



STATES OF JERSEY

Corporate Services Scrutiny Panel Hearing

FRIDAY, 23rd JANUARY 2009

Panel:

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

Witnesses:

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)
Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources)
Mr. I. Black (Treasurer of the States)

Present:

Mr. W. Millow (Scrutiny Officer)
Mr. M. Robbins (Scrutiny Officer)

Senator S.C. Ferguson (Chairman):

Welcome to the first hearing of the Corporate Services Scrutiny Panel and we would like to welcome the new Minister, Senator Ozouf, and also your Assistant Minister, Deputy Noel and last but by no means least, Mr. Ian Black. For the purposes of the recording perhaps we will all introduce ourselves, please.

Deputy T.A. Vallois of St. Saviour:

Deputy Tracey Vallois.

Connétable D.J. Murphy of Grouville:

Connétable Dan Murphy

Senator S.C. Ferguson:

Our 2 officers Mr. Millow and Mr. Robbins, and obviously myself as Chairman. Well, we do have a bit of a, I think the Chinese call them, interesting times ahead of us, so we would very much be interested in what your priorities are for the coming year, Minister.

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

Thank you, Senator Ferguson. Can I just say that I welcome the opportunity of being here for the first time. I know that the Corporate Services Scrutiny Panel and the Treasury and the Chief Minister's Department under the last Assembly enjoyed a constructive relationship in terms of knowing that we each had a job to do in terms of our respective responsibilities. But certainly from our part, and the Treasury team's part, we will do everything that we can to assist you in providing timely and accurate information and hopefully working together to find better solutions to what we are doing. So I welcome the opportunity of an initial discussion on what our priorities are so that you can decide perhaps on what your work programme is going to be.

Senator S.C. Ferguson:

I am sorry if I interrupt just before you start, can I echo the words of the Bailiff in the Chamber: we have quite a few questions to ask you, if we can get through them fairly quickly it would be appreciated.

Senator P.F.C. Ozouf:

Absolutely. No problem at all. We have some responsibilities; we are going to divide up the questions: Deputy Noel will do some, the Treasurer will do some and I will do some. Okay, so dealing with the first question what the priorities are: 18 and 19 of our Business Plan which I am sure you have had an opportunity of reading basically sets out what our priorities are which, as the new Minister, of course I agree with, and I have reviewed them with the department exactly what the priorities for Treasury are. I would draw your attention to 4 key plus priorities, if you like, the first being delivering a sustainable Strategic Plan, sustainable in terms of the appropriate levels of resources and income. Secondly, obviously you speak about difficult times, we need to

deal with a response to the economic downturn which we are going to go on to talk about upon advice of the F.P.P. (Fiscal Policy Panel) but clearly a very high priority for Treasury is going to be considering what actions need to be put in place as a result of the changing economic climate. A third issue I would highlight is reviewing on page 26 of the Business Plan the utility policy and the arrangements for utilities within the Treasury.

Senator S.C. Ferguson:

I am sorry, forgive me for interrupting, but the major projects that you referred to on page 18, do we have the same page 18?

Senator P.F.C. Ozouf:

Page 18 of the Treasury and Resources 2009 Business Plan: Major Projects?

Senator S.C. Ferguson:

Yes.

Senator P.F.C. Ozouf:

Yes, I would say that these are the major projects I am adding effectively and highlighting some of the other priorities for Treasury that are over and above. Some of them are buried within some of these areas but I am highlighting 4 additional projects, priorities if you like, of my own.

Senator S.C. Ferguson:

Right. I am sorry to interrupt you, so obviously one of your major priorities is the Strategic Plan.

Senator P.F.C. Ozouf:

Yes.

Senator S.C. Ferguson:

As well as ...?

Senator P.F.C. Ozouf:

Secondly, the response to the fiscal stimulus slowdown, utility review which we are going to come on to talk about as a separate question and the overriding need to deliver a plan for savings.

Senator S.C. Ferguson:

Yes. So what significant funding pressures are you looking at?

Senator P.F.C. Ozouf:

Within the department the biggest funding pressure, which will not be a surprise to you, is the underfunding of maintenance within Property Holdings. That obviously has to be dealt with urgently as part of the Strategic Plan. Other pressures within the department generally are the need to deliver £1.25 million worth of efficiency savings, quite apart from within the Tax Department of the increasing work that follows as a result of the signing-up of tiers of an income tax. A significant additional project on the Treasury is the requirement to produce G.A.A.P. (Generally Accepted Accounting Principles) accounting. G.A.A.P. accounting is something that we have all signed up to but I know that the panel and the P.A.C. (Public Accounts Committee) want to deliver but it does have significant resources associated in delivering it. Also, the resources required to make the strategic assets of the States work harder such as Jersey Water, Jersey Telecom; looking at the whole massive investment in utilities. That is going to be something that we are going to have put more resource in in order to get a better return for taxpayers. Frankly, we are going to have to put some resource into getting the efficiency savings that we all want to drive through the States as a whole. So if you ask me what the funding pressures within the department are, then as a department that has already delivered very significant amounts of efficiency savings over the last few years I have to find ways of getting the appropriate advice, support and information in order to deliver these various different areas.

Senator S.C. Ferguson:

Yes, so following that, I mean, you have mentioned the Strategic Plan, what direction would you want your department to be given by the new Strategic Plan?

Senator P.F.C. Ozouf:

Well, the Strategic Plan, the Treasury, and I suppose the Chief Minister's Department also share the responsibility with dealing with resources, has to co-ordinate. As Treasury we have to set out the envelope of available resources for States Members to decide on what their priorities are going to be. Our determination is that we should not be incurring for our future Assemblies a structural deficit. We want income and expenditure to balance over the economic cycle. The areas of pressure which I am sure we are all aware of in terms of additional States spending in terms of health care and pensions, residential care, there are going to be cost and funding pressures in other departments. We have to find a way of delivering either savings or explaining and sharing with the public, with States Members, what the alternative income-raising measures could be as a result of additional services.

Senator S.C. Ferguson:

Plus you have all the extra things incumbent upon you from the P.A.C.'s amendments from the Business Plan because I think some of those where your department will be the driver for allocating resources, rather than the somewhat free-for-all that occurs and the business of the political heavyweights, large departments are grabbing an unfair share of the budget.

Senator P.F.C. Ozouf:

We have to make sure that Ministers and the States is informed about the accuracy of the reality of the States available resources and I will not act as, say, as an arbiter between different departments because we want to arrive at consensus on the Council of Ministers. Everybody is not going to get what they are wanting in terms of additional resources and additional money for their new projects, et cetera.

Senator S.C. Ferguson:

There were a number of criticisms or comments made about financial management and financial control. Presumably you are going to include that in your ...

Senator P.F.C. Ozouf:

If you are talking about presenting States Members and Islanders with the real cost of providing services, then at the heart of that is the reform of the way that the States produces its accounts and eventually budgets which is enshrined in the whole approach to G.A.A.P. accounting. So in terms of accurate information and complete information, not only just revenue expenditure but ignoring capital expenditure in the longer term, we are going to have to show the full cost of providing services, in other words, the occupation costs of property, et cetera. So if that is what you are talking about then, yes, and that is why the G.A.A.P. process is so important but requires a huge amount of work. G.A.A.P. accounting and the whole new approach of resource capital accounting does not happen by accident and does not happen without a very significant change in terms of the way the States carries out its financial management.

Senator S.C. Ferguson:

Thank you. Dan?

The Connétable of Grouville:

During your election you indicated there would need to be a focus on spending, do you have any plans in this area? How are you going to take that one on? It is a pretty big aim.

Senator P.F.C. Ozouf:

I think as we all realise, there was a statement that was made in the States earlier on this week, the economic outlook is a tricky one in terms of we are not going to be looking at a world in which there is economic growth for the next few years which is going to be able to flow through into new revenue streams for the States in terms of increased taxation. We are going to be in a very lean time for the next 2 to 3 years. We have also, I think, realised that in the last 3 years there has

been a huge focus on changing the taxation system in Jersey, implementation of Zero/Ten, G.S.T. (Goods and Services Tax), 20 means 20, all of that has meant that there has been a greater focus on taxation. What I said in the election process of Ministers is that the focus was going to have to be very much on spending control and keeping within the existing budgets that we have. We are going to have to prove that we have exhausted all savings and efficiencies. I think the whole process of savings and efficiencies is something that never ends and we have to demonstrate to the public our determination in order to achieve the best possible value out of every single area of expenditure, and that is going to be tough, the low-hanging fruit in terms of efficiencies has been largely achieved. There is in the Business Plan - and I cannot remember the figure - there is a figure that the Treasury has saved in itself over the last few years, can you remember what it is?

