

4.8 Deputy D.J.A. Wimberley of St. Mary of the Minister for Treasury and Resources regarding the additional £15 million Comprehensive Spending Review (C.S.R.) cuts:

Can the Minister explain how an extra £15 million of cuts can be well planned and targeted when there have only been 3 weeks between the announcement of the additional cuts and the date of announcing what those cuts might be?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I think the question implies that the Council of Ministers arrived at the target of £65 million before considering how the extra £50 million would be made up. The Deputy will recall that in the Business Plan debate, the Council of Ministers resisted setting a target of any higher level of cuts over the £15 million already proposed, because we wanted to deal with and carry out the workshops in the second stage of the C.S.R. Indeed, we have always made it clear that there would be a range of savings options and we would be prioritising those options in the C.S.R. workshops. Options for the second stage of the Comprehensive Spending Review have been worked on over the last 9 months. The process started itself in June and July and has also had the benefit of external advisers and also the independent reviewers. The detailed work on the major reviews is, as Members will be aware, now complete. As well as identifying savings within the major departments, the reviews have also identified some user-pays opportunities and also corporate savings in procurement and a wide range of options for savings in the Terms and Conditions Review. When the Council of Ministers looked at the full potential range of savings in its workshops, it came to the view that it was possible to deliver more than £50 million worth of savings by 2013, and indeed, the Treasury advice is that that is necessary in order to minimise tax increases. Members were yesterday provided with a briefing which breaks down the £65 million and the final proposals will be announced in the budget statement. Members will have that on 22nd October.

The Deputy Bailiff:

Supplementary?

4.8.1 The Deputy of St. Mary:

Yes. In the comments of the Council of Ministers to amendment 9, which was the one that originally proposed the increase in cuts, Ministers said: "However, any change to those parameters would create uncertainty and a need to revisit the Comprehensive Spending Review, which has already consumed significant time and manpower." So can the Minister confirm that he employs expensive consultants, and an independent steering group chairman on a voluntary basis also, and then throw them a googly at a very last minute and expect them to respond in some sensible manner?

Senator P.F.C. Ozouf:

Not at all. The whole premise of the Comprehensive Spending Review was designed to ask departments how they would save 10 per cent of their budgets. Now, that alone is £65 million, if all 10 per cent were to be achieved across departments. In addition to that, we have always made it clear that there were additional opportunities for savings in procurement, £100 million worth of non-staff costs which are targetable, and I was very pleased to see Sir Philip Green yesterday in the U.K. saying exactly

the same things as we have been doing in terms of procurement and further opportunities in terms and conditions.

4.8.2 Deputy G.P. Southern:

Is the Minister aware that his additional £15 million almost exactly corresponds with the first 2 items on the Terms and Conditions Review, which is £14 million worth of savings from freezing annual pay awards for 2012 and 2013? Is that the Minister for Treasury and Resources' actual secret plan, that he is going to freeze pay again for 2012 and 2013?

Senator P.F.C. Ozouf:

I think the Deputy was present yesterday when we had the workshop with Members and we spent, I think, probably 45 minutes on the Terms and Conditions Review, and it will be easy to make headlines about the Terms and Conditions Review. Yes, I can confirm that the target for the Terms and Conditions Review by 2013, which will be set out in the 2-part budget statement, which will deal with spending in 2012 and 2013, is £14 million. But I would urge the Deputy and caution him not to read across a 2-year pay freeze as being the policy. The Chief Minister made it very clear that we need to engage with union partners, we need to engage with our workforce to work out how we are going to deliver that. There was much more savings targets in that report. It is only £14 million which is being targeted. How that is delivered is up to negotiation and discussion.

4.8.3 Deputy G.P. Southern:

Supplementary, if I may. The Chief Minister and his Chief Executive Officer both steadfastly refuse to say that they would not baulk from imposing some of these changes to terms and conditions. Now, those terms and conditions for the most part are totally negotiable, agreement has to be reached. The only 2 that can relatively easily be imposed - and they refuse to deny that they would do that - is a pay freeze, as happened in 2010 when the Minister for Treasury and Resources brought a proposition to the States that said: "It is the States' will that we impose this pay freeze." Is that not his secret plan, to impose a pay freeze on the public sector yet again in 2012 and 2013?

