States of Jersey
States Assembly

États de Jersey
Assemblée des États

Public Accounts Committee

States of Jersey Annual Report and Accounts 2024 Review

Witness: Treasurer of the States and Chief Officer, Health and Care Jersey

Wednesday, 11th June 2025

Panel:

Deputy I. Gardiner of St. Helier North (Chair)
Deputy K.L. Moore of St. Mary, St. Ouen and St. Peter (Vice-Chair)
Deputy R.S. Kovacs of St. Saviour
Deputy D.J. Warr of St. Helier South
Mr. P. Taylor
Mr. V. Khakhria
Mr. A. Awan
Ms. L. Pamment, Comptroller and Auditor General

Witnesses:

Mr. R. Bell, Treasurer of the States
Mr. T. Walker, Chief Officer, Health and Care Jersey
Mr. A. Hacquoil, Group Director, Strategic Finance, Treasury and Exchequer
Mr. J. Whitfield, Chief Information Officer, Digital Services

[15:18]

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

Good afternoon, everyone. Welcome to the public hearing of the Public Accounts Committee. Today is Wednesday, 11th June. This is a public hearing with the Treasurer of the States and Chief

Officer for Health and Care Jersey. We are undertaking this public hearing as part of the ongoing review of the States of Jersey Annual Report and Accounts. We can begin with the introductions. I suggest the committee introduces first. Deputy Ina Gardiner, Chair of the Public Accounts Committee.

Deputy K.L. Moore of St. Mary, St. Ouen and St. Peter (Vice-Chair):
Deputy Kristina Moore, Vice-Chair.

Deputy D.J. Warr of St. Helier South:
Deputy David Warr, panel member.

Mr. V. Khakhria:
Vijay Khakhria, lay member.

Deputy R.S. Kovacs of St. Saviour:
Deputy Raluca Kovacs, member of the committee.

Mr. P. Taylor:
Philip Taylor, lay member.

Mr. A. Awan:
Ali Awan, lay member.

Comptroller and Auditor General:
Lynn Pamment, Comptroller and Auditor General.

Treasurer of the States:
Richard Bell, Treasurer.

Chief Officer, Health and Care Jersey:
Tom Walker, Chief Officer for Health and Care Jersey.

Chief Information Officer, Digital Services:
Jason Whitfield, Chief Information Officer.

Group Director, Strategic Finance, Treasury and Exchequer:
Andy Hacquoil, Group Director, Strategic Finance.

Deputy I. Gardiner:

We have scheduled the hearing for one hour and 45 minutes and we have a number of questions to get through. Please, could I ask you to keep your answers short? Apologise in advance if we interrupt you to keep on time. Any questions that we will not get around to we will follow up with the written questions. The first area of questioning, it is audit follow-ups and financial controls and I will hand to Philip to start.

Mr. P. Taylor:

Thank you very much, Chair. My first question is to the Treasurer. Again, you have produced a very thick document with a great deal of information, being the Annual Report and Accounts. Certainly, there have been many improvements since I first got involved in this exercise. I think you would agree that one year is only one year and context is what really counts, and that is the context over a number of years and what is happening in our society. This last year we have had other financial policies of the Fiscal Policy Review Panel report which has talked about the increased and ongoing demand for health services, the fact that the Stabilisation Fund has now been depleted and that the demographic changes will continue and that maybe our reserves are not as sufficient as they should be in their view. Over the last 5 years we have accumulated a group deficit of £576 million. Given your role as being responsible for managing the long-term financial stability of Government finances, I am wondering what your view and your comment is on that analysis and, also, where that context is specifically referred to in this annual report.

Treasurer of the States:

Good afternoon. First, they have not done a cumulative number of 5 years, although I think that is my own view on the 5 years and I am not 100 per cent clear whether that is before or after investment returns. I would say in a piece of paper I walk around with that there are challenges to the finances. They are brought to light in the Fiscal Policy Panel report. I would firstly say that the scale of reserves for a small island jurisdiction I would think are still strong, compared to other island jurisdictions. Having large reserves are important to island jurisdictions, particularly with concentration in a particular sector, rather than a wider diversified sector. They are important for a number of reasons, not just access to that should you need to do so but from a financial resilience perspective. Over that period those reserves have increased in value. They may be behind in respect of the Strategic Reserve, that which the Fiscal Policy Panel set a target of, based upon work that they have done in the past relating to other places. That does ignore to a degree a scale of a Social Security Reserve Fund, which is way beyond its original target, now is the order of 7-plus years of expenditure within it and does insulate us well from one of the cost areas arising from the ageing population; that is one of 3 I would say. The other is care and we are in a good position in having the mechanism to fund that through the long-term care scheme, if not the scale of reserves that you would wish to see in the long-term care scheme, but I know that the current Minister is wrestling with that, as have previous Ministers. The one area relating to the ageing population that perhaps is of greatest concern at the moment is Health, so those 2 other areas are catered for to a degree. Future healthcare costs are perhaps the biggest challenge at the moment from a cost perspective. I would say that we are only in what I would call the gentle foothills of the ageing population's pressures that Health will be seeing at the moment, but you are already seeing that that is contributing to the health situation. I think, however, it is right and that was a political choice as to where you have to direct your available resources and that challenge is the challenge faced with the Government and the States Assembly. Another way that I look at the last 5 years is that R.P.I. (Retail Price Index) has grown by 30 per cent over those 5 years. Income has outstripped that by growing by 42 per cent. Net revenue expenditure of departments overall is 53 per cent. Within that health budget has risen by 61 per cent and the remaining departments by 50 per cent. Our increased expenditure is outstripping our increased income. You have gone from an £18 million surplus in 2019 to the deficit that you see in the accounts for 2024. That said, each successive Government Plan has a path towards balancing over the period of that plan. But events sometimes happen and they did during COVID; that took away some of our resilience, although we still got through that period with a better reserve position than when we started.

Mr. P. Taylor:

You are all agreeing that this is a structural deficit, potentially, because of the challenges around health and demographic changes. I know those are challenges that many jurisdictions face, big and small.

Treasurer of the States:

There is a growing future potential structural deficit, rather than necessarily a current one.

Mr. P. Taylor:

Given this responsibility for the long-term financial sustainability of the finances, what are you doing about it because it is not just one year to the next, this is longer term, it is more than one year?

Treasurer of the States:

First and foremost, I do not duck away from that. I spend a lot of time doing that but that ultimate responsibility rests with the Council of Ministers and the Assembly. Each successive Council of Ministers I have worked with has taken that into account and their plans over that 4 to 5-year period show paths to balance. In recent times the income line having increased through to 2024 is flattening, it is fair to say, and that is a challenge. We do and we are looking forward within our business plan for the current year and we have started that with a long-term capital plan. We are now close to the solution with that in terms of bringing that forward alongside with some of those early footfalls for funding within that document. We have a long-term capital plan in place. Our next step is to have long-term expenditure plan informed by that in terms of that element that is around ageing population. My colleague to my left and his team are bringing forward plans for the sustainable funding of health. That, firstly, sets out what we think the cost base should be and where we see that rising into the future from an ageing population. But, in short, the answer is that we are working towards the plans that will give Ministers and then the Assembly that longer-term gain.

Mr. P. Taylor:

You see this as a political challenge as much as a Government challenge.

Treasurer of the States:

Government is Ministers. In terms of public service, no.

Mr. P. Taylor:

I suppose as opposed to your responsibility is your answer.

Treasurer of the States:

I have spent a lot of time thinking about it and putting forward proposals. Those pieces of work that I have talked about will set out a longer … if you think of a Government Plan as being a short to medium-term plan, we are talking medium to longer term. In respect of healthcare funding, which is probably the biggest issue within the finances at the moment on the spend side, then we are developing plans. It is fair to say my position is that if you start from the perspective that your tax base is not going to go up, I think some of the revenue pressures have taken priority, as opposed to some of the capital infrastructure pressures that we have had.

Mr. P. Taylor:

Given, as I have said, this is a longer-term structural, the solutions may well be political. But within the Government administration, what steps are you taking or encouraging others to take within the organisation to address these challenges in terms of the delivery of services, for example?

Treasurer of the States:

In terms of within the system, the piece of work that is being undertaken at Health is a prime example of that. I think your questions are going to wander on to ... unless this is the question relating to what role does the corporate centre have on and in respect of financial discipline. I am sure you will come back to that question.

Mr. P. Taylor:

Yes, we can come back to that, yes.

Treasurer of the States:

Are we coming back to that question now or later?

Mr. P. Taylor:

We have got time to come back to it later, have we not?

Deputy I. Gardiner:

I think we will get time to come back for health later.

Deputy R.S. Kovacs:

Yes, we have a whole section dedicated.

Deputy I. Gardiner:

Yes, yes.

[15:30]

Mr. P. Taylor:

With those, as you have described it, I do not see it referred to quite so explicitly in this report, given the fact this is one year within a longer-term context. Can you refer to me anywhere in here where what you have said is clearly set out?

Treasurer of the States:

I think I would have to go through the pages, of which there are many, as you have just pointed out. In the key challenges that we talk about regularly are financial sustainability and particularly from income and the threats relating to. There is opportunities as well, before I have many emails coming in, related to the cost of ageing population. They are long recognised as long-term risks, opportunities and becoming increasingly issues.

Mr. P. Taylor:

Okay. While I am thinking about your answers others may have some supplementary questions they would like to ask.