Mr. I. Black (Treasurer of the States):

£1.25 million.

Senator P.F.C. Ozouf:

Since 2005?

Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources):

£1.9 million, is it not?

Mr. I. Black:

Yes, that is over the period we have achieved that ...

Senator S.C. Ferguson:

Yes, but I think if you remember the Auditor General's review on the savings there was only, I think, £5.8 million that could be attributed to actual genuine corporate savings. There was an awful lot where we did not know how much we had saved because we did not know where we had started from. There were some that were - I think the word was exogenous - there were

some from increased income, and then we do not know how much things are costing, we are back to the stewardship of the assets.

Senator P.F.C. Ozouf:

That is where the focus of attention is. We can discuss the Comptroller and Auditor General's report and his conclusions and there are clearly lessons to be learned from that. So, how are we going to go ahead to answer the Constable's question: how are we going to go through a process of a focus on spending? Well, first of all, in the discussions on the Strategic Plan with Ministers and Assistant Ministers and States Members there has been, I think so far, a realistic and tough approach to putting in targets for spending embedded in the Strategic Plan and in the Business Plan and there are going to have to be updated savings and efficiency targets. Those are going to be difficult and while the Chairman says that there has only been £5.8 million delivered in terms of efficiency savings, that is a great deal of money, £5.8 million, and some of that has been delivered and it has been delivered within departments including the Treasury. The next wave of efficiency savings are going to be much more difficult and it is going to mean taking departments, centralising things like support functions to achieve economies of scale in the core resource; the service functions of the States, including property; we are going to have to harness and reengineer a lot of the processes that have happened within the States of Jersey; an investment in I.T. (Information Technology) has to be made. If one thinks back to J.D. Edwards and the original ideas behind J.D. Edwards, many organisations would have brought in J.D. Edwards and will have reengineered processes at the same time for them to be streamlined across the whole of the States. In the old committee system that was not possible; that is something that has to be looked at. We need to be working with Guernsey in terms of seeing whether or not we can find ways of doing things together with Guernsey. We are going to have to be incredible, we are going on to talk about the whole area of property assets. The maintenance issue, as we have discussed, is a key problem. It is underfunded in terms of its maintenance. After 3 years I want to ensure that there is a sustainable maintenance programme which is properly funded for States maintenance. If the Council of Ministers as an equal bidder for the pot of available resources is not going to give Treasury significant additional resources for the backlog in maintenance, then

the only way that we are going to be able to deal with the property issue is look at the whole portfolio and deal with disposables, and that is going to happen.

The Connétable of Grouville:

If I can just say here that last year we had an undertaking that in fact the Property Services Division would be virtually ring-fenced and in fact money would not be taken out of that and used elsewhere. In other words that the rental income arising, or the income arising, within Property Services would be used to fund the refurbishment and perhaps selling on the various buildings but that money would then be reinvested back into the Property portfolio. I would not like to put you on the spot but can you guarantee to us that you are not going to be taking lumps of money out of the Property Services' side and using it elsewhere?

Mr. I. Black:

Before my Minister answers that I have to point out to you that in your States Business Plan there is a target of £4 million from property disposals every year. They are required to fund your States Capital Programme, so the first £4 million of disposals is required to fund the existing States Capital Programme and that is capital to capital.

The Connétable of Grouville:

Yes, I am aware of that one but I was talking about the rest of it. These things are apt to run away with themselves and they say: "Oh, right, great, we have another £10 million in the Property grouping, so let us use that for somebody else." Was it £20 million last year, Senator, that was floating around, of savings?

Senator P.F.C. Ozouf:

Well, it was £20 million of the whole savings. But the reality is, is that Property is going to be one of the key areas of attention and it is going to have to be a very radical approach to dealing with States property and that is an opportunity. We can end up with a more efficient, a better working environment for States employees in terms of their office accommodation; a much more

centralised States organisation. I would like to see - it is not going to happen overnight - but a central office for many of the States of Jersey functions which will mean that effectively people can work more collaboratively together. I sit in Cyril Le Marquand House, a building that was designed before a world of email, a world in which managers sat in offices, individual people sat in offices and there were pool secretaries; it is a world away. Nowadays corporate organisations, efficient organisations, live in open plan offices with a completely different way of working and that is what we need to introduce in the States of Jersey and the accommodation and the Property Plan, Office Plan, needs to deliver that sort of efficient outline. That is going to require some tough decisions. The States of Jersey is going to have to agree for some investment and also some disposables on a fairly substantial scale. That is good because it will release some property into the market to deliver, and indeed into other departments, new social housing and housing required for the Island. So there is an overall benefit but it is going to require some big decisions and some fairly tough decisions by the States and not on a case by case basis. We are going to have to agree an overall plan.

The Connétable of Grouville:

Yes. What I am afraid of or wary of is the fact that the Property Services is a wonderfully convenient piggy bank to dip into in times of hardship. Over and above the £4 million which is accepted, can you undertake that we will not be using it as a piggy bank, that in fact money will be reinvested to improve the Property groupings and in fact as you say, it would be wonderful to have States buildings all owned by us without us paying any rental on anything?

Senator P.F.C. Ozouf:

Well, this is a big plan which of course the States is going to have sign off on in terms of the Business Plan. The States decides on disposal of property, they decide upon the Business Plan and budget, so you will have your say to ensure that there are appropriate arrangements being put in place. But I take your point and that your fundamental point is you do not want to see disposal of property and the revenue that is raised, used for other purposes. It must be ring-

fenced for the purposes of ensuring that we have proper maintenance and proper arrangements in place for property and you can have that commitment, yes.

The Connétable of Grouville:

What I am trying to avoid is the hackneyed phrase “the family silver”, but I would not like to see assets being sold out of Property Services in order to meet current expenditure.

Senator P.F.C. Ozouf:

Absolutely. That is absolutely correct.

The Connétable of Grouville:

Okay.

Senator S.C. Ferguson:

How are you finding the reaction for departments to pay charges for the area they occupy?

Senator P.F.C. Ozouf:

I have not had any political discussions about that. Ian, do you want to ...?

Mr. I. Black:

Yes, it is part of Property Holding's plan to introduce asset charging, which is, departments no longer see their buildings as a “free good”. That would be brought forward during the year and will probably be put in place next year. I do not know whether the Minister has a view but generally it is good practice because it makes people realise there is a cost for the ownership of the buildings; it gives them the incentive to minimise their use of them rather than seek more assets all the time and more space.

Senator P.F.C. Ozouf:

That is going to be a key cultural change and in the first order in effect is that departments are not going to be any worse off because they are going to of course have the budget for their maintenance and for their property occupation, for their general occupation costs, included in their budgets. You will then know what the real cost of providing services is. Departments used to - I am sure we are all aware of it - almost hoard assets and hoard property because there was not any costs associated with it. We have to reflect the actual occupation cost, the actual use of occupying property, in order that it becomes much more efficient. There are some big challenges and there are some big discussions and no doubt some difficult discussions with the departments who are occupying inefficiently their property.

Senator S.C. Ferguson:

I wondered if you would have any political reaction from the respective policy.

Senator P.F.C. Ozouf:

I do not think the policy is up for really anything but implementation. It is the fact that for the first time departments are going to show the full cost of providing their property and that is of use to them. We want to empower departments, we want to empower individual Ministries in order to use the resources that they are getting, taxpayers' resources, in the most efficient way and they will make their own decisions. They will say: "Well, we will surrender these particular properties because we can use those resources in a better way." Also we have some challenges in terms of delivery of the efficiency savings. The whole area of Property is a big area and complicated. But I think we are singing off the same hymn sheet in terms of the principles of what we are trying to adhere to, and maybe it is in the whole area of the Property area that will benefit from some political scrutiny by the panel. It is probably going to be one of the biggest strategies and most significantly financial strategies that is going to have to be politically delivered, and maybe that is something that you would wish to turn your attention to as the plans are developed because there is a clear timetable of decisions involving Council of Ministers, Assembly, et cetera.

The Connétable of Grouville:

All right. Okay, to move on to some ...

