



Corporate Services Scrutiny Panel

FRIDAY, 15th MAY 2015

Panel:

Deputy J.A.N. Le Fondré of St. Lawrence (Chairman)

Deputy S.M. Bree of St. Clement

Deputy K.C. Lewis of St. Saviour

Connétable C.H. Taylor of St. John

Witnesses:

The Minister for Treasury and Resources

Assistant Minister for Treasury and Resources

Treasurer of the States of Jersey

Director of Accounting Services, Treasury

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[10:33]

Deputy J.A.N. Le Fondré of St. Lawrence (Chairman):

Right, welcome to the quarterly hearing with the Minister for Treasury and Resources on behalf of the Corporate Services Scrutiny Panel. For those sitting in the public seats, your attention as always is drawn to the little notices around the walls, and the Minister, the Assistant Minister and all the other people in front of us, your attention is drawn to the sign that is to the left of the Minister for Treasury and Resources, which I am sure he has read and understood. For the purposes of the voice recording, my name is Deputy John Le Fondré. I am the Chairman of the panel.

Connétable C.H. Taylor of St. John:

I am Constable Chris Taylor, a member of the panel.

Treasurer of the States of Jersey:

Richard Bell, Treasurer of the States.

The Minister for Treasury and Resources:

Alan Maclean, Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources:

Tracey Vallois, Assistant Minister for Treasury and Resources.

Director of Accounting Services:

Graham Chidlow, Director of Accounting Services, Treasury.

Deputy K.C. Lewis of St. Saviour:

Deputy Kevin Lewis, panel member.

Deputy S.M. Bree of St. Clement:

Deputy Simon Bree, Vice Chairman of the panel.

Deputy J.A.N. Le Fondré:

Okay. Simon?

Deputy S.M. Bree:

Start off with hopefully a relatively easy question: does the Minister fully support and encourage the role and process of scrutiny at all levels and in all areas of government?

The Minister for Treasury and Resources:

Yes.

Deputy S.M. Bree:

Thank you.

The Minister for Treasury and Resources:

I always find it interesting when somebody says an easy question.

Deputy J.A.N. Le Fondré:

Next question, Minister - and I need you to note the information because you may not be aware of the details at this stage - in relation to the Public Finances Law amendment, can the Minister just note there has been a - I will say - discrepancy in information and/or opinion between Treasury and our adviser, namely C.I.P.F.A. (Chartered Institute of Public Finance and Accountancy), which has arisen in about the last 12 hours?

The Minister for Treasury and Resources:

Right.

Deputy J.A.N. Le Fondré:

Okay, if you could just note that as a statement of the situation at present.

The Minister for Treasury and Resources:

That is fine, and just for clarification, that will be transmitted to us in due course, will it?

Deputy J.A.N. Le Fondré:

It has been already.

The Minister for Treasury and Resources:

Oh, it has already, okay, fine.

Deputy J.A.N. Le Fondré:

Yes. Okay. The reason I note that is we also note that in our view that it is why it is very important that we have clear and unfettered communications between ourselves and our advisers.

The Minister for Treasury and Resources:

Mm hmm.

Deputy J.A.N. Le Fondré:

Is that a “yes”, Minister?

The Minister for Treasury and Resources:

Yes, I was just agreeing.

Deputy J.A.N. Le Fondré:

Yes, sorry, for the purpose of the recording. Right, switching on to S.O.J.D.C. (States of Jersey Development Company), in relation to the BNP appraisal which states that there will be a £55 million profit, has the Minister the documentation we require?

The Minister for Treasury and Resources:

You are referring to the report which you were interested in obtaining?

Deputy J.A.N. Le Fondré:

Yes.

The Minister for Treasury and Resources:

You have had, as you know, the redacted version of the BNP Paribas report. There have been 2 versions.

Deputy J.A.N. Le Fondré:

Has the Minister got the information we require as of now?

The Minister for Treasury and Resources:

The Minister has agreement on the basis that I have instructed, following advice, the S.O.J.D.C. to provide to the panel - which I believe you agreed to sign - an N.D.A. (non-disclosure agreement) ...

Deputy J.A.N. Le Fondré:

Yes.

The Minister for Treasury and Resources:

... and the document will follow immediately upon that.

Deputy J.A.N. Le Fondré:

Obviously, I will have to refer to our officers, but we have obviously given the confidentiality undertaking 2 weeks ago already. Is there a specific document that needs to be signed?

The Minister for Treasury and Resources:

I checked this morning and was told that you had not had an N.D.A.

Deputy J.A.N. Le Fondré:

We have not had a formal document. What has been done, I believe, is under the normal confidentiality arrangements that scrutiny have in place with the Executive and I believe that was confirmed to Kevin Hemmings on or around 28th to 1st May.

The Minister for Treasury and Resources:

Right, well ...

Deputy J.A.N. Le Fondré:

I mean, if there is a further document to agree to, I am sure that will not be a problem.

The Minister for Treasury and Resources:

Just for absolute clarity, following a process ... I have a difficult job in some respects in terms of balancing requests for information. Obviously, there is an absolute ... my earlier question about being co-operative with scrutiny; I am fully supportive of the scrutiny process. We want to ensure you have the necessary information that you need to undertake your reviews. We initially supplied redacted versions of the report that you are referring to. We have also, as you know, agreed that your expert adviser, E&Y, can also have under an N.D.A. as well ... because there is ... and let us be clear. The reason for this is not just because we are seeking to put barriers in the way, but that there is simply commercially sensitive data contained within that report that relates to the Jersey International Finance Centre. You appreciate that, I know.

Deputy J.A.N. Le Fondré:

That is understood.

The Minister for Treasury and Resources:

Having gone through the process, sought the necessary advice, as I say, I have today instructed S.O.J.D.C. to supply that document to you and there is a requirement for an N.D.A. to be signed. That will be forwarded or is in the process of being forwarded to you.

Deputy J.A.N. Le Fondré:

Okay, I shall ...

The Minister for Treasury and Resources:

That was in line with the email that I sent to you this morning just to say that I was going to be able to update you at this meeting this morning.

Deputy J.A.N. Le Fondré:

Good, thank you. On that basis, are you happy to move to what I shall refer to as plan B? Okay?

Deputy S.M. Bree:

Yes.

Deputy J.A.N. Le Fondré:

Right, so I suppose the question is what date do we expect, firstly, us to get the N.D.A. by and on signature of that how quickly we will ... we are assuming it is ... assuming further signature is required, how quickly will that information be provided?

The Minister for Treasury and Resources:

Well, I have asked them to do it straight away. I would imagine, bearing in mind it is Friday, that you would have it on Monday.

Deputy J.A.N. Le Fondré:

Okay.

The Minister for Treasury and Resources:

I think that is a reasonable timeframe.

Deputy J.A.N. Le Fondré:

Thank you very much. What I will just say, I would like to note your position and we appreciate the stance you have taken. I am sure you will expect us just to make a further comment and then hopefully we will move on. The comment really is to say that this has taken over 2 months to provide. I am glad you have referred, Minister, to the M.O.U. (memorandum of understanding) because it does state that the S.O.J.D.C. will give the Minister access to information to assist the Minister properly and effectively to respond within the necessary timescales to requests for information. It also states that S.O.J.D.C. will provide the information in an expeditious manner. Our adviser has actually been and gone from his initial visit, as you know because you met him yesterday I think it was ...

The Minister for Treasury and Resources:

Yesterday, mm hmm.

Deputy J.A.N. Le Fondré:

... and obviously to an extent this is at the heart of the delays to the review. Also, and importantly, we as a Scrutiny Panel relied and acted upon a written undertaking by a Minister which was also repeated to the Assembly. That undertaking was in danger, it appeared, of not being fulfilled, which has, you will understand, caused some damage to the confidence of the panel the Minister would be able to deliver upon his undertakings. But I am now very pleased to hear the comments you have made, Minister. It took me no pleasure at all to say what I have just said. I understand it has not been the easiest matter to resolve and hopefully we can now move forward. Please understand and please communicate it: we will not be as tolerant of those types of delays in the future. I think we can probably draw a line under that particular matter.

