

States of Jersey  
States Assembly



États de Jersey  
Assemblée des États

# Public Accounts Committee States Spending Review



Presented to the States on 23rd April 2010

P.A.C 2/2010



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## Chairman's Foreword

Many of the proposals for savings in the Public Sector in the Comptroller and Auditor General's report 'Emerging Issues – States Spending Review' were originally suggested by Departmental Officers. Even allowing for the change in some of the personnel in the interim, the vociferous opposition to some of the proposals from those same Departments is somewhat perplexing.

Within the following pages the Committee have concentrated largely on the 'big ticket' Departments: Education and Health, although no Department will remain untouched by the sweeping cost cuts that shall be required. Overspending issues within Home Affairs are investigated and some issues have also been highlighted as 'case studies,' questioning the rationale for such opposition to change.

While the PAC supports the endeavours of the Treasury Minister to cut spending, and welcomes the imminent Comprehensive Spending Review, the PAC places emphasis on actual measurable achievements rather than promises - promises which sometimes prompt a certain sense of déjà vu. In fact, a previous Fundamental Spending Review, undertaken in 2004 to a fanfare of 'we will cut spending' was in some respects an abject failure. Expenditure increased significantly in the following years, despite the rhetoric.

The PAC has made some overarching observations at the beginning of this report. There are certain issues which arise repeatedly within our investigations of each Department and it is these problems which need to be addressed without delay.

Within these pages, the PAC has made several recommendations, and the Committee will be closely monitoring the Executive to ensure those recommendations are implemented.



Senator B.E. Shenton  
Chairman, Public Accounts Committee

## **Acronyms and abbreviations used in this report**

PAC – Public Accounts Committee

C&AG – Comptroller and Auditor General

CMB – Corporate Management Board

ICR – Integrated Care Records

EDD – Economic Development Department

ESC – Education Sport and Culture

JFL – Jersey Finance Limited

CSR – Comprehensive Spending Review

HR – Human Resources

HSS – Health and Social Services

## **Committee Membership**

The current membership of the Public Accounts Committee (as at 23rd April 2010) comprises:

### **States Members**

Senator B.E Shenton (Chairman)

Connétable J. Refault (Vice-Chairman)

Senator A. Breckon

Senator J. Perchard

### **Independent Members**

Mr K. Keen

Mr A. Fearn

Mr M. Magee

# 1. Executive Summary

- 1.1 In May 2008, the Comptroller and Auditor General produced a report entitled 'Emerging Issues – States Spending Review.' This report outlined proposals for cost cutting measures within most States Departments.
- 1.2 On 14<sup>th</sup> September, the Deputy Chief Executive supplied the Public Accounts Committee with a copy of a report presented to the Council of Ministers on 7<sup>th</sup> May 2009, consisting of responses to the C&AG's report by every executive States Department.
- 1.3 The Public Accounts Committee considered that the majority of Departmental responses were lacking in detail, analysis, and evidence based benchmarking techniques.
- 1.4 Furthermore, the Committee is concerned at the lack of challenge to these inadequate responses by the Corporate Management Board and the Council of Ministers.
- 1.5 The Committee has been in correspondence with every major States Department in order to follow up on progress with regards to the C&AG report.
- 1.6 On 12<sup>th</sup> January 2010, the Committee visited the Jersey Met Office along with the Chief Officer for Planning and Environment in order to discuss the C&AG's proposals for privatisation.
- 1.7 On 15<sup>th</sup> January 2010, the Committee held Public Hearings with the Deputy Chief Executive and Chief Officer for Resources, the Director of Education and Senior Management at Health and Social Services.
- 1.8 The Public Accounts Committee is disappointed that nearly two years on from the C&AG's initial report, most of the cost cutting measures suggested have yet to be implemented.
- 1.9 In order to achieve the savings required in order to offset the imminent structural deficit, not only are substantial cost cutting measures required, but also the political appetite to achieve those savings.
- 1.10 Within this report, the Committee has examined many of the C&AG's proposals in detail, along with the respective Departmental reactions.
- 1.11 This report makes several recommendations for each Department. The Committee will be closely observing progress and ensuring that these recommendations are realised.

## **2. Key Findings and Recommendations**

### **Overarching key findings and recommendations**

#### **2.1 KEY FINDING**

The Comptroller and Auditor General's proposals within his 'Emerging Issues' report have largely not been acted on. The Public Accounts Committee is disappointed that the recommendations of the C&AG have not been implemented, and that there has been no apparent political will to do so, and no robust reason given for the lack of response.

#### **2.2 RECOMMENDATION**

The Public Accounts Committee formally requests that each Chief Officer replies to this report in a timely manner and indicates what action is to be taken in respect of every proposal of the C&AG pertinent to his or her Department. Where there has been no action taken, an adequate justification of this inaction is required.

#### **2.3 KEY FINDING**

States Assembly decisions are sometimes not implemented and it is not clear who is responsible for ensuring that they are.

#### **2.4 RECOMMENDATION**

Members of the States Assembly should be aware that the exact wording of a Proposition is more important than the accompanying report or what is said in the debate. Chief Officers should take account of the wishes of the Assembly when implementing policy, rather than simply ignoring policies that are inconvenient.

#### **2.5 RECOMMENDATION**

Chief Officers should be more heedful of their mandate to carry out decisions of the States. There should be a follow up process to ensure the work is done. A body or individual should be tasked with ensuring that the decisions of the States Assembly are realized. We note that there is currently no mechanism in place to ensure that this happens and recommend that the Privileges and Procedures Committee investigate whether such a mechanism should be put in place forthwith.

#### **2.6 KEY FINDING**

The Departmental responses to the C&AG's cost cutting proposals lack depth and analysis. Many of the Departmental responses are sparse or inadequate. There is limited use of benchmarking techniques i.e. comparison to other / equivalent jurisdictional spending levels. In the private sector the first job in cutting costs would be to establish what services the organisation (the States) need to provide as a statutory duty, and work forward from there. e.g to ask what services can be privatised using cost as the criterion. This kind of logical process appears to be missing in the States. It is almost as if there is a genuine belief amongst the public sector that they are not subject to the standard requirements of efficiency, benchmarking and cost control.

#### **2.7 RECOMMENDATION**

A robust system of benchmarking should be put in place where appropriate. It should be possible to demonstrate the efficiency of Departments through the use of appropriate benchmarking.

#### **2.8 KEY FINDING**

There appears to be a lack of challenge and leadership by the Council of Ministers. The Public Accounts Committee has witnessed no challenge to the inadequate responses of Departments to the C&AG proposals by the Corporate Management Board. This is not what the PAC would expect to see if the States are serious about efficiency gains and cost

cutting. The Departmental responses frequently mention that 'appetite and political will' will be required for savings to be achieved. But we see very little of that political will or appetite from the Council of Ministers. Other than the Public Accounts Committee, there appears to be no mechanism to challenge inadequate responses.

## **2.9 RECOMMENDATION**

There needs to be more leadership within the Council of Ministers in order to cascade political decisions through to Departments. This may mean changes to the Public Finances (Jersey) Law 2005 in order to specifically ensure in law that Chief Officers (in particular the Treasurer) not only provide advice, but are responsible for ensuring that advice is implemented.<sup>1</sup>

## **Chief Minister's Department**

### **2.10 KEY FINDING**

*"The public sector is 10% ahead of the market median and basic pay when compared to all organisations in the private sector and 3% above the market median in total earnings. This data suggests that the public sector is in a healthy basic pay position when compared against the private sector in Jersey. However, for some positions, the States pays most generously in comparison with the private sector. For some senior positions, the States remuneration system is not competitive with remuneration offered by private sector employers and in consequence, the States are at risk of losing senior employees."* (Quote from the C&AG Report – 'Emerging Issues- States Spending Review.)

### **2.11 KEY FINDING**

The biggest cost to the taxpayer is salary costs and benefits. Yet the decentralization of ownership of these costs to the States Employment Board leaves little responsibility within individual Departments. The provision of across the board pay rises does little to correct disparities within the public sector – effectively increasing the salaries of the overpaid and not correcting the underpaid.

### **2.12 KEY FINDING**

The Public Accounts Committee is extremely disappointed that no action has been taken to ensure that *'staff remuneration is competitive but not unduly generous'* as recommended by the Comptroller & Auditor General.

### **2.13 RECOMMENDATION**

The Council of Ministers should undertake a comprehensive review of all pay and conditions and adjust remuneration levels where appropriate. Note- this could lead to a reduction in some remuneration packages.

### **2.14 KEY FINDING**

The Public Accounts Committee is pleased to note that there is recognition that the current arrangements in respect of public sector pay needs to change.

### **2.15 RECOMMENDATION**

A more flexible remuneration system which takes into account private sector remuneration needs to be introduced. Positions paying well in excess of their private sector equivalents should be abolished and replaced with structures that operate in a more cost effective manner.

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<sup>1</sup> As discussed in the C&AG's report – 'Public Finances (Jersey) Law 2005- a Review in the Light of Experience' February 2010 page 15

## **Economic Development Department**

### **2.16 KEY FINDING**

There is a lack of demonstrable or specific achievement by Jersey Finance in order to justify their grant. It is simply unacceptable to declare that funding cannot be reduced if there has been no exercise to ascertain whether the budget is appropriate and that the funds are achieving targets.

### **2.17 KEY FINDING**

The Public Accounts Committee agrees that investment in the Jersey Finance Industry is necessary, given its importance to the overall economy. However, the level of grant appears somewhat arbitrary and the Public Accounts Committee believes that a more scientific and accountable method of distribution needs to be devised.

### **2.18 RECOMMENDATION**

The funding of Jersey Finance should be structured with a clear and fixed (by percentage) contribution from the finance industry. A matched financing approach should be considered.

### **2.19 KEY FINDING**

It is important that taxpayers' money is used in an optimum manner and there appears no public documentation available that examines any consultation with the finance industry to determine whether Jersey finance is achieving its aim. At the very minimum, Economic Development should be examining why certain industry players are not members of Jersey Finance and their opinion of the size of grant funding an organisation of this nature should require. There are significant players of the Finance Industry who do not consider Jersey Finance to be a significant factor in their success.

### **2.20 RECOMMENDATION**

The grant to Jersey Finance is substantial. A structured formula needs to be devised by the Economic Development Department.

### **2.21 KEY FINDING**

The PAC is sceptical that something as broad as 'positive press coverage' can be attributed to the activities of Jersey Finance, as media coverage and reputation is comprised of a multiplicity of complex factors.

### **2.22 KEY FINDING**

Many of the achievements listed here general Island successes only, not necessarily attributable to Jersey Finance (or if so, only in part).The PAC considers that Jersey Finance does not provide value for money, and that some of its speculative trips to the Far East are of uncertain value, considering that meetings with politicians and regulators did not create business for the Island. It is acknowledged however that if Jersey is marketing itself as an international finance centre, then this type of activity could be beneficial. However, the PAC is sceptical about whether this activity should be publicly funded.

### **2.23 RECOMMENDATION**

The grant to JFL should be reduced to a level whereby 50% of the funding is provided by the Finance Industry, given their lower contribution to fiscal revenues.

## **Education, Sport and Culture Department**

### **2.24 KEY FINDING**

Education Sport and Culture, in providing free childcare in excess of 20 hours, is operating outside of its remit. Given the lack of educational benefits in providing childcare at this age

and the fact that there is no legal requirement to provide education under the age of 5 means the provision of nursery care should be seen as a luxury. The Public Accounts Committee questions whether the public sector should be involved in this service provision.

**2.25 RECOMMENDATION**

The introduction of 20 free hours nursery care was intended to provide a level playing field with the private sector. The PAC recommends that charges are introduced for more than 20 hours, based on the full costs, including premises, of providing that service. The fact that public sector nurseries (30 hours) are over subscribed emphasises the fact that the promised 'level playing field' has not been delivered.

**2.26 KEY FINDING**

The predicted impact of a fee increase is greatly overstated by ESC, especially as many schools have waiting lists. These assertions are made without any supporting documentation and some conclusions appear recklessly incorrect. It is highly unlikely that there will be the level of withdrawals from fee paying schools indicated by Education Sport and Culture based on the fee increases indicated. The suggestion that a small increase in fees would result in the removal of all fee paying students (at a subsequent costs to the taxpayer of up to £7 million) is absurd.

**2.27 RECOMMENDATION**

The PAC requests that Education Sport and Culture undertake a meaningful examination of optimal fees, taking into account waiting lists and the apparent lack of confidence by some parents in the non fee paying sector. Furthermore the PAC acknowledges that the continuation of funding fee paying schools at an optimal level is prudent from both a financial and educational perspective.

**2.28 KEY FINDING**

There is potentially no incentive for Ministers to make savings within their Department as the resulting money saved would be lost from their budget. The shared approach to fiscal management simply does not work; there are no incentives for individual ministers to act in a fiscally responsible fashion. This is the case not just within Education, but across the board.

**2.29 RECOMMENDATION**

The performance of the Department and its Managers should be administered on a benchmarking basis whereby financial management and cost control is rewarded. In order to achieve this, there has to be a significant shift in the 'mind-set' of the Department and a full understanding of the cost of education in Jersey. An incentive to save should be introduced through a basic bonus structure. This could be reviewed in line with the C&AG finding that there was a degree of under remuneration at senior executive level.