Senator P.F.C. Ozouf:

Can I just make one other observation about spending and that is the issue of public sector pay. That is obviously something which is currently being debated, and rightly so, in the Assembly and in the Island generally. We have to be realistic in terms of public sector pay and the available resources. We have to be clear to our public sector workers about the available resources that are there, and that is going to require some honesty in terms of what is possible and what is not and what the implications for significantly higher - which I cannot see - pay awards, et cetera. There is the issue of the 2008 Award which has also been discussed. There is ...

Senator S.C. Ferguson:

Well, we are expecting to see reports from both your office and the Chief Minister's office on the overall pay situation as the P.A.C. added to your various Business Plan objectives on the points arising from the Auditor General's Emerging Issues Review. There were quite a few points on pensions, on pay, on redundancies and the cost of redundancies, and so on, and there will be, I hope, reports out June/July and obviously we will be looking at the policies inherent in those. Anyway, I am sorry, I interrupted.

Senator P.F.C. Ozouf:

We must remember and be mindful of the economic implications of higher public sector pay awards which then follow through into the rest of the economy and end up meaning that we have to run fast to stand still and this is of great concern.

The Connétable of Grouville:

Would you say that the proposal from the Constable of St. Helier that the States should pay rates on their properties would just put that in the same box running ...?

Senator P.F.C. Ozouf:

Budgets are going to be incredibly tight in the next few years and we have to be realistic about what we can achieve and what we cannot. Deputy Le Fondré is attending upon the Committee of Constables on Monday in order to discuss with the Constables exactly what the situation is with the States pay rates. I cannot remember what the figure is.

Deputy E.J. Noel:

£1.65 million.

The Connétable of Grouville:

Yes, but what I am trying to say is do you think that the proposal is a non-runner on the basis of it would have to be quid pro quo anyway. In other words, you are not going to pay rates to the parishes unless you were going to get something back which is the way I have seen it all the way through to be perfectly honest with you.

Senator P.F.C. Ozouf:

The political position on this is, is that it is unfair that some parishes have a greater burden on States-owned property, so if we can find a way internally within the rates system to find a solution - that did not find favour with the Constable of St. Helier. I have offered him and I am a little disappointed that he - I will not say reneged on an agreement but it is not far off - would pull his proposition because it simply will not fly in terms of getting those additional resources. We made a commitment to him that we would work to try and find a compromise but we would see whether or not there were any trading departments of the States that should be paying rates and that that should be passed on in terms of the service provision that they cost, the corporates, in other words: the old post offices and the other remaining ones and maybe car parks. We would work with him and the rest of the committee - it is not St. Helier I do not think that has only the greatest percentage burden; it is St. Saviour too in relation to schools - and was there a way of redistributing that supposed unfair and real unfair burden across the other parishes. We want to try and find an equitable solution which does not mean that we can promise something, or does

not lead us to have to promise something that we are not going to be able to deliver, and I would like to work with the Constables in order to try and find a solution, hence the meeting on Monday.

The Connétable of Grouville:

Am I correct in saying that we are still talking quid pro quo? I see Ian is nodding his head there but it is give and take. I have my own opinions on this as you may have guessed ...

Mr. I. Black:

The simple answer is that there are so many pressures on States spending that adding another one it seems me - I am not a politician - unlikely to be affordable. The States has far greater demands on its money.

Senator P.F.C. Ozouf:

But we can find a solution to the unfairness.

The Connétable of Grouville:

Can we move on to something else? I just want to move on to something else very quickly. The last Corporate Services Panel had a look at the deemed rent proposals, can you tell me what is happening with those now?

Senator P.F.C. Ozouf:

I am going to say, Deputy Noel and myself are dividing up responsibilities within Treasury and Resources. One of the areas of arriving expertise in the Treasury with Eddie is tax and we are going to agree exactly what the responsibilities are, and Deputy Noel is going to be focusing on tax and hence he is going to help me with this question.

The Connétable of Grouville:

So that is a no then, is it?

Senator P.F.C. Ozouf:

No. It is over to Deputy Noel.

The Connétable of Grouville:

No, I was going to give him time to try and get his place.

Deputy E.J. Noel:

Well, you are talking about proposition 161 and the Blampied proposition?

The Connétable of Grouville:

Yes.

Deputy E.J. Noel:

We are very much waiting for yourselves to come back, having reviewed it.

The Connétable of Grouville:

We came back to you last year.

Deputy E.J. Noel:

It was agreed that the then Minister would pull it, which he did, so you had time to review it, so we are waiting for you as the new Scrutiny Panel to review it.

Senator S.C. Ferguson:

Well, there are a number of points in our report that do not appear to have been addressed.

The Connétable of Grouville:

I think you should have another look at that.

Senator P.F.C. Ozouf:

I think the ball is in your court.

Senator S.C. Ferguson:

I think our problem is that we do not know what you have done to address some of the reports that were in our comments.

Mr. I. Black:

Can you try and help because I am the person who straddles both sides from before and after. The Minister was trying to pull the Blampied proposals in the budget and you received a letter - we would have to provide you with that presuming somebody has it - dated 24th November from the then Chairman of the panel, Deputy Ryan, saying: "The Corporate Services Panel has agreed that as a result of the issues that have been raised regarding the above draft legislation the most suitable way forward will be for the legislation to be withdrawn to allow time for the next Corporate Services Scrutiny Panel to fully review this issue and give full consideration to the concerns that have been raised through the consultation process."

Senator S.C. Ferguson:

Yes, we are going to. Yes, we wondered though, there were a number of points that were raised, have you done any work on them?

Mr. I. Black:

Perhaps I can answer that.

Senator S.C. Ferguson:

No.

Mr. I. Black:

Well, our understanding is that we are waiting for the new Corporate Services Scrutiny Panel to come back and say whether they think Blampied is a good idea or not and how it needs to be changed. We will then take that on board and take certain steps.

Senator S.C. Ferguson:

As I say, we thought we would get up-to-date and see if you have done any work on it but you have not, would that be right?

Senator P.F.C. Ozouf:

We have discussed it.

Senator S.C. Ferguson:

In that case you can take a note of our concerns and then when you come to a hearing you will be genned up on them to answer the questions.

Mr. I. Black:

No, sorry, just to clarify, the Minister did write back to the chairman of the panel: "I am happy to confirm that I will agree to defer consideration of the draft legislation to another time for the next Corporate Services Scrutiny Panel to fully review the issue." So the understanding of the Treasury is that you are awaiting the new Corporate Services Scrutiny Panel to form a view on this.

Senator S.C. Ferguson:

Yes, I just wondered, as I say, the points raised which have not been incorporated into the legislation and we wondered if you would have had some thoughts or done some work on that and considered it. Yes, we do have it on our list and, yes, we are going to do it as a matter of urgency but we ...

Mr. I. Black:

Okay. I hope it is not a misunderstanding but clearly we are working together. We had something that has been lodged for the budget and we were asked to withdraw it to give the new panel a chance to reconsider, that is where we are at the moment.

Deputy T.A. Vallois:

I think it was just the case that we wanted to make sure that there was nothing that you had run over so we are not covering the ground twice so then ...

Mr. I. Black:

No, we have done nothing; we are just waiting for you to come back.

Deputy E.J. Noel:

No, we have put it on hold until you have come back to us.

Deputy T.A. Vallois:

Okay.

Deputy E.J. Noel:

Because we are hearing things from industry as well that there are parts of the proposal that may not work.

Senator S.C. Ferguson:

That the industry is unhappy with ... yes, that sort of thing is obviously stuff we will be asking you about and if we can have information on it as soon as possible it would be appreciated.

Senator P.F.C. Ozouf:

One thing on, and we have discussed it politically, the Blampied proposal as opposed to the 115 proposal which I think is somewhat different, it might be best if we separate it. We might get early

agreement on 115, subject to understanding implications on the property market, et cetera, and then Blampied as a whole and 115 as opposed to Blampied, I think it would be helpful to be separated and we would welcome your view on whether that would be a good way forward because there may be a fast-track approach to 115 and a more difficult journey in relation to Blampied.

Senator S.C. Ferguson:

Which was 115, sorry?

Senator P.F.C. Ozouf:

The pension funds.

Mr. I. Black:

The relief of U.K. (United Kingdom) pension funds from tax on investments in Jersey.

Senator S.C. Ferguson:

Oh, that part, yes. Yes, we will have to discuss that I think with our adviser.

Senator P.F.C. Ozouf:

So we will work together but you need to refine on the Blampied proposals.

Senator S.C. Ferguson:

Yes, because I was not totally convinced on that one but we will get to it.