Deputy R.S. Kovacs:

On this one I just want to ask how it was highlighted about £600 million group deficit over the 5 years, what timeframe do you foresee for correcting this deficit trend?

Treasurer of the States:

Firstly, I have had a chance to think about what Mr. Taylor talks about during 5 years. But 5 years, I think it is worthwhile reminding ourselves, included years heavily impacted by COVID when we spent way more than we would typically have spent in terms of supporting Islanders, yes.

Deputy R.S. Kovacs:

But figures aside …

Treasurer of the States:

I did not get a credit for it. But we borrowed during that period and then we drew down heavily upon the Consolidated Fund and recovering income in repaying outpouring. This is a way I would rather look at, 2019 is a year compared to 2024 because whenever I am running 5-year figures, 5-year figures if I go back from now included the period of COVID.

Deputy R.S. Kovacs:

Let us put the figure aside.

Treasurer of the States:

The reserves have dealt with that and the income line has dealt with that to this point, the pressures are still there and different pressures are now emerging in terms of geopolitical situation in particular. The Social Security Reserve is in a stronger position now than it was at the start of that. You will probably recall we had a 3 to 4-year period without putting money into the Social Security Reserve Fund, so that contributed …

Deputy R.S. Kovacs:

That is what I am mostly interested in, figure aside, knowing the financial situation and the circumstances, in how many years you would not think we will have a deficit trend that is ongoing?

Treasurer of the States:

I am not quite understanding the question.

Deputy R.S. Kovacs:

Do you expect the deficit to continue or in how many years we are also having a surplus again or balance the books?

Treasurer of the States:

The current Government Plan says deficit is turning into surplus over the period of the plan. The plan that we will have to come through with in this budget will have to do likewise because the statutory requirement is for the Consolidated Fund to be in a positive position. The only 3 ways that

that can be the case is that your income line grows or your expenditure does not exceed your income or that you transfer funds from elsewhere. The current Government Plan plans for a return to balance and then surpluses. I would expect the future Government Plan would have to do so as well.

Mr. P. Taylor:

How much flexibility is there within that? We know a plan is only a plan but as some boxer says it is only a plan until someone hits you in the face. We have got now a very different geopolitical situation, there is much more uncertainty, which could have implications for the tax revenues coming in as a result of the implications for that in the finance industry. How much flexibility is there within the financial plan that you have got for the next few years?

Treasurer of the States:

We are currently preparing Budget 2026 for consideration by Ministers. That has to be lodged by early September. It is fair to say the current financial position outside of the Strategic Reserve, which is in rude health outside of the Social Security Reserve, does not have a great deal in the way of contingency as it has in the past; the Consolidated Fund balance has been reduced. The Consolidated Fund balance has been reduced over the period in recent years as a conscious decision to fund COVID by repaying any short-term debt, rather than maintaining longer-term debt to pay for COVID; that was a choice. When we also have the discussions with the F.P.P. (Fiscal Policy Panel) I do not enjoy reminding them, but I do remind them, that the choices arising from the COVID situation were to repay the debt that was accumulated during COVID or put money into reserves. Everyone agrees that repaying that debt was a better thing to have done than repay the reserves. I would love to go back to a Medium-Term Financial Plan for 4 years. It has its own challenges and it would have been significantly challenged during the COVID period and would be significantly challenged during the period that we now have with such volatility in markets; interest rates and inflation. But in terms of planning arising from it, I have not done a rehearsal of how much easier it would have been to work with. But the Assembly does have a 4-year plan cycle. We can go on to the legislation. That should set out the plan and has repeatedly done so over the periods. The issue that Government and the Assembly come across repeatedly and in higher volume recently relate to shocks for the care, be they heightened crisis pandemic or now durability of it.

Mr. P. Taylor:

Okay. We will rush on, as you can see, because I am overrunning my time. You are looking to change the way the accounts are prepared by deconsolidating some of the wholly owned subsidiaries, which I understand why you are doing it, the concern then is if there are particular liabilities within those wholly owned subsidiaries which the central Government, if you like, is responsible for through letters of comfort or guarantees or whatever, how will the public know what the financial position of those wholly owned subsidiaries are?

Treasurer of the States:

If it were the case …

Mr. P. Taylor:

Yes, I accept if it were the case, yes.

Treasurer of the States:

… that that borrowing were the subject of letters of comfort or in particular guarantees, which should have been discussion with the auditors on the 1st, then I would expect to disclose them in the accounts of the States because that is a future potential liability of the States of Jersey. In those instances they should feature in the notes to our accounts.

Mr. P. Taylor:

Of course, the value of those investments, which will still be reflected in the balance sheet, is just the line-by-line elements of the profit and loss accounts will not include those items but it would be because it is …

Treasurer of the States:

They would not do it line by line but I would expect debt that those companies have to affect the valuation that we would hold them for in the accounts.

Mr. P. Taylor:

Okay, thank you.

Deputy R.S. Kovacs:

Also, would you expect in a request to each A.L.O. (arm's length organisation), as still dependent on your Government agenda, to have the annual reported accounts already done by the time the Government has done theirs and to compare at least into the link of their annual accounts?

Treasurer of the States:

That we do have links, sometimes we have our accounts out before they would have theirs out. I am not aware of any extremely late reporting by them. I am talking now about wholly-owned States-owned entities. I think the majority owned ones have slightly different accounting years. That would mean that they would have their accounts at different times. But certainly in the case where those entities currently are held in the way that we are proposing to hold them in the future, if they are

Jersey Water and Jersey Electricity, for example, so no real change in the way that we are proposing to do that. But expect us to maintain links to those accounts, for those accounts to be publicly available so that any interested party wanting to understand the J.E.C. (Jersey Electric Company) or Jersey Water or Jersey Post or Jersey Telecom – read their accounts; they would still propose that. That is the best place to understand the activities of those entities, to read their accounts rather than to read it through the States accounts.

Deputy R.S. Kovacs:

But will it be possible for all of them to still report at the same time or at least the ones that for any reason of their … of the model of reporting to still have it all produced under one place basically for easier access from the public?

Treasurer of the States:

They should all be on the States sites, if they are currently not, or the individual websites of the entities if they are not. Beyond that the suggestion was that we put them on the Treasury website, then we would be happy to do so. I am not saying that they will all land at the same time and I am not waiting for the slowest moving to publish ours.

Mr. P. Taylor:

When would you expect the accounts of those wholly owned subsidiaries to be published? Are they published now for last year?

Treasurer of the States:

I can only set them out to our standards. I am looking 4 months. I would prefer it for us to move back to 3 months. I think my preference is to get us back to 3 months. We did touch on 3 months for a couple of years. There has, however, been a bit of a trade-off sometimes there between getting the quality as good as we would like to deliver in the time. We have some parts of the accounts prep that move slowly. Getting the investments on level 3 investment …

Mr. P. Taylor:

I was thinking of the accounts of these 3 entities, which will now be published separately and not consolidated. Are they available now?

Treasurer of the States:

They are already now published.

Deputy I. Gardiner:

Which ones?

Mr. P. Taylor:

On the websites.

Treasurer of the States:

Yes, on the S.o.J.D.C. (States of Jersey Development Company).

Deputy I. Gardiner:

Okay, they did not publish. They should publish by the end of May. They promised 8th June; it still has not been published on their websites. This is what we are saying, that for the transparency if the States can publish and they can publish within 3 months, that it is placed for transparency reasons the public can see. This is the States-owned entity, 100 per cent owned, this is the accounts and this is the States accounts and not they publish when …

Mr. P. Taylor:

Perhaps you could find out for us.

Treasurer of the States:

Yes, and now we are getting Andy looking on the websites to see if …

Deputy I. Gardiner:

No, but we checked the websites. We have checked the website because it has been raised that already they should be published by the end of 4 months and we are in …

Mr. P. Taylor:

I have only gone over by 5 minutes.

Deputy I. Gardiner:

Yes, okay.

Treasurer of the States:

My stance is generally if we can do it they can do it.

Deputy I. Gardiner:

They can do it. I think this is what needs to be encouraged. I am moving quickly to a different theme, page 228 and page 229 for the reference of my next 2 questions. Why has there been an increase from £13 million in 2023 to £23 million in 2024 in relation to provision for bad debts? What has happened that we had this increase of £10 million?

Treasurer of the States:

That largely relates to taxation debts, general revenues debts.

Deputy I. Gardiner:

But what happened in 2024 that it was a big jump?

Treasurer of the States:

Firstly, we ourselves identified that debt is rising, that companies and individuals perhaps are struggling to meet their tax debts. When I say tax I am saying Social Security debt and …

Deputy I. Gardiner:

But I think it is income tax here. If we are looking at a significant increase in income tax receivable, it is not really Social Security we are talking about.

Treasurer of the States:

I am talking more of the balances where we have seen to … I will give you one example. During COVID it was possible for businesses to defer through formal schemes …

Deputy I. Gardiner:

Yes, we are still £7.7 million in 2024.

Treasurer of the States:

Yes. That is an example but also during COVID we were within Treasury on a less formal footing, not going as hard after debt as we might have otherwise been, for, hopefully, understandable reasons relating to the stresses that those companies would see and individuals as well during that period. We ourselves have seen a rising debt book; that rising debt book is not an uncommon phenomenon across other locations. We have looked at U.K. (United Kingdom) H.M.R.C. (His Majesty's Revenue and Customs) position as well and they have had similarly increases in debt.