The Minister for Treasury and Resources:

Happy to draw a line. I would just make an observation in the comments you have made. Clearly, you have to appreciate that notwithstanding my earlier comment of complete support for the scrutiny process you have to also appreciate that I have to balance my responsibility both as shareholder to the company, S.O.J.D.C., and the broader public interest. There was concern of commercially sensitive data finding its way into the public domain and that had to be properly balanced. I believe that has now been done and that the N.D.A. will solve the problem hopefully.

Deputy J.A.N. Le Fondré:

Good.

The Minister for Treasury and Resources:

But there are significant concerns around that and that was the reason for, in part, the delay, although during the course of the period of time that you have referred to there has still been referred information and redacted versions of the report that you sought have been passed to the panel.

Deputy J.A.N. Le Fondré:

Yes.

The Minister for Treasury and Resources:

So there has not been a complete void.

Deputy J.A.N. Le Fondré:

It has taken a lot of chasing. Okay.

The Minister for Treasury and Resources:

Well, it does take time unfortunately, particularly getting appropriate advice, even in the last few days.

The Connétable of St. John:

We are trying to get the report out as quickly as we can. We are being criticised at delaying the possibility of building on the Jersey International Finance Centre if that is the case. We are getting the flack and yet it is not our fault. It comes back to you and S.O.J.D.C. not supplying the information we need in a timely manner. So we are not going to accept any criticism for delays in this report when it is S.O.J.D.C. themselves that have caused this delay and it needs to be ...

Deputy J.A.N. Le Fondré:

Let us now move forward.

The Minister for Treasury and Resources:

There were other legal considerations that had to be taken into consideration and as, Chairman, you pointed out, I met with your expert who made their first visit to Jersey over the last few days, so it did not appear from comments from them that they would be held up providing they had all the information now. They had not requested any additional information in advance of coming here, but they have been doing a lot of work while they have been here, I understood from the conversation I had with them yesterday. So, having resolved the issue now, it should not lead to any delays in the review you are doing.

Deputy J.A.N. Le Fondré:

Hopefully not. Okay, shall we move forward?

The Minister for Treasury and Resources:

Very happy to do that.

Deputy J.A.N. Le Fondré:

We will move on to the Medium-Term Financial Plan. Kevin, I believe you have a question.

Deputy K.C. Lewis:

Yes. Minister, income forecasts, when are we getting them?

Deputy J.A.N. Le Fondré:

Revised.

The Minister for Treasury and Resources:

The revised forecasts. The income forecasting group are going through the final stages of reviewing the figures. As the panel will be aware, we have broadened the income forecasting group in terms of its remit and make-up and we would anticipate that that process will finish shortly. Of course, the panel will get numbers as soon as they are in a format that we can divulge. As far as publication of those numbers, that will be contained within the Medium-Term Financial Plan process but the panel will have what we have as soon ...

Deputy J.A.N. Le Fondré:

It is more about when we get the information so then we can run it past our advisers and assess accordingly.

The Minister for Treasury and Resources:

I cannot give you an exact time because they are going through the process at the moment of finalising the figures. They have done the majority of the work.

Deputy J.A.N. Le Fondré:

Do you have an approximate timeframe in terms of 2 days, 5 days, some time next week?

The Minister for Treasury and Resources:

I would come back to you with something firmer but I would not anticipate it would be terribly long. But it is important that they go through the final process of confirming the data that they have. The majority of the work is done.

Deputy K.C. Lewis:

As it is still being processed, it has not gone to the Council of Ministers yet?

The Minister for Treasury and Resources:

The Council of Ministers has seen a draft but, as I said, it is still being finalised. What we do not want to do is ... we want to give figures to you that we are satisfied with and so it has to go through a process, as you would imagine. But it is not going to be terribly long.

Deputy J.A.N. Le Fondré:

Okay. Obviously, the focus on the income forecasts is such that one will remember the experiences from 3 or 4 years ago and the fact obviously the income forecasts were somewhat ... the reality of the income forecasts were slightly different to what was in the M.T.F.P. (Medium-Term Financial Plan).

The Minister for Treasury and Resources:

Yes. Well, I think I have made it clear since I took the role as Minister for Treasury and Resources that we were looking very closely at income forecasting and that is why we set up a new group. We have broadened it and I think that the methodology being utilised and the prudent approach that is being taken will to the best case bring forward reasonable assumptions as far as income is concerned that we can rely upon for the future. But I must emphasise that forecasts are still forecasts and that the figure that was provided in recent weeks, which was from February, will undoubtedly change. There is no question or doubt. The important thing is that we continue to revise them through the year and we will, of course, be doing that. But they will change, let us be clear about that, but we want to make certain that the methodology is right, which we believe it is, and we have a strong foundation and we are working on a basis of prudence.

[10:45]

The Connétable of St. John:

The experts, if I can use it that way, got the income wrong in 2013. They got it wrong in 2014 and they have downgraded the M.T.F.P. forecasts by 20 per cent to 2015. As they have consistently been wrong, why are you still employing them?

The Minister for Treasury and Resources:

I am not quite sure who you mean by “they”. We have a new income forecasting group and a new methodology, but let us be clear. We should not forget that in earlier years, before the crisis hit, the Treasury was being criticised for getting the forecasts wrong. The forecasts in those days were producing fairly significant surpluses each year, which is what one tends to see when an economy is rising and is strong. Clearly, the reverse happens when we go through more difficult times. The important thing is that the assumptions we use for planning purposes are prudent and conservative and that is certainly what is being deployed at the moment. But as I have said and emphasised, that does not mean those forecasts can be absolutely guaranteed as a number. You will also notice, the panel, that we use a range. Ranges have been used in the past. We have used now a change to a funnel arrangement because the further out you go from a forecasting point of view the greater the level of uncertainty. I am loath to use weather forecasts because I know that has been used in the past, but obviously a weather forecast is more accurate for tomorrow than it would be for next week or next month. That is why we have to have the extra range of uncertainty built into the forecast over the term of the Medium-Term Financial Plan. It is a 4-year period and, of course, we are in the 5th year at the moment.

The Connétable of St. John:

We look forward to receiving the forecasts in short term, which you say should be due fairly shortly.

The Minister for Treasury and Resources:

I would also ... to hopefully give you some further comfort and it certainly gives me comfort that the income forecasting group in the figures in the forecast that it produced in February made the point very clearly that the risks are on the downside and that we need to be preparing - which is what the intention will be - through the course of the Medium-Term Financial Plan to accommodate that downside so there are no nasty shocks that we do not have preparation in mind for dealing with.

The Connétable of St. John:

In light of projected deficits and so on, have you considered fixing the annual expenditure limits to 2014 levels because with inflation at zero is there a need to increase expenditure?

The Minister for Treasury and Resources:

Well, we are, of course, looking very closely at expenditure. Just on the final point that you made, inflation is close to zero but not zero. It is above that at the moment. We are looking at a 4-year period and we have to rely, which the income forecasting group do, on a number of input metrics in order to reach their forecasts. Future inflation is one of those and advice is sought as well from the F.P.P. (Fiscal Policy Panel) and others to ensure that that forecast is as accurate as possible. But as far as the figure is concerned, capping it, clearly if we did cap expenditure - and this is an interesting point - you would see just increasing pay and prices, by 2019 the deficit would be £12 million. If you include depreciation and capital into that, it becomes £57 million by 2019. The majority of the expenditure or the imbalance between income and expenditure by 2019 is as a result of planned investment in health particularly and education and obviously in some other areas. So that is a choice and that is something we are looking very closely at the growth bids the departments have put forward to make certain that they are justified and absolutely necessary and, indeed, whether some of them could not be deferred to another time. We want to know that they are critical. So there is a process that is ongoing before we get to the position of publishing the Medium-Term Financial Plan and we will be looking very closely at growth bids of all departments. I think I would like to just emphasise that. There has been talk of ring fencing of health and ring fencing of education. Those 2 areas are priorities in the Strategic Plan, let us be clear about that, but that does not mean those departments themselves are excused from delivering efficiencies. They are not.

The Connétable of St. John:

There are savings to be made in any and all departments?

The Minister for Treasury and Resources:

There are in all organisations, whatever they happen to be. We do recognise the need for investment in key areas, in health, children's services, mental health and so on, but we want to make absolutely certain that every pound of taxpayers' money is properly deployed in the areas that they are invested in.