Senator P.F.C. Ozouf:

You and I may share a common view then.

Senator S.C. Ferguson:

Tracey?

Deputy T.A. Vallois:

We have already mentioned the G.A.A.P. accounting; I just wanted to know what the current situation is at the moment with regards to the implementation of G.A.A.P.?

Deputy E.J. Noel:

The whole G.A.A.P. project has been timetabled out and planned and it is currently on target. It is used to maintain specific deadlines by the end of December 2008, which it has done, and there is no reason why it is not going to be fully implemented by the end of 2009.

Senator S.C. Ferguson:

So the 2010 accounts are still on track to being G.A.A.P. compliant?

Deputy E.J. Noel:

Yes.

Senator S.C. Ferguson:

Sorry, 2009 coming out in 2010.

Deputy E.J. Noel:

Yes, correct.

Mr. I. Black:

The 2009 accounts will be G.A.A.P. compliant without comparatives.

Deputy E.J. Noel:

Also without relation to infrastructure.

Mr. I. Black:

There will be a set of G.A.A.P. accounts but obviously that is the first year of G.A.A.P. accounts, so you do not have the previous year to compare them. So we have a G.A.A.P. balance sheet that is being prepared now to the end of 2008. That was our plan; we are going to achieve it. G.A.A.P. accounts for 2009 and in 2010 we will have G.A.A.P. accounts obviously with the previous year's comparatives in.

Senator P.F.C. Ozouf:

So first stage on track as promised but more work to do and significantly additional resources required in order to achieve G.A.A.P. compliance.

Mr. I. Black:

We are on track and we will deliver at the moment.

Senator P.F.C. Ozouf:

You will see a range of ministerial decisions which are in the process of bringing those decisions. You will be reviewing ministerial decisions. There are quite a lot of ministerial decisions which are G.A.A.P. driven.

Senator S.C. Ferguson:

Yes, just please make sure there is enough detail in them so we know what is going on.

Senator P.F.C. Ozouf:

There is enough detail.

Mr. I. Black:

There will be G.A.A.P. accounts.

Senator P.F.C. Ozouf:

Absolutely.

Deputy T.A. Vallois:

Okay, on to the next question: what work will be undertaken this year to address the issues of property maintenance and the rationalisation of the States property?

Senator P.F.C. Ozouf:

Well, as we have discussed already this is something that has to be progressed this year and get political agreement on. Just to give you the highlights, the report that Property Services published indicated that there was a backlog of expenditure and maintenance of £135 million; that is in the public domain and has been ...

Mr. I. Black:

That is a need for expenditure of £135 million over 10 years.

Senator P.F.C. Ozouf:

Over 10 years. That would be appropriate levels of maintenance at appropriate ...

Mr. I. Black:

All on an existing asset base but if we are ruthless in consolidating our asset base and disposing of excess assets and consolidate offices and the like, we think we might get that figure down to £80 million over 10 years. So obviously if you dispose of assets you do not need to retain them.

Senator S.C. Ferguson:

Well, earlier this afternoon you talked about wanting to centralise States offices, have you anything in mind for that?

Senator P.F.C. Ozouf:

It is really too early to put any detail on that apart from the aspiration that if we are going to rationalise particularly the office and of course offices only occupy, I cannot remember what the percentage is, of the total amount of States property. But the office aspect is one element of it and it is an office strategy as standalone as part of the property and the strategy will be brought forward. In terms of the actual challenge on a year to year basis, we currently have a shortfall of £12 to 13 million a year on maintenance. So that is what we are trying to solve and that is what we are determined to solve in the arrangements that we need to put in the Strategic Plan and in the Business Plan for this year, or at least try and start the process of dealing with that number. So, there is going to be a great deal of work as we have said and that may well be something that the panel might want to ... clearly there is an interest in scrutinising the way in which the Property Plan works and we would welcome that. It is not something that just affects the Treasury; it affects the whole of the States organisation. We are going to require, I think, some support to deliver this.

Senator S.C. Ferguson:

Yes. Well, if we agree with the policy, we will support it.

Mr. I. Black:

You did have an earlier question about when is the consolidation of offices going to happen. The applications will be put through in the current year, so planning applications and the like, with the intention of it happening commencing 2010. Okay, so it is planning the year this year, approvals and put into effect next year.

The Connétable of Grouville:

Does this include the Jersey College for Girls?

Mr. I. Black:

I cannot comment on that.

Senator P.F.C. Ozouf:

There were a variety of different options, I ...

Senator S.C. Ferguson:

I have heard the Ecréhous mentioned. Sorry.

Senator P.F.C. Ozouf:

It is a new concept of outsourcing and I do not think it will get past Planning but there were some big decisions to be taken about that. I would offer a preliminary view that I am hesitant of the concept of using J.C.G. (Jersey College for Girls) as offices but we need to look at that.

The Connétable of Grouville:

Bearing in mind that it is deteriorating rapidly now.

Senator P.F.C. Ozouf:

We do need to deal with the issue of J.C.G.

Mr. I. Black:

Sorry, when I said I would not comment, I am not being evasive. The important thing with J.C.G. we have discovered is you free up the whole site and I think there is potentially a States debate on that to do with La Pouquelaye because we need to move Centrepoint out of J.C.G. if you are going to free up the site. So that is the stopper at the moment. There are then a number of options for the site, one of which could be consolidating States offices but whichever it is, it is a very valuable surplus asset for disposal.

The Connétable of Grouville:

It is very valuable. I mean the ...

Mr. I. Black:

Well, it would be with Centrepont removed and Farewell Wing available, even with listing on it. Of course it is also a difficult property market now, so we need to judge these things.

The Connétable of Grouville:

The last Minister only valued it at £1.9 million, so ...

Mr. I. Black:

That was with Farewell Wing still attached to it.

Senator P.F.C. Ozouf:

Yes. So there is a significant ...

The Connétable of Grouville:

It is obviously an extremely valuable site even in a depression.

Senator P.F.C. Ozouf:

Indeed, and one we would wish ...

The Connétable of Grouville:

I would not want to see it wasted. I mean, it is a prime site, it is a site with views over the whole of the town and as offices it is worth a fortune, and it would be wasted in my opinion if you used it for States offices rather than either disposing of the site or developing it in some way or other and sold. I mean, to me it would be like South Hill; putting States offices on South Hill is completely mad. It is a site that will be given £30 a square foot for.

Senator S.C. Ferguson:

Well, at some point it will come up.

Senator P.F.C. Ozouf:

There is a demand for residential units which can be in the town centre, that is what Members and Islanders clearly want to see, and I just raise a question about the appropriate location of offices in effectively a non-town centre site. But we need to test all these plans. It may well be a great plan. It may well be the best plan. It may be the best value plan for the States. We need to test all of these but I think there are some hard questions that need to be asked about it but the objective is to end up with a States which is far more efficient and a better working environment than they currently have.

The Connétable of Grouville:

But at the same time there is no need to use prime sites for States offices, that is the point I am trying to make.

Senator P.F.C. Ozouf:

These will be political decisions which the Assembly will be asked to make and we welcome the panel's questioning.

Connétable of Grouville:

I hope they are commercial decisions as well.

Senator P.F.C. Ozouf:

Yes, and the bringing together of the resources in the way in which the Chief Minister's Department and the Treasury will work will assist matters greatly in terms of getting those sensible decisions and those commercial decisions in place.

Mr. I. Black:

Yes, all that we are saying is we agree with you. I am sure everyone has a shared desire to maximise the return we get for some of the States assets and that is our aim.

The Connétable of Grouville:

Absolutely, yes. It has not happened in the past though which is why we are fearful of the future.

Senator P.F.C. Ozouf:

I also share the view that we want to see a solution as a standalone issue to J.C.G. It has been empty and it is unacceptable but there has been a political process there, and we need to get on with that.

Senator S.C. Ferguson:

What work are you undertaking in light of the most recent report from the Fiscal Policy Panel?