**2.30 KEY FINDING**

The PAC notes that there are 22 primary schools, with many empty seats. To have this number of schools in such a small Island is a 'nice to have' but certainly not a necessity in the current economic climate. Although the PAC is pleased to note that the ESC Department has acknowledged that the C&AG's proposal is viable (albeit potentially unpopular) the Committee is concerned that no detailed analysis of exactly which primary schools two form entry system should be affected or considered for closure has been put forward.

**2.31 RECOMMENDATION**

The PAC recommends immediate progress on this issue, with the identification of which schools are to be affected.

**2.32 KEY FINDING**

The PAC detects an inconsistency of approach as to how and where political decisions are being made. The senior management at Education Sport and Culture are making political decisions that are outside their remit. A political decision appears to have been made at civil servant level. It is not the job of the civil service to make political decisions of this nature or to speculate about potential public reaction to a political decision.

**2.33 RECOMMENDATION**

In times of financial constraint, financial management must take precedent over personal preferences and perhaps public opinion. A blueprint for Education should be drawn up using financial management as one of its prime criteria.

**2.34 KEY FINDING**

Any savings resulting from falling pupil numbers will be reflected in the budget settlement from Treasury.

**2.35 RECOMMENDATION**

The Public Accounts Committee would like an assurance from Education Sport and Culture that they are capable of taking the tough decisions necessary to manage the demographic decline in student numbers while simultaneously increasing educational standards.

**2.36 KEY FINDING**

£480,000 (the proposed reduction of funding to the fee-paying colleges) appears to be an arbitrary figure and not reflective of the true costs. ESC does not know the true cost of sending a pupil to JCG or Victoria College.

**2.37 RECOMMENDATION**

The grant system to the private educational sector does provide value as it encourages a large proportion of taxpayers to contribute to education through fees. However, the funding mechanism must be transparent and shows no favouritism to individual schools.

**2.38 KEY FINDING**

The Director of Education Sport and Culture is vague about what his costs actually are. The Public Accounts Committee is concerned that without a thorough analysis of costs, a realistic saving plan is impossible to implement.

**2.39 RECOMMENDATION**

Budgets passed to Chief Officers must be based on the funding of all costs, including property costs. Education within the public sector must be regularly benchmarked and the results published.

**2.40 KEY FINDING**

Not all schools are members of the Schools Instrumental Service and those schools are still able to provide excellent music tuition. The conclusion fails to point out that many of the students come from affluent backgrounds and are more than able to purchase their own instruments. There is no evidence to suggest that serious students would be affected by the withdrawal of the service. For example, schools that are not members of the Schools Instrumental Service to excel. The PAC considers the service in its current form to be an unnecessary extravagance.

**2.41 RECOMMENDATION**

Loan charges should be introduced forthwith for musical instruments and the grant to the service cut accordingly. However, the PAC acknowledges that students from less affluent backgrounds should not be excluded from the opportunity to master a musical instrument. A more targeted approach is therefore supported in order to subsidise such students.

**2.42 KEY FINDING**

It is unclear what the long term plan for Highlands funding is. It is also unclear what the aims of Highlands are.

**2.43 RECOMMENDATION**

The long term business plan for Highlands needs to be developed – and it needs to decide exactly what Highlands is. Longer term funding arrangements require clarification, as the provision of fiscal stimulus funding is only a short term solution. A set formula needs to be developed in respect of Highlands funding – which is not based solely on student numbers.

**2.44 KEY FINDING**

The lack of clarity in respect of the functions and funding of the Jersey Childcare Trust is unacceptable. This matter was highlighted by a C&AG report back in September 2006 which noted the lack of cohesive Government strategy on Childcare provision in the Island.<sup>2</sup>

**2.45 RECOMMENDATION**

A model for the Jersey Childcare Trust, with long term value for money financial planning, needs to be developed as a matter of urgency.

**2.46 KEY FINDING**

In the hearing, the Director of Education expressed that fact that the corporate goals of the Corporate Management Board and the goals of individual Ministers can often clash. The Minister for Education is a good example as he has made it publicly clear that he will oppose any move to cut his Department's budget.

**2.47 RECOMMENDATION**

In the UK, each council had an officer whose statutory duty it was to report back if there was concern in respect of the financial situation. There is currently no such statutory duty in Jersey. Chief Officers may well be more diligent in carrying out their accountable duties if such legislation were in place and if they had incentives to make necessary cuts. The culture of protectionism needs to be driven out of the system and a more business-like financial approach developed in terms of overall management. Ministers need to realise that whilst they have responsibility to protect their Department, their ultimate responsibility is to the whole Island and they must manage the assets under their capital in a prudent manner.

**Health and Social Services Department**

**2.48 KEY FINDING**

The Director of Finance and Information Services for Health and Social Services has confirmed that it is impossible to know how much certain services cost in the Health Department. Without this information it is also impossible to know whether you are getting value for money, or whether some services would be better off outsourced. The PAC is concerned about how a meaningful comprehensive spending review can be undertaken without such fundamental information being available.

**2.49 RECOMMENDATION**

The PAC believes that Health and Social Services should know the true cost of very service provided. This body of work should be undertaken where possible, with the figures published, including appropriate benchmarks for comparison purposes. Concentration should be given to areas where private sector provision is already available.

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<sup>2</sup> Jersey Childcare Trust, report by the C&AG, September 2006

- 2.50 KEY FINDING**  
There is a lack of a professional interface between primary and secondary care.
- 2.51 RECOMMENDATION**  
The Health and Social Services Department should determine essentially which core services that they should offer, and negotiate a clear segregation of services and responsibilities with the primary care body. The trend within other jurisdictions has been to encourage as many initial investigatory procedures as possible within primary care clinics. This has the benefit of speed of service and avoids the use of expensive hospital based services.
- 2.52 KEY FINDING**  
The lack of data gathering and monitoring, both in terms of what costs are and in terms of patient information, is a recurrent theme within Health. Without the existence of such information, cost cutting measures will be difficult if not impossible to implement.
- 2.52 RECOMMENDATION**  
An appropriate Integrated Care Record system should be installed in order to achieve the identified savings.
- 2.53 KEY FINDING**  
Although the PAC acknowledges the unpredictable nature of Health spending, Health Tourism is an area which has yet to be satisfactorily addressed.
- 2.54 RECOMMENDATION**  
Swift moves should be made to progress a Health Tourism policy.
- 2.55 KEY FINDING**  
When looking to make substantial savings such as those required now, 'difficult discussions' are unavoidable and should not be seen as a barrier to progress.
- 2.56 RECOMMENDATION**  
Political will is required to implement unpopular yet necessary decisions. Greater emphasis on overall costs should be undertaken in respect of the selection of the service provider.
- 2.57 KEY FINDING**  
There appears to be little urgency to adopt a user pays policy within the Health Service. With Health costs likely to continue to rise at above inflation levels, this could lead to an inappropriate use of resources, with core services neglected as funds are diverted to areas where a user pays policy would be more appropriate.
- 2.58 RECOMMENDATION**  
Where appropriate, 'user pays' policies should be introduced, rather than waiting for them to be forced on the Department due to budget constraints.
- 2.59 KEY FINDING**  
The initiative of working with Guernsey to develop joint services in health has merit, and should be pursued. The Public Accounts Committee shall seek to work closely with its Guernsey counterparts in order to advance inter-island co-operation, and a further meeting with the Guernsey Public Accounts Committee is currently being planned.
- 2.60 RECOMMENDATION**  
The financial model for the provision of all ambulance services should be reviewed. A benchmarking process using the taxpayer costs to the Guernsey taxpayer (of a similar service) should be published and reviewed.

**2.61 KEY FINDING**

The Acting Chief Officer of Health saw the job of addressing high absence levels in his Department as beyond his control. He saw this task as a centralised function.

The Public Accounts Committee was extremely concerned at the lack of ownership by H&SS management in respect of the management of sickness levels. Because HR had been centralized the problem had been passed away from the coalface – and lost at the centre. Good sickness management can achieve considerable savings for the taxpayer – yet there is a lack of ownership of the problem. The PAC sees no indication that the Acting Chief Officer of Health understood the relationship between effective resource management and the ability to achieve the desired outcomes in a Department. If there is no accord in working towards shared corporate objectives (in this case, making savings) then those objectives will not be achieved.

**2.62 KEY FINDING**

There are mixed messages from the Executive. There appears to be no consistency regarding whether sickness absence levels are a cause for concern and very little ownership of HR issues by the Departmental Chief Officer of Health. Without buy in from key officers and an acknowledgement of the problems that exist, progress on implementing savings arising from these issues is unlikely.

**2.63 RECOMMENDATION**

The absence of staff through sickness is considered more of a nuisance than a cost. Whilst the management of HR has been centralised, the management of sickness has not and this fact should be conveyed to all staff in management positions.

**2.64 KEY FINDING**

The position of Hospital Director has been removed. Therefore there is no longer any distinction between the operational running of the hospital and the strategic management of the Department. Therefore long-term planning had been somewhat neglected in favour of day to day 'fire fighting.'

**2.65 RECOMMENDATION**

There are two distinct spheres of HR management: process management and the way in which line managers manage. The latter cannot be outsourced. Managers need to take ownership and responsibility for some aspects of HR management, otherwise certain issues, which are costing taxpayers' money, cannot be addressed

**2.66 KEY FINDING**

There is significant overspending due to an over reliance on locum staff, and problems within the recruiting process.

**2.67 KEY FINDING**

One of the reasons for believing that substantial procurement savings might be available was that the Department had issued a very large number of States purchasing cards. This indicates that many items are purchased on a piecemeal basis rather than by means of general contracts – where terms can be controlled.

**2.68 RECOMMENDATION**

The Procurement Manager at Treasury and Resources should be given overarching control over all HSS procurement functions.

**2.69 KEY FINDING**

While the PAC anticipates that savings will flow from the centralisation of IS under Chief Ministers, it is troubled that the savings mentioned above are promises for the future and that the above technology is not already in place. Installing and implementing ICT systems is only part of the picture. It appears that the rationale for procurement in this area has

been simplistically based on the purchase of equipment, without consideration of the process design which will allow staff to use it properly.

**2.70 KEY FINDING**

The PAC are heartened to note the efforts made to buy as a consortium.

**2.71 RECOMMENDATION**

More efforts should be made to co-operate with Guernsey in Health. The PAC recommends that potential avenues for making savings via joint purchases be thoroughly explored.

**Home Affairs Department**

**2.72 KEY FINDING**

The response to the PAC was that closure of the Western Fire Station would result in a saving of £5,000. Yet in the private sector, the Finance Director would look at the sub-station as an asset – probably worth in excess of £500,000, as well as the running costs. He would also look at the cost of equipment duplication and the administrative burden. Based on site value, the elimination of maintenance and administration costs, and the fact that the capital sum released could be better utilised elsewhere, his conclusion may be that closure would result in significant savings to the Company and its shareholders. Yet in the public sector, the cost of the asset is considered differently and the ‘true’ cost of a service is not costed correctly. The rental from the premises in no way covers the capital employed in maintaining the service.

**2.73 KEY FINDING**

It is perverse that a recommendation by the Department is then opposed so robustly. The PAC intends to undertake further work in respect of the efficiency of the Fire Service.

**2.74 RECOMMENDATION**

The PAC would like the option of closing the Western Fire Station to be fully costed and re-presented.

**2.75 KEY FINDING**

The PAC is concerned that political decisions seem to be being made at individual Departmental level.

a) It is not a civil servant’s job to anticipate or make decisions based on an anticipated political reaction.

b) Even if the public reaction were to be disapproving, it does not necessarily follow that the saving should not be made.

There has to be a clearer and stronger direction by Ministers in respect of policy. The replies to the C&AG’s Emerging Issues report were largely unacceptable in terms of quality and structure. However, they appear to have received the sanction of the Minister.

**2.76 RECOMMENDATION**

Ministers should ensure that policies determined by the States are upheld and not side-tracked by their Department. There appears to remain confusion as to where a Minister’s loyalty lies. An oath of office should be sworn by each Minister promising to uphold his responsibilities to the public.

**2.77 KEY FINDING**

The Department’s conclusion here cautions that there would be “significant risks” to the “sustainability of the business” if charges for the inspection of commercial premises were

implemented. Our Committee is unconvinced as to what these risks would be. Are “commercial expectations” really so much more demanding? In terms of safety implications, this is a worrying statement. We are also sceptical towards the assertion that the introduction of charges would dissuade individuals or companies from taking the appropriate advice. Surely compliance with safety regulations is mandatory, regardless of costs? Also, we are aware that many developments are undertaken by large companies who can more than afford to pay.

**2.78 RECOMMENDATION**

The Jersey Fire Service inspection unit should be reduced to a size whereby self-financing is possible. An internal transfer from Planning and Environment to cover services provided should be introduced. Alternatively, Planning and Environment could provide this service internally – reducing the fire service staffing in this area.

**Planning and Environment Department**

**2.79 RECOMMENDATION**

The Public Accounts Committee is perplexed by the statement that (in order to privatise the Met Office) a large investment into the IT infrastructure would be required “of the order of £500,000 to £1m plus additional ongoing costs.” The C&AG was not necessarily suggesting the creation of a hefty independent entity to compete immediately in the European market place. The Committee does however think it is fair to question whether the wholesale funding of a local weather forecasting service by the taxpayers money is entirely justified. With this in mind, we suggest that other options including outsourcing need to be examined more realistically.