Deputy J.A.N. Le Fondré:

Can I pick you up on one matter, Minister, your use of the word "efficiencies"? Possibly you even used the word "investment" but I might let you off "investment". What some people ...

The Minister for Treasury and Resources:

Chairman, thank you very much. [Laughter]

Deputy J.A.N. Le Fondré:

I was going to say what some people call investment may well be called just expenditure. But on efficiencies, is your definition of efficiencies saving in expenditure or can it include an increase in user pays charges?

The Minister for Treasury and Resources:

Personally, I do not call it an increase in user pays charges. I would call it delivering ...

Deputy J.A.N. Le Fondré:

You as Minister for Treasury and Resources.

The Minister for Treasury and Resources:

I would call it delivering a service more efficiently, maybe with less people or in a different way, utilising technology, whatever it happens to be. You can drive efficiency in particular activities departments undertake. Frankly, you can take that outside and I believe should take it outside of just departments. In the past, we have always looked through the comprehensive spending review and so on in the silos of departments for savings, in other words vertically down, as opposed to this time we are looking at the whole of government. So by that I mean that there are without doubt efficiencies to be had looking across departments where there is duplication of functions, whether that is the function itself or the people undertaking that function.

Deputy J.A.N. Le Fondré:

So, to reiterate, your focus and you will be encouraging your ministerial colleagues and their officers to be focusing on expenditure savings, not increases in user pays charges or new user pays charges?

The Minister for Treasury and Resources:

Right. I have made it clear from the beginning that I expect there to be a clear batting order and that is to drive efficiencies first and foremost. That is what the instruction has been. That does not mean at some point - and we have used health as an example because of the extraordinary level of whether you want to call it investment or expenditure, growth, whatever, that there is within that particular area - whether we would be able to deliver enough efficiencies to be able to pay for that or not. That is part of the work that is ongoing at the moment. So I have said previously, I have said it in the States, that there needs to be further work on that. There needs to be a debate among Ministers, States Members and the broader community about if we are going to change and improve our health service, if we are going to invest in it in the way that the community might see valuable, is it appropriate to have some sort of charging mechanism in order to deliver on that if we cannot do it from efficiencies and savings elsewhere? So there is a clear batting order in my view.

Deputy J.A.N. Le Fondré:

I have one further query which is around the M.T.F.P., which is obviously touching on without going into the detail the C. and A.G. (Comptroller and Auditor General) report, *Review of Financial Management*. There were a lot of recommendations in that report, but the high-level question is: how is it possible to deliver the M.T.F.P. 2 without implementing in full those recommendations?

The Minister for Treasury and Resources:

I think it is a challenge but I think, to be fair, the report by the C. and A.G., which I have also said publicly I welcomed ... we encouraged that to be undertaken quickly, which we are thankful for the C. and A.G. to have done. We are responding formally to the recommendations made. She made it clear in there, though, that from a timing point of view she does not expect ... it is not realistic for all those recommendations to be introduced initially and upfront. It would happen over a period of time. So our intention is to look more closely at that and pick out the areas that need specific focus. I do not know if the Treasurer wants to make any particular comments on that.

Treasurer of the States of Jersey:

No, just to reiterate the comments surrounding the draft. I had asked as to where the priorities lay and the wording in the report in terms of splitting between what is an urgent priority and what could be addressed in the future I think is fairly clear in the terms of the recommendations.

Deputy J.A.N. Le Fondré:

I shall move on or we shall move on to around surrounding the deficit, Simon.

Deputy S.M. Bree:

Okay. As you previously mentioned, the level of investment that is being looked at in particularly health and education creates a deficit situation, if one follows the growth bids that they are giving, in 2019. We have to address that deficit. Now, efficiencies, as you call them, will not go all the way to addressing that deficit. I would like to know what discussions have been taking place with regards to further government borrowing.

The Minister for Treasury and Resources:

There have been some internal discussions about funding around capital in particular. I can give an example - this has, again, been in the public domain previously - around a hospital. As you know, there is a review going on of potential sites. There was originally a report which outlined a sum of £297 million cost for that particular solution. Now, that may or may not be the ultimate solution. That may or may not be the ultimate price. My view is that it is going to be considerably more than that probably. That report was done, if I remember correctly, third or fourth quarter of 2013 and there has been quite a lot of inflation in building costs in the intervening period. Nevertheless, the solution proposed at the time was utilisation of the strategic reserve, or an element of it, capping growth from 2012 - it was 2012, was it not? - and then using the interest. If the hospital is going to cost considerably more than that that may not necessarily be the best or most appropriate solution, so we may have look at other sources of funding and we have to have a debate about what that is going to be. We also need to look at ... there has been a decision by the States on the costs of the care inquiry. Currently, that is £14 million. The in principle from the States was that the strategic reserve would be used for that. That would require a proposition to be brought back by the Minister for Treasury and Resources, by myself, to the States and it may well be that we need to consider some other funding from a capital perspective or other measures from a source like the strategic reserve, which is consistent with the advice given by the Fiscal Policy Panel to continue to - the Chairman does not like the word "invest" - to continue to invest over the short term; in other words 2016, 2017. You will recall the F.P.P. made the comment in their report earlier in the year that we will know the position with regard to a structural deficit by 2018 or 2019 when the economy is, as they predict, at capacity or will have returned to capacity and if we still have a funding shortfall at that stage then that is the deficit. But in the short term, to ensure that the recovery that we are beginning to see ... we are seeing unemployment fall, job growth is continuing to rise and all the indicators seem to be much more positive, to not snuff that out. We have to continue to invest appropriately.

Deputy S.M. Bree:

So may I ask then if ... going back to the hospital, which is probably one of the largest capital projects on the horizon should one say, what other funding options have you looked at then?

The Minister for Treasury and Resources:

We have not looked in detail for the simple reason that we are waiting for the final report. Once we have the final report on the site and the costings around that, then we will look in more detail at the timing and the costs and the options that might be available for that.

Deputy S.M. Bree:

So you are aware that this project is coming on, you are aware that it is fairly important possibly for the Island, and yet you have not considered how you are going to fund it yet?

The Minister for Treasury and Resources:

Not in detail. We have clearly considered a number of options. We have priorities around the matters we have been talking about prior to this, the Medium-Term Financial Plan, dealing with the short-term funding issues, ensuring that the modernisation programme, the reform programme, depending on how you want to phrase it, is progressing. These are all key priorities. There is a lot happening and a lot of pressure on public finances and, yes, of course, we are considering options for funding big capital projects but not the detail of which I would wish to put into the public domain at this moment.

Deputy S.M. Bree:

So you are not prepared to tell us what options you have been looking at?

The Minister for Treasury and Resources:

Other than what I have just mentioned, no. I mean, there are only ... there are a limited number of options, obviously. We could use our own resources; in other words the strategic reserve. We could borrow from the strategic reserve or we could go into the market and seek to borrow.

[11:00]

Those are 2 options that are obvious as far as a significant capital project of that size. I am not sure if the Assistant Minister wants to comment.

Assistant Minister for Treasury and Resources:

Yes, just 2 points to both those questions. The first one: there is an underlying principle that has been and still is, as far as I understand, in terms of borrowing for the States in that we borrow only when we can have a charge towards it, like the Andium Homes, so we can repay it. The difficulty, as you can imagine, in terms of how ... if it is a huge sum of money for a hospital is how that repayment is going to be made back. I am sure as a Scrutiny Panel you would want us to make sure that we have all our ducks in line and that is the work that is being carried out. There is a

ministerial oversight group that is looking at how we go forward in terms of the funding side of things. We have only recently had the report from the advisers to that group, who are looking into that. On the other point in terms of ... it was, sorry, the ...? Sorry, my brain has gone ... I will just leave it there, but the underlying principle of the situation I think ...

Deputy S.M. Bree:

The question I was asking is other than possible future government borrowing through the debt market what other funding options have been looked at for such a large capital project. That was the only question I was asking, to get an understanding of your thinking about how do we fund this.