Senator P.F.C. Ozouf:

The statement that was made earlier in the week on the use of the Stabilisation Funds and the important role of the F.P.P. is obviously crucial. I accept for the avoidance of any doubt and will act upon the F.P.P. recommendations in their report that they published in November. I am assuming that you are particularly asking me to comment on the recommendations that contingency plans should be drawn up in the event of a structural deficit in the meeting term, and the economy points to a downturn at some fiscal stimulus and some discretionary policy changes. This is going to be a key priority for Treasury. There are risks associated with a fiscal stimulus package and I have to be very clear with people that there are potentially only upon the agreement of the F.P.P. available resources to assist the economy in the downturn. That must not be confused with resources being available to build in higher levels of underlying States expenditure. The Stabilisation Fund: there is a great deal of work as you would expect, and as you will know, going on in terms of doing some scenarios for the implications for Jersey and our income tax and our jobs in relation to the downturn; a very detailed analysis going and looking at exactly what the implications of the lower interest rates, of a changing regulatory world in banking. We have to ensure that the resources available within the Stabilisation Fund are sufficient to take us through our average to less optimistic scenario for the economy. The Stabilisation Fund has to deal with ... as a buffer against falling income tax receipts as a result of lower banking profits, as

well as a fiscal stimulus. The rules are very clear that we are going to set in terms of the fact that the Stabilisation Fund can only be used for those 2 things; not increasing States services in other areas. That is something that is going to be a challenge but we have to stick to, we have to set up rules of the 3 Ts and the position as set out in the statement I hope makes it quite clear as to what the rules of engagement on that are going to be. Maybe because we are talking potentially about a fiscal stimulus that would be a significant amount of money in terms of millions of pounds from the Stabilisation Fund, that is something that I would welcome the Corporate Services Scrutiny Panel scrutiny over to ensure that those rules are being applied strictly.

Senator S.C. Ferguson:

Yes, because after the comment by the F.P.P. that they had recommended no further expenditure and we did, they recommended this and that and we ignored it, how are you going to get the Council of Ministers to comply with the various suggestions we get from the F.P.P.? How many bricks will you need in your briefcase?

Senator P.F.C. Ozouf:

Well, ultimately it is a political determination by the States, and the previous Council of Ministers made some decisions in respect of additional resources. Those decisions were made probably at a time when the severity of the international slowdown was not as clear as it is now. Of course, I do not have a precise crystal ball that is going to say. I think that in a downturn and in a more difficult economic outlook it is going to be even more important to take on the advice and to stick to the advice that the F.P.P. give us. Some of that to some people is going to be difficult. Some people are going to want to spend the money in the Stabilisation Fund for their pet projects and that must not happen. We are very fortunate, I pay tribute to my predecessor, in having set up the Stabilisation Fund for exactly the purposes of assisting in a downturn. Most other jurisdictions do not have a Stabilisation Fund that they can use. They are borrowing and injecting money in their economy for very good reasons but we want to stick to our Jersey rules on economic management and some difficult but necessarily tough decisions about gatekeeper around the Stabilisation Fund are going to be absolutely necessary. That is a responsibility that I have as

being the only Minister that can propose withdrawals from the Stabilisation Fund and with those important responsibilities I would welcome the panel's view. How am I going to deal with the Council of Ministers? I think the Council of Ministers are working very co-operatively, very well together, and together we must make decisions that are appropriate for the economic situation that we find ourselves in.

Senator S.C. Ferguson:

Good, we look forward to progress on that. Tracey?

Deputy T.A. Vallois:

What is the current situation with regard to environmental taxes?

Senator P.F.C. Ozouf:

In an amendment to the 2009 Business Plan there was a proposal that a self-funding package of environmental taxes and spending, with spending on home insulation grants, sustainable transport initiatives, improvements to the bus services, would be funded by a new vehicles' emission duty. In the event an amendment by Senator Cohen approved the additional spending but not the environmental tax to pay for it. Senator Cohen, however, did state in the report and in the debate that environmental tax should be brought in from 2010 to fund the environmental spend. The States forecast that is approved or that was part of the Business Plan did assume that there was going to be an environmental tax to match that spend. If it is not, the recurring expenditure on insulation grants, very sensible expenditure on insulation grants, cutting people's costs, particularly low income pensioner families in relation to energy costs which we have seen rising; electricity is still rising despite the fact that crude oil prices are falling, that funding will cease and also the funding that is available for buses and recycling. What we have done is give permission to Treasury in liaison with the Environment Department to undertake the research on the environmental taxes. We will bring forward, complying with the States request, a proposition probably in the late spring to agree the principle of an environmental tax hypothecated towards the environmental spend, and these will be proposed in the 2010 budget. I will say one thing

about vehicle emission; the replacement of V.R.D. (Vehicle Registration Duty). I was very interested, and we need to do some more research on this, there have been now a number of reports on the issue of car purchase costs in Jersey and how car purchase costs have not fallen to the extent that they have in the United Kingdom which is our benchmark, but obviously we know that European prices fell too. I want to understand the extent to which the removal of V.R.D. benefited car purchasers as opposed to the retailers. I am just posing some questions here. I will go as far as that but there are some questions that need to be asked about that. I remain concerned on the evidence of the R.P.I. (Retail Price Index) of car purchase costs appearing to be sticky in terms of their pricing in the Island generally as opposed to the United Kingdom. We simply do not appear to have seen the benefit of falling car purchase costs in the U.K. and I want to see whether or not the States decision to remove V.R.D., who benefited from it. It is really important that we understand the unintended consequences of some of our decisions. Benign policy in duties over many years with well-intentioned States Members thinking that low duty will not properly correspond to a low price, sometimes you end up with the variants of duty between Jersey and the U.K. not ending up benefiting consumers but benefiting the retailers. Tobacco remains a concern, in that if you strip out duty and tax and V.A.T. (Value Added Tax), a packet of cigarettes in Jersey costs from memory around £1.80, stripping out duty and tax. In the U.K. it is 80 pence. It does not cost £1.10 to move a packet of cigarettes from the U.K. or cost £1 or whatever it is to have a packet of cigarettes with the Jersey logo on. It is just unconscionable that it is 200 per cent. So we need to test sometimes some of the decisions the States made. I think I understand, I do not agree with it, the decision of removing the V.R.D. It is going to make it even worse if car purchasers have not benefited from it. That is one of the aspects of environmental taxes.

Senator S.C. Ferguson:

Yes, were there any other taxes you were thinking of bringing in or would like to?

Senator P.F.C. Ozouf:

We have been clear. I mean, environmental taxes are there to change behaviour and must be hypothecated and we must win public support for that and that is the one that I wish to comment on at the moment.

Senator S.C. Ferguson:

You have not any other plans for ...

Senator P.F.C. Ozouf:

I think we need to look at all the options. But what we do need is we need ... I do have the difficult message to give to Members to remind them of the commitment that the spend must be linked to an increased charge. There is no money tree at the bottom of the garden here and that is going to be a refrain that you are going to have to hear and that all Members are going to have to hear, is that increased spending, if it cannot be met by efficiencies and we are going to wring out all the efficiencies that we can with the things that we have spoken, there must be an associated charge. We have got to be absolutely transparent with people on that.

Senator S.C. Ferguson:

Yes, particularly given that the F.P.P. said: "Do not increase taxes and do not increase expenditure unless it is welfare expenditure."

Senator P.F.C. Ozouf:

Yes and that is an automatic stabiliser.

Senator S.C. Ferguson:

Or very much steady as she goes.

Senator P.F.C. Ozouf:

That is an automatic stabiliser which we can afford from any costs associated with the downturn; that will be part of the fiscal stimulus package indeed in helping people with retraining opportunities, et cetera, getting people back into work.

The Connétable of Grouville:

What is the rationale behind the Common Investment Fund? It is a new one for me, popped out of the blue somewhere, I do not know if you saw that one or not.

Deputy E.J. Noel:

The States have a number of large funds, a Social Security Fund and a Strategic Reserve, the mere size of them warrants their own specialist investment administration and investment advice.

The Connétable of Grouville:

This includes pension funds as well?

Deputy E.J. Noel:

The Social Security Reserve.

The Connétable of Grouville:

Not, P.E.C.R.S. (Public Employees Contributory Retirement Scheme)?

Deputy S.C. Ferguson:

Not P.E.C.R.S. I hope it does not.

Deputy E.J. Noel:

But there are smaller funds as well within the States that really cannot ... they are not large enough to buy into this type of management. So the idea is to group these smaller funds together, not necessarily all together, but maybe they have some commonality and they have a global management who works effectively like a unit trust whereby you have ...

The Connétable of Grouville:

We do not want to go there, do we?

Deputy E.J. Noel:

Well, so you can have ...

Senator S.C. Ferguson:

Sort of an umbrella fund?

Deputy E.J. Noel:

Yes.