**2.80 RECOMMENDATION**

The PAC believes that this service could be marketed much more effectively than it is now, as there are many groups (e.g. farmers or builders) who would buy the service. The report is currently posted and/or emailed out. If it were available online via a subscription service that was effectively advertised, more income could be obtained. Services to all media organisations should be reviewed and charges introduced where appropriate.

**2.81 KEY FINDING**

Manpower is the main cost to the Met office.

**2.82 RECOMMENDATION**

The PAC considers that it is possible to cut staff further at the Jersey Met Office, particularly as an entirely automated night observation could be technically possible in the future. A saving could be made with a move away from shift work pay to normal working hours.

The PAC notes that technology is always improving. Radar has trouble differentiating between rain snow and drizzle but soon, improved technology will mean that they can be more easily distinguished. Also, unmanned night time monitoring is technically feasible, meaning less staff are required.

**2.83 RECOMMENDATION**

A rental income should be transferred to the Met Office in order to facilitate its transformation to a standalone entity

**2.84 KEY FINDING**

The establishment of a Met Office as a QUANGO has been very successful in New Zealand.

**2.85 RECOMMENDATION**

Rather than total privatisation, Jersey Met could be re-established as a States owned commercial trading enterprise.

**Treasury and Resources Department**

**2.86 KEY FINDING**

It is clear that the Chief Officer of Resources has no appetite to identify a lot of redundant properties. The implications of this are serious, in that this is an example of a Chief Officer failing to implement a decision of the States Assembly. This Chief Officer is also allowing personal concerns (his budget) to take precedence over corporate objectives and goals. The PAC is concerned by not only is the lost opportunity to save public funds, but there is also an overarching issue of the lack of accountability of a Chief Officer in carrying out States decisions.

**2.87 RECOMMENDATION**

All property assets should be assigned to relevant Departments as a matter of urgency. A full list of all assets, detailing both their capital value and rental value should be submitted to the States Assembly as a report within 6 months.

**2.88 KEY FINDING**

There appears to be a fundamental failure by the Public Sector in properly accounting for the services that they deliver. Furthermore, there is a failure in understanding the importance of this concept.

**2.89 RECOMMENDATION**

There appears to be a significant deficiency in the mind-set of Public Sector Managers in respect of understanding the time cost of the service or Department that they are responsible for. The PAC recommends that the Treasury a policy of 'education' amongst its Public Sector Managers in order that they fully understand their role and the true costs of running their Departments.

**2.90 KEY FINDING**

Basic management deadlines are not in place which dilutes accountability and urgency.

**2.91 RECOMMENDATION**

All policies should have set time frames for implementation together with regular review. The Property Plan has the consent of the Assembly and should be implemented forthwith.

**2.92 KEY FINDING**

The Chief Officer of Resources does not appear to consider it his role to ensure that policies are implemented in Departments. He sees it as the job of the respective Ministers. He sees his role as to provide 'opportunities' for savings and 'expertise.' There is a vast financial cost difference between giving Departments 'what they want' as opposed to 'what they need.' There appears to be no incentive in place to ensure that public funds are not wasted.

**2.93 RECOMMENDATION**

The extent of the savings now required calls for consistent and strong leadership from the centre. Political will is required to effect unpopular yet necessary decisions. The Chief Officer of Resources requires the mandate to implement and cascade these political decisions, insisting on changes if necessary. The provision of this mandate will require changes to the Public Finances (Jersey) Law 2005.

**2.94 KEY FINDING**

In other jurisdictions, including the UK, an officer is assigned with the specific responsibility for financial management. No such framework exists in the States of Jersey.

**2.95 RECOMMENDATION**

The PAC recommends that the responsibilities for financial management (in line with the 'Section 151 Officers' in the UK) are added to the duties of the Treasurer, so that his responsibility is enshrined in law.

### 3. Chief Minister's Department

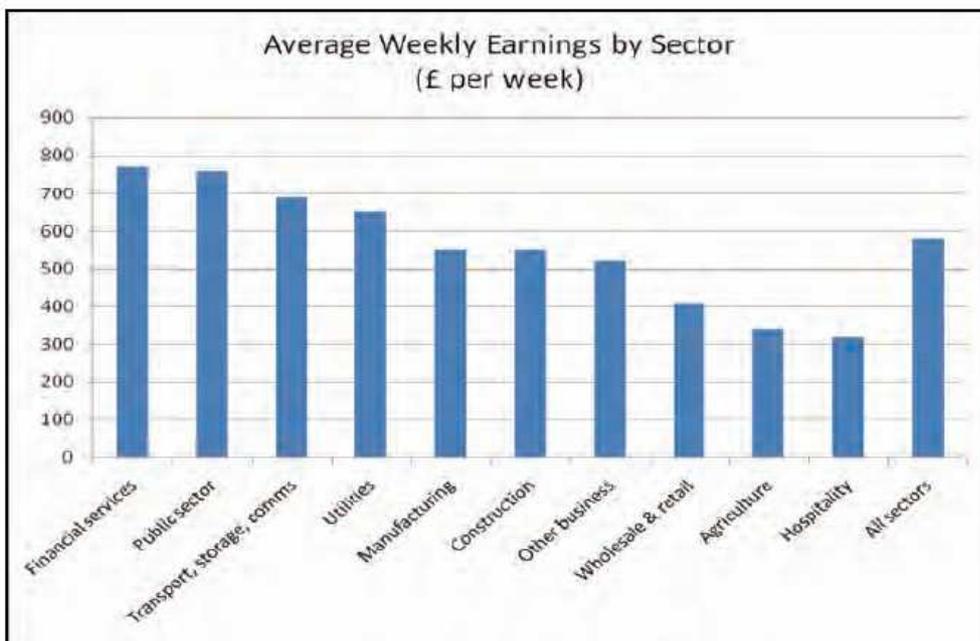
#### 3.1 Are we paying too much for our Public Sector?

Within his States Spending Review Report, the C&AG quoted the findings of the Hay Group, who undertook a survey between January and March 2006 of the remuneration paid by the States of Jersey to their staff and compared that with remuneration paid to staff of similar grades within the private sector in the Island and within the public sector on the mainland.

*The survey stated:*

***“The public sector is 10% ahead of the market median and basic pay when compared to all organisations in the private sector and 3% above the market median in total earnings. This data suggests that the public sector is in a healthy basic pay position when compared against the private sector in Jersey. It will also suggest a very competitive position when comparing total earnings, although this is relative to economy and company performance and is due to the variable nature of a percentage of most private sector packages. The public sector have an even healthier market position when compared against the private industrial and service sector with a 23% lead on the market median in pensionable pay and are 21% ahead of the market median in total earnings. Although the private finance sector is the highest paying group in the private sector the public sector still have a lead on overall pensionable salary (4.1%). However, the finance sector is the highest payers when looking at total earnings (4% more than the public sector). Although the data in the report suggests that the public sector overall are well placed in the pay market in Jersey, there are some pay groups which are behind, or specific positions in certain pay groups.”<sup>3</sup>***

*This overall general analysis is consistent with the result of work carried out by the Island's Statistics Unit and published in June 2007. The Statistics Unit report included the following table comparing average weekly earnings in different sectors in the Island.*



<sup>3</sup> C&AG Report – 'Emerging Issues - States Spending Review page 16

The significance of the Hay Group survey and of the Statistics Unit report is that they suggest that:

**1) average remuneration within the Island's public sector appears to be higher than in almost all of the Island's sectors.** In its work, the Statistics Unit found that earnings of public sector employees amounted to £760 whereas the average earnings of financial services sector employees amounted to £770. By comparison, the average earnings for all sectors were £580 and in utility businesses £650.

(2) the margin between public sector earnings and private sector earnings was greatest for the lowest paid grades.

(3) at the highest paid grades, public sector earnings were lower than comparable earnings in the private sector.

The survey evidence about remuneration comparisons is consistent with anecdotal evidence. States' departments suggest that it is possible to recruit and train professional staff (i.e. that in early training grades the available remuneration is competitive with the private sector) but that once they have qualified and have gained experience, employees are vulnerable to recruitment offers from the private sector (i.e. at higher grades, the States' remuneration is not competitive).

### **Implications**

From the point of view of the Spending Review, the significance of this information is twofold:

(1) for some positions, the States pays most generously in comparison with the private sector. For some senior positions, the States remuneration systems is not competitive with remuneration offered by private sector employers and in consequence, the States are at risk of losing senior employees.

(2) the existing remuneration system does not appear sufficiently flexible to reward skill and experience appropriately.

## **3.2 KEY FINDING**

*"The public sector is 10% ahead of the market median and basic pay when compared to all organisations in the private sector and 3% above the market median in total earnings. This data suggests that the public sector is in a healthy basic pay position when compared against the private sector in Jersey. However, for some positions, the States pays most generously in comparison with the private sector. For some senior positions, the States remuneration system is not competitive with remuneration offered by private sector employers and in consequence, the States are at risk of losing senior employees."* (Quote from the C&AG Report – 'Emerging Issues- States Spending Review.)

3.3 There is a seemingly inability to look at the cost of the Public Sector in a truly holistic manner. Other Public Sectors worldwide have viewed the maintenance of employment levels as being of higher priority than the maintenance of salary levels.

3.4 **'The public sector have an even healthier market position when compared against the private industrial and service sector with a 23% lead on the market median in pensionable pay and are 21% ahead of the market median in total earnings.'**<sup>4</sup> - Hay Group.

3.5 The Public Accounts Committee is concerned that the apparent decision to not consider salary reductions will ultimately lead to much higher unemployment levels than may be necessary. There is no doubt that those fighting for unjustified pay increases will be increasing the risk of putting colleagues out of work.

3.6 The CAG report suggests that a remuneration system *'dedicated to ensuring that staff remuneration is competitive but not unduly generous may prove to be less expensive to the States than the present arrangements.'*<sup>5</sup>

<sup>4</sup> C&AG Report – 'Emerging Issues – States Spending Review page 17

<sup>5</sup> C&AG Report – 'Emerging Issues – States Spending Review page 20

3.7 There is little doubt that if the States were to move towards a more market led approach then it would require a transformation of the employee relationship, job evaluation, the process of salary determination, collective and/or individual bargaining and the relationship with trade unions. This would be both a significant and expansive piece of work. The first step would be to analyze the options for moving towards a new remuneration system and the approach needed to implement a new system.

### 3.8 KEY FINDING

The biggest cost to the taxpayer is salary costs and benefits. Yet the decentralization of ownership of these costs to the States Employment Board leaves little responsibility within individual Departments. The provision of across the board pay rises does little to correct disparities within the public sector – effectively increasing the salaries of the overpaid and not correcting the underpaid.

### 3.9 KEY FINDING

The Public Accounts Committee is extremely disappointed that no action has been taken to ensure that *‘staff remuneration is competitive but not unduly generous’* as recommended by the C&AG.

### 3.10 RECOMMENDATION

The Council of Ministers should undertake a comprehensive review of all pay and conditions and adjust remuneration levels where appropriate. Note- this could lead to a reduction in some remuneration packages.

## 3.11 Remuneration and redundancy arrangements in the Public Sector

### C&AG proposals regarding remuneration:

*The evidence suggests...that the States’ staff remuneration mechanisms should be thoroughly reviewed to ensure that they are appropriate to support the achievement of the States’ objectives in the current environment. The evidence also suggests that a remuneration system dedicated to ensuring that staff remuneration is competitive but not unduly generous may prove to be less expensive to the States than the present arrangements.*<sup>6</sup>

### C&AG proposals regarding redundancy arrangements

*As a part of the review of the normal terms and conditions of employment, the standard terms for redundancy should be re-visited. In interviews with managers in the course of this review, there were frequent references to the difficulty of declaring redundancies.*<sup>7</sup>

*It should be clear that a number of the spending options canvassed in this report (and the related detailed departmental reports) will be impossible unless the standard terms for declaring positions redundant are re-negotiated.*<sup>8</sup>

3.12 The PAC questioned the Chief Officer of Resources about progress on the above issues.

#### **Mr. K. Keen:**

*In the private sector the individual’s needs would have to go to one side for the survival of the business, so it would be much more quick and instant than that and people might have to take a pay cut. How do you align the public sector with the private sector so that you do have that sort of shared pain or I suppose we are talking about shared vision? What is fair*

<sup>6</sup> C&AG Report – ‘Emerging Issues - States Spending Review page 20

<sup>7</sup> C&AG Report – ‘Emerging Issues - States Spending Review page 22

<sup>8</sup> C&AG Report – ‘Emerging Issues - States Spending Review page 22

enough for the private sector is also fair enough for the public sector rather than these long, drawn-out reviews and even longer implementations. Back to pay again.

**Deputy Chief Executive and Chief Officer for Resources**

Well a number of public sector organisations I am aware of in Jersey have delivered very effective change programmes where the change to their staff levels, their remuneration levels, et cetera have been managed over a period of time. We have seen some recently being publicised. I know of a number of big organisations in the past who have done exactly the same thing and we have to work towards making sure - we in the States I think are seen as a good employer - and we have to remain a good employer and we have to manage our staff properly. There are 2 or 3 very big organisations in the private sector I know of over here who have managed a significant transition, I know 2 of them quite well, and I am very, very impressed as to how they have done it. If I could mirror that in the States I think we would be doing equally well but they have not all been quick-fire, one-off changes. Most of the changes I know of in the big private sector companies have been properly managed over a period of time.