Deputy I. Gardiner:

But what I am trying …

Treasurer of the States:

I will get to my answer.

Deputy I. Gardiner:

Yes. Okay, if I could say, what happened between 2023 and 2024 that it was a big increase? We did not have COVID.

Treasurer of the States:
We did a lot more analysis in respect of the debt position.

Deputy I. Gardiner:
You found more debts that you were not aware of before.

Treasurer of the States:
We had an external audit recommendation, if I recall, that was to look again at our debt provision formula, if you like, moving forward. Is that the right word?

Deputy I. Gardiner:
Okay.

Treasurer of the States:
We looked at it. We, therefore, took a more stratified position relating to more aged debts and made greater provisions against the aged debts than we had in previous years.

Deputy I. Gardiner:
Okay. What are you doing with the recovery? You mentioned the COVID and COVID we are talking about almost 5 years, as by the end of 2024 we had £2.6 million in G.S.T. (Goods and Services Tax) and £7.7 million in Social Security? In Social Security it is part of people being charged 6 per cent but it has never come into the …

[15:45]

Treasurer of the States:
Firstly, it was still recorded as income in those years. We went on an accruals basis, rather than on a cash basis. In terms of what we are doing about that, that has been publicised instead. What we are doing about that, we have written to all of those affected companies and invited them to either pay or either discuss with the debt team a payment plan, and individuals of the team are authorised to agree to a one-year payment plan. If we find that there are companies in particular stress, the policy of the Minister allows us to extend that to 3 years, in accordance with the original intent, which it is probably a year longer than the original time.

Deputy I. Gardiner:

Okay, thank you.

Mr. A. Awan:

Just a quick one on the provision thing, because it has come through as the expected credit loss calculation that is set in order. As you have mentioned, you looked deeper, that would have changed or look at the model again and that is something was missing from the model before that because they had something the auditor picked up from the website as well.

Group Director, Strategic Finance, Treasury and Exchequer:

Do you want me to get this one?

Treasurer of the States:

Yes.

Group Director, Strategic Finance, Treasury and Exchequer:

There is a couple of bits I think which are inside. One is obviously with our new financial system and the maturity of that system we are starting to get better at stratifying information around the debt. It is an improvement in the amount of management information we get, which means that we can look at the debt looking in more granularity, which means that we then have to review how we do the calculations. But we just will apply different percentages to different types of debt, if you will, in a slightly different way. What we have also done is obviously looked at all the information that we have around levels of collection. As the Treasurer said, it has been a slightly interesting time because while COVID was going on we maybe did not push quite as hard on some of the debts to reflect the cost of living crisis. Now we are starting to do that and you start to see evidence of how collectable is that debt. It was not information that you had before because previously it was a different debt book. It was hard to use the experience from previous years to apply the E.C.L. (Expected Credit Loss). Now we are getting more information through we can start to revise this calculation. We have had several conversations with the auditors and we will probably continue to do that as we move through into 2025 as well. There may well be further refinement and changes as we get more information available to make that provision - I was going to say accurate - as appropriate as it can be.

Mr. A. Awan:

Right, thank you very much. Moving on to the next question, in the operating balance we have seen quite a significant variance of £16 million in the depreciation number from the budget. The budget was around £54 million and the actual is around £73 million. That is a significant increase or variance from the budget so we would like to understand what accumulates that variance.

Group Director, Strategic Finance, Treasury and Exchequer:

I can pick that up anyway. Just to clarify what is in that number, in the budgeting process we look at depreciation. What we do not do is include budgets for impairments because, in general, they are not expected. We are not expecting impairments; they are things that happen due to, for example, movements in valuations that we get from professional valuers. We did have some impairments in the year, so those are one-offs. In the main, they were due to changes in the assumptions going into the valuation model rather than something to do with the underlying assets. It is not that the building has fallen down; it is just that, for example, if it is on a depreciated replacement cost basis, if the costs have moved, you might see changes. Or if the value of land has moved, you might see changes in the values of the assets as well. There is a part - sorry, I do not have the numbers to hand, but I think it is about £10 million - which is one-off changes to those. There was also some writeoffs of assets that went through that was not in the budget as well. Some of those related to, for example, at the Overdale site where there were assets on the book at a value. We have seen now they have been demolished; that asset would be removed.

Deputy I. Gardiner:

Why were these assets not included in the original estimation included in the budget as estimated? Because you knew that Overdale assets would go that year. It was not a surprise that it would be under demolition.

Treasurer of the States:

I will just pick you up there. It has been at various points in the last few years arguable that I could have anticipated that in the coming year.

Deputy I. Gardiner:

But Overdale, it started demolishing … it was on the way.

Treasurer of the States:

Yes, but was it in September 2023?

Deputy I. Gardiner:

Yes, but what we are trying to say is Overdale … you gave the example. If you had not given Overdale as an example, I would not raise it.

Treasurer of the States:

I am not sure we understood that that was definitely the impairment position at July 2023.

Deputy I. Gardiner:

But it was launched in September. What I am trying to say is …

Treasurer of the States:

No, those assets were still being used, I think, in 2023.

Deputy I. Gardiner:

Okay.

Group Director, Strategic Finance, Treasury and Exchequer:

To answer a different way, the depreciation number that goes into the budget is based on depreciation, as in the write-down of those assets. It has not historically included things like writing off asset values where we are doing disposals. It has not typically been a problem in previous years. I think this is a particular year, though, where that has happened, which is not a common thing. But it is something, as we feed it into the process, we can review and make sure that if there are things that are known in future budgets, we could look at that. These are all in effect non-cash movements; they are movements in asset values, not in money going out the door.

Mr. V. Khakhria:

Sorry, I am not quite sure … what accounting standard are you using whereby you are disclosing impairments within depreciation? Because it is not F.R.S. (Financial Reporting Standard) 102. I just had to go and double-check.

Group Director, Strategic Finance, Treasury and Exchequer:

No, that is true, but the operating balance is a part of the financial review, which is not based on accounting standards. It is us explaining the finances for the year. The operating balance, we try and prepare it on as close a basis as the budget as we can, so that it is comparable and people understand how Government performed against the plan that was set out. The budget is not prepared on accounting standards, although we do try and keep things as close as we can in most instances. There is another option where you could just not include any of those impairments or write-downs in the operating balance at all, but still in the accounts you would see them as part of the bottom-line deficits we move through. It may not seem that way, but this is trying not to make them even more complicated than they are, if that makes sense.

Mr. V. Khakhria:

Sort of, but not entirely to me. I suppose there is an element of choice in this, but was there a separate line disclosure in the P. and L. (profit and loss statement) for the impairment?

Group Director, Strategic Finance, Treasury and Exchequer:

Yes, impairments are separate to depreciation.

Mr. V. Khakhria:
Okay. Was there a reconciliation in the P. and L. against budget as well?

Group Director, Strategic Finance, Treasury and Exchequer:
In the statement of political accountability, there is a reconciliation from the operating surplus - the one that we report is inconsistent with budget - to the deficit that is reported in the accounts. We go through on a line by line basis. I will find you a page number if you would like.

Mr. V. Khakhria:
Thank you.

Deputy I. Gardiner:
Just follow up.

Group Director, Strategic Finance, Treasury and Exchequer:
I am on it now. Page 142.

Mr. V. Khakhria:
I will check that. We may need to follow up in writing.

Group Director, Strategic Finance, Treasury and Exchequer:
That is no problem.

Mr. A. Awan:
Moving on to the next question, previously there were quite a few I.T. (information technology) controls which were identified by the auditors. Now, how do large I.T. investments stack against the business case objectives, and what are the delivery timetables around those?

Chief Information Officer, Digital Services:
On the I.T. controls, we had a report in April for the areas that had made improvement and for further improvement from the auditors. We have actions, some for my department - Digital Services - and some for the owners of business applications. We do not have a date or a deadline specifically for each one; that is being worked through at the moment.

Mr. A. Awan:

Moving on to this year's audit, are there any audit findings that you want to take into account arising from these accounts? Were there any significant findings from the auditors? What other internal controls improvements have been identified as required?

Treasurer of the States:

There was a separate report in respect of I.T. controls this year that has been …

Mr. A. Awan:

No, it is just like a total …

Deputy I. Gardiner:

This year. Any findings needing action, basically.

Chief Information Officer, Digital Services:

Yes, there are findings requiring action, but they are improvements upon the issues that were raised previous year, so we are making progress against an overall plan. I am looking at the report here. There is a number of systems with a number of processes; it is quite difficult to give a short answer to your question.

Deputy I. Gardiner:

Maybe some timelines on addressing the main ones from those?

Chief Information Officer, Digital Services:

The main ones by the end of Q4.

Mr. V. Khakhria:

Would it be fair to say that the auditors were able to place the usual level of reliance that they would have expected to on the internal controls for the 2024 accounts and audit?

Chief Information Officer, Digital Services:

That was my understanding from the report back from Mazars.

Group Director, Strategic Finance, Treasury and Exchequer:

Are you talking about I.T. or more generally?

Mr. V. Khakhria:

I.T. I.C.s (internal controls), yes.

Treasurer of the States:

Successive auditors have taken the other approach, not taking reliance upon the I.T. controls in undertaking their audit, as in the previous year. We are getting ourselves into a better position, as Jason says.

Mr. V. Khakhria:

I guess what you are saying is that the auditors would be in a position to place the usual level of reliance on them for the 2026 accounts, but not the 2025. Would that be fair to say?