The Minister for Treasury and Resources:

Well, there are effectively those 2 options would be top of the list. I will give you another example which I think is relevant, and again it was in part mentioned in the States in the last sitting. That was around the capital cost of a new school at Le Quennevais. That is in round figures around about a £40 million capital project. Again, the possibility is the strategic reserve because if we do not do it through the strategic reserve you are talking about the debt market. There is this issue, as the Assistant Minister was rightly pointing out, about getting a return. So in order that we have to vary the strategic reserve, we were going to go down that particular route, there would have to be in my view a repayment mechanism. So a disposal of other assets is an option, to get on to the third point around how we might deal with this, so we could borrow from the strategic reserve on the basis that the money would be repaid through the disposal of other assets to ensure that the pressure and timeline that the Education Department have with regard to a new school at Le Quennevais is met. You will probably be aware that they are under some pressure. This is an issue that should have been dealt with a considerable time ago. The school is creaking at the seams in terms of students and the matter does need to have a resolution.

Deputy S.M. Bree:

So can you tell us at this moment in time what assets you have identified as being potentially disposable?

The Minister for Treasury and Resources:

Well, there are a number of assets. This year alone, for example, just as an aside, there are £9 million worth of property assets which are under consideration for disposal. Clearly, the panel will be aware, I am sure, particularly the Chairman, of some of the difficulties in disposing of assets. There is one just behind us out the window that was proposed previously for disposal as part of a programme and, of course, the States took a decision not to support that process. So Property Holdings have £9 million of property assets to dispose of this year, which is part of the programme, but we will need to look at other matters.

Deputy S.M. Bree:

So you are looking to sell £9 million of property this year?

The Minister for Treasury and Resources:

That is already in the programme.

Deputy J.A.N. Le Fondré:

Can I just clarify is that a target, in other words it is a round figure, or is it specifically identified properties that add up to £9 million?

The Minister for Treasury and Resources:

That is specifically identified properties, correct?

Treasurer of the States of Jersey:

Well, initially it is a target but there is a list of properties that would make up £9 million but a longer list than that that ...

Deputy J.A.N. Le Fondré:

No, that is fine, but the point is it is not a number that Treasury are necessarily imposing on Property Holdings to achieve or partially, it is a realistic target that they should be able to achieve on the basis that they have identifiable properties they can dispose of?

Treasurer of the States of Jersey:

Well, I was not around when the target was set, but we have asked the question in terms of: what does the list look like? There is a list there and obviously, as you will probably remember, some of those are easier than others.

Deputy J.A.N. Le Fondré:

I think we managed to achieve 12 but it took a while. Right ...

The Minister for Treasury and Resources:

Therein is the challenge, of course.

Deputy S.M. Bree:

Now, that does bring us on to the fact that under the proposed transfer of functions, responsibility for Property Holdings moves away from you and moves to the new Minister for Infrastructure, I believe. How is that going to affect your ability to realise the sale of any assets? Because Jersey Property Holdings will not be under your ministerial responsibility ...

The Minister for Treasury and Resources:

No, indeed.

Deputy S.M. Bree:

... if the transfer of functions goes through.

The Minister for Treasury and Resources:

Well, if that transfer of functions does proceed, then you are correct that we would not have direct control with that particular area. However, we are deploying a whole of government approach. There is collective responsibility and I would not expect it to present a problem in terms of delivering an overall plan. We are talking about a plan for the next 4 years. You have picked out one item, which is important nevertheless, but the Council of Ministers has to agree that plan together. Do not forget the Medium-Term Financial Plan is a Council of Ministers plan, so Ministers have to be bought into it and they have to present it and then persuade the States that the plan is suitable for support. So I do not see that it would necessarily be a problem. It should not be a problem.

The Connétable of St. John:

But as Minister for Treasury and Resources you are responsible for the assets of the States. How can you transfer that asset to another department?

Assistant Minister for Treasury and Resources:

Well, we have been able to do those types of things for things like Andium and S.O.J.D.C. in terms of the public still have ownership of that property, it is just a different mechanism, a different vehicle of running it. This I assume would be in a similar fashion to that but, of course, the Minister still has the ability under the budget in terms of capital to bring that to the States.

Deputy S.M. Bree:

So are you saying that there are plans to incorporate Property Holdings? Because Andium is an incorporated body, S.O.J.D.C. is an incorporated body.

Assistant Minister for Treasury and Resources:

Not as far as I know. [Laughter]

Deputy S.M. Bree:

Are you saying Jersey Property Holdings is now going to be an incorporated body?

Assistant Minister for Treasury and Resources:

Not as far as I know.

Deputy S.M. Bree:

Then it is a very different situation to both Andium and S.O.J.D.C. I think the point we are trying to get to is if under the transfer of functions legislation which has been lodged responsibility for Property Holdings, who effectively hold on behalf of the States the assets that you are talking about attempting to sell to raise £9 million this year, it does seem, one, a very ambitious target; 2, that there seems to be a confusion as to despite collective responsibility who is ultimately responsible for the assets of the Island, whether it is the Minister for Infrastructure or the Minister for Treasury and Resources. All we are trying to do is just get clarity on this issue.

The Minister for Treasury and Resources:

Well, can I help on that?

Deputy S.M. Bree:

I certainly hope so.

The Minister for Treasury and Resources:

The Minister for Treasury and Resources has responsibility currently because that is where it resides. If it transfers, which will be a decision that the States will need to make, then, of course, that responsibility would transfer as a result of that.

The Connétable of St. John:

Are you not transferring, in effect, the assets from in simple terms the balance sheet to the profit and loss account and that, of course, is a serious, serious threat to any business?

The Minister for Treasury and Resources:

No, that is not the intention.

Deputy J.A.N. Le Fondré:

Can I bring us back to the principles around borrowing and investment, which is where we were at, expenditure even, only because there are a number of points you have made, Minister, which I think do require a little bit of further pushing? Number one, which I hope ... I know I expect hopefully a negative answer to this question, but I basically raised the question with the Chief Minister on Monday when apparently he said we gave him a ... what was it, a slight roasting, and I really just want confirmation that it is not on the agenda. The Chief Minister made reference to the fact that we had unencumbered assets of about a billion in the social security reserve fund. I think

he made reference to P.E.C.R.S. (Public Employees Contributory Retirement Scheme), in other words the pension funds, whether it is our public pension funds as members of the public, social security or obviously the civil service pension funds. I make a comment; I do not cast aspersions I hasten to add. Many years ago, there was a Mr. Maxwell who invested a number of assets of the pension funds in all sorts of things to do I think with Mirror Group and it eventually went bust and, therefore, the pension ...

The Minister for Treasury and Resources:

Whatever happened to him?

Deputy J.A.N. Le Fondré:

He got pushed off a boat and drowned, I believe.

The Minister for Treasury and Resources:

Yes, I know, I just ... **[Laughter]** I said it with a smile.

The Minister for Treasury and Resources:

Exactly, and the point is to seek assurance from the Minister and the Treasurer that it is not in the thinking of the Treasury Department and Minister to invest any assets of those pension funds into borrowing or lending to the States.

The Minister for Treasury and Resources:

That is not the intention.

Deputy J.A.N. Le Fondré:

Good. Treasurer?

The Minister for Treasury and Resources:

Is that what you presumably got before, was it?

Deputy J.A.N. Le Fondré:

Yes.

The Minister for Treasury and Resources:

Yes. It is 1.2 billion I think the ...

Deputy J.A.N. Le Fondré:

Give or take.

The Minister for Treasury and Resources:

Yes. But anyway, we will not argue ...

Deputy J.A.N. Le Fondré:

Can you also confirm it is not in your thought process at the moment?

Treasurer of the States of Jersey:

Yes, it is not. Politicians set policy, not treasurers.

Deputy J.A.N. Le Fondré:

Okay. We also like to hear that the Treasurer and the Minister for Treasury and Resources are fully aligned on this matter.

Treasurer of the States of Jersey:

I think you will remember what I have been doing for the last 8 years.

Deputy J.A.N. Le Fondré:

Yes. [Laughter]

Treasurer of the States of Jersey:

It would be difficult for me to change my spots overnight.

Deputy J.A.N. Le Fondré:

Good. Right, next question: Minister, you made reference to the short term and then you referred to 2016 and 2017, and 2017 is 2 and a half years from now. Is that realistically the short term?

The Minister for Treasury and Resources:

Well, I mean, the short term is here and now, 2015, I suppose, and I think it is all in the title, is it not? We are talking about the Medium-Term Financial Plan. It is all in medium.

Deputy J.A.N. Le Fondré:

Good. The reason I asked the question is in terms of ...