**Senator J.L. Perchard:**

Does that mean replacing the Hay evaluation system with something new and more modern and more relevant?

**Deputy Chief Executive and Chief Officer for Resources**

As part of my role running Human Resources, and I know my H.R. Director is of the same view, we would both like to see the Hay system replaced and we would also very much like to see a far more common grading system. While I am on that, I have a very strong view that I think we have a structure which in some way divides the organisation between manual workers and civil servants. My goal would be that we have a one-tier structure. We obviously have to keep nurses and teachers in separate scales but within the service, I would like to do away with the manual worker and civil service grades. I would like to have one structure, one spine that recognises and rewards people and far fewer grades than we have.

**Senator J.L. Perchard:**

I think that is music to my ears, personally. Also, redundancy arrangements, and I do feel that the States have rightly earned a reputation for being a "job for life". Once you are a States employee you have a job for as long as you want it and I suspect that the States are carrying much dead wood. Are there any plans to review the redundancy arrangements within the States?

**Senator B.E. Shenton:**

Can I add to that, would you say that the current redundancy arrangements are over-generous compared to the private sector?

**Deputy Chief Executive and Chief Officer for Resources**

The current voluntary redundancy arrangements?

**Senator J.L. Perchard:**

Yes, the whole redundancy arrangements, Chairman, rather than the financial arrangements, the fact they have identified people who are not performing and doing something about it.

**Deputy Chief Executive and Chief Officer for Resources**

Well, I am going to reflect back for a moment on my track record on what I have done in my organisation in that, within Transport and Technical Services public service, I took 100 staff out between the 1998 service review and leaving the department in May last year. Now if I can do it with the current constraints and the current pressures, then I have to ask the question why can it not be done elsewhere?

**Senator J.L. Perchard:**

*It has to be done, John, do you agree?*

**Deputy Chief Executive and Chief Officer for Resources**

*Absolutely, yes.*

**Senator B.E. Shenton:**

*But would you say that the current redundancy arrangements are very generous in the public sector?*

**Deputy Chief Executive and Chief Officer for Resources**

*I have to say my initial reaction would have been yes, until I heard some of the others being offered, some quite recently. Before I would give a definitive answer, I would want to understand exactly what was being offered currently in other areas.<sup>9</sup>*

### **3.13 KEY FINDING**

The PAC is pleased to note that there is recognition that the current arrangements in respect of public sector pay needs to change.

### **3.14 RECOMMENDATION**

A more flexible remuneration system which takes into account private sector remuneration needs to be introduced. Positions paying well in excess of their private sector equivalents should be abolished and replaced with structures that operate in a more cost effective manner.

## **4. Economic Development Department**

### **4.1 The Jersey Finance Grant**

The Comptroller and Auditor General proposed that the Economic Development reduce the grant to Jersey Finance:

*Amount: £250,000*

*Timing: Long term*

*Type of reduction: Other*

*Certainty: Speculative*

*At present, Jersey Finance is financed partly by the States and partly by the financial services industry. This option for reducing spending would lead to a balancing of the direct and 'in kind' contributions made by these two parties so that the States and the industry make equivalent contributions.<sup>10</sup>*

4.2 The Economic Development Department opposes the proposed reduction in grant to Jersey Finance Limited.

4.3 In its preliminary response to the proposal to cut the budget to Jersey Finance, EDD was clear in its view that to do so *'is not appropriate.'*<sup>11</sup>

<sup>9</sup> Public Hearing with Chief Officer of Resources 15<sup>th</sup> January 2010, page 16

<sup>10</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 37

<sup>11</sup> Extract from Economic Development Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

- 4.4 In fact, the converse was considered the case and that rather than reducing the grant, the Department claimed that ‘*further investment is required to compete effectively and promote Jersey businesses.*’<sup>12</sup> And that to decrease the grant might result in a decrease of Government revenues:

*The London Business School Report identified that the Jersey government needs to invest more rather than less resources into promoting the finance industry. Recent analysis of this issue demonstrates that the finance industry does contribute at least as much as if not more than the current States grant by ‘in kind’ contributions. Adequately promoting the finance industry is essential in order to compete effectively with other jurisdictions, especially during a period of increasingly demanding market conditions. It is also necessary to counteract the impact of the globalisation of the industry where individual Jersey firms no longer market Jersey because they have themselves become global financial services businesses. By contrast reducing the investment in promoting the finance industry may result in the deterioration in scale and or profitability of the industry. This would have significant impact on the Treasury’s revenues as finance currently contribute considerably more than 50% of government revenues.*<sup>13</sup>

#### 4.5 KEY FINDING

There is a lack of demonstrable or specific achievement by Jersey Finance in order to justify their grant. It is simply unacceptable to declare that funding cannot be reduced if there has been no exercise to ascertain whether the budget is appropriate and that the funds are achieving targets.

#### 4.6 How is the grant currently justified?

In 2010, Jersey Finance Limited will receive a grant of £1.8 million from the Economic Development Department’s budget. The Chief Officer of EDD maintains that the awarding of this grant was subject to a scrupulous process, and that the activities of Jersey Finance are monitored in any event by his attendance on their board:

*The award of this grant follows a rigorous analysis of a detailed business and marketing plan submitted to the Department. The analysis undertaken is informed, in no small part, by the presence on the Board of both me, as the EDD Accounting Officer, and Mr Martin De Forest-Brown, the States Director of International Finance.*<sup>14</sup>

- 4.7 However, the Chief Officer confirmed that *EDD does not use a benchmark of what is spent on other industries to determine the JFL grant. We do, for illustrative purposes, publish the percentage “split” by sector that results from our budget and business planning process.*<sup>15</sup>

#### 4.8 KEY FINDING

The Public Accounts Committee agrees that investment in the Jersey Finance Industry is necessary, given its importance to the overall economy. However, the level of grant appears somewhat arbitrary and the Public Accounts Committee believes that a more scientific and accountable method of distribution needs to be devised.

#### 4.9 RECOMMENDATION

The funding of Jersey Finance should be structured with a clear and fixed (by percentage) contribution from the finance industry. A matched financing approach should be considered.

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<sup>12</sup> Extract from Economic Development Department’s response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>13</sup> Extract from Economic Development Department’s response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>14</sup> Correspondence from the Chief Officer of Economic Development, 24<sup>th</sup> December 2009

<sup>15</sup> Correspondence from the Chief Officer of Economic Development, 24<sup>th</sup> December 2009

## 4.10 How is the effectiveness of the grant measured?

The Public Accounts Committee wrote to the Chief Officer for Economic Development expressing its concern that there appeared to be no measurement of the effectiveness of the grant and no way of ascertaining the optimum grant level required to achieve all objectives.

- 4.11 The Chief Officer disagreed, stating that the grant was subject to a stringent business plan:

*The business plan is tested against the States strategy for financial services which is defined, in part, by the 2008 report by the London Business School, one of the world's leading authorities on financial services development, and other work commissioned by JFL that assessed the impact of the global economic climate on Jersey's Finance industry and suggested a number of specific actions to address both risk and opportunity.<sup>16</sup>*

- 4.12 Furthermore, the Chief Officer held that the outcomes of Jersey Finance Limited's activities are both measurable and monitored:

*In addition to the establishment costs which given the expertise of staff members and remit of the organisation are modest, the JFL business plan consists of a series of projects and activities, each of which addresses elements of the States strategy and defines, on a project by project basis KPIs, outputs and outcomes. This includes a sophisticated measurement of the performance of JFL's marketing and promotional activity, within which year on year continuous improvement targets are set.<sup>17</sup>*

## 4.13 The achievements of Jersey Finance:

### a) The provision of technical consultation

Economic Development's Chief Officer outlined some of the achievements of Jersey Finance, stating that the organisation provides technical consultation in the development of legislation:

*JFL plays a vital role in undertaking technical consultation with industry that informs the development of financial services legislation. The subsequent aggregation of industry response is a significant benefit to the speed of our legislative development process. We estimate that the value of pro bono contribution of industry professionals who engage with JFL in this process is very significant. Indeed, in the absence of such a contribution, the States would struggle to fund the required technical and industry input to legislative development. On this aspect alone JFL makes a measurable contribution to the cost of legislative development and reform.<sup>18</sup>*

- 4.14 However the PAC notes that many key industry players are not involved with Jersey Finance. The Committee wrote to the Chief Executive of Jersey Finance with this concern. He indicated that in his view, many key groups and individuals were engaged:

*'Whilst Jersey Finance is fortunate enough to have over 190 firms as it members who we meet and correspond with on a daily basis, we also sit on each financial trade association to ensure that if a firm is not one of our members, we are capturing the overall agreed views and priorities of each industry. Furthermore...we are members of strategic working groups and also engage third party consultants, such as the London Business School, to provide detailed analysis of opportunities and challenges facing Jersey's finance industry to ensure we are focusing our energies in the optimum direction'<sup>19</sup>*

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<sup>16</sup> Correspondence from the Chief Officer of Economic Development, 24<sup>th</sup> December 2009

<sup>17</sup> Correspondence from the Chief Officer of Economic Development, 24<sup>th</sup> December 2009

<sup>18</sup> Correspondence from the Chief Officer of Economic Development, 24<sup>th</sup> December 2009

<sup>19</sup> Correspondence from the Chief Executive of Jersey Finance, 22<sup>nd</sup> January 2010

#### 4.15 KEY FINDING

It is important that taxpayers' money is used in an optimum manner and there appears no public documentation available that examines any consultation with the finance industry to determine whether Jersey finance is achieving its aim. At the very minimum, Economic Development should be examining why certain industry players are not members of Jersey Finance and their opinion of the size of grant funding an organisation of this nature should require. There are significant players of the Finance Industry who do not consider Jersey Finance to be a significant factor in their success.

#### 4.16 RECOMMENDATION

The grant to Jersey Finance is substantial. A structured formula needs to be devised by the Economic Development Department.

#### 4.17 *b) Enhancing the Island's reputation in the international marketplace*

The Chief Officer of Economic Development asserted that JFL *'fulfils an important and highly credible role in preserving and developing the island's reputation as a well regulated and co-operative jurisdiction in the international financial services marketplace. The efficacy of this activity is clear from the extensive and positive press coverage enjoyed by Jersey at the height of the global financial crisis.'*<sup>20</sup>

#### 4.18 KEY FINDING

The PAC is sceptical that something as broad as 'positive press coverage' can be attributed to the activities of Jersey Finance, as media coverage and reputation is comprised of a multiplicity of complex factors.

#### 4.19 *c) Other achievements*

Some other achievements outlined by the Chief Executive of Jersey Finance were:<sup>21</sup>

- *Receiving G20 white list status from the OECD*
- *STEP Best International Finance Centre 2009*
- *Moving to the top of the offshore centres in the Global Financial Centres Index.*
- *IMF review placing Jersey at the very top globally in terms of the finance industry's engagement with regulation.*
- *Acquiring 15 new member firms*
- *Launch of a new website*
- *High increase in press engagement locally and internationally*
- *Generated £1,022,482 cost equivalence of publicity (as at October 2009)*
- *Launch of successful school roadshows programme.*
- *Facilitation of 37 events and visits.*
- *Launch of Foundation and associated regulation as a new product.*
- *Provision of ongoing consultation over Funds and Trust regulation.*
- *Regular communication and presentation to local industry regarding technical developments and issues.*
- *Opened representative offices in London and Hong Kong.*
- *Jersey Companies granted the right to list on the Hong Kong stock exchange*
- *Diversified into other markets recommended by LBS, namely China, India and Eastern Europe.*
- *Continued regular promotional visits to Hong Kong and PRC, focusing on corporate opportunities and to reflect the importance of this market.*
- *Led delegation visits to Mumbai and Delhi*
- *Created a strategy to promote our product and service offering as Islamic compliant.*
- *Initiated a project to review in China/Hong Kong and India discriminatory blacklists and identify the Double Tax Agreement provisions which Jersey should seek to negotiate.*

<sup>20</sup> Correspondence from the Chief Officer of Economic Development, 24<sup>th</sup> December 2009

<sup>21</sup> Correspondence from the Chief Executive of Jersey Finance, 22<sup>nd</sup> January 2010

- *Developed a proposal to assess insurance as a possible 4<sup>th</sup> market sector.*

#### **4.20 KEY FINDING**

Many of the achievements listed here general Island successes only, not necessarily attributable to Jersey Finance (or if so, only in part). The PAC considers that Jersey Finance does not provide value for money, and that some of its speculative trips to the Far East are of uncertain value, considering that meetings with politicians and regulators did not create business for the Island. It is acknowledged however that if Jersey is marketing itself as an international finance centre, then this type of activity could be beneficial. However, the PAC is sceptical about whether this activity should be publicly funded.

#### **4.21 RECOMMENDATION**

The grant to JFL should be reduced to a level whereby 50% of the funding is provided by the Finance Industry, given their lower contribution to fiscal revenues.

## **5. Education, Sport and Culture Department**

5.1 On the 15<sup>th</sup> January 2010, the PAC held a hearing with the Director of Education, to explore the issues raised in the Emerging Issues report, pertinent to Education Sport and Culture.