Chief Information Officer, Digital Services:

Yes, that is the expectation.

Mr. V. Khakhria:

Thank you.

Group Director, Strategic Finance, Treasury and Exchequer:

I guess it is worth saying it is for the auditors to decide how much reliance they can place on the controls and how that would affect their audit methodology based on the risk that they identify. It is not for us to say that.

Mr. V. Khakhria:

You would hope they would make an objective assessment?

Group Director, Strategic Finance, Treasury and Exchequer:

Yes.

Mr. P. Taylor:

But they would tell you what needs to happen for them to put reliance on it?

Treasurer of the States:

We have got that more in-depth report this year, but it will still be their call as to whether they place reliance on that. For example, we are already part way through 2025 - and I acknowledge your point about 2026 - so part way through 2025 those matters will not have been resolved; therefore, they would not have been able to place reliance on those controls throughout the whole period. I look towards the auditors to my right.

Mr. P. Taylor:

The question is: have you implemented the recommendations that they said you should, the changes you should make, so that they can place reliance on it?

Treasurer of the States:
Yes.

Mr. P. Taylor:
Okay.

Deputy R.S. Kovacs:
Well, not until the end of 2024.

Mr. A. Awan:
That is what Jason said: they are trying to do that. Okay.

Deputy I. Gardiner:
We will probably follow up with a question. We will move to a different part. We will go to the next part, and maybe we will come back with follow-up questions. We are moving now to remuneration and salaries and staffing and to Vijay.

Mr. V. Khakhria:
Okay, what I hope will be a quick section. The remuneration report shows there were 69 exit packages costing nearly £3 million in 2024, excluding pension costs. We would like you to explain, please, the rationale and criteria for approving each of those 69 exit packages and the associated redundancy costs, what the process was for identifying those 69 positions, and whether that process was extended across all of Government.

Treasurer of the States:
I think it would be difficult to describe each of the 69 in turn; however, they fall into categories. In the middle of last year a new voluntary redundancy scheme was put in place. Some of those individuals, some of our former colleagues, would have exited through those voluntary redundancy schemes. That scheme sets out payback and saving to be delivered by the department arising from the payment. That is a 2-year payback period, if I recall. We also have a compulsory redundancy scheme, and that will be for areas of the business where a certain function has been determined to be reduced or ceased.

Mr. V. Khakhria:
What was the split roughly between the 2 categories?

Treasurer of the States:
I am coming with a different number than the number you just cited to me; so I am going 7 voluntary redundancies, 20 compulsory redundancies. Then we have a category relating to other settlements. They will arise for a number of different reasons relating to perhaps the end of the relationship between the employer and the employee for whatever reason. They may also be conciliation agreements in the form of a J.A.C.S. (Jersey Advisory and Conciliation Service) agreement.

[16:00]

It is fair to say that all of these packages will go through a number of layers of oversight from the Chief People Officer's Department, Treasury from a value and money perspective, from legal advice and from the A.O. (accountable officer) for each of those departments to confirm that they meet the criteria. From a V.F.M. (value for money) perspective, that will be largely addressing the issue of whether it will cost more in the longer run to take that particular end of a relationship through a different path.

Mr. V. Khakhria:
So, of 69 we have 7 voluntary, 20 compulsory and the balance were a mixed bag.

Group Director, Strategic Finance, Treasury and Exchequer:
Settlement agreements, generally we refer to as special payments, they are disclosed in that note. They go through a different process because they are not in one of the schemes of either voluntary or compulsory redundancy.

Mr. V. Khakhria:
How many of these represent a recurring saving?

Treasurer of the States:
The policies … the first of those that I have talked about, there are 7 exits through the voluntary scheme with the order of a just short of £800,000 recurring saving attached to those. Even though they are not being tracked in the same way, at least one of those proposals, which I was very well aware of, was made before the new voluntary redundancy scheme, but along the similar sort of line, so it is a saving on top of that £800,000 per annum saving.

Mr. V. Khakhria:

I am a little puzzled how a voluntary and, therefore, self-selecting scheme for leaving the employment of the Government results in a recurring saving for the Government. Does that mean that the jobs were completely redundant in the first place?

Treasurer of the States:

The job becomes redundant as a result of a case having been put forward. I have been involved heavily in previous redundancy schemes, in terms of voluntary. There will be many people who come forward, to which the department is saying: "I cannot do without that role or that individual and therefore there will not be a saving and therefore there will not be a redundancy".

Mr. V. Khakhria:

Okay, and has that process been applied across all of Government to identify all potentially redundant roles?

Treasurer of the States:

I would have to look back to see if it was extended to Health, but I think it would be very clear that it is not intended for front line roles where we are still looking to recruit to.

Chief Officer, Health and Care Jersey:

I think that, at the time, the policy excluded front line roles.

Group Director, Strategic Finance, Treasury and Exchequer:

There are instances as well where "voluntary" is not entirely self-selecting. As in, you may have a group of individuals where a team is getting smaller, so there is an element of selection in that people may put themselves forward. If there are not enough, it may be that they move to compulsory. But just in terms of the classification between the 2, if you choose to completely scale down a team, that does not mean that some of those will not be voluntary rather than compulsory. As in, voluntary is generally preferable to compulsory.

Mr. V. Khakhria:

I am a bit confused. Were business cases or rationales produced for each of these?

Treasurer of the States:

They will have been, yes.

Deputy I. Gardiner:

For all 7?

Treasurer of the States:

Yes. Because they would have had to go through the approval route.

Mr. V. Khakhria:

Okay. Services will not be impacted through these reductions in these roles?

Treasurer of the States:

If an A.O. believed that the service would have been, or whoever was sitting in the A.O. shoes, then they would have had to address, in order for it to pass muster, as it were, what those service impacts would have been.

Mr. V. Khakhria:

Okay. Thank you. Moving on. Can you describe from a Treasury perspective the impact for the grade 11-plus hiring freeze on departmental operations and delivery timelines?

Treasurer of the States:

From a Treasury Department perspective, I do not think that I would say that we have had a high-level impact where we have needed to seek exemptions from those recruitment freezes. We have favoured internal recruitment to those positions, but we are observing, unless they are freezing a couple of places, we will be bringing forward a restructure of the team further down the line.

Mr. V. Khakhria:

You say there is a preference for internal appointments. What happens if the skills are not present within the Government?

Treasurer of the States:

That would lead to a further approval process relating to whether, on balance, there should be an exemption against that role. There are parts of the business where saving that role is easier than it is in others. I have been, so far as I can, observing the freeze with some success and a number of internal opportunities have been created as a result.

Mr. V. Khakhria:

Excellent. Can you give the public an idea of the number of these exemptions so far?

Treasurer of the States:

Off the top of my head no, I would say that my exemptions to date are principally within the areas of greatest risk or, in the case of international tax team, relating to the implementation of another 2 tax regimes, so you have got a new system of tax arising. It needs a team to establish the implementation of that tax, and you need a team to bring that through the Assembly and develop it, and it will need - to be decided - a team of colleagues to service that new line. But of course all of that cost comes with increasing ...

Mr. V. Khakhria:

Okay. I understand. My next question, please. How are the costs of consultants and agency staff currently being monitored and benchmarked across departments?

Treasurer of the States:

There will be a number of ways that we will be doing within departments. Many of those departments will have their own specific specialisms that they are looking for. I do not hire many medical consultants in Treasury. Those will be pressures within Health. The best player to monitor the rates of those services would be, of course, to go back out to market. I know that is what Health are doing in respect to that, and we are either done or in the throes of doing that for local temp agency, for example.

Mr. V. Khakhria:

Perhaps that is a question which I could address to you yourself, please, for your department.

Chief Officer, Health and Care Jersey:

Sure. Agency costs within the Health Department, agency staff come to us through a master vendor arrangement. That has not been tested in the market for a number of years. As the Treasurer said, one of the things that we are doing this year is to go back out to market and to test that against the market to see whether we are still competitive or not, and to see whether we can achieve better value for the taxpayer through doing that.

Mr. V. Khakhria:

Okay. When do you expect that process to be complete?

Chief Officer, Health and Care Jersey:

That process will not be completed until the end of the year. It has just started.

Mr. V. Khakhria:

Given that it is a “going to the market” sort of process, is there some element of iteration or continuity in that, or would you expect that once you have completed it by the end of this year, it is going to be another break before you go back out to the market?

Chief Officer, Health and Care Jersey:

Usually one of these big agency staff master/vendor type arrangements you will probably only do every few years. I would see us achieving best value through the process within this economic cycle, and then in a few years' time it will be worth doing again because the economics would have moved, and that may be to our advantage.

Mr. V. Khakhria:
I understand. Thank you.

Deputy I. Gardiner:
I think we can move ... started with the Health, more questions. Yes.

Deputy R.S. Kovacs:
Health and Care Jersey saw the largest overspend in 2024, and as we heard from the treasurer as well, Health is the biggest area of concern in this part. What level of reserves have been used to fund the overspend within Health and Care?

Treasurer of the States:
That is probably a question for me. Here was me thinking you did not have any more questions.

Chief Officer, Health and Care Jersey:
No. You were just relaxing.

Treasurer of the States:
Yes, I was. I was trying find my place when you were dealing with that question. I caught the end of your question relating to ...

Deputy R.S. Kovacs:
What level of reserves have been used to fund overspend?