Senator S.C. Ferguson:

Now are you going to pull in all the little trust funds that are tucked away in other corners of the States? I mean there is obviously the 2 big ones, the Criminal Assets Confiscation Fund and the ... what is the name of the other one?

Senator P.F.C. Ozouf:

Criminal Assets Compensation Fund.

Mr. I. Black:

Drug Trafficking Confiscation Fund and Criminal Offences Confiscation Fund.

The Connétable of Grouville:

That is right. Those are the ones we had some discussion about last year, did we not?

Mr. I. Black:

Yes, they are the biggest and best examples for funds to be rolled into this Common Investment Fund and they also will run in although on some of them we will need permission of trustees, a lot of the smaller trust funds. It is a win/win, you get economies of scale, you reduce your admin costs, you get better investment advice. You can have a more targeted investment policy at the moment. With small funds you just tend to put the money on deposit. If you have got a big enough amount you can start to take a more diverse investment strategy in employing investment managers.

The Connétable of Grouville:

If you are including the 2 funds we were speaking about, the criminal funds, as I remember it last year we had a problem with them because the money was being disbursed by the Corporate Affairs Management Board - was it the Corporate Management Board - without reference to the States.

Mr. I. Black:

That has all been changed now.

The Connétable of Grouville:

Tidied up, is it?

Mr. I. Black:

Yes, there was a report by the Comptroller and Auditor General which was accepted and which has been implemented.

The Connétable of Grouville:

Yes, because I think that one of them certainly was paying for a very large proportion of the staff at the A.G.'s (Attorney General) office.

Mr. I. Black:

That is exactly right and that expenditure now has been brought into the accounts henceforth.

The Connétable of Grouville:

Obviously the A.G.'s Department are now in a proper position of paying salaries and things out of current income rather than ...

Mr. I. Black:

Yes, it will be dependent on the payment from that fund but the expenditure will not be elsewhere, you will see the true cost of the Attorney General's Department.

The Connétable of Grouville:

As I remember it now my contention with that fund was that we have ... I am a trustee of the Drugs Rehabilitation Centre and we had a huge amount of problem trying to get the money out of the Drugs Confiscation Fund in order to help current addicts. But I think we sorted some of it out anyway; we are not getting as much as we think we should out of it, but I think that is probably the story of my life.

Senator S.C. Ferguson:

Has anybody ever?

The Connétable of Grouville:

But I think what we are saying is these things are going to go under one umbrella so that there will be accountability certainly on the spending of the money.

Senator P.F.C. Ozouf:

But that is a slightly different point.

Deputy E.J. Noel:

That is a different point of information from managing money. This is about managing the money, not about ...

The Connétable of Grouville:

Managing the money and dispensing it as well?

Mr. I. Black:

No.

The Connétable of Grouville:

You do not think so?

Senator S.C. Ferguson:

So just the investment of it and you are going to pull in all the little funds all the way round the States? The ones that are in the ...

Deputy E.J. Noel:

Where the trustees allow because there is obviously some that have got external trustees and things like that so ...

Senator S.C. Ferguson:

Yes, because there is some chunky ones down at Health, are there not?

Mr. I. Black:

Yes. So, yes, the vast majority of them will be brought in.

Deputy E.J. Noel:

It just makes the money work harder and gives a better return.

The Connétable of Grouville:

No point in leaving it in the bank at the moment, is there really?

Senator P.F.C. Ozouf:

Effectively, it is economies of scale; it means that the management of these funds will potentially have a high level of expertise.

The Connétable of Grouville:

I quite understand the rationale behind it. It's a good idea.

Senator P.F.C. Ozouf:

The political progression of this will be dealt with by Deputy Noel. But we are talking obviously about a very substantial Common Investment Fund. What will be the total?

Mr. I. Black:

Depends on what comes in, but tens of millions.

The Connétable of Grouville:

Turn the heat down, Sarah.

Senator S.C. Ferguson:

Do not mention the amount, somebody will want to spend it.

The Connétable of Grouville:

Can I go on to the Public Utilities? During your election you spoke of a non-political board that would undertake work in relation to ... what work do you see them doing? Do you see them taking over a management role or an advisory role?

Senator P.F.C. Ozouf:

Okay, the background to this is I am very keen to see the States utility companies more actively managed. I am wanting to ensure that the taxpayer is getting best value out of its investments on a number of different roads. I have floated the idea. I have inherited an existing business plan commitment to develop and implement a review programme to maximise the return on utility companies. I am giving this a very high priority in terms of wanting to see how that is going to be implemented. One idea that I put forward, and my mind is not closed to other ideas, would be to have a board of experts that oversees the activities of the utility companies which would be a board which could sit between the boards of the individual companies and the Minister in order to get a situation whereby they would test the utility companies, they would test the boards. I am wanting to put some structure, some formality in relation to the way that the Treasury run those utility companies. Of course if the States agree, it may be the case that we may also be responsible, for example, of the management ... the shareholder responsibility for W.E.B (Waterfront Enterprise Board) for example. There are issues in relation to updating the Jersey 1937 Electricity Law that need to be dealt with. Ultimately perhaps a separation of the introduction of regulation in terms of electricity prices. I am looking at the whole process and accountability of the utility companies in order to get the taxpayer with as much value as we can out of them.

Senator S.C. Ferguson:

You did mention in the various hustings about somehow trying to tie the water company into the sewage rates and so on.

Senator P.F.C. Ozouf:

Again I have floated various different ideas, I am not closed to other suggestions. Certainly it is my intention to review the arrangements with the utility companies. It is a while, I think, since we have reviewed matters such as Jersey Water. In other places there are combined water and sewage companies. I have to say I have not discussed this with the board of Jersey Water at this time. I have not had any formal discussions with any of the utility companies. I am not saying

that these matters will be definitely introduced, I need to take advice, I need to discuss with the boards exactly what the appropriate arrangements should be. But I am certainly looking for strengthened arrangements with the utility companies and the Treasury.

The Connétable of Grouville:

So we are not talking about selling any of them off then?

Senator P.F.C. Ozouf:

There is a debate to be had about Jersey Telecom going on into the future. I am not proposing to have that debate in the immediate term, there is a decision of the States, but there is a way in which I am keen to ensure that Jersey Telecom is a 100 per cent owned entity, for example, is challenged in relation to its business plan, is ensuring the best value for the taxpayer. The Treasury has a responsibility of signing off on their business plan. We have structured arrangements with most of the utilities, certainly the recently incorporated utilities of Jersey Post and Jersey Telecom; there is a memorandum of understanding between the shareholder and the board and I want to make sure that those good new arrangements are in place for all of the utilities.

Senator S.C. Ferguson:

How are you going to ensure that you have the knowledge on this non-political board to provide you with the proper review of the utilities? I seem to remember my ... for instance, with pricing, my professor at Columbia used to go away 6 weeks every couple of years or so and they used to discuss what the rise in electricity prices, or whatever utility it was, prices should be. A lot of it, for instance, was based on the cost of capital of the companies. Now have we anybody around who can work on that sort of level of sophistication?

Senator P.F.C. Ozouf:

The Treasury is going to have to ... or I am going to have to discuss with the Treasurer what the resources that he has within his department in order to give advice so that we are properly

informed and advised. The Treasury Minister has the responsibilities of the shareholder. As the Treasury, as ministerial government has been put in place, the Treasury has responsibility for hundreds of millions of pounds worth of assets in the utilities and we have got to make sure that we have got good advice, expert advice. The Treasury is a stretched organisation, it has taken a lot of efficiency savings and sometimes we cannot put the appropriate level of resources, whether it be not having a tax strategist or not having the kind of level of advice in order to make decisions and hold these boards to account. I am not saying there are any difficulties, but we need to be assured and we need to have the proof as, in my duties, that these companies are maximising the return.

Mr. I. Black:

In answer to your question about this expert who looked at the water companies or whatever, you are quite right, these are very expert areas, are they not? Very specialist skills, we cannot possibly have them in-house. What we are going to have to do is done through a board, as the Minister suggests, if we do it ourselves. We are going to have to buy in expertise to review these companies.

Senator S.C. Ferguson:

But presumably in the long term you will be looking at the result of the review of the structure of States staffing and salary levels, it is in the Business Plan and as suggested by the C.&A.G. (Comptroller and Auditor General) where we train our people up and then when they get to a certain level, particularly accountants and lawyers, they can treble their salaries in the private sector ... well, double maybe.