5.2 He said: *We are content that the C.M.B. (Corporate Management Board) has taken the report seriously. Obviously some of the proposals will take some time to deliver, if they can be delivered at all.*<sup>22</sup>

5.3 The Director of Education announced that he had commissioned several reviews in his Department:

*We have a review looking at school funding, we have a review that is looking at demographics, we have a review of inclusion - and this is about our special provisions and the accommodation that we make in mainstream schools for children with special needs - and we have a review of the structure of secondary education and a review of vocational education 14 to 19. Now, it does not matter which way you cut it, the fact of the matter is that they are all inter-linked.*<sup>23</sup>

5.4 He supplied a catch all terms of reference for these reviews as being:

*“A strategic review of the demographic and curricular pressures on arrangements for secondary education in Jersey to develop options which will enable the service to improve and broaden its curriculum offered to students in a cost-effective and efficient way.”*<sup>24</sup>

5.5 The proposed reviews in ESC, with costs are included in the Appendix of this report.

5.6 On the 10<sup>th</sup> February 2010, the PAC wrote to the Director of Education with the following concerns with regard to these reviews:

- The Comptroller and Auditor General's 2008 report 'Emerging Issues – States Spending Review' contained several proposals pertinent to the Department, yet it was not clear how this body of work is to be integrated into the proposed reviews.

<sup>22</sup> Transcript of the public hearing with the Director of Education, p3

<sup>23</sup> Transcript of the public hearing with the Director of Education, p3

<sup>24</sup> Transcript of the public hearing with the Director of Education, p8

- The Committee requested an explanation as to how the cost for each review was assessed, and what element related to external consultants. The Committee was minded that should surely it was well within the scope / remit of the Department to do this without external cost, bearing in mind the previous reviews that have been carried out.
- The Committee expressed its surprised to see no targets within the terms of reference of these reviews for an appropriate level of efficiency and savings, and no mention of use / adoption / leveraging of the available central services existing within the States.
- Concern was expressed that there appeared to be no review of mandatory / statutory services versus non statutory / statutory services. The Committee was troubled that the normal and accepted methods of identifying and understanding where efficiencies can be applied are not being used as part of these reviews.<sup>25</sup>

5.7 On the 19<sup>th</sup> February 2010, the Director of Education responded and confirmed that:

*'The proposals contained in the C&AG's report, together with any recommendations that flow from the reviews initiated by the Department, will form an integral part of the Comprehensive Spending Review (CSR).'*

5.8 Also, he confirmed that there were four reasons for bringing in expert consultants:

- The Senior Management team at ESC is small and requires added support.
- Much of the work is technical and will benefit from specialist expertise.
- A number of the areas of review have been considered 'sacred cows' so a degree of independence is desirable
- The short term use of external consultants is value for money compared to the costs of extending the Senior Management Team<sup>26</sup>

## 5.9 Free Nursery Education

**Senator B.E. Shenton:**

*Just digressing a little bit to early years strategy, a decision was taken not to charge for more than 20 hours within the public sector on the nursery side.*

**Director of Education:**

*That is right, yes.*

**Senator B.E. Shenton:**

*Was this a political decision or was this a decision by the department?*

**Director of Education:**

*It was a political decision.*

**Senator B.E. Shenton:**

*Did the Department make any recommendations to the Minister?*

**Director of Education:**

*Well, it is for the Department to provide the options, quite clearly. Yes, in terms of making recommendations, our department, based on capacity and being able to predict what would happen in the future, will be saying: "One step at a time." It was thought appropriate that one step at a time as this was the introduction of what was a fairly significant strategy for the department: the introduction of the early years strategy from September.*

<sup>25</sup> Correspondence from the PAC to the Director of Education 10<sup>th</sup> February 2010

<sup>26</sup> Correspondence from the Director of Education to the PAC 19<sup>th</sup> February 2010

**Senator B.E. Shenton:**

*But the idea was to level the playing field - and I am digressing a little bit - but the playing field has not been level because you get 30 hours free in the public sector and 20 hours free in the private sector.*

**Director of Education:**

*You do, and that is currently a political decision. But the Minister has committed to review all aspects of that.*

**Senator B.E. Shenton:**

*By ...? Do you know when?*

**Director of Education:**

*Well, we do not have a timescale for that. When you see the reviews that are going on at the moment - and the C&AG and myself did agree in the report that capacity within the department is a major issue, and we are focusing on some big-ticket issues here - I think the important thing for us is to be able to manage that in a way that we can bring forward conclusions that are positive and get a result.<sup>27</sup>*

**5.10 KEY FINDING**

Education Sport and Culture, in providing free childcare in excess of 20 hours, is operating outside of its remit. Given the lack of educational benefits in providing childcare at this age and the fact that there is no legal requirement to provide education under the age of 5 means the provision of nursery care should be seen as a luxury. The Public Accounts Committee questions whether the public sector should be involved in this service provision.

**5.11 RECOMMENDATION**

The introduction of 20 free hours nursery care was intended to provide a level playing field with the private sector. The PAC recommends that charges are introduced for more than 20 hours, based on the full costs, including premises, of providing that service. The fact that public sector nurseries (30 hours) are over subscribed emphasises the fact that the promised 'level playing field' has not been delivered.

**5.12 The C&AG's Proposals for Fee-paying provided schools**

*Amount £800,000*

*Timing Medium term*

*Type of reduction User pays*

*Certainty Speculative*

*Certain schools owned and managed by the States (e.g. Victoria College and Jersey College for Girls) charge fees. Currently these fees are set by reference to the formula by which the funds provided to non-fee paying schools are calculated. This formula takes account of the staff and non-staff direct costs of schools (except property costs). Broadly, fees are set to cover at least 50% of these formula costs and thus do not cover the property costs incurred by the States in providing these schools. If the fees were to be increased to meet 50% of the property costs incurred, they would have to be increased by about £800,000.<sup>28</sup>*

5.13 The ESC Department provided some figures to represent what they saw as the implications of the above savings:

<sup>27</sup> Hearing with the Director of Education page 13

<sup>28</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 38

*Assuming that these changes were passed on to parents via fee increases, it can be assumed from the current occupancy levels that fees would have to increase by £90-£100 per term per child at the preparatory schools and around £140-£160 per term per child at the Colleges. These increases represent a rise of about 8% for the preparatory schools (fees currently £1,100-£1,260 per term) and 12% for the Colleges (fees £1,175-£1,260 per term). The schools' usual fee increases vary between 3-6%, so the total increase in the year of introduction would be in the range 11%-18%.*

*It is not known what the financial sensitivity of parents is to increase in fees, but it would seem reasonable to assume that an increase of this order would meet opposition from parents and could result in some parents deciding to withdraw their children from fee-paying education.<sup>29</sup>*

- 5.14 In the public hearing, the Director of Education confirmed that the fee levels were 'recommended by the Board of Governors and approved by the Minister.'<sup>30</sup> It seemed that the Minister was planning to increase fees to a certain extent, albeit in a very gradual manner:

**Director of Education:**

*Well, the Minister capped the fees for 2009 and he expects the colleges to go through a process which is around justifying any fee increases that they would want to make. In terms of the recommendation in the C.&A.G.'s report to pass an additional £800,000 on to the parents of those schools, in fact, a commitment has been made in the Business Plan from 2011 plus to take forward £480,000 of that.*

- 5.15 The Director of Education appeared to believe that a fee hike might well result in a mass departure of students from fee paying schools, saying that:

*'If you create a situation where there is an exodus from fee paying education into non-fee paying education it will increase the costs because you are going to pick up obviously the full cost of educating those young people. So, what we have done is to introduce it gradually over a period so the grants to fee paying schools will be reduced by £80,000 each year for 6 years.'<sup>31</sup>*

**5.16 KEY FINDING**

The predicted impact of a fee increase is greatly overstated by ESC, especially as many schools have waiting lists. These assertions are made without any supporting documentation and some conclusions appear recklessly incorrect. It is highly unlikely that there will be the level of withdrawals from fee paying schools indicated by Education Sport and Culture based on the fee increases indicated. The suggestion that a small increase in fees would result in the removal of all fee paying students (at a subsequent costs to the taxpayer of up to £7 million) is absurd.

**5.17 RECOMMENDATION**

The PAC requests that Education Sport and Culture undertake a meaningful examination of optimal fees, taking into account waiting lists and the apparent lack of confidence by some parents in the non fee paying sector. Furthermore the PAC acknowledges that the continuation of funding fee paying schools at an optimal level is prudent from both a financial and educational perspective.

**5.18 Senator B.E. Shenton:**

*My understanding is the Board of Governors wanted to increase the fees but you capped it to save money for the States.*

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<sup>29</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>30</sup> Transcript of the public hearing with the Director of Education, p4

<sup>31</sup> Transcript of the public hearing with the Director of Education, p4

**Director of Education:**

*I do not cap the fees, the Minister makes the decision.*

**Senator B.E. Shenton:**

*Well, the Minister capped the fees to save money for the States; in effect saving money for parents as well because it is this 50/50 arrangement, is that right?*

**Director of Education:**

*I do not feel it is for me to answer for the Minister in this situation, however, I would say that one of the considerations that he took into account was the economic climate at the time.<sup>32</sup>*

- 5.19 The PAC were interested to discover whether it would be in the interests of the Education Minister to make the savings proposed, given that presumably any savings would be returned to the centre and taken away from Education:

**Director of Education:**

*The effect of paying the full cost, for example, in our provided fee paying schools ... well if you think that the provided fee paying schools are costing in the region of about £13 million and we receive just over £8.6 or something similar in fees, the cost of providing that at the moment the revenue cost is £5.6 million. So the saving would be in the region of £5.6 million and whatever else you would save in terms of property.*

**Senator B.E. Shenton:**

*All right. If you as a department saves sums in that amount, would that be then returned to the centre as opposed to just being used in the Education budget elsewhere?*

**Director of Education:**

*I suppose that is down to the end of year political discussion.<sup>33</sup>*

**5.20 KEY FINDING**

There is potentially no incentive for Ministers to make savings within their Department as the resulting money saved would be lost from their budget. The shared approach to fiscal management simply does not work; there are no incentives for individual ministers to act in a fiscally responsible fashion. This is the case not just within Education, but across the board.

**5.21 RECOMMENDATION**

The performance of the Department and its Managers should be administered on a benchmarking basis whereby financial management and cost control is rewarded. In order to achieve this, there has to be a significant shift in the 'mind-set' of the Department and a full understanding of the cost of education in Jersey. An incentive to save should be introduced through a basic bonus structure. This could be reviewed in line with the C&AG finding that there was a degree of under remuneration at senior executive level.

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<sup>32</sup> Transcript of the public hearing with the Director of Education, p5

<sup>33</sup> Transcript of the public hearing with the Director of Education, p6

## 5.22 The C&AG's Proposals for Primary School Provision

Amount £900,000

Timing Long-term

Type of reduction Efficiency

Certainty Not speculative

*The current demographic projections used by the department for service planning indicates that by 2015, there will be a substantial surplus of primary school places.*

*The recently published draft proposals from the Council of Ministers for the 2009 Business Plan recognises and includes a reduction in expenditure for the department of £325,000 in 2009, £288,000 in 2010 and £208,000 in 2011. On the basis of the current predictions, it is reasonable to expect that the reduction in expenditure that could be achieved by elimination of surplus places would be higher than this by 2015. There is inevitably some uncertainty surrounding the demographic projections.<sup>34</sup>*

5.23 The Director of Education confirmed that some work had already been done in this area:

*We have taken steps with the primary schools. We have closed a form of entry at Rouge Bouillon School and we have closed a form of entry at Samares School. These work their way through the schools over a period of 7 years. So at the end of 7 years - and I think we are in the third year now - you have lost 14 classes which is equivalent to taking the variable costs out of one-form entry schools but clearly it affects costs for them.<sup>35</sup>*

5.24 In its response, the ESC Department also provided some background statistics:

### ***'Capacity in primary schools***

*There are currently 22 non fee paying primary schools. Of these, 14 schools were designed to accommodate one form of entry (175-182 pupils), 7 schools have two forms of entry (350-364 pupils) and one school was designed to provide 3 forms of entry (525-546 pupils).*

### ***Projected primary school roll***

*Demographic projections to 2015 indicate a reducing primary population. Predictions beyond 2011 are less robust as pupils for these year groups have not yet been born. Should the birth rate increase as happened in 2007 these numbers could change significantly.*

### ***Influencing factors***

*There are 2 factors which influence the way that capacity is utilised across the primary phase; class size policy and the amount of spare capacity that is required to meet demand in particular catchments and accommodate the needs of families moving from one area of the Island to another. Capacity is currently calculated on class sizes of 25 and a maximum of 208 classes across the system (5,200 places).*

*In order to facilitate pupil movement between schools and to accommodate demand in each catchment area, a minimum of 5% spare capacity is required across the system. Even at this level, it is not always possible to accommodate families moving from one catchment area to another. Jersey has a low level of capacity when compared with most parts of the UK, where the average is 10%. A reasonable target capacity for ESC would be 10% in line with UK arrangements, as this would give the Department sufficient flexibility to manage pupil admissions and transfers. On current projections this target could be achieved by 2013.<sup>36</sup>*