Group Director, Strategic Finance, Treasury and Exchequer:
In 2024?

Deputy R.S. Kovacs:
Yes.

Chief Officer, Health and Care Jersey:
I think that is in the annual report and accounts, is it not?

Deputy R.S. Kovacs:

For the Health.

Group Director, Strategic Finance, Treasury and Exchequer:

It is.

Treasurer of the States:

Just trying to find my space.

Deputy R.S. Kovacs:

In short, what reserve will you use, and do you see those reserves now at risk at all?

Deputy I. Gardiner:

No. That is the number of the reserve.

Group Director, Strategic Finance, Treasury and Exchequer:

There were several allocations, which is why I have not got that number right in my head. But it was around £28 million, I think, was the allocation to Health. There were other allocations, which were not just for pressures, they were for specific items as well. In the accounts you will see the difference from that. That is with the allocation in 2024 from the reserve.

Deputy R.S. Kovacs:

Yes. Might be more useful just writing to C.L.S. (Customer and Local Services) if ...

Group Director, Strategic Finance, Treasury and Exchequer:

Yes. If you would like to, and we can ...

Deputy I. Gardiner:

Yes. Will do, yes.

Deputy R.S. Kovacs:

No problem. How did Health respond to early overspend signs? Were actions taken timely and effectively?

Treasurer of the States:

How did Health respond?

Deputy R.S. Kovacs:

Yes. To the early signs of overspending.

Deputy I. Gardiner:

Let us say there, you knew in the quarter 1 and after quarter 2, 2024, that you are overspending. What has been done to mitigate overspend?

Treasurer of the States:

I think that is leading into the area of the Health territory.

Chief Officer, Health and Care Jersey:

I can have a go. Obviously, I can reflect back on what my predecessor did as accountable officer during that period. Obviously, I took over right at the end of 2024, but I can see that the drive was to continue the financial recovery programme. The F.R.P. (Financial Recovery Programme) set out a number of actions for 2023 and 2024, and I can see that those were continued and the pressures worked upon. Some of those measures had a stronger effect than others, so you can see that in previous explanations of the drivers of the £28 million deficit, some of those F.R.P. measures were more effective than others. Ones where there was slippage were things like locum and doctor costs, where I can see that last year the F.R.P. had a good success in reducing nursing agency costs, but was less successful in reducing medical staffing costs. That is why this year that has become a focus in 2025, because we did not get the effect that we wanted from doctor agency costs in 2024, and therefore needed to carry that into 2025, and that contributed to the overspend.

Deputy R.S. Kovacs:

We note that the final spend for Health and Care in 2023 was £303 million. However, the budget for 2024 was set at £286 million. Why was the budget set assuming the cash spend of the department would be lower?

Treasurer of the States:

I will deal with that one. Between 2023 and 2024, firstly, it was the first year of the original estimate for the financial recovery programme at £12 million. Obviously it comes off the number for 2023, reduces the number for 2024. Having put more money in to bring the health budget up to its spend, we then have the savings plan that reduced from that sum. Adding to which there was already a saving of £3 million, so there is £15 million. There were also a number of one-off costs that were in 2023, or funded in 2023, that were removed in 2024. That included funding for a rheumatology review, that also included ... now my mind has gone blank.

Group Director, Strategic Finance, Treasury and Exchequer:

There is rheumatology. There was one-off funding for reduction of waiting lists in 2023, which was not recurring into 2024. There was also some funding for the turnaround team in 2023 specifically that then fell away in the 2024 budget. Also some previous funding was allocated under the Jersey Care model, which ran out at the end of 2023 in line with the Government Plan. Those are some of the ...

Treasurer of the States:
Adjustments for, in shorthand, one-off funding that expired in 2024, and savings targets arising from the Financial Recovery Programme.

Deputy R.S. Kovacs:
Because that is what we have seen as well on the Hansard from the public hearing last July from the counterpart. The expectation was that the £24 million that was asked for will continue to provide what we are providing now, no more, but what we are providing now was said. Even continuing on the next 3 years with the £25 million savings. Seeing this level of overspending then in 2024, when was this first identified, and was this flagged to the Assembly in time?

Treasurer of the States:
Was it flagged to the Assembly? It would have been flagged in terms of reports that go to the Council of Ministers, which I believe Scrutiny then have access to in respect to the forecast view of the spend position. I would say that we regularly, particularly early in the year, forecast an overspend by the end of the year, and departments then commit to address those overspends during the year. Those reports do go to the Council of Ministers and then, as I understand it, those papers are accessible by Scrutiny.

[16:15]

Deputy I. Gardiner:
A question. When you know that you are expecting overspend in particular departments, or to departments, and it is going to the Council of Ministers, what advice would you give as a treasurer to the Council of Ministers in the middle of the year, saying: “We are overspending. To keep within the budget, we need to introduce mitigation measures”? Not necessarily toward ... it may be in one department, it might be to introduce across the Government to ensure that we are finishing the year within the budget and not just transferring from the reserve to cover the overspend. Because everyone, I think, used to ... that does not matter how much we will spend, we will receive by the end of the year whatever we overspend from the strategic reserve, and this is the process ...

Treasurer of the States:

Not from the strategic reserve.

Deputy I. Gardiner:
From whatever reserve. From different reserves.

Treasurer of the States:
That is not within the gift of the Minister for Treasury and Resources to transfer funds during the year from the strategic reserve.

Deputy I. Gardiner:
It will be signed by the Minister, but at the end of the day the deficit would get covered by the end of the year.

Treasurer of the States:
Firstly, in previous years, we will be looking at forecasts of other departments to see whether forecasts from other departments will underspend, were sufficient to cover that. Next, you will be looking at whether the level of contingency reserve is sufficient to cover that. I should say first step is back to department: "Please, your responsibilities are to live within the budget that is set for you by the Assembly." There will be reasons why departments need other funding related to enforcing events or new things that come through, and those will be the subject of a business case. Firstly, we are looking at can it be addressed by the department. Secondly, can it be addressed from underspending other departments? Thirdly, does it need reserve transfers? By "reserve transfers" I mean "contingency funding", what we used to call the "general reserve". Thereafter, you might look to see whether capital underspends that are being forecast could be used temporarily to address that situation. First and foremost, it is to make sure that we are delivering upon the commitments in respect of savings, and understanding the drivers for the higher level of spend.

Deputy D.J. Warr:
Just one question. All of this just sounds quite reactive. You are reacting to the scenario that is put out there in front of you. I do not know if you have any leverage as a Treasury Department to think about, I can say, the interaction between the different areas, whether it be infrastructure, whether it be health. In other words, can we do a prevention? In other words, what actions need to be taken to prevent overspending? Is there any linkage done? Is there any research done within Treasury which says: "Well, if we do not spend in this area, or we spend more in this area, this will save a lot more money. We will get more bang for our buck in that area." Is there any cross linkages in those areas? Is that any part of Treasury's remit, or is that down to individual ministers to deal with that, to sort that out, or do you make recommendations in those areas?

Treasurer of the States:

First and foremost for departments. Secondly, I would say that, for example, in shared services, of which I am one, you might look for savings that could contribute that. But usually those are in centralised budgets in any case. I think the last savings plan brought to the Assembly did focus more towards the back office, i.e. delivering savings from the back office to be redeployed into front line services. There are those. We have overarching functions in that respect. We also have the opportunities to join up now, even more so. We always had the opportunities, but more so now between digital services, people, services, and trade.

Deputy D.J. Warr:

I get those efficiencies but I am just thinking about more ... for instance, let us just give a scenario. If we spend more in keeping people active, in other words, we put more money into sport, for instance. We have a big debate going on tomorrow about sports and the amount of money not being spent in sport. Is there any recognition that if we make more investment in those areas, and keeping people fitter for longer and all the rest of it, then that will actually mitigate our health spend? Is any of that thinking done within Treasury?

Treasurer of the States:

So, that thinking is done usually by the people who bring those things forward and are often the experts in those particular fields. Be they preventative health measures, be they in exercise referral, they talk about savings that should come from the research that they have undertaken in other parts of the service.

Deputy D.J. Warr:

But there is no measure done? There is no measuring of this?

Treasurer of the States:

No, there will be measures within there.

Deputy D.J. Warr:

There will be measuring?

Treasurer of the States:

But converting those actually into savings you would grab and remove from budgets elsewhere is very difficult to do when you are taking U.K. research, and some of that will be theoretical, some of that will be based ... well, not necessarily theoretical, but it would be difficult to extrapolate across our own population. It has been done a number of times in respect of Health Jersey Care model and other such strategies where you look at ... in actual fact you have to purely accept healthcare will go up. What you are trying to do is ensure as much as you possibly can that increase is minimised, but it would still go up, and it will be hard to therefore ...

Deputy D.J. Warr:

Yes. Just to my point about where we invest in other areas. Okay.

Deputy R.S. Kovacs:

Just very quickly before moving to the next question, would you say that forecasting models have been improved, and how accurate have recent forecasts been in practice then?

Treasurer of the States:

I think, firstly, across government, across the States, these volatile economic times make it more difficult to do so during periods of low inflation, in particular. It was far easier for departments to be able to anticipate some of the pressures they did not see coming on a cost basis as opposed to a volume basis.

Deputy R.S. Kovacs:

For Health in particular?