Senator P.F.C. Ozouf:

If they quadruple their productivity as a result of new ways of working then everybody is better off. I understand the sensitivity of this and we do need to review appropriate ... the responsibilities of Jersey Water. There was a discussion at some point in the past; the proposed takeover by Jersey Electricity of Jersey Water; there are opportunities for making the utilities work, work well

and to provide a proper return to taxpayers with their substantial investment. As far as Jersey Telecom is concerned, I also said that I want to see the future of Jersey as a technology-driven island, Jersey Telecom are absolutely essential in providing high-speed broadband internet. Only in the *Financial Times* this week the U.K. has announced arrangements that broadband is going to be put to every home. We need to ensure that Jersey ... you know, somebody needs to be asking Jersey Telecom whether or not that is going to happen. It might not be viable in terms of a business approach, but as a state-owned entity we have got to discharge the duties of a shareholder appropriately in a way that normally the market provides, so there has got to be some questioning.

The Connétable of Grouville:

Okay. Would you see the role of these boards, of a non-political board, as advising the companies on whether they should pay a dividend to the States and how much it should be?

Senator P.F.C. Ozouf:

No, it is an adviser to the Minister.

The Connétable of Grouville:

Adviser to the Minister?

Senator P.F.C. Ozouf:

Yes, ultimately. Maybe it is discharging the duties; it is discharging some of the duties of the Minister. These are important, as Ian says, these are expert areas and I am not an expert, Deputy Noel is not an expert, Treasury is not an expert in utilities in terms of the appropriate return on capital and in terms of efficiency, et cetera. We want to be properly equipped in order to discharge the shareholder duties.

The Connétable of Grouville:

Okay. Well if you are saying that they would take over part of the role of the Minister, do you see the Minister's role at the moment, as before having a non-political board, as advising these companies on how much money they should pay to the Treasury by way of dividend or other method for their products? Because I notice that last year Telecom had a one-off payment on top of a dividend.

Mr. I. Black:

These companies are incorporated companies, they have directors and the directors have responsibilities to the shareholders to maximise the long-term material of their investments.

The Connétable of Grouville:

Yes, of course they do, but, I mean, they also have a duty to look after the shareholder, to pay to the shareholder certain amounts of money. But I notice that last year Telecom, when the controversy was going on about them being sold off, that Telecom paid a one-off payment of dividend to the shareholder. I think it was £6 million, I cannot remember, and at the same time one of the reasons for trying to sell it off was that they needed more capital in order to expand into the wide world outside. It did not seem to quite gel with me at the time.

Senator P.F.C. Ozouf:

Well, let us be clear ...

The Connétable of Grouville:

What I am saying is what sort of power will the Minister have through the non-political board or not to influence the amount of money that is paid over to the States by these boards ... by the utilities? Is there a pressure?

Senator P.F.C. Ozouf:

These are new areas for me and I have not made an assessment of that and I want to have proper advice in relation to whether or not they are appropriate arrangements. These are independent entities to 100 per cent or less than 100 per cent basis, so there are important company law requirements, there are stock market rules in terms of the J.E.C. (Jersey Electric Company) and, to a lesser extent, Jersey Water.

The Connétable of Grouville:

I am not talking about J.E.C., I am talking about 100 per cent owned entities, or almost 100 per cent owned entities. Could it be a situation where the Minister goes knocking at the door saying: "Listen, lads, we are a bit short this year, can we have another £5 million?"

Senator P.F.C. Ozouf:

Well, it is not a case of being short, but it must be the case that the Treasury is satisfied that there is an appropriate return for the public's investment in these entities and I would respectfully say, Constable, that Jersey Telecom's balance sheet is not exactly a challenge in terms of expenditure. Most ... its gearing is zero. It has got no borrowing at all as far as I recall and cash in its balance sheet, and that is an unusual situation as far as utilities are concerned. So the payment of a £6 million dividend ... we have got to make these utilities work hard, work hard for their consumers ...

The Connétable of Grouville:

Yes, but you have also got to balance that with the amount of investment they need to make to keep up to date with their competitors.

Senator P.F.C. Ozouf:

That is the assessment that must be made. Jersey Electricity has, as we know, as we have heard in relation to the price rise, has a necessary and substantial investment programme. To the extent that nationalisation, a national entity means that the Government or that the States, the Treasury, has a responsibility to test their business plans in terms of the appropriateness of their

capital spending, then these are issues that I need to explore. But it is something ... I am not saying that I have made my mind up, but certainly this is an area ... these are very substantial assets and I want to ensure that we are getting appropriate value out of them and wearing, in some ways, a split responsibility between financial resources and they provide the necessary backbone to our financial services industry in Telecom and power that heats our homes. There has got to be a discussion between the States of Jersey and Jersey Electricity on important issues like a third interconnect, all sorts of issues where the States and these entities have to work together without prejudicing minority interests. So a big discussion obviously.

Senator S.C. Ferguson:

Tracey?

Deputy T.A. Vallois:

Could you please explain what work will be undertaken on the procurement strategy with regards to delivering £1.9 million in savings across the States by the end of 2009?

Senator P.F.C. Ozouf:

We will have to ask Ian to answer this.

Mr. I. Black:

Okay. Much of what is being procured is in the Business Plan so forgive me if I am repeating some of it. It was intended that the procurement strategy be signed off by now. It has been slightly delayed because of organisational changes, but will be produced in the very near future. The key activities in 2009 are to implement specific procurement projects that will deliver £1.9 million in savings by the end of the year, and the big ones at the moment are in print services and there is a strategy to consolidate all the States printing, that is photocopying and computer printers, into smaller units. There is significant work in Health which is probably the biggest spender on services in the States and there is a consolidation of postal services, trying to find savings in that, and finally looking at facilities management. So they are the big areas. The

challenge for procurement in the States is trying to develop it because traditionally it has been left to people around departments to do, so the team has some objectives and they are getting the plans to improve communications, to have an intranet site with people knowing what they can buy and how cheaply. To look at the - if I can use some jargon - procure to pay cycles which is a whole process of buying through to paying the bills and looking at how you can streamline that. They are looking at an e-sourcing tool which is using the internet to allow people to tender for States work. The other big thing they are looking is at developing skills in procurement because traditionally it has been a Cinderella service and there are not many people around the States with the skills in procurement. But the headline is to deliver £1.9 million in savings by the end of the year ... recurring, sorry.

Senator S.C. Ferguson:

Yes, the printing one should be quite interesting because, as you know, I did ask one of your colleagues how much the States paid on photocopiers in a year and he did not know. So is that an underlying problem you are going to have to deal with first?

Mr. I. Black:

You have picked up something which I think appears he picked up on which is about coding structures in the States. If you want copies of this plan you will see that there is an objective during the year to standardise coding structures, quite a challenge with a business as big and diverse as ours. But that we will do during this year and obviously one the main benefits of that is you can then find out very easily exactly what you are spending on things like photocopying.

Senator S.C. Ferguson:

Yes, and the other thing, things like the 600 purchasing cards that they have got tucked away in Health.

Mr. I. Black:

Yes. Again that was something the Public Accounts Committee was looking at and we in turn were looking to reduce the number of such cards.

Senator S.C. Ferguson:

I am sorry, it is slightly off the point, but does your procurements system ... in Guernsey, I hate to mention it, they sort of select what they are going to buy and press the button and it does all the ... is this the procure to pay cycle you were talking about?

Mr. I. Black:

Yes.

Senator S.C. Ferguson:

One operation deals with invoices, accounts payable, that sort of stuff?

Mr. I. Black:

Yes and it will almost certainly be done through the J.D. Edwards system, it is a fully integrated system, but it will need additional investment to do that.

Senator S.C. Ferguson:

Yes, although there was something said about the ... I think in the Business Plan it says something about the J.D. Edwards system coped with it. They question the J.D. functionality, B.P. reference 28: "The risk was J.D. Edwards' functionality."

Mr. I. Black:

That is identified as a risk. But if you look at the activity it is a generic model to inform the development of J.D. so there is a presumption that it will be done in J.D.E. (J.D. Edwards). If you bought this system you should use it to its maximum. The risk is, and we do not know until we

have done the work, whether J.D.E. can meet every departments' needs. We say J.D.E. cannot do it, the assumption is it can.

Senator S.C. Ferguson:

Super. Dan?

The Connétable of Grouville:

What work will be undertaken to replace the pensions administration system for P.E.C.R.S.?