5.25 In their initial response to the C&AG's proposals, the Department examined two possibilities:

<sup>34</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 38

<sup>35</sup> Transcript of the public hearing with the Director of Education, p9

<sup>36</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

*'Reduce the number of forms in two form entry schools. Reducing a two form entry school to a single form of entry school is unlikely to be problematic. If the numbers are viable and the process is carried out with care, there is no reason why this cannot continue. Under these arrangements there remains the flexibility to reopen additional places if required. This is less disruptive than closing a school, with the resultant requirement to move existing pupils to different schools.*

*Primary school closures. Closing a school is more problematic. Public and political reaction would be strong. The Department has an obligation to provide appropriately located schooling for children of primary age and parents have an expectation that it will be provided.<sup>37</sup>*

5.26 The response also states that *'public and political reaction would be strong'* to closing a primary school.' Also, that *'the Department has an obligation to provide appropriately located schooling for children of primary age and parents have an expectation that it will be provided.<sup>38</sup>*

5.27 The Department preferred the option of reducing the number of forms in two form entry schools:

*'This is a less radical option but it is more likely to be publicly and politically acceptable. Under this option the cost of providing the service would be lower, given the reduction in total student numbers, but the total number of schools would remain the same. This means there would be flexibility to increase or reduce the total number of classes according to changes in population, reduce class sizes in more challenging schools and also to meet the proposed target capacity of 10%.<sup>39</sup>*

5.28 The Department identified achievable savings as follows:

**Primary school closures.** *The saving from a one form entry school would be in the order of £600,000.*

**Reduce the number of forms in two form entry schools.** *Each individual class closed would save approximately £50,000-£70,000 assuming that no pupils had to be relocated to other schools. Reducing a 2 form entry school to a 1 form entry would therefore save in the order of £350,000. However, as the Department is already funded based on the overall number of pupils this would not result in any further decrease in the budget.<sup>40</sup>*

## 5.29 The ESC's current stance on the proposals regarding primary education

In a letter from the Director of Education dated 19<sup>th</sup> February 2010, the PAC were informed that since the C&AG's review, the birth rate has increased, and also *'the Department closed 7 classes at Rouge Bouillon School (one form of entry) this means that spare capacity across the system in 2015 is now expected to be around 9% rather than the 14% originally predicted...in effect this means that other mechanisms are required to create spare capacity if the closure of a primary school is to be considered. This will necessarily include policy reviews in respect of class sizes, the desirability of teaching mixed age groups and the potential for federating schools to make the best use of resources.<sup>41</sup>*

<sup>37</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>38</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>39</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>40</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>41</sup> Correspondence from the Director of Education to the PAC 19<sup>th</sup> February 2010

### 5.30 KEY FINDING

The PAC notes that there are 22 primary schools, with many empty seats. To have this number of schools in such a small Island is a 'nice to have' but certainly not a necessity in the current economic climate. Although the PAC is pleased to note that the ESC Department has acknowledged that the C&AG's proposal is viable (albeit potentially unpopular) the Committee is concerned that no detailed analysis of exactly which primary schools two form entry system should be affected or considered for closure has been put forward.

### 5.31 RECOMMENDATION

The PAC recommends immediate progress on this issue, with the identification of which schools are to be affected.

### 5.32 Political Decisions?

The Director of Education confirmed that when it came to the CMB report, '*... many of the decisions are political decisions.*'<sup>42</sup>

5.33 The Director of Education refused to speculate on whether reducing the number of sixth forms on the island was a possibility:

**Senator B.E. Shenton:**

*Will the review look at perhaps closing schools or recognising the sixth form colleges?*

**Director of Education:**

*I think if it was looking at closing schools it would have reached the conclusion in a sense before the review had been conducted. I think if closing a school is an option that comes out of it, then obviously that would be one that would be presented for politicians to take a view on. There are small, or have been small, secondary schools and that was a matter of choice. You do have 6 sixth form providers in the Island if you include Highlands College in that and politically you would want to know, I guess, that that is giving you value for money and that your system could not be organised more efficiently and this will tell you that. But it will require obviously some serious consideration of the implications, particularly in maintaining the balance between fee paying and non-fee paying and the costs of reorganisation. So it will all be in there but it would be wrong for me to pre-empt the outcome at this point in time.'<sup>43</sup>*

5.34 Yet, as seen above, the Director of Education was content to speculate as to what public reaction would be to closing a primary school or increasing school fees.<sup>44</sup>

### 5.35 KEY FINDING

The PAC detects an inconsistency of approach as to how and where political decisions are being made. The senior management at Education Sport and Culture are making political decisions that are outside their remit. A political decision appears to have been made at civil servant level. It is not the job of the civil service to make political decisions of this nature or to speculate about potential public reaction to a political decision.

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<sup>42</sup> Transcript of the public hearing with the Director of Education, p3

<sup>43</sup> Transcript of the public hearing with the Director of Education, p8

<sup>44</sup> The Director of Education has responded to say that any political speculation in the original Departmental response originated not from civil servants but from the former Education Minister (Senator Vibert). However, the Public Accounts Committee deals with Chief Officers, not Ministers. We had requested a factual response to the C&AG's 'Emerging Issues' report from the Chief Executive and his Officers, not a political response. We further note that the Departmental response to the PAC on 14th September 2009 was signed off by the Deputy Chief Executive, not the Chief Minister. Therefore the PAC maintains its view that the document is a Departmental response containing inappropriate political statements.

### 5.36 RECOMMENDATION

In times of financial constraint, financial management must take precedent over personal preferences and perhaps public opinion. A blueprint for Education should be drawn up using financial management as one of its prime criteria.

### 5.37 The C&AG's Proposal for the Re-organisation of Secondary Education

*Amount £250,000*

*Timing Medium term*

*Type of reduction Efficiency*

*Certainty Not speculative*

*As reported in the Council of Ministers' proposals for the 2009 Business Plan, the department's demographic projections to 2015 indicate a reducing secondary school population. It is agreed that the resulting surplus places in secondary schools would not be 'of sufficient magnitude' to warrant a school closure. However, it appears possible that the reduction in secondary school population will be sufficient to permit some reorganisation of the current secondary school provision.*

*The estimate of the possible expenditure reduction of £250,000 is therefore indicative of what may be possible.<sup>45</sup>*

5.38 The Director of Education confirmed that *'The Minister has already made a commitment in the Business Plan to bring to the States by June, or at least bring options to the States by June, for restructuring secondary education.'*<sup>46</sup>

5.39 The ESC Department indicated that this saving was viable providing pupil numbers remain at a certain level:

*Secondary places are not funded on the basis of capacity; they are funded on pupil numbers. A reduction in the numbers will result in a reduction in funding. Provided pupil numbers do not fall beneath the level which allows schools to deliver a broad and balanced curriculum, this saving is achievable. The level of saving is dependent on actual numbers.<sup>47</sup>*

5.40 However, the Department cautioned that interim funding might be required and that redundancies may follow if such a policy was pursued:

*The main implication (of the proposed saving) is that schools may need transition funding to adjust to changes in their roll. For example, if at the end of an academic year 150 pupils leave a school but only 100 are admitted at the beginning of the next academic year, the school still has the full cost of staffing but has lost £200,00 from its budget.<sup>48</sup>*

*Some investment may be required to support any secondary school adjusting to a sudden drop in pupil numbers. If redeployment was not an option for some teachers, redundancy might need to be considered.<sup>49</sup>*

5.41 In the public hearing, the Director of Education expressed concern that changes to the current system could a) incur extra costs b) would take time and c) potentially jeopardize principles of inclusion:

<sup>45</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 38

<sup>46</sup> Transcript of the public hearing with the Director of Education, p7

<sup>47</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>48</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>49</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

*There is a precarious balance in Jersey between fee paying education and non-fee paying education and if you are going to do anything that would in any way endanger or tip that balance, you have to be cautious because in actual fact you can incur additional costs. That is not something that can be done too quickly and it is not something that can be done on the basis of cost alone. There are other issues. There is the issue, for example, around vocational provision, around how you manage inclusion.<sup>50</sup>*

#### **5.42 KEY FINDING**

Any savings resulting from falling pupil numbers will be reflected in the budget settlement from Treasury.

#### **5.43 RECOMMENDATION**

The Public Accounts Committee would like an assurance from Education Sport and Culture that they are capable of taking the tough decisions necessary to manage the demographic decline in student numbers while simultaneously increasing educational standards



**Victoria College**

#### **5.44 Education - Knowing the Costs**

The theme of not knowing what the costs actually are (which also arose in our examination of the Health Department) arose again within Education. The PAC was sceptical of what the calculations were based on:

**Senator B.E. Shenton:**

*At the moment De La Salle College and Beaulieu College pay for their own buildings and infrastructure.*

**Director of Education:**

*Yes, and they set their fees at a level that they determine.*

**Senator B.E. Shenton:**

*Victoria College and J.C.G. (Jersey College for Girls) for example have free buildings and free infrastructure.*

**Director of Education:**

*Well, they are supported by the States, that is correct.*

**Senator B.E. Shenton:**

*Yes. What is going to happen to address that? Because without knowing the cost of that infrastructure we do not know how much it costs the taxpayer to send a child to J.C.G. or Victoria College.*

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<sup>50</sup> Transcript of the public hearing with the Director of Education, p3

**Director of Education:**

*Well, what I have just explained is that we have agreed to pass on £480,000 of the costs ...*

**Senator B.E. Shenton:**

*But that is an arbitrary figure; that is not a true cost.*

**Director of Education:**

*It is a figure that was based on some calculations which I do not have at the moment that would enable us to monitor the impact for passing additional costs to fee paying parents.*

**Senator B.E. Shenton:**

*So would you agree that the Education Department does not know the cost of sending a child to J.C.G. or Victoria College?*

**Director of Education:**

*The Education Department does know the cost of sending a child ...*

**Senator B.E. Shenton:**

*But does it include infrastructure and everything else?*

**Director of Education:**

*What I would say is clearly we know the full cost in terms of the money we provide to the school, but there are additional costs that are incurred by Property Holdings in terms of maintenance. We could have told you the exact amount of that when we were responsible for the property maintenance of the buildings but we are not responsible for that at this stage.<sup>51</sup>*

## **5.45 The Department's current stance on the proposals regarding secondary education**

On the 19<sup>th</sup> February 2010, the Director of Education wrote to the PAC to confirm that there was progress in this area:

*The proposed reviews of the funding of secondary education, demographics, vocational provision for 14-19 year olds and social inclusion will provide the basis for the Department to develop options for the re-organisation of secondary education. The retention of 14 plus transfer and the role and funding of fee-paying schools, both provided and private, will be considered in this context. In the meantime, a decision has been taken to reduce funding to the fee paying colleges by £480,000 over six years from 2010.<sup>52</sup>*

### **5.46 KEY FINDING**

£480,00 appears to be an arbitrary figure and not reflective of the true costs. ESC do not know the true cost of sending a pupil to JCG or Victoria College.

### **5.47 RECOMMENDATION**

The grant systems to the private educational sector does provide value as it encourages a large proportion of taxpayers to contribute to education through fees. However, the funding mechanism must be transparent and shows no favouritism to individual schools.

## **5.48 Highlands College**

A similar issue arose in respect of Highlands College:

**Senator B.E. Shenton:**

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<sup>51</sup> Transcript of the public hearing with the Director of Education, p6

<sup>52</sup> Correspondence from the Director of Education to the PAC 19<sup>th</sup> February 2010

*When you look at the cost of educating the students at Highlands, do you take into account the cost of the infrastructure, the buildings and so on and so forth, or is that outside your equation?*

**Finance Director, ESC:**

*It is now all based on pupil numbers and we have tried to incorporate the fixed courses to have one pupil number amount.*

**Director of Education:**

*We do not obviously at this point in time across the States of Jersey take the cost ...property is a free good but obviously that will change in time. One would assume that Education, Sport and Culture would have to calculate the true cost of the property it occupies and pay for that in some way.*

**Senator B.E. Shenton:**

*So at the moment you do not know the cost of the properties you occupy?*

**Director of Education:**

*Well, we knew the cost of the properties we occupied when we managed the budget but we do not know exactly how much is being spent on those properties by Property Holdings at this ... I do not have those figures with me but I could get those figures.<sup>53</sup>*

**5.49 KEY FINDING**

The Chief Officer is vague about what his costs actually are. The Public Accounts Committee is concerned that without a thorough analysis of costs, a realistic saving plan is impossible to implement.

**5.50 RECOMMENDATION**

Budgets passed to Chief Officers must be based on the funding of all costs, including property costs. Education within the public sector must be regularly benchmarked and the results published.