The Minister for Treasury and Resources:

I probably should have said, sorry, shorter. It is a matter of definition, is it not?

Deputy J.A.N. Le Fondré:

In terms of the structural savings that need to be made in terms of sooner rather than later, shall we say, what is the timeframe to achieve the structural savings to start moving us out of the problems we are facing at the moment? When I say structural savings, this is changes within department structures, let us say changes to vacancy management, all that type of thing. When do you see those starting to bite properly and is it a timeframe of 2016 mainly? Does it go out to 2017 or does it encompass 2018? Because 2018 is election year. We all know as politicians, at least those of us who have been here for a while, that within about a year of the election date people suddenly start getting very sensitive on difficult decisions. Therefore, if you are looking ... are you looking at putting the difficult decisions into 2017, in which case what certainty have you provided, or are you looking to bring them forward?

The Minister for Treasury and Resources:

It is going to be phased, obviously, because you cannot do everything in one go, but my view, my strong view, is that we need to get on with the programme. As soon as we have finalised exactly what it looks like, which is in the process of happening at the moment, we need to do as much as early as possible as we can, in part for the reasons you point out but also in terms of being fair to people. It is essential. This is difficult change. Any form of change, certainly the measures that we have talked about, the £60 million of staff savings, is an area which is going to be very challenging to deliver on. It absolutely must be delivered on but these are people and we have to work very sensitively in terms of dealing with that. What I am encouraged by, by the way, just quickly on that subject, is we are seeing an upturn in the economy at the moment. We are seeing jobs created and a lot of work needs to be put into developing the right skills to allow transfer from public to private sector as part of that process. But I think I have made the point as well, and it is also important to emphasise this, that within that £60 million is a significant level of pay restraint. When I say a significant level of pay restraint I mean a significant amount of that total amount is pay restraint, which again is difficult but it is part of the solution. If we can deliver on that, then, of course, it will have an impact on the vacancy management. The 9 per cent turnover of staff we see in the public sector - so consolidating functions and perhaps departments; we have talked about infrastructure - will mean that we do not replace as many staff as we have in the past and see numbers drop dramatically. That is the first issue that is being actively looked at and, of course, voluntary redundancy and then, depending on the success of the earlier 2 points, compulsory redundancy. That is a part of that £60 million pot.

Deputy J.A.N. Le Fondré:

In terms of the changes being envisaged, if one is looking at changes, departmental or cross cutting or whatever, are you expecting some form of analysis - do not know if I like the words

“business case” or not - to be performed to identify that the changes will achieve efficiency savings and the quantum of those efficiency savings or is that what you would expect from this?

[11:15]

The Minister for Treasury and Resources:

I would. I am going to use a word now that my Assistant Minister does not like ...

Deputy J.A.N. Le Fondré:

Just the one?

The Minister for Treasury and Resources:

Well, one in particular I can think of: sustainability. We have to make certain that what we do is sustainable and that we do not propose measures that are just going to be reversed out in the very short term. I think we need to learn from the past. There were in certain circumstances in the past, not all, some previous programmes of spending cuts and efficiencies that have resulted in costs popping up somewhere else. I do not want to see, for example, a department coming forward, making an efficiency that is going to save them £1 million, for that cost to be transferred to another department. There have been in the past examples of that, transferring costs. So one department says: “Oh, I have reduced my costs by £1 million” and then it pops up somewhere else. There are examples of that and that is not acceptable.

Deputy J.A.N. Le Fondré:

Are those examples going to be, let us say, revisited? In other words, where you have a classic example of that happening, will that be part of the expenditure review, shall we say, to see if things can be delivered in a better way?

The Minister for Treasury and Resources:

Well, I think we need to have learnt from the past process that was deployed. There were very many good things in previous processes of efficiency savings and so on and real savings have been delivered, but there have been elements in past reviews where those costs have not been maintained and have been brought back in in different ways. So we have to make certain that we properly redesign and reengineer the delivery of services to make certain that it is sustainable in the long term and does not create a cost.

Deputy J.A.N. Le Fondré:

Okay, 3 more questions, I am afraid. One is to talk about cash flow, which you have referred to publicly in the past, particularly on the focus on next year. My understanding - and it is whether

you want to comment on it or not - is that in essence the consolidated fund, which is basically our current account, in unallocated money terms is, broadly speaking, zero, give or take, and yet we are facing basically £100 million deficit next year, give or take. How does one anticipate ... on the basis that we will not be achieving £100 million worth of savings next year, one would imagine, how is one going to bridge the gap?

The Minister for Treasury and Resources:

Well, we are looking at a number of measures. I do not want to go into the details at the moment, but it is probably fairly clear, I am sure, to you, Chairman, as to what those measures might be. But I think until we have arrived at a definitive position from our own point of view I would not want to go into any more detail about that.

Deputy J.A.N. Le Fondré:

Okay. That is fine.

The Minister for Treasury and Resources:

There are options, and I think this is a very important point to make, that although we do have shortfalls as a result of the choices to spend best, depending on how you want to call it, we do have options which gives us some flexibility. We do have a very strong balance sheet, I have said it before, and I take Deputy Bree's point that you cannot sell the roads and the sea walls and what have you, but we do have a lot of unfettered assets which gives us flexibility to be able to deal with these matters. Then it is just a question of getting the most appropriate package together that is going to deliver. But at the very heart of all this is the absolute need for change in the way that we deliver services and a whole raft of other matters.

Deputy J.A.N. Le Fondré:

Okay. Second question: there has been a lot of focus about looking at the growth bids and are they necessary in paring those down. Briefly, what focus is happening on the base budget? Because obviously the growth bids are, let us say, £100 million or something, but the base budget is £700 million, shall we say, give or take, and therefore it is all very well focusing on that element but are we focusing on the other six-sevenths, or whatever the number is, or seven-eighths, of the expenditure?

The Minister for Treasury and Resources:

Yes, of course, I mean, you have to look at the base budget as well.

Deputy J.A.N. Le Fondré:

Good. Final question, and you may have noticed I have the *Jersey Evening Post* on my desk. This is referring to comments from, is it your penultimate predecessor, or one of your predecessors, Senator Le Sueur, as (a) a qualified accountant; (b) former Minister for Treasury and Resources; and (c) former Chief Minister. He makes 2 comments; I would like to pick out one, perhaps, or maybe even 3: "My final comment is to remind States Members that borrowing only works if, in borrowing, one can generate enough additional income over time to repay such borrowing", which is a point we have already made today. He then goes on: "The principle of balanced budgets year on year is a tough one, but it is wiser than following the approach of the U.K. (United Kingdom) and elsewhere of expecting - hoping - to balance budgets over a 5-year cycle, which subsequently becomes a 10-year cycle, and ultimately never balances." Now, just sitting back almost as a layman reading that question, I thought it was slightly at odds of you balancing the budget over the economic cycle, which seems to be present policy, or at the very least past policy seems to be coming forward. I wondered if you would like to take the opportunity to comment on what appears to be a difference in opinion between certainly a predecessor politician, I would suggest a well-respected one, and possibly where we are at the moment.

The Minister for Treasury and Resources:

I hold the former Senator Le Sueur in very high esteem, I respect him greatly, and I think the points he made were very valid points. I think we can look to other jurisdictions and learn, if I may say, lessons, or I think they could perhaps learn lessons from us in terms of the way we manage public finances in many respects over many years. We have not borrowed in the way that you can see the U.K. has and we do not have the level of public debt currently running in the U.K., I think at £0.4 trillion, or budget deficits running in the U.K. at £87 billion.

Deputy J.A.N. Le Fondré:

I think the focus was on balancing the budgets year on year versus over an indeterminate cycle of a period of years.

The Minister for Treasury and Resources:

Well, as you will be aware, Chairman, under the Public Finances Law we have to balance the consolidated fund and it has to be in balance on an annualised basis. As you have rightly pointed out, for the benefit of those in the gallery, the consolidated fund is our current account and that remains the case. I think what has happened with regard to the introduction of a Medium-Term Financial Plan is that we have started to look in the medium term and beyond, which is the appropriate thing to do from a planning perspective, and recognise that you are going to have peaks and troughs over that period of time, and we have to recognise where those are and how we are going to deal with them. But that is not getting rid of a word that I use a lot at the moment,

"prudence", and I think prudence with public finances is something at the very heart of the planning that we deploy now and in the future. I think, frankly, in the past, certainly in terms of Senator Le Sueur, he was a prudent Minister for Treasury and Resources.