Mr. I. Black:

I am happy to answer that. The current system is called Profund and it is going to be replaced with a market leader. There is no point in naming it, but there has been a tender process which identified the preferred supplier and has been selected. The system that been implemented, user testing will commence in February with a view to going live from March. The project is being totally funded by P.E.C.R.S. It is effectively trustees who are running the pension scheme and the scheme is paying for this development.

The Connétable of Grouville:

That is purely administration. This has got nothing to do with investment or anything at all, just obeying the instructions that are coming back to it from the investment bankers. Is this going to save money?

Mr. I. Black:

Yes. The purpose of this is to automate as much as possible and improve the service to customers of the scheme, the administration of pensions. I would be better prepared if I knew the question was coming, but I believe, for instance, it has got things like an internet front end so that people can feed questions into us or obtain information online.

The Connétable of Grouville:

Okay, that is fine. Thank you.

Senator S.C. Ferguson:

Yes, so will you be bringing anything to the States Minister on the status of P.E.C.R.S.? The trust fund discussion?

Senator P.F.C. Ozouf:

I have not given consideration to that yet, that has not been the subject of any advice. There is nothing in the Business Plan as far as bringing forward a trust fund status for P.E.C.R.S. and if I am ... this is a shared responsibility with the Chief Minister's Department in relation to ...

Senator S.C. Ferguson:

Yes, I am sorry I am probably ...

Mr. I. Black:

It is ultimately the responsibility of the States Employment Board.

Senator P.F.C. Ozouf:

Which I have only been to one meeting to and it has not been on the agenda.

Senator S.C. Ferguson:

Okay. The other ones, I suppose, are really dealing with the Treasurer, and I apologise if they are sort of on the grey line between us and the P.A.C. How are you going to strengthen your authority and responsibility as corporate head of finance, Treasurer?

Mr. I. Black:

The brief answer is the first time in the coming year, and it should be the next month, and we are very happy to share it with you, we are producing a business plan for the finance function across

the States. So whereas you are looking today at the Business Plan for Treasury and Resources, we are talking about the business plan for financial management in the States, it includes all the finance directors and departments. So it will set out the objectives for the year and you can measure what it is. We set up a store what we can deliver on, then we can monitor our performance. But some other things in there obviously have already ... much are laid out in our business plan. We have talked about G.A.A.P. already; but some of the other things I will be doing is setting personal objectives for finance directors, it is me putting things in that should be measured in their success. We will be implementing a performance management framework across the whole of the finance function so everyone is clear exactly what they are going to achieve in the new measure; key to which is developing staff. So we are implementing a finance staff development programme. We have already got in place, for instance, mentoring for finance staff. We are also, even more important for finance staff, if you are really going to use your money well, we have brought in who are non-finance staff so we have developed a system of computer-based training. We have got it as a franchise from the U.K., it is an award winning package that we are spreading out for all managers across the States, online financial training. There are lots of other things but they are probably the big things we are going to get to develop the States professional function.

Senator S.C. Ferguson:

Super. Finally, when are we going to get the ministerial response to the Corporate Services Report on forecasting? I think we are getting to the end of your 6 weeks.

Deputy E.J. Noel:

We will deliver within the timetable.

Senator S.C. Ferguson:

We would quite like to have that before we start on our Scrutiny Report which is the mirror image which is the budgeting side.

Senator P.F.C. Ozouf:

Obviously the first Scrutiny Panel will be mirroring also the development while the Strategic Plan is not about financial resources. I think that the approach that has been taken by the Council of Ministers in developing the Strategic Plan is going to be very focused on being realistic in terms of the resources and having an honest debate about what is deliverable in terms of savings, what is available, what is the envelope that is available for Ministers and putting in place targets for spending. Is that something that you would wish to deal with or is that something we will take up with the Chairmen's Panel as a whole? Because the whole process of the Strategic Plan is, as it is evolving, resource focused, so that we end up with a Business Plan that is likely to be probably slimmer, in line with the Chief Minister's statements about how he wishes things to be done, is going to be adhering to rules about the fact that no additional ... shared with me in terms of its view is that no expenditure must be promised without sharing the ways in which that is going to be paid for and some tough targets in terms of spending and efficiency savings. Is that something that you want to mirror us on in terms of a process?

Senator S.C. Ferguson:

I think the Chairmen's Committee is kind of getting together on the Strategic Plan because obviously we are all involved, as are all States Members, in the discussions that we have been having. We have not totally decided how we are going to cope with that but I think it will probably be a cross panel sub-panel.

Senator P.F.C. Ozouf:

Okay, because the time is obviously tight in relation to Scrutiny and we want to ensure that there are opportunities for improving the Business Plan and introducing Scrutiny so you engage in it early.

Senator S.C. Ferguson:

Yes, we have in fact been in discussion with advisers for the Strategic Plan and the Business Plan, and for this complementary review of the budget setting process for expenditure, forecasting

expenditure. I mean, we have already got the recommendation that the Auditor General should look at the basic assumptions and there will be some to look into on the forecasting side of income and some to look on the forecasting side of expenditure. So that, yes, I think probably we will, as I say, subject to discussion or completion of discussion with the Chairmen's Committee, we will be looking at a cross panel review of the Strategic Plan.

Senator P.F.C. Ozouf:

Okay, and on one other important issue which is going to be the focus which we said earlier about the fiscal stimulus package, while of course we are inviting the F.P.P. to conclude, and it is their recommendation, I would welcome because the work which is being led by Economic Development, the Economic Adviser, in terms of some aspects of the potential economic stimulus package, what is that going to look like? It is going to look like an investment in skills, training, an investment in training. One of the issues about undergraduates not being able to come back, undergraduates not being able to find work in the United Kingdom, trying to forecast exactly how many graduates could be coming back and seeking work, and investment there. Looking at how we could bring forward capital expenditure in terms of public sector housing in the Property Plan, bringing forward some of that and potentially dealing with the problem that we discussed earlier about States maintenance in terms of keeping people in work that would otherwise not be in work because of a construction downtime and dealing with issues of States maintenance. That could be one element of the use of a sensible fiscal stimulus. I mean, we are expecting that there is going to be job losses in a number of different areas, the U.K. is in recession today; we are not in recession today, but we are doing some scenarios on what could be playing out to Jersey in the next 2-4 years and the investment required in the Stabilisation Fund we are going to have to be timely in terms of our decisions. We would welcome the opportunity of sharing with you the plans as they emerge or the fiscal stimulus and getting your view on them.

Senator S.C. Ferguson:

Yes, what is your timetable?

Senator P.F.C. Ozouf:

The timetable that I set out in the statement was that we would be developing those plans in the next 4-6 weeks asking the Fiscal Policy Panel ...

Mr. I. Black:

The first week in March with the Council of Ministers and we will share with you immediately thereafter.

Senator P.F.C. Ozouf:

But that is for the first time perhaps giving you a flavour of some of the work that is going on in terms of what would be in the fiscal stimulus package, and if you are taking the I.M.F. (International Monetary Fund) recommendations of fiscal stimulus package about 1-2 per cent of G.D.P. (Gross Domestic Product), 1 per cent of G.D.P. would be £25 million for Jersey. Some of that may already have been spent because of the additional spend as a result of the Strategic Plan last year. I am not saying that is an excuse but it is more money being put into the economy, but we would welcome the opportunity of fairly tough scrutiny on all of the elements of the fiscal stimulus package as they emerge and as they, we hope, give confidence in terms of keeping people in jobs and insulating them to the extent that we can.

Senator S.C. Ferguson:

Thank you and I am sure there will be no shortage of people wanting to help scrutinise.

Senator P.F.C. Ozouf:

We will need to set up some appropriate structure and share with you the timetables of the work that we are going to do in order for you to review that and those hearings to be held in public.

The Connétable of Grouville:

I just would not like to see you expanding the States sector with that financial stimulus package. I would rather see ... in other words, do not hire the staff, just hire the subcontractors or something like that.

Senator P.F.C. Ozouf:

Absolutely, Constable, and that is absolutely the problem that we are going to have is that we have got a twin message; is on the one hand we must respond to the economic downturn but it must not be leading to increasing the base cost of the recurring and that is obviously the 3 T's. It must be temporary in terms of its injection into the economy, and that is going to be a difficult but necessary test and stricture to put around the fiscal stimulus package. There is no letting up on the toughness that we need to apply to States spending. The additional spending from the fiscal stimulus package must not be confused or could be interpreted as an increase in public expenditure, it must not be.

Senator S.C. Ferguson:

Super. Thank you very much indeed, Minister, Assistant Minister.