**5.51 Schools Instrumental Service. The Proposal by the C&AG**

*Amount £100,000*

*Timing Short-term*

*Type of reduction User pays*

*Certainty Not speculative*

*This service is a valued part of the department's services and is believed to have contributed significantly to the enrichment of the Island's cultural life.*

*The service currently incurs costs of the order of approximately £600,000 per year.*

*No charges are made in respect of the loan of instruments. It is proposed that charges should be introduced in respect of the loan of instruments and that they should be calculated to achieve an income of approximately £100,000 per year in the first instance.<sup>54</sup>*

5.52 In their initial response to the proposal, the Department stated that such a saving would be difficult to achieve:

*It would be necessary to charge an average of around £175 p.a. per instrument (there are currently approx 580 instruments on loan). Given that a student violin typically costs about £50, and a clarinet costs about £200, some parents would opt to purchase their own instruments outright. This would necessitate a further increase in the annual hire charge for*

<sup>53</sup> Transcript of the public hearing with the Director of Education, p10

<sup>54</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 40

*those instruments still on loan. Another option would be to introduce an annual hire charge that would be relative to the cost of the instrument, but this would mean that the charge for the more expensive instruments would be much higher than the £175 average.*<sup>55</sup>

- 5.53 Furthermore the Department believed that such a move might discourage young people from learning to play some instruments:

*It is believed that the introduction of loan charges would result in a significant lowering of demand for core instrumental tuition, with serious consequences for the other services provided by JIS e.g. concerts, workshops and ensemble activities. By way of comparison, the introduction of minor charges for instrumental services in the Isle of Wight resulted in a drop of approx 30% in the number of students.*<sup>56</sup>

- 5.54 ...and that the JIS principles of inclusion would be compromised:

*It is considered that children from less affluent backgrounds would find it difficult to afford the loan charges, and the service would therefore become more exclusive. This would be contrary to one of the fundamental principles of the JIS, which is to provide maximum access and inclusion, regardless of family circumstances.*<sup>57</sup>

- 5.55 In addition, the Department said that such a scheme would be difficult, and potentially costly to administer:

*The system would be complicated to administer, given the type and number of instruments. Administrative support would be needed to maintain records, arrange for the collection of fees and manage late payments. An initial estimate indicates that a person would have to be employed for two days a week during the school term to administer the scheme.*<sup>58</sup>

- 5.56 The PAC is very sceptical of the inference that if children buy their own instruments then the level of deposit will have to rise. There are currently 580 instruments on loan as seen above. However, if all parents purchased their own instruments, there would be significant savings and each parent purchasing would result in one less instrument needing to be made available. If all parents purchased then no instruments would be required.

## **5.57 The principle of inclusion**

The PAC wrote to the Director of Education with the above concerns on 30<sup>th</sup> October 2009. The reply explained that *'approximately 50% of parents currently purchase instruments. These tend to be the parents of those pupils who are performing at an intermediate or advanced level.'* Therefore, the view was that the Jersey Instrumental Service requires a stock of instruments to *'enable budding musicians to access a free trial period.'*<sup>59</sup>

*'The current policy is to ensure that any child who wishes to play an orchestral instrument has the opportunity to access specialist tuition, free of charge. Any change to this policy would obviously require Ministerial approval.'*<sup>60</sup>

- 5.58 At the public hearing, the Director of Education confirmed that the principle of inclusion had been a barrier to introducing fees:

### **Director of Education:**

*There has been no will to introduce charges or to introduce hire charges for instruments because it has always been perceived that this might affect the capacity of families who are less well-off to access the services.*

<sup>55</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>56</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>57</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>58</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>59</sup> Letter to the Committee from the Director of Education dated 17<sup>th</sup> November 2009

<sup>60</sup> Letter to the Committee from the Director of Education dated 17<sup>th</sup> November 2009

**Senator B.E. Shenton:**

*But surely you could move to a means testing or at least you could charge the fee paying schools.*

**Director of Education:**

*That would be an option.<sup>61</sup>*

5.59 However in his letter of 17<sup>th</sup> November, the Director of Education stated that if more parents purchased instruments, this would mean a rise in rental fees if the C&AG's income target of £100,00 was to be attained. *'This would mean that, in some circumstances, the cost of hiring an instrument would be more than the cost of purchase.'*<sup>62</sup>

5.60 He gave consideration to the principle of a 'realistic hire charge' in the region of £30 p.a. per instrument, (which would generate an income of around £15,00 p.a.) but cautioned that *'the associated cost of administering the scheme would erode the income generated.'*<sup>63</sup>

5.61 The PAC notes that not all schools benefit from the JIS group and individual instrumental tuition. However, it also observes that the fee paying schools which benefit most make a contribution to the service. The contribution for 2009 was set at £66,000.<sup>64</sup>

**5.62 KEY FINDING**

Not all schools are members of the Schools Instrumental Service, and those schools are still able to provide excellent music tuition. The conclusion fails to point out that many of the students come from affluent backgrounds and are more than able to purchase their own instruments. There is no evidence to suggest that serious students would be affected by the withdrawal of the service. For example, schools that are not members of the Schools Instrumental Service continue to excel. The PAC considers the service in its current form to be an unnecessary extravagance.

**5.63 RECOMMENDATION**

Loan charges should be introduced forthwith for musical instruments and the grant to the service cut accordingly. However, the PAC acknowledges that students from less affluent backgrounds should not be excluded from the opportunity to master a musical instrument. A more targeted approach is therefore supported in order to subsidise such students.

**5.64 Highlands College – the C&AG Proposals**



<sup>61</sup> Transcript of the public hearing with the Director of Education, p14

<sup>62</sup> Letter to the Committee from the Director of Education dated 17<sup>th</sup> November 2009

<sup>63</sup> Letter to the Committee from the Director of Education dated 17<sup>th</sup> November 2009

<sup>64</sup> Letter to the Committee from the Director of Education dated 17<sup>th</sup> November 2009

Amount £250,000  
Timing Short-term  
Type of reduction Efficiency  
Certainty Not speculative

*In the recent past, Highlands College has been financed by applying (with some adjustments) the formula funding basis which is used for primary and secondary schools. A detailed review undertaken on the department's behalf indicate that the application of formula funding in this way resulted in some surplus funding for the College. The steps which are being taken by the department with the Learning and Skills Executive to provide a better framework for the financing of Highlands are much to be welcomed. On the basis of the review undertaken on behalf of the department, it would seem possible to reduce funding to Highlands further than the reduction of £200,000 already assumed by the department.<sup>65</sup>*

- 5.65 The initial Departmental written response explained that such proposals needed to be viewed in context, and warned that valuable services would be cut:

*This proposal needs to be seen in context. Highlands College has been making efficiency gains since 2005, and in 2008 it was required to make a saving of £200,000.*

*Based on the proposed funding formula for 2009 a further £250,000 saving would translate to a reduction in student numbers - approximately 40 full time students. The majority of students who attend Highlands College have no alternative place to study, as they do not have the entry qualifications that are required for sixth form education. In the context of the current States policies, where there is an emphasis on developing the skills of the local population, consideration would need to be given to the acceptability of reducing access to further education.*

*Another option would be to reduce the numbers of staff. It could be argued that the natural turnover of staff would allow for such a reduction, but this could have an impact on teaching ratios and therefore on the quality of teaching provision. Class sizes at Highlands College are already higher than the average level in U.K. Colleges of Further Education. Relying on natural turnover could mean that the College would have to cut courses that were essential to the skills needs of the Island. College staff tend to be specialists whose skills are not generally transferable.<sup>66</sup>*

- 5.66 When pressed, the Director of Education conceded that the funding for Highlands had risen:

**Senator B.E. Shenton:**

*Now you use age-weighted pupil numbers at Highlands, is it not the case that many Highlands' students do not work throughout the whole year? It is quite generous in that you have part-time students in effect where you have given full-time funding.*

**Director of Education:**

*We have turned our attention to Highlands over the last couple of years to try and ensure that the funding formula for the college is appropriate. Not just to meet the college's needs but to meet the funding aspirations that we would have at the department. We have also enhanced the governance and accountability arrangements with the college to make sure that we know what the money is being spent on. So we now have a new funding*

<sup>65</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 39

<sup>66</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

arrangement which I can provide you with a copy of which clearly outlines how the college is funded. It is now based on the true cost of running courses at the college including an allocation for overheads.

**Senator B.E. Shenton:**

When you say the “true cost”, how is that true cost calculated?

**Director of Education:**

Well, the true cost is calculated on the basis of weightings that are equated to the cost of educating a young person, for example, in the sixth form at Hautlieu and comparing that with similar costs and further education in the U.K. So, it will be a long story to take you through the detail at this point in time. What I can say is that the costs of running courses are reflected now in the funding, that the funding arrangement clarifies what the college gets funding for, that there is a stronger governance arrangement and an annual budget settlement process that we go through which involves the Skills Board; the operational group of the new Skills Executive. For example, one of the flexibilities that it gives us now is that if we were to decide for some reason that we wanted to use the resources to purchase services that Highlands is providing elsewhere, we could do that.

**Senator B.E. Shenton:**

But have you changed the funding just to get yourself some more money? Because you are getting in the Skills Executive more diverse pupils that may be more expensive to ... and now by changing the way you are funded you can say: “We want more money for this special needs service.”

**Director of Education:**

No, if we did that we did not do it very successfully. It is absolutely the reverse of that.

**Senator B.E. Shenton:**

So has funding for Highlands College as a result of this change gone up or down?

**Director of Education:**

There have been a number of benefits in the new arrangement for funding Highlands College and one is greater clarity.

**Senator B.E. Shenton:**

So has funding gone up or down?

**Director of Education:**

But the big difference is that Highlands College is no longer funded on predicted numbers; it is funded on planned numbers, so our budget is no longer a hostage to fortune.

**Senator B.E. Shenton:**

Right. So has overall funding for Highlands College gone up or down as a result of this change?

**Director of Education:**

Well, Highlands’ funding has increased but it has increased because numbers have increased and the increases - I think there has been an additional 100 students this year - have been funded from fiscal stimulus money.

## **5.67 KEY FINDING**

It is unclear what the longterm plan for Highlands funding is. It is also unclear what the aims of Highlands are.

## **5.68 RECOMMENDATION**

The long term business plan for Highlands needs to be developed – and it needs to decide exactly what Highlands is. Longer term funding arrangements require clarification, as the

provision of fiscal stimulus funding is only a short term solution. A set formula needs to be developed in respect of Highlands funding – which is not based solely on student numbers.

- 5.69 On 19<sup>th</sup> February 2010, the Director of Education wrote to the PAC and confirmed the current plans for Highlands:

*'The role of Highlands College will be reviewed and the feasibility of it becoming a Tertiary College delivering both general further and sixth form education considered as an option. There are both sound educational and financial reasons for doing so. However, the effect of this on the balance between fee-paying and non-paying education and the sustainability of the private sector needs careful consideration.'*<sup>67</sup>

## 5.70 Jersey Child Care Trust – the C&AG Proposals

Amount £90,000

Timing Short-term

Type of reduction Efficiency

Certainty Not speculative

*In a report published in 2006, I pointed out that the department had failed to give a clear remit to the Trust and that steps should be taken to correct the position. On the one hand the steps would lead to the possibility of a reduction in the department's grant to the Trust through raising of additional finance from the private sector, or alternatively an elimination of the department's grant to the trust. Since the publication of that report, the Trustees have secured additional finance from the public sector but the department has not yet clarified its intentions for the Trust as the Minister's 'early years' proposals will fall to be reviewed in the light of an impending Scrutiny report.'*<sup>68</sup>

- 5.71 The Child Care Trust is a promotional body which get a grant indirectly from the States Charity Commission and also directly from the States. It seems to spend a significant sum on promoting affordable child care.

- 5.72 In its written reply to the C&AG report, the ESC Department re-iterated its fears of 'public opposition' to what it sees as inevitable service cuts:

*The saving is not achievable if the services supported by the Jersey Child Care Trust are to be maintained, for it would have a major impact on the work of the Trust and it would be unable to continue in its present form.....The main barrier to achieving the saving is one of concern about the impact on the range of services provided by the Jersey Child Care Trust and the alternative arrangements that would need to be made if these services were to be provided by ESC or another department. It is likely there would be significant public opposition to any proposed reduction in the services provided, particularly from parents who would be directly affected by the change.'*<sup>69</sup>

- 5.73 At the public hearing, it became clear that while sponsorship from the private sector has been secured, a clear remit still had not been established for the Trust:

**Senator B.E. Shenton:**

*If we could move on then to Jersey Childcare Trust which is an issue that came up in the report and the important question whether the purposes of the trust have been made clear in the terms of reference and so on. Have you been able to reduce the funding to the trust?*

**Director of Education:**

<sup>67</sup> Correspondence from the Director of Education to the PAC 19<sup>th</sup> February 2010

<sup>68</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 39

<sup>69</sup> Extract from ESC Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

No, we have not reduced the funding to Childcare Trust at this point in time and we have not determined the final model. The C.&A.G.'s report obviously does not make a clear recommendation on the model because at that point in time the future of the early years strategy was not clear. The early years strategy was implemented in September and the Jersey Childcare Trust have played a significant role in the implementation of that by helping us to develop a consultation to provide information to parents, et cetera. It was always envisaged that at the end of this first year, now that we have established a new early years partnership, that we would revisit this and the context has changed in another couple of ways. For a start the trust has started to bring in more funding itself, so if you were to look back at 2005, I think the funding that the trust managed to generate in sponsorship was around £29,000 a year; in 2008 it was about £154,000 a year. It has dropped slightly last year to £77,000 but the trust has made efforts to generate more funding through sponsorship. The other thing that has changed the context slightly is almost the introduction of a fourth option because there has been the development of a children's ... this concept of a children's information service in the U.K., and we have had discussions with the trust about it taking on some of the responsibilities of a more comprehensive children's information service in Jersey which is more than just about childcare; it is about health, it is about parenting support, it is about education in general. The third thing is really the development of a Children's Plan for Jersey which the new Children's Policy Group has committed to do. So, in that context we will be revisiting the role of the trust.