Deputy J.A.N. Le Fondré:

Good. That does lead us very nicely into another question on forecasting. At present, the scenario is, I believe, to use the central scenario, in the forecast range. If prudence was to apply, and depending on your outcomes on your present revisions and possibly even the recommendations of the advisers that we are using to look at the matters as well, what would your view be if there was a recommendation to be further or more prudent and that the central scenario should be revised to perhaps be either a mid-point or the present lower scenario?

The Minister for Treasury and Resources:

Well, we have taken the view that the mid-point in the forecast is the one that is most appropriate to use. I made reference earlier to the commentary by the income forecasting group, and I think we need to take special heed to that commentary which says the risk, not surprisingly, is on the downside. So the key point is to have a mechanism in place, a contingency in place, in order to deal with that eventuality. So we are probably arguing the same point in a sense, and that is you could see that in the way in which the figures were presented when we made our announcements of the current financial position in recent weeks. You will note the actual figure, if you are looking closely, the deficit or shortfall in funding over expenditure for 2019 was £122 million, but we were working to a figure of £130 million that was used. So that was building in a small contingency for the very purpose. I think we need to be mindful of that. I do not know, Treasurer, if you want to add anything?

Treasurer of the States of Jersey:

I think it is fairly clear that we have talked about having contingency plans. The forecasting group has endeavoured to be prudent and certainly not to be erring on the optimistic side, but we have said that the risks are on the downside and that, therefore, contingency plans ... or it needs to be clear what would the choices be in the event that the downside occurred.

Deputy J.A.N. Le Fondré:

The question will arise, and I think it goes back to the point of looking at past history and learning from that, how often will income forecasts be revised going forward and at what point, and how quickly will a reaction take place if things are looking worse than presently anticipated?

Treasurer of the States of Jersey:

Again, I will take instruction, but my preference would be to do a full forecast once a year with a follow-up forecast later in the year, but obviously monitor in-year as opposed to future years. If the in-year numbers were to depart significantly from where we would have expected then we would probably have to consider that again.

Deputy J.A.N. Le Fondré:

Do not get me wrong, I welcome the fact that you have agreed to retain the Public Finances Law elements to say you must not put the current account into deficit at any point in that year, but if your forecasts do suddenly show a deterioration, that therefore means that, notionally, potentially we are going to be putting the current account into deficit in that year. So, therefore, you are stating that you would expect to move and react somewhat more quickly than perhaps happened previously?

Treasurer of the States of Jersey:

I am not going to comment about the past, I am going to comment about how we intend to move in the future. It is important we should have a movement to understand whether that movement is a one-off or whether it does have a trend into the future, but you are right in pointing to the linear process. I think it would be advisable into the future, and it has always been the case in the past, that we have a buffer within the consolidated fund. That means we do not need to react in a kneejerk fashion but clearly, if we look for a silver lining, then what we are going through at the moment stands us in good stead in terms of how we might react were it to happen here.

Deputy J.A.N. Le Fondré:

I think we have probably done to death the deficit for the moment, or areas of the deficit. I was going to ask if anybody else from our panel members had any messages, but sorry, did you want to say something, Minister?

The Minister for Treasury and Resources:

I was just going to pick up a final point in terms of focusing on and monitoring the financial performance during the course of the year. Updates go to the Council of Ministers on a quarterly basis; there certainly should be one main forecast and another updated forecast in a year, so 2 updated forecasts during the course of the 12-month period, but the important thing is that the Council of Ministers are going to also be updated on a quarterly basis, which is appropriate.

Deputy J.A.N. Le Fondré:

Okay. Chris, have you got any further questions in this area?

The Connétable of St. John:

No, I do not think so; not at the moment.

Deputy J.A.N. Le Fondré:

Kevin?

Deputy K.C. Lewis:

I have just a quick one. If I could just jump back just for a second to transfer of functions, should Property Holdings transfer to T.T.S. (Transport and Technical Services) or Infrastructure Department, would any assets from any sales remain with them or would that come back to Treasury?

The Minister for Treasury and Resources:

The sale of assets would not remain with the department, no.

Deputy K.C. Lewis:

Would not return to Treasury?

The Minister for Treasury and Resources:

No. No, sorry, would not be retained within the new structure.

Deputy K.C. Lewis:

So any assets from any sales would come back to Treasury?

Treasurer of the States of Jersey:

In terms of land and buildings, I would expect that the plan would be that they are returned to the Treasury, if you like, to the general finances.

Deputy K.C. Lewis:

General revenue.

Treasurer of the States of Jersey:

However, as an operating department most or all operating departments, with some Treasury permission, are free, as you will probably remember, to seek the proceeds of any sales of equipment, for example. So the difference between as things stand in respect of sales of equipment and the sale of property, very different proposition.

Deputy J.A.N. Le Fondré:

You said you would expect. Has that not been clarified?

Treasurer of the States of Jersey:

They all come back to the same; drop the word "expect". **[Laughter]**

Deputy J.A.N. Le Fondré:

Cautious Treasurer.

Treasurer of the States of Jersey:

One can never forecast the future all the time.

Deputy J.A.N. Le Fondré:

Well, it is more the fact that legislation has been lodged so, therefore, one would expect that the detail has been, perhaps ...

[11:30]

Treasurer of the States of Jersey:

As it currently happens, sales of land and buildings come into the centre; whether J.P.H. (Jersey Property Holdings) was in the Treasury or not, sales of freeholds and leaseholds and such like have to be put back into central coffers.

Deputy J.A.N. Le Fondré:

But, as far as you are concerned, the whole rationale behind the transfer has been bottomed out, there are clear efficiency savings identified and the structures have been agreed with yourselves as to how it is going to work?

Treasurer of the States of Jersey:

I can see the synergies with moving to the departments ...

Deputy J.A.N. Le Fondré:

No; a "yes" or "no" would be good because it has been defined and it is very clear where the efficiencies are.

Treasurer of the States of Jersey:

It has been defined. You will recall that these are political matters, the restructurings were political matters. I can see the synergies, from experience, that relate to the transfer from that, J.P.H., into T.T.S. into the infrastructure as it goes into the future.

Deputy J.A.N. Le Fondré:

Okay.

Treasurer of the States of Jersey:

But the point you made about assets have been moved from the Treasury to Infrastructure, significant assets are already with T.T.S. as opposed to with the Treasury; this is just a different group of assets.

The Connétable of St. John:

So you are not able, when we come to debate it in the Assembly, to give us a figure of the savings that are likely to take place as a result of this transfer, other than the fact you have a hunch it might be a good idea?

Treasurer of the States of Jersey:

I have more than a hunch that it might be a good idea; I am perfectly able, but do I have the detailed numbers? No, I do not.

The Connétable of St. John:

Do you have a ballpark figure?

Treasurer of the States of Jersey:

I do not have a ballpark figure.

Deputy J.A.N. Le Fondré:

Right. Chris, any further questions on deficit?

The Connétable of St. John:

No.

Deputy J.A.N. Le Fondré:

Kevin, do you want to follow up?

Deputy K.C. Lewis:

No.

Deputy J.A.N. Le Fondré:

On deficit, Simon?

Deputy S.M. Bree:

No, not on the deficit.

Deputy J.A.N. Le Fondré:

I do not think I have any more at this stage, you will be delighted to know, so I think we can now move on to Simon and public sector pensions.

Deputy S.M. Bree:

Yes. We understand that the proposed date for the new terms to come into effect for existing employees has been moved from 1st January 2016 out to 1st January 2019. Why is this?

The Minister for Treasury and Resources:

Cost, I suppose.

Deputy S.M. Bree:

Yet all new employees taken on form part of the new scheme with effect from 1st January 2016. Does that not then create, how can I put it, a 2-tiered level of pension scheme for States employees, and is that not inherently unfair?

Treasurer of the States of Jersey:

There have been for a number of years, if not decades, several tiers of pension scheme.

Deputy S.M. Bree:

So you are perfectly happy to see that situation continue out to 1st January 2019?

Treasurer of the States of Jersey:

That is not for me to be happy about. I am just pointing out there are already ...