Treasurer of the States:

For Health in particular, I think lots of the work that we could talk to that is going on currently will give a much better informed view of where those pressures going forward are. What you might do to mitigate some of those, and some of those further down the line in terms of healthcare strategy, in particular impacts of ageing population, will give us more information. I would say, however, that there is always going to be a variation. In an island the size of ours, you quickly can end up spending - and I am sure Tom can give examples - £100,000, £500,000 more on treatments to a small group of people that you had not anticipated.

Deputy R.S. Kovacs:

We will probably get more in writing on this area.

Group Director, Strategic Finance, Treasury and Exchequer:

Can I just ... just an interesting stat there. By the time you get to the middle of the year, I think our forecast overall between departments, not in individual departments, was close to about 90 per cent, 99 per cent of the outturn. The forecasting on an overall basis is actually reasonably close to where we ended up.

Mr. P. Taylor:

Individual departments set a budget. Then it goes to the States for overall approval. What happens to the accounting officer if he actually overspends his budget? What is the consequence of it? Just ask you for some more money transferred from somewhere else? What actually happens?

Treasurer of the States:

I would suggest a view that that AO had not been doing the job, and turns up on the 24th December ...

Mr. P. Taylor:

There is no budget.

Treasurer of the States:

I think surprise, surprise ... I know I said it was in budget and I am now £20 million overspent and might I expect quite dramatic consequences for that AO.

Mr. P. Taylor:

Part of the person's role is to manage within the budget.

Treasurer of the States:

Yes. Part of that ...

Mr. P. Taylor:

If they do not do that, they have not done their job.

Treasurer of the States:

Yes. Part of that role also is to deal with the pressures that they see from the customers, or the patient base that they see, and we need a wider discussion about, and among Ministers, as to whether that overspending should be brought into control by the A.O. or whether further funding should be given. That would inevitably usually lead into 2 things. One, perhaps business case, but certainly increased monitoring of plans to return back to budget. I would say generally the expectation is that A.O.s stay within their budget. The responsibility sticks with them.

Mr. P. Taylor:

Have there ever been any instances where there has been a consequence for an accounting officer not overspending his budget that you are aware of?

Treasurer of the States:

My understanding is yes.

Mr. P. Taylor:

It has happened?

Treasurer of the States:

My understanding, which maybe not necessarily having been from reading the files, but there have been.

Mr. P. Taylor:

In your time?

Treasurer of the States:

I am not saying recent.

Mr. P. Taylor:

I am just hearing ... I was just going to say it is a fudge. You just find money elsewhere to cover deficits.

Deputy R.S. Kovacs:

Can they both be replicated?

Treasurer of the States:

Sorry, if I have ...

Deputy I. Gardiner:

Yes. I think that what the point that you raise is maybe something that we do need to reflect. You mentioned the Minister, so in a public conversation with the public if in the middle of the year you see substantial overspend and decision needs to be made by the accountable officer to breach public finance manual and overspend, or accountable officer, would he need to take an action and to come to the Minister, and Minister needs to come to the Assembly and decide what action steps can be taken - it might be not popular steps - to ensure that we are not overspending within the year? But how do we manage this conversation?

Treasurer of the States:

The Minister may choose to do that. I do not think a Minister has done that and I don’t think that a committee prior to that has done that outside of exceptional emergency positions. It is, firstly and foremost, for the Council of Ministers to be managing that within the budgets. Firstly, it is department, secondly, it is overall Government, i.e. Council of Ministers to be managing that within, and the agent to be able to do that, and the responsibilities there rest with myself and with the Minister for Treasury and Resources. If you get to the point where there are no options open to the Minister for Treasury and Resources and you are going to overspend, so States expenditure in total is overspent, then there would be a requirement for the Minister for Treasury and Resources to come forward with that to the Assembly.

Deputy I. Gardiner:

But we did overspend. I mean we overspent more than ...

Treasurer of the States:

An individual department, and this is about legislation, not just the manual. There are statutory responsibilities. But those statutory responsibilities say that the Minister for Treasury and Resources can transfer funds from other budgets in consultation with Ministers, be they capital or be they revenue. They should be the first measures to be taken in making sure that a necessary adjustment to budget is met.

Deputy I. Gardiner:

But the moment that budget is approved by the States and individual departments overspend, the responsibility is on accountable officer for this department?

Treasurer of the States:

Yes.

Deputy I. Gardiner:

The accountable officer allowed overspend within the department?

Treasurer of the States:

Yes.

Deputy I. Gardiner:

It is full responsibility. What we are trying to establish is how you ensure that accountable officers do not overspend, or they are taking actions that it is clearly in public, like letter of instructions, because we are accountable officers not agreeing to spend the money because we are overspending.

Treasurer of the States:

That particular area, so my own view is that letter of instruction does not cut it, because overspending against an approval, it is a statutory responsibility. In areas where you may disagree with the

Minister, you can be instructed to do something, having set out your challenges with having done so, but the Minister for Treasury and Resources does have the authorities to put more money into that budget. That is as a result of statute.

Group Director, Strategic Finance, Treasury and Exchequer:
Perhaps I can ...

Deputy I. Gardiner:
Just a minute. Deputy Moore would like ...

Deputy K.L. Moore:
That is okay. I cannot remember your current title, sorry, but I will let the accountable officer speak.

Chief Officer, Health and Care Jersey:
I was just going to give a live example of the tensions that you deal with as an accountable officer in this circumstance. One of the cost pressures that the Health Department has had over a number of years is individual packages of care. As you know, the Long Term Care Fund deals with levels 1 to 4, and above level 4, if you have severe need, then that comes from the Health budget. So, 1 to 4 is within a ringfenced Long Term Care Fund. Above that comes from a capped source budget, a fixed budget, which is the Consolidated Fund. Over the last 4 years, those costs have risen 80 per cent. So, that budget in 2021 was an expenditure of £9.3 million, in 2024, that was £16.9 million. There is no agreed policy cap on that. When the Long Term Care Fund was brought in, the proposition in 2013 said: "Well, that will only ever be a small number of cases, maybe 20 a year." It is now around 200 cases. When I write to Richard and explain that, he and I know that I could absolutely bring that expenditure back down to its 2021 limit. I could take £17 million of expenditure and make it £9 million again through a series of quite severe interventions, and that would fulfil my duty as the accountable officer. But I am not sure that neither States Assembly or Council Ministers would thank me for doing that.

[16:30]

Deputy K.L. Moore:
Or the public.

Chief Officer, Health and Care Jersey:
Or the public. There has to be a dialogue around: "Is Richard holding me to account for reducing areas of inefficiency? Yes. Can this be solved through efficiency gains? No." This is where it

becomes a dialogue between the Treasury and the department. I just wanted to give it to you as an example.

Deputy I. Gardiner:

Thank you. That is a really good example.

Deputy K.L. Moore:

It is an interesting example, but it identifies, though, that accountable officers and Ministers need to, together, approach this issue in a short, medium and long-term strategic fashion. We know that every business, every household is facing rising costs. We know, also, that Jersey faces a demographic challenge that is well documented. So, how is that strategic view coming together to enable each department to deal with those costs, and in fact focus in on the productivity measures that need to be delivered? The question here is, what productivity targets do you have for H.C.J. (Health and Care Jersey) now to assist yourselves in coping with this situation rather than just shuffling around some money at the end of the year to make it good?

Chief Officer, Health and Care Jersey:

The first question or the second? Shall I do the second on productivity?

Treasurer of the States:

Yes. I think I would refer to the pieces of work that I talked about earlier in respect of healthcare funding in particular, as the sustainable healthcare funding work that has been undertaken that will come forward ...

Deputy K.L. Moore:

That is a piece of work aimed at raising more money through charges, essentially. It is not ..

Treasurer of the States:

The first thing it is doing is saying how much money is needed. Then I lead on to the productivity, and so that is ...

Deputy K.L. Moore:

No. I am afraid it is not taking a holistic view, and it is not focusing on the productivity improvements that can be made to deliver services in a better way that delivers better outcomes. We all sat around the table here before this hearing and practically everybody could come up with an example of an opportunity gain to be made in healthcare that would improve service and reduce cost. Nearly everyone.

Deputy I. Gardiner:

That is just from personal experience.

Deputy K.L. Moore:

Yes. If you walk down King Street and listen to the public and their experiences as patients ...

Treasurer of the States:

Sorry, I just thought the 2 were separate. You are saying they are one, in which case Tom is now going to turn to productivity.

Chief Officer, Health and Care Jersey:

I can do that. It is absolutely the case that just about every health organisation you look at, there are opportunities to improve efficiency and productivity. That is well documented. Usually that is i 2 to 3 per cent per annum, is what is achievable in a good healthcare organisation. The top N.H.S. (National Health Service) trust in the U.K., Guy's and St. Thomas's, their aim is to get around 3.7 per cent during this year. They are the top trust in the U.K. Generally speaking, you get between 2 and 3 per cent, so that is absolutely the case. What do we focus on at the moment in that? We look at areas where we can improve what we are getting out for what we are putting in, in simple terms. Things like operating theatre utilisation are a good lead indicator of how efficient we are being. That is why we published that in the annual report and accounts, because that is a productivity measure. Is that improving? Yes, it is. That was down in the 60 to 70 per cent range. That is now up to 76 per cent. The national N.H.S. target is to get theatre utilisation up to 85 per cent. They have never achieved that, but they have got it up to 79 per cent. We know that another healthcare organisation can get up to 79, so we still have some opportunity between 76 and 79 per cent. We know the things that we can do to improve that, and the team work on that, because the cost of running an operating theatre during the day is fixed, and if you are not maximising the patient benefit throughput of that, if you are losing half an hour at the start of the day, if you are losing time throughout the day, then you focus on that. One of the other things that we focus on quite hard are our outpatient "do not attend" rates. Do not attend rates are incredibly important in healthcare because an outpatient clinic is a fixed resource. You have bought the time, you have bought the resource. Then if you get under-utilisation, you are being less productive than you could have been. There are other people in Jersey that could have been seen. That was up at 11 to 12 per cent. We are now down to about 9.5 per cent. Our aim is to get down to 8 per cent. Those numbers sound quite small in percentages; but they make a huge difference throughout the year in more people being seen. We really focus on that. That is one of my focuses, as the Chief Officer, to make sure that we are utilising the resources that we are being given as efficiently as we can.

