part of the reform changes.

The Deputy of St. Ouen:

Just to finish off, and just to pick up on the issue of ...

Senator S.C. Ferguson:

Come on, not one of your long questions. A quick one.

The Deputy of St. Ouen:

It is about the dependency ratios and I would just like to ask, I mean, not now, for the Chief Minister to provide evidence to show that the claims made by his Director of Human Resources are indeed correct because the summary that we just received show the dependency ratios have not changed since 1930. I will just leave it there and if you would kindly provide the evidence to us.

The Chief Minister:

In the words of investment advisers, past performance is not necessarily an indicator of ...

The Deputy of St. Ouen:

If you could provide evidence that would be great. Thank you.

The Chief Minister:

Yes, and that comes from the Statistics Unit and the population model which, as you know, is being updated so we will have all the updated figures as well.

Director of Human Resources:

Just to say we are all getting older, so we just do the maths based on the way we get older.

The Chief Minister:

Thank you for that.

Senator S.C. Ferguson:

Okay, thank you very much indeed.

[11:53]