Senator P.F.C. Ozouf:

Deputy Southern is well known in this Assembly for having some pretty extreme views in terms of this area. He does not want any tax increases. He wants to pay everybody more money, in my view.

Deputy G.P. Southern:

I never said that. It is simply not true.

Senator P.F.C. Ozouf:

If he does not want any tax increases, then I am pleased to hear it, but he certainly does not want any sort of reductions. Members are aware of the points that he put across in the Business Plan debate. I am afraid we have to be realistic in terms of what is affordable. Half of the total States expenditure is on employment and remuneration, and there are issues within that report which identify some unfairness in the way that we remunerate our staff. I want to place on record the fact that a States-wide pay freeze would be the right thing to do, particularly now knowing, as I do, that there are some pay groups whose pay is extremely generous compared to

some other pay groups with reference to both the private sector here and the equivalent rates in the United Kingdom. There are going to be some aspects that we are going to have to see, in some areas, pay freezes which may be longer than 2 years, I am afraid, to get pay back to affordable levels.

4.8.4 Deputy A.E. Jeune:

While I accept what the Minister said about the necessity to consult with the unions, does the Minister accept that the vast majority of people in this Island are expecting him to make more cuts, if they can be done, sooner rather than later?

Senator P.F.C. Ozouf:

Having just returned back from the United States and learning about the whole Tea Party movement within the U.S. - with which I would not want to be aligned - I am clearer than ever that it is important that one is responsible in relation to management of public finances and certainly I do not subscribe to the view that we should be delivering all of the C.S.R. savings next year, and I do not think that is what the Deputy is suggesting. We certainly do need to be tough and I am prepared to be tough and invite the Assembly to make some difficult decisions in the budget on taxation and on spending because we need to balance our books within 3 years in order to continue to send out a message of public finance stability in Jersey. We have, however, to ensure that we communicate with our workforce, not impose as we were forced to do, not by our Treasury but by a Back-Bencher proposition, in relation to the pay freeze 2 years ago. We have all learned lessons from that.

The Deputy Bailiff:

There will be an opportunity to question the Minister for Treasury and Resources in questions without notice later. Final supplementary?

4.8.5 The Deputy of St. Mary:

In that same comment the Council of Ministers wrote that it was essential that the impact of these savings is fully evaluated - this is the £50 million - and that the respective Minister can be sure of their successful delivery. Well, we have seen already and we are going to see the Minister for Education, Sport and Culture come under a lot of pressure regardless of what the Deputy behind me has just said. Can the Minister explain to the House how he can retain any semblance of credibility around a process where he engages professional advisers, he engages independent reviewers and then, at the very last minute, after 9 months of consideration, suddenly throws in an extra third on to the cuts programme?

Senator P.F.C. Ozouf:

It was perhaps unfortunate that the Deputy, probably for very legitimate reasons, was not able to be at the first part of the seminar held with Members yesterday.

[11:00]

The Deputy of St. Mary:

May I interject there, Sir?

The Deputy Bailiff:

No, you may not. The Minister is answering the question.

The Deputy of St. Mary:

That meeting was arranged across another ...

The Deputy Bailiff:

The Minister is answering the question. Deputy, please sit down.

Senator P.F.C. Ozouf:

The position is as follows. I agree with the Deputy that there is a great deal of work to be done in terms of implementing and communicating and sharing with staff and those people that are going to be affected by cuts, in terms of the difficult decisions to deliver £65 million. What is being asked in the budget is going to be the setting of an envelope of money and indicative cash limits, which departments will have some degree of certainty of where they will need to work on in terms of implementing plans. The budget is not the end of the story by any stretch of credibility. It is the direction of travel of where departments are likely to be end up with their budgets, which will be confirmed in subsequent business plans. But this Assembly needs to be clear about what it is asking departments to work within.

The Deputy Bailiff:

Very well, we come to question 9, which the Deputy of St. Martin will ask of the Minister for Planning and Environment.