Deputy K.L. Moore:

Now that the person who has been leading the Financial Recovery Programme is leaving the organisation, how will this process continue in identifying and driving through productivity improvements in the organisation?

Chief Officer, Health and Care Jersey:

I think that having somebody with expertise leading the early stages of the Financial Recovery Programme is incredibly helpful. I can see that coming in that was helpful. This now needs to transition into a continuous cost improvement programme. A lot of top healthcare providers, they just run a continuous cost improvement programme, and it suits healthcare because healthcare runs on continuous improvement. That is the ethos and the philosophy. So, it will transition from being a one-off financial recovery programme into an enduring cost improvement programme, and then that will be led really by me and the other directors, because this should not be all vested in a single finance lead. This is something that we as the leaders need to lead as an ongoing continuous improvement so that we are achieving at least 2 per cent, if not 3 per cent, per annum in terms of cost improvement.

Deputy K.L. Moore:

Thank you. Without a health strategy at present, how are you able to make decisions and discharge your financial responsibilities and maintain internal control?

Chief Officer, Health and Care Jersey:

The Island Health and Care Strategy will be incredibly helpful when that is developed through potentially a partnership board, if the Assembly is minded to approve that, because that really gets to where the main efficiency wins are, which is in the system. It is in the interplay between primary care, community care, hospital care. We know that those interfaces is where there is big opportunity going forward to actually improve the system as a whole. At the moment, we are focusing on the bit of the system that we are responsible for budget-wise, and we are responsible for acute, and we will soon be responsible for ambulance, and we are responsible for community. Right now, we are not responsible for primary. But once we have got a partnership arrangement in place, then we can start to really focus on whole system efficiency. The strategy will be incredibly helpful when it comes forward, because that means then all parts of the health system will be able to agree what we are going to focus on. So, rather than just us focusing on improving the performance on early detection of cancer, the whole system will. Primary care colleagues funded through the H.I.F. (Health Insurance Fund) will be with us on that, and we will have a proper partnership arrangement. I think it is a good question. It will be very helpful. But for the moment we are focusing on the resources that we have responsibility for.

Deputy K.L. Moore:

Okay. Thank you. Do you want to go back to ...

Deputy R.S. Kovacs:

Yes. I notice, because we interlinked a bit with that, I just wanted to ask what is the turnaround team's mandate and progress you would say?

Chief Officer, Health and Care Jersey:

The mandate of the turnaround team was set in 2023. There was a 2023 mandate. There was a F.R.P. programme published that reflected that mandate. That was as published and set in 2023, and it is all the usual things that you would expect it to do around stabilising and then moving on to improving over a 3-year cycle. The F.R.P. was a 2023/2024/2025 cycle, with 3 different, distinct stages. We have moved through the first couple of those stages, and now we are on to the final stage. The final stage is improving, and it is what we talked about, it is embedding the idea of continuous cost improvement into the system.

Deputy I. Gardiner:

Okay. Thank you. One more question from Deputy Moore before we move into the next stage.

Deputy K.L. Moore:

I have got 2. They are equally important. Firstly, what are the 3 most important lessons learned from 2024 spending trends that will influence 2025 decisions?

Chief Officer, Health and Care Jersey:

There were 2 or 3. It is clear that as we have gone through 2023 to 2024 to 2025, some things have been dealt with in the earlier stages of the programme, and I can see that as the accountable officer coming in. You can see that things like vacancy control, control over establishment, the control mechanisms have been put in place and are working. Now, for me, the things that really we need to learn from the early stages and pull forward are the things where there are not necessarily a full set of controls and caps in place. We have talked about individual packages of care. That is non-means tested, non-capped, open-ended expenditure. There has not been an opportunity to deal with that in the earlier stages. So, for me, dealing with areas that do not have a cap, or a natural control mechanism that enables me to fulfil my duty as an accountable officer are one of the big things that I take from the earlier stages into these latter stages. There are 2 or 3 of those. There is tertiary care referrals, there is individual packages of care for people in Jersey, and then, also, there are some of the medicines costs as well. High-cost treatments that, again, they do not really have a cap mechanism to them. I think for me those are the big ones to take forward into this year. Some of those decisions, as we talked about, they are not really just for me as the accountable officer to decide. That has to be something that the democratic system engages in, and Ministers and C.O.M. (Council of Ministers) and others think about whether they want to put controls on that expenditure. Then, of course, if that is going to become an expenditure without a natural control mechanism, how do we deal with that? You can see that that is dealt with differently. High care costs are dealt with in the U.K. through local authority capping mechanisms. It is possible to do. It would be contentious, people would get suboptimal care, but it is possible, and those choices need to come forward. The same with some of the other areas. The U.K. has a cancer drugs fund. It has that because leaving those decisions locally to clinicians really is a little bit suboptimal, and it is very hard for a clinician not to approve a £250,000 treatment for a single person in front of them, even though it might only extend their life by 6 months. Whereas in the U.K. they take those decisions into a dedicated high cost cancer and treatment fund set of decisions. Again, we need to think about whether we want that or whether we want to keep it within the Consolidated Fund. If we keep it funded by the Consolidated Fund, then we have to reconcile the fact that I am capped. I have no authority to be flexible.

[16:45]

Deputy K.L. Moore:

Okay. Thank you. That is very clear. A final point, if I may. The annual report and accounts identifies that clinical governance assurance work following the governance report of August 2022 has come to an end. In light of that, what focus do you now have on clinical quality as Chief Officer, and can you advise the Public Accounts Committee on how much poor practice is costing the Health Service and what you are doing about it?

Chief Officer, Health and Care Jersey:

I do not have the cost, but I can talk about what I am doing on the clinical quality and care. The risk on assurance of clinical policy ... because that was the problem. It was not the quality itself was necessarily not where it needed to be, it was the assurance mechanism was not where it should be. That risk is reduced because now there has been a series of measures put in place around that. Now we have proper mechanisms in place to deal with never events, to deal with serious incidents, to deal with learning from that. I have been reassured coming into Health a lot of the usual mechanisms that you would have in place to gain assurance are now there. I feel more assured about that coming in. Does that mean that nothing will ever go wrong? Of course not. This is healthcare. Of course, things will still happen. But have we now got mechanisms to monitor incidents, to ensure that we are adopting best practice? Yes, we have. So, to use the cliché, it is a journey, and, of course, it is getting better, but the basics are there. The next phase will then be transitioning those mechanisms into inspection by the Jersey Care Commission, because the Jersey Care Commission will then become the standing mechanism that stands over Health and Care to check that we are meeting the standards and that we have got mechanisms in place. Now, the focus is very much on how we improve what we have got to prepare for Jersey Care Commission oversight, and then once the Jersey Care Commission start to oversee us, we will then be in a cycle of continuous improvement.

Deputy I. Gardiner:
Thank you. We will move to a couple more questions.

Deputy R.S. Kovacs:
One quick one, which touches on the clinical quality. How would you make sure that all departments within Health, for example, are communicating properly, for example, with the G.P.s (general practitioners) and with the specialists to not duplicate work and do the operations for each patient in the right order?

Chief Officer, Health and Care Jersey:
There are definitely disconnects in the wider system. The connections between acute care, tertiary care in the U.K., primary care, they exist and they work okay, but they are not where they need to be. This is one of the debates that Ministers in the Assembly will need to have, because to make care work better in a seamless way for patients means that we do need to move to a single patient record, not multiple patient records. For Jersey, that would be absolutely transformative. Moving to a single patient record would be a change that would last for future generations. When we are not all doing this, people would still be benefiting, but the financial case for making that investment has to be balanced against all the other cases of things that we need to invest in and affordability.

Deputy R.S. Kovacs:
Has this been looked at, as estimates of what it would look like?

Chief Officer, Health and Care Jersey:
I think you have heard the Minister for Health say in lots of forums that, yes, he is looking at that, and looking at what that cost would be. But, as I said, that has to be balanced. Undoubtedly, it would improve things, but is that the best use of resources for us as a jurisdiction? That is a decision that really has to be made separately.

Mr. P. Taylor:
How much would the investment be?

Chief Officer, Health and Care Jersey:
I have not got the figures in front of me, but it would be multi-million pound.

Mr. P. Taylor:

Well, that could be £5 million, it could be £100 million, so where ... you are saying we would have such a great benefit. There must be some handle on what the investment would need to be.

Deputy I. Gardiner:

But let us not go on this one because we had one more supplementary, and we move for 5 minutes to 2 more things.