Deputy S.M. Bree:

No, I was addressing it to the Minister because obviously it is a political decision, probably, rather than necessarily a financial one.

The Minister for Treasury and Resources:

Well, to be clear, it was a decision that was taken by the States Employment Board. Am I happy with it? I would not say I was necessarily happy; I think it is a pragmatic solution which will deliver and deal with some of the challenges that we were facing.

Deputy J.A.N. Le Fondré:

Minister, you made the comment about cost. My understanding is that the whole transfer to this new system was to save money.

The Minister for Treasury and Resources:

Ultimately it will, yes.

Deputy J.A.N. Le Fondré:

So there is an inherent slight contradiction. Are we talking cash flow versus cost?

The Minister for Treasury and Resources:

Yes.

Deputy J.A.N. Le Fondré:

In other words, although notionally it will save money and avoid costs by switching to the new system, that is not in the short term?

The Minister for Treasury and Resources:

Correct.

Deputy J.A.N. Le Fondré:

What you are saying is that the present system, in cash flow terms, is less cash going out of the door at the moment?

The Minister for Treasury and Resources:

That is my understanding.

Deputy J.A.N. Le Fondré:

So it is a short-term fix to solve our present problems?

The Minister for Treasury and Resources:

To assist.

Deputy J.A.N. Le Fondré:

To assist; it will not solve?

The Minister for Treasury and Resources:

It will not.

Deputy J.A.N. Le Fondré:

All right.

The Minister for Treasury and Resources:

Can I just clarify, Graham, is that a reasonable position?

Director of Accounting Services, Treasury:

That is correct, yes.

The Minister for Treasury and Resources:

Graham is our pensions expert. I am just making sure that I am not in any shape or form misleading the panel.

Deputy J.A.N. Le Fondré:

What are the sums of money involved in terms of the cash flow at the moment going out on the present system versus what would go out on the same timescale if everybody had switched on 1st January 2016?

Director of Accounting Services, Treasury:

I would have to check on those figures.

Deputy J.A.N. Le Fondré:

Ballpark?

Director of Accounting Services, Treasury:

I have not got those available.

Deputy J.A.N. Le Fondré:

Okay. So you know what the cash flow saving is?

Director of Accounting Services, Treasury:

Not off the top of my head, no.

Deputy J.A.N. Le Fondré:

Okay. Perhaps you can send that through to us at some point; that would be useful. Any follow-up on that? Right, I have 2 other queries at this stage. We were going to go on to transfer of functions next, but I think we have probably covered quite a lot of that, to be honest.

The Minister for Treasury and Resources:

I think we moved ...

Deputy J.A.N. Le Fondré:

Yes, we moved that way then I brought you back. Yes. So I am going to touch briefly on public sector reform, which is just going back to our esteemed former Treasurer and the quote in there. I thought it was just relevant, he notifies: "At the moment, change is not easy. It needs specialist skills. It needs the support of the electorate as well as that of States Members and civil servants. It cannot be done as a sideline. Bringing in advisers such as ..." and he obviously names one of the individuals who is in place at the moment, who I hope and believe is doing a good job: "... may help, but only if you are supported by the whole organisation and, indeed, the whole community, even when some necessary changes appear unpalatable." The question, I suppose, is that ...

The Minister for Treasury and Resources:

Sorry, Chairman, just before you ask the question, are you quoting former Senator Le Sueur?

Deputy J.A.N. Le Fondré:

Yes.

The Minister for Treasury and Resources:

Yes.

Deputy J.A.N. Le Fondré:

No, I hasten to add, that is directly before the earlier quotes I used from *J.E.P. (Jersey Evening Post)* of the other day. I suppose the question that comes out of that in terms of just at a high level in terms of the structure, obviously there are 2 or 3 individuals who are in place looking at and trying to give you some advice on potential public sector reform. Because they are advisers and they are consultants, they are not in a position to say: "Do it." Therefore, how does that advice get translated down to within the structure and how does one ensure, to be blunt, that the existing service structure does not pay lip service to some of the harder recommendations that have come through and/or that your political colleagues properly understand the recommendations that are coming from the advisers?

The Minister for Treasury and Resources:

A programme office has been set up obviously to manage the reform or, as I like to call it, modernisation programme. You are, of course, absolutely right: those that have been brought in ... and I should perhaps comment why individuals have been brought in, because others have said: "Why are we spending this money bringing in external people?" It is extraordinarily difficult to effect change without external advice. It is very difficult to change yourself for any organisation, and that is the reason and justification for doing it. You see it in the private sector; you see it in the public sector: sustainable change is delivered when you get external support. So the use of advisers is fully justified and, and in my view, will make a significant return on the investment and the cost employing them. The point about ensuring that their advice is heeded, they cannot obviously direct; they can give clear guidance as to the route, and I can give an example. I mentioned this earlier: previous spending reviews, the comprehensive spending review, operated on a vertical basis going down through departments. It was very clear advice from the advisers from their experience - not just in organisational change within businesses in Jersey but also in the U.K. and substantial organisations in the public sector - that you have to look across the whole organisation. That is now being deployed at the heart of the proposals that are coming forward that you will see. But, really, in summary, the answer to your question: "How can we make certain this is going to happen?" it is going to have to be political will and drive from the top.

Deputy J.A.N. Le Fondré:

Do you believe or, put it this way round, do you think there could be improvement in the ... basically, what we are facing is the need for structural change and obviously radical change, potentially, compared to where we have been. Do you think we have the necessary experience and drive throughout the echelons of the civil service to achieve that change without additional outside assistance in the timeframe that is required?

The Minister for Treasury and Resources:

That is something I have been giving quite considerable thought to. I think it is probable that we will need to bring in additional assistance if we are going to deliver on this programme, which is a massive change programme, and it needs to be. There will need to be, and this is difficult to reconcile in some respects, investment and there will need to be up-front investment in order to deliver the returns and to do the job properly. It is investment because you get a return on what you are putting in. It has to be properly deployed, properly managed. The key to anything: you can have a plan, you can have the best plan in the world, but implementation is 90 per cent; you have to be able to implement and we need to be sure we have the capability and capacity to do that. I am not certain that we have, and that is one element that is being looked at very closely at the moment.

Deputy J.A.N. Le Fondré:

Okay. Do you think there is therefore scope ... I am sorry, I am digressing there. What I was going to ask, Minister: certainly comments we have received from our adviser when we have been looking at the Public Finances Law is that some of the changes that are envisaged in terms of experiences in the U.K., and organisations that they have audited in the U.K., changes have been achieved within ... they have cited 6 months; not necessarily structural change, but organisations have moved quite swiftly. Do you think we have, or should have, the ability to react in that same sort of timeframe as U.K. organisations when they have been facing similar issues?

The Minister for Treasury and Resources:

I never like to make direct comparisons to the U.K. or elsewhere. I think we need to focus on ourselves. We need clear targets. We have said earlier on in response to a question you posed about the profiling timeframe of the change programme, it has to be front-loaded, we have to get on with these difficult things, and we are going to need to be quite bold and, in some respects, radical. If laws need to be changed then they need to be changed. We, as part of the programme, are looking at regulation, legislation, all that sort of area. I know I was just saying we should not look at the U.K.; you can see examples in the U.K. and elsewhere where, in order to deliver change, they have looked at old laws, legislation, regulations and said: "This is too costly. It is outdated and we need to sweep that away." So all these things do need to be looked at but, again, resource will be required, I suspect. I know that some in the community will find this difficult because we are talking about shortfalls in income to expenditure, we are talking about quite large numbers by 2019, but we have built some resource into that and, in my view, there probably needs to be some more to make absolutely certain we get on with this within the timeframe that is deliverable, and that is early.

The Connétable of St. John:

Do you have the unanimous support of the Council of Ministers in this?

The Minister for Treasury and Resources:

I believe the Council of Ministers understands the challenge that we face. The importance is we talk about big numbers by 2019; the key is to have a plan to deal with it, which I believe we are developing, and the other element, of course, is the implementation of that plan. That will require a unified Council of Ministers. I believe the Council of Ministers is unified but, of course, the proof of the pudding, if I can put it that way, will be when we come to the point of starting the implementation programme. I am expecting the Council of Ministers ... because there is no doubt from discussions we have had that Ministers understand what needs to be done and the challenges we face. I think we are putting together a plan that will be a good plan; it will be a very difficult plan, but we need to deliver it and we will need to be united in order to do that; not just, I

might add, the Council of Ministers: the States Assembly as a whole will have to buy into and then get behind what is being proposed. These are difficult areas. I have said it before, I have said it many times: change is difficult and it is particularly difficult when we are talking about a part of this is about people and affected lives.

Deputy S.M. Bree:

Obviously, the whole concept of change is a difficult one, particularly for possibly a civil service, and obviously the words that you have been saying could have come out of a change management consultant's brochure.

[11:45]

Really, at the end of the day, what we are looking for is a timescale here. We have to be sensible and say that if these savings are to be effected, then things have to happen quite quickly or at least be flagged up as dates when certain things will happen. To talk about it and to bring in consultants and to bring in independent advisers is laudable but, at the end of the day, I think what we need is firm timetables. When will you be able to provide us with a firm timetable?

The Minister for Treasury and Resources:

I said a moment ago the implementation of all of this, the first part you made, is not wrong; implementation is 90 per cent but contained within that is going to be a timetable of what is possible. The Programme Office, Council of Ministers and officers are looking at all elements of that and we will be in a position, certainly around the time of the lodging of the Medium-Term Financial Plan, to give you those details. That is from a public point of view but, as a panel, you will have the information before that. I cannot give you an exact date, but we have not got that long.

Deputy S.M. Bree:

No. So you can commit that not only we but the public of the Island will get this timetable in the relatively near future?

The Minister for Treasury and Resources:

Well, what I will commit to is that we have talked a lot about the need for change and modernisation and the other challenges ...

Deputy S.M. Bree:

Nobody disagrees.

The Minister for Treasury and Resources:

Absolutely right. I will be providing an update in the coming weeks to you as a panel, in particular, and the public around the time of the publication of the Medium-Term Financial Plan, simple as that.

Deputy J.A.N. Le Fondré:

The M.T.F.P. is going to be lodged in about 6 weeks, 30th June. Obviously, you have a lodged an amendment to the Public Finances Law which, assuming it is adopted, will influence, let us work on that presumption, what the M.T.F.P. is going to look like. At this stage, on the assumption that that amendment is adopted, how will the M.T.F.P. differ? I am not talking about years 2 and 3, but the first M.T.F.P. was 400 pages of huge amounts of detail. What are we likely to be getting when it is lodged? What does the M.T.F.P. look like, or is it likely to look like, on the assumption that the amendments go through as intended? It is 6 weeks away at the moment.

The Minister for Treasury and Resources:

I know, and I suppose that is at the heart of the amendment and other considerations that we are making at the moment. That will become obvious fairly soon and we have a lot to consider in a short period of time to balance the competing areas that we have been discussing this morning. So I think, to give you a meaningful answer, I will come back to you, because at the moment it just runs the risk of misleading if I make a comment.

Deputy J.A.N. Le Fondré:

Then, just touching again on the proposals, I understand alongside whatever does get lodged as what will become the statutory M.T.F.P., I believe you are adopting a recommendation from both, I think, our advisers, previously C.I.P.F.A., and the previous panel's recommendations and also recommendations of the C. & A.G. in relation to a 5-year rolling M.T.F.P. Is that the case and do you know what that will look like and how often it is going to update itself?

Treasurer of the States of Jersey:

Annually. So the intention would be at a certain stage ... I assume you are asking ... you are looking at me so I presume the question is ... **[Laughter]**

Deputy J.A.N. Le Fondré:

Sorry, yes.

Treasurer of the States of Jersey:

The intention would be that through a budget process ... clearly, it would be inappropriate for the current government to agree the next government's spending limits. So this is something we are

not putting in legislation, but the policy would be that every year we would come back with that extra year in terms of estimates of likely expenditure and likely income. I am not sure if it is 4 or 5 on the bullet, but at any point you would have a continual view into the future. Obviously, it can only be hardwired for the current period of government; it cannot be hardwired because that is for a future government to decide. But, nevertheless, we would provide a ruling situation that would be available so that you do not get to the end of government and have to start all over again.

Deputy J.A.N. Le Fondré:

You have said that income forecasts are going to be updated twice a year?

Treasurer of the States of Jersey:

Income forecasts? Yes. There is more to saying what the net finances of the States are going to be than looking only, I think ...

Deputy J.A.N. Le Fondré:

No, that is fair comment. But presumably there would be some ...

Treasurer of the States of Jersey:

So income forecasts would be there but expenditure would be a different matter. Of course, expenditure implies more of a degree of political input in terms of the plans of spending into the future. So the income forecasts do not anticipate a change in policy on tax, they just say: "With the existing policy, this is what we would expect to use", but spending decisions involve politicians.

Deputy J.A.N. Le Fondré:

But if you are going past the period of the present Council of Ministers, it does not matter whether it is twice yearly or annually, you are still going to have that problem. Can you not make some form of assumption or declare that: "These are the outcomes"? Most people are just interested in what the surplus or deficit is likely to be based on the continuation of present spending plans. You obviously cannot forecast in 5 years' time for a new Council of Ministers whether somebody is going to come along and want to spend another £50 million. That is not realistic.

Treasurer of the States of Jersey:

We will take instruction. My only comment would be if I spend all of my time forecasting I will never get anything done.

Deputy J.A.N. Le Fondré:

Okay. We may want to come back to you quite swiftly on that, but we shall see. Any more questions at all? Constable of St. John?

The Connétable of St. John:

No, I do not think so.

Deputy S.M. Bree:

No, I am fine. Thank you.

Deputy J.A.N. Le Fondré:

No. We will call it a day there. Thank you very much for this morning and we shall either await communications on our first item that we addressed or check our communications to see what has come through. We will look forward to hopefully having the matter resolved and sorted out by Monday or Tuesday.

The Minister for Treasury and Resources:

Well, as I stated earlier, I have given an instruction this morning. The timeframe, I believe, is realistic. Obviously, you would need to sign the N.D.A., which you have undertaken to do, and I would expect that process to be undertaken by close of business Monday at the latest. If it is not the case, then I am sure you will keep us up to date.

Deputy J.A.N. Le Fondré:

We will be back in communication. We make the point that we have obviously signed up to the confidentiality principles anyway. We do not know what is in any other set of documents, but the principles we have already formally confirmed through Kevin Evans, who is nodding down in the corner there, that we have confirmed that we will receive the information on a confidential basis, that was done 2 or 3 weeks ...

The Minister for Treasury and Resources:

And that it will not be obviously passed to any third parties or through parliamentary privilege and all the rest of it.

Deputy J.A.N. Le Fondré:

No, we understand the whole ...

The Minister for Treasury and Resources:

Because that is, as you are aware I am sure, where the sensitivity is from S.O.J.D.C.'s perspective.

Deputy J.A.N. Le Fondré:

If that were to occur I think it would damage the scrutiny process as a whole ...

The Minister for Treasury and Resources:

It would.

Deputy J.A.N. Le Fondré:

... but, as I have made the point previously, we receive lots of confidential information and, as you will be aware, Minister, including with items that the Council of Ministers see on a regular basis, we have not commented on them or released those into the public domain.

The Minister for Treasury and Resources:

No, and I perhaps should just make it clear that I do not think in any shape or form that S.O.J.D.C. are suggesting that you or any member of the panel are likely to do that, but there is some history in the past, I believe, where some confidential information has landed into the public domain, and I think that is where there is an area of concern. Because after it has happened it is too late. There is this concern, and that is why it has been very difficult from my perspective in terms of balancing the responsibility that I have in terms of looking after the public interest and the value of S.O.J.D.C. because, let us be clear, S.O.J.D.C. is effectively owned and the assets it has are owned by the people of Jersey. So what we do not want to do, any of us, in any shape or form, is see that value reduced as a result of unfortunate commercial information getting into the public domain in a way that it should not.

Deputy J.A.N. Le Fondré:

That is obviously what we are trying to also scrutinise.

The Minister for Treasury and Resources:

So hopefully we have found a way forward that will protect all parties.

Deputy J.A.N. Le Fondré:

Good. We shall wait and see what comes through. Good. On that basis, we adjourn. Thank you very much.

Deputy S.M. Bree:

Thank you very much indeed.

[11:54]