Mr. V. Khakhria:

One more question, harking back to your reply to lessons learned from the budgeting process. Well, I think what you said was that there is no system in Jersey for comparing the price of a treatment, not necessarily long-term care but a treatment against the improvement in quality of life and life years, and things like that, like in the U.K. My question is: at what level are treatment decisions made in that case?

Chief Officer, Health and Care Jersey:

Yes. That is an excellent question. At the moment, we are relying mainly on N.I.C.E. (National Institute for Health and Care Excellence). The U.K. Government has invested public funds in N.I.C.E. N.I.C.E. work out quality adjusted life years. They negotiate with drug companies about whether a treatment is value for money. They have made that investment. What we then have to do is we then contextualise that into Jersey. We have at the moment, going through the system, a draft prioritisation policy that will help us translate N.I.C.E. into what is appropriate for Jersey. Sometimes in Jersey you find that you do need to modify N.I.C.E. We have various clinical panels that already exist, and what they do is adapt N.I.C.E. N.I.C.E. is essentially the default position, that is what our hospital policies say. In the absence of anything else, we work to N.I.C.E. because it has all of that built into it already when we get it. Then what we do is adapt it.

Mr. V. Khakhria:

Sorry, how long has that been the case?

Chief Officer, Health and Care Jersey:

N.I.C.E. became the default standard, I think, in 2023, and then the policy has been developed through 2024, and now I am refining the policy further in 2025 so that we have more ...

Deputy I. Gardiner:

So, our standards were be lower than N.I.C.E.?

Chief Officer, Health and Care Jersey:

They will be adapted from N.I.C.E. One of the challenges that we have with N.I.C.E. is that N.I.C.E. is designed for a U.K. health system. That is the mental framing that they design it through, and often in Jersey you need to adapt it so that it works in our context, because our context is not the U.K. one.

Deputy I. Gardiner:
That is a different debate here. I am not going to ... okay. Thank you.

Deputy D.J. Warr:
Okay. So we move into Government Plan revisions and capital programme. So, this capital and other project expenditure was £64 million below the approved budgets in 2024. Probably my first question really is: what is the impact on our economy of those levels of underspend, would you say?

Treasurer of the States:
That will be across a number of categories of spend. Obviously, the impacts will be different if they are digital, or if they are paying for professional services at this point in time, or if they are importing raw materials or using on-Island raw materials. I do not have the figures in front of me so I cannot say what that impact would be across ...

Deputy D.J. Warr:
No, but I am just thinking if Government does not get their money pushed out into the economy, that has a consequence.

Treasurer of the States:
To the extent that they are using on-Island resources, then yes, they will. Of course, F.P.P.'s suggestion at the moment is that perhaps Government, by running deficits by putting more money into the economy than withdrawing it from taxation and other means, could well be adding to inflationary pressures, but they are different within each of the sectors. So, if these are construction projects, and if construction has a gap in it at the moment and those projects are not coming forward as quickly, that might happen.

Deputy D.J. Warr:
Okay. So, I will just ...

Treasurer of the States:
The impact is considerably less than it would have been in the past. The past sat on much bigger numbers. The majority of this underspending is one project, and that is health facilities.

Group Director, Strategic Finance, Treasury and Exchequer:
I am going to make out the 62 ... did you say 64?

Deputy D.J. Warr:
I have 64 down here, but ...

Group Director, Strategic Finance, Treasury and Exchequer:
So, if was 60, £45 million of that was to do with the hospital project itself, which is obviously slightly different from the rest of the programme. The other point I would make is that number compares against the approved budget. So, that does include carry forward amounts where projects did not spend in 2023. The actual difference between what the Government Plan says is the expectation of industry and what spend was is probably slightly smaller than that number that you described.

Deputy D.J. Warr:
Okay. Thank you. I have one specific question here, which is why was the Le Squez youth centre budgeted for in the 2024 budget but not taken forward under the capital programme?

Treasurer of the States:
That largely arises through decisions that ultimately get made through the Council of Ministers and then the Assembly. There are a number of reasons as to why any particular capital project will be advanced, or funding adjusted. My understanding in the case of the Le Squez youth centre was that it was not as advanced as it might have previously been laid out, and therefore the department would not have spent the money as quickly as that. At the same time, there was another project in particular, but the projects that were closer to being delivered, and therefore they were reprioritised during the process to be delivered. Le Squez still is in the plan, and we are looking to see if we can advance feasibility work on that particular project.

Deputy D.J. Warr:
So, is there is there a lost cost to switching programmes like that? In other words, does it cost money when you change tracks? What is the cost, I would say, opportunity cost?

Treasurer of the States:
I think at the early stages of a project, most likely not. I think the opportunity cost is almost the other way around. If you have expenditure tied up in projects that you do not deliver, the opportunity cost is not delivering those other projects, and not referenced back to your last question, and then putting that stimulation into the local economy.

Deputy I. Gardiner:

It would be logical to follow up with the question what was delivered instead. We will go to our last question for today, which you will be happy with.

Mr. P. Taylor:

It is a hot day, and I know you want to get down to Aquasplash as quickly as possible. I do notice that the cost of the Aquasplash facility is rising, and its projects are managed through a contract with Serco. I am interested to know how that contract is managed. Who is responsible for managing it?

Treasurer of the States:

That is a question best directed at the Infrastructure ...

Mr. P. Taylor:

But you are the Treasurer.

Treasurer of the States:

I am the Treasurer. There are only 24 hours in a day. These budgets are and these contracts are managed within the departments best placed to do so. We were originally working through the answer to that. My understanding was that question had come off the question list.

Mr. P. Taylor:

But the deficit was over £1 million this year.

Treasurer of the States:

We are in a position with that contract whereby my understanding is the States picks up the balance if there are ... if and where there are losses to that particular project.

Deputy I. Gardiner:

Is the contract with the Commercial Services that are under your responsibility?

Treasurer of the States:

No. It is my understanding this is departmental, I think, corporate contract and restricted.

Mr. P. Taylor:

Are you saying that these are better questions directed to the accounting officer of the Infrastructure Department?

Treasurer of the States:

They are. I apologise for not having done the work and giving you the answer here and now, but my understanding was that that question had come off the question list, so we prioritised the other areas.

Mr. P. Taylor:

If we write to you, you will then come back, having consulted on it with the Infrastructure ...?

Treasurer of the States:

I will give you the answer, if you like.

Mr. P. Taylor:

Thank you very much.

Deputy I. Gardiner:

One of the points around Aquasplash and all other things, it is about ... again, I will not go into the details because we saw top-up grants across various organisations. Some of them with Infrastructure, some of them with the economy, if it is Jersey Sport, Jersey Business. The question is, and this is why we are looking at you as a Treasurer, how you ensure sustainability of the finance position on the long term to the arm's length organisations that received grants, or would receive extra subsidy, as there are several requests for top-up during the year across different departments. How do you ensure that this request will stop it and will go back to what was agreed at the first place?

Treasurer of the States:

Thankfully, and I am relieved to see that some of the reporting of those top-up grants is separate and makes it clear that those were top-up grants rather than ...

Deputy I. Gardiner:

Yes. I welcome it, by the way, and I think the public, too, for the transparency.

Treasurer of the States:

... rather than growth in the base, because then sometimes what comes back is you have now cut the funding to that particular granted body rather than it being clearer that that was a top-up grant. That top-up grant might be for a specific initiative, and I know that is the case in a couple. Or it might be because of some of the costs that they are facing. I know that is the case in respect of a couple that the Minister for Social Security did. It is made clear in any discussions we may have when we have those discussions with them that they need to be careful not to do so in such a way that creates a future commitment outside of the budget process.

[17:00]

Deputy I. Gardiner:

Is any request for top-up grants or top-up subsidies scrutinised by the Treasurer?

Treasurer of the States:

I have finance professionals that service those departments, so they expect those to be passing their desk when the department is considering them.

Deputy I. Gardiner:

Okay. I think that we will write more questions on that one, because I am minded about the time.

Treasurer of the States:

I have had discussions in respect of some of them. I have not had discussions with respect to all of them. Back to the original comments, A.O.s have their responsibilities for their budget. If they are living within their budget and their Minister wants to do particular things, then they are free to do it.

Deputy I. Gardiner:

If they are not overspending their department budget.

Deputy R.S. Kovacs:

On this one, can you just give us an example of a cost that raised concern within the arm's length bodies?

Treasurer of the States:

Sorry?

Deputy R.S. Kovacs:

A cost that raised concern, an example?

Treasurer of the States:

The Minister for Social Security talked to us about support to certain grant-aided bodies that come within their domain. I do not want to pick on any particular one of them. That was a responsible action to take. She knew that she had an underspend in her benefits budget, but benefits are treated differently to discretionary spend. I think some of the discussion you are having with Tom reveals that he rests between the 2. Benefits are what you would call the ... if I have got it the right way around, annual managed expenditure. Yes, annually managed expenditure, so they can vary outwith the control of the department, and that particularly is income support benefit, and in particular is also student finance. That A.O. had an underspend on that particular area, she knew she had that underspend, but she knew that generally it is not the right thing to then go and spend that on something else on an ongoing basis because you need to take policy decisions separate to what the economic position and forecast for that budget is. They came to talk to us about one-off use of that for those purposes.

Deputy I. Gardiner:

Any more quick questions from the committee? No. Thank you very much for your time, and thank you for your answers. We will follow up with the written questions shortly, probably next week, and the public hearing is closed. Thank you.

[17:02]