**The Connétable of St. Peter:**

Can you quantify for us how much the external funding is that the trust achieved? How much achieved came from external sources?

**Director of Education:**

Yes, those were the figures that I just expressed. I think in 2008 £154,000 and last year £77,000.

**The Connétable of St. Peter:**

It reduced last year by almost 50 per cent?

**Director of Education:**

Less sponsorship, yes. Obviously, I think, a lot of the charitable trusts were affected last year.

**Senator B.E. Shenton:**

When do you think you will determine the final model for the trust because it has sort of been going on for a while?

**Director of Education:**

Well, we have committed to doing something about that by the end of this year..<sup>70</sup>

## 5.74 KEY FINDING

The lack of clarity in respect of the functions and funding of the Jersey Childcare Trust is unacceptable. This matter was highlighted by a C&AG report back in September 2006 which noted the lack of cohesive Government strategy on Childcare provision in the Island.<sup>71</sup>

## 5.75 RECOMMENDATION

A model for the Jersey Childcare Trust, with long term value for money financial planning, needs to be developed as a matter of urgency.

## 5.76 Accountability within the Education Sport and Culture Department

<sup>70</sup> Transcript of the public hearing with the Director of Education, p12

<sup>71</sup> Jersey Childcare Trust, report by the C&AG, September 2006

The Committee addressed the recurrent issue of lines of accountability between Ministers and Chief Officers, asking the Director of Education for his take on the matter:

**Mr. K. Keen:**

*In dealing with this structural deficit, which is obviously a huge issue for the Island, one of the things it seems to me that when you are trying to go through a change the clarity of leadership and reporting lines is pretty crucial. I get confused between the responsibilities of an accounting officer to the Chief Executive and to his Minister. Do you think that that is clear enough now?*

**Director of Education:**

*Well, it is certainly clear enough to me. The Minister has sole and legal responsibility. I guess the difficulty is political and it is not for me to comment on but I am clear on my responsibilities to my Minister and I am clear on my responsibility to present a broad range of options to him. Some of those options obviously would be good ways forward from an educational perspective but some of them might not be. Some of them might require us to cut services. If you are going to take the amount of money out of the States of Jersey to meet the deficit that you are facing, I guess you are going to have to look at cutting services.*

**Mr. K. Keen:**

*So you have made it quite clear your responsibilities to the Minister, what would be your responsibilities to the Chief Executive, then?*

**Director of Education:**

*Well, the Chief Executive is obviously my line manager so the Minister is responsible for matters of strategy and policy within the department and I am responsible for supporting my Minister. The way that I support the Minister obviously would be a matter for discussion with the Chief Executive because he has the responsibility to ensure that each of the Ministers gets the appropriate support. But quite clearly on the day-to-day business and on the corporate agenda, I have a responsibility to the Chief Executive and answer to him. But if you are saying to me: "How do you deliver savings in a corporate agenda without the consent of a Minister who has political responsibility?" then my answer would be: "With great difficulty."<sup>72</sup>*

**5.77 KEY FINDING**

In the hearing, the Director of Education expressed that fact that the corporate goals of the Corporate Management Board and the goals of individual Ministers can often clash. The Minister for Education is a good example as he has made it publicly clear that he will oppose any move to cut his Department's budget.

**5.78 RECOMMENDATION**

In the UK, each council had an officer whose statutory duty it was to report back if there was concern in respect of the financial situation. There is currently no such statutory duty in Jersey. Chief Officers may well be more diligent in carrying out their accountable duties if such legislation were in place and if they had incentives to make necessary cuts. The culture of protectionism needs to be driven out of the system and a more business-like financial approach developed in terms of overall management. Ministers need to realise that whilst they have responsibility to protect their Department, their ultimate responsibility is to the whole Island and they must manage the assets under their capital in a prudent manner.

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<sup>72</sup> Transcript of the public hearing with the Director of Education, p20

## 6. Health and Social Services Department

### 6.1 The importance of the C&AG's report

The Director of Finance and information for Health and Social Services confirmed that the C&AG's report had been taken seriously within his Department, and also took personal responsibility for working towards making savings and achieving value for money:

**Senator B.E. Shenton:**

*How high up the in-tray would a report like this be when you are sort of looking to what you can achieve at Health?*

**Director of Finance and Information Services for Health and Social Services:**

*For me personally, in my role, it is extremely high up the in-tray because obviously achieving value for money and working through the cash limits and maximum services for the resources we have is fundamental to my role in Health and Social Services.<sup>73</sup>*

### 6.2 In order to undertake a comprehensive spending review, it is vital to know the costs.

The Committee re-iterated its concern that the Health Department did not know what its costs actually were. Unless these costs are known, it is surely impossible to know whether value for money is being achieved. The Director of Finance and Information Services for Health and Social Services explained that even though establishing these figures was standard practice within his background at the NHS, in Jersey, such a costing exercise was not a priority and that there were insufficient resources to carry it out:

**Senator B.E. Shenton:**

*When you were last here you admitted that you did not know the cost of a hospital bed, because you had some people who were in the hospital that should have been in nursing homes or residential homes, and that was seen as a saving because you were not paying a third party provider. But you did not know the cost of keeping them in the hospital.*

**Director of Finance and Information Services for Health and Social Services:**

*....traditionally Jersey Health and Social Services has not undertaken the same rigorous costing exercises that I have come from in the N.H.S. So, for example, the reference cost process, while has flaws in it in the N.H.S., is a comprehensive N.H.S.-wide process of costing hospital activity. There are not the resources in the finance team in H.S.S and has not been seen as a high enough priority piece of work to undertake to ensure that we regularly and routinely cost and understand all of our activities in a systematic way. If someone wanted to know a specific cost of a certain hospital bed or a certain activity, we would undertake a costing exercise as a specific one-off to deliver that. So, I think the important thing is saying we can identify what the costs are in response to questions, but we do not routinely cost up all of the hospital activity in the same way as with the N.H.S.<sup>74</sup>*

### 6.3 KEY FINDING

The Director of Finance and Information Services for Health and Social Services has confirmed that it is impossible to know how much certain services cost in the Health Department. Without this information it is also impossible to know whether you are getting value for money, or whether they would be better off outsourced. The PAC is concerned about how a meaningful comprehensive spending review can be undertaken, without such fundamental information being available.

### 6.4 RECOMMENDATION

The PAC believes that Health and Social Services should know the true cost of very service provided. This body of work should be undertaken where possible, with the figures

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<sup>73</sup> Transcript of public hearing with the Director of Finance and Information for Health and Social Services, p3

<sup>74</sup> Transcript of public hearing with the Director of Finance and Information for Health and Social Services, p23

published, including appropriate benchmarks for comparison purposes. Concentration should be given to areas where private sector provision is already available.

6.5 **Senator B.E. Shenton:**

*I am trying to get my head round how you can do a Comprehensive Spending Review if you do not know the cost.*

**Acting Chief Officer, Health and Social Services:**

*It is not just a press of a button, is it? That is the point. We know what our average length of stay is; we know what our delayed discharges are. But I am sure we could calculate for you an average bed cost, but it is like saying how much does a car cost. An intensive care bed is entirely different from a bed on an acute ward.*

6.6 While the PAC understands that not all hospital beds cost the same amount, it considers that this is no reason not to undertake the calculations (as occurs in the NHS), otherwise any spending review will not work.

**Senator B.E. Shenton:**

*But the implication is that this whole Comprehensive Spending Review system is a mirage, because you are just going to go through and look at all the costs and carry on spending the budget exactly as you were spending it before.<sup>75</sup>*

## 6.7 The costs of primary care

**Senator B.E. Shenton:**

*Will you be looking at going back to your core services within and the provision of core services?*

**Acting Chief Officer, Health and Social Services:**

*I think that is a really good question, particularly with respect to saving money across the health economy. The real trick is in all the transition points between primary, secondary and tertiary care, and if it is co-ordinate ... I mean, you have got to look within the box to find savings and efficiencies; I do not doubt that. But it is the interface between primary and secondary care, and secondary care and tertiary care that are big savings to be made. We are now moving in a positive direction with primary care, as of last night.*

**Senator B.E. Shenton:**

*Which says that you were not moving in a positive direction before last night.*

**Acting Chief Officer, Health and Social Services:**

*I am not sure we were moving.*

**Senator B.E. Shenton:**

*You were not moving at all. [Laughter]*

**Acting Chief Officer, Health and Social Services:**

*The primary care body is making very positive noises about working with us in the future.*

**Senator B.E. Shenton:**

*Okay; because the State does do an awful lot that perhaps we should not be doing.*

**Acting Chief Officer, Health and Social Services:**

*I just think they could be more effective. There could be more effective interface between primary care and secondary care.*

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<sup>75</sup> Transcript of public hearing with the Director of Finance and Information for Health and Social Services, p24

## 6.8 KEY FINDING

There is a lack of a professional interface between primary and secondary care.

## 6.9 RECOMMENDATION

The Health and Social Services Department should determine essentially which core services that they should offer, and negotiate a clear segregation of services and responsibilities with the primary care body. The trend within other jurisdictions has been to encourage as many initial investigatory procedures as possible within primary care clinics. This has the benefit of speed of service and avoids the use of expensive hospital based services.

## 6.10 Free prescriptions have a cost

**Senator B.E. Shenton:**

*Just as an aside; the financial impact of introducing free prescriptions to the department was a loss of revenue of what?*

**Director of Finance and Information Services for Health and Social Services:**

£100,000.

**Senator B.E. Shenton:**

*Are you concerned about the fact that since prescriptions were made free the general level of prescriptions has gone up? I know this is not an area that you are funding but obviously it did have an implication on your department when it came in.*

**Director of Finance and Information Services for Health and Social Services:**

*To answer that question comprehensively we have recently approved a post in the pharmacy to review ... their prime role is to review drug prescribing by clinicians to ensure that it is appropriate, cost effective and, from a planning point of view, this post is about delivering estimates and plans as to what is happening with drug dispensary in our organisation. Obviously the outputs of those types of reports should be options for the senior management team to consider around where certain clinicians are operating in certain ways that may be, for example, outside N.I.C.E. guidance and what the options would be on those. By having this pharmacy post dedicated to that role it means that another clinician effectively is in a position of expertise to challenge other senior clinicians about what they are doing.*

**Senator B.E. Shenton:**

*For the benefit of the other members around the table, I was Health Minister at the time prescription charges were abolished and not only did we not agree to the abolition but we also asked for it to be delayed while we could do a piece of work on the financial implications. But unfortunately the political decision was to abolish charges without that piece of work being in place.<sup>76</sup>*

## 6.11 KEY FINDING

The PAC is minded that the provision of primary care in Jersey is unnecessarily lavish, particularly set within the context of the impending structural deficit. There is a disproportionately large number of GPs in the Island. GP referred hospital investigations are financially attractive to GPs yet are funded by the taxpayer. Free prescriptions are a drain on resources, and there are a large number of pharmacies on the Island benefiting from this publicly funded service. The decision to provide free prescriptions should be reviewed. There was no indication given at the hearing that any of these issues have been addressed in a specific way.

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<sup>76</sup> Transcript from Public Hearing with the Acting Chief Officer of Health, p7

6.12 The PAC will hold hearings with the Social Services Department and other relevant bodies in the respect of the issues raised above.

### 6.13 'Health Tourism'

The C&AG proposed the following saving:

Amount- £250,000

Timing -Medium-term

Type of reduction- Efficiency

Certainty -Speculative

*The department should seek to reduce the costs which are incurred as a result of people without medical insurance cover or cover from reciprocal health cost agreements visiting the Island to receive treatment for pre-existing medical problems. In a number of cases, treatment of these cases involves the department in considerable expense including the provision of treatment in mainland specialist centres and the associated travel costs.<sup>77</sup>*

6.14 **Senator J.L. Perchard:**

*Have you any idea what sort of expenditure you are paying out on an annual basis, of account you are looking at, potential health tourism? What the current cost to the Island is?*

**Director of Finance and Information Services for Health and Social Services:**

*We have not quantified that up in any detail*

**The Connétable of St. Peter:**

*Ballpark.*

**Director of Finance and Information Services for Health and Social Services:**

*I would say in excess of £500,000.*

6.15 The PAC are troubled that while health tourism, (i.e. foreign nationals coming to Jersey to seek treatment for high cost medical conditions that may not be available so readily in their home country) is an issue which could be tackled relatively quickly, little progress has been made to achieve these savings.

**Senator B.E. Shenton:**

*It seems to me that nothing is happening in health tourism.*

**Acting Chief Officer, Health and Social Services:**

*There is a draft policy, I have forgotten its title.*

**Director of Finance and Information Services for Health and Social Services:**

*The provision of healthcare to overseas and foreign nationals.*

**Acting Chief Officer, Health and Social Services:**

*... That policy is currently with the Scrutiny Panel for consideration.<sup>78</sup> We are waiting for it to come back from Scrutiny so that they can add their comments to it. We will take it from there to the Medical Staff Committee and then seek to introduce it. The only caveat on that is that we are looking at the ... the Minister has indicated that she would like to begin dialogue again with the U.K. with respect to a reciprocal health agreement and in doing so that may have implications about what would sit within this policy. I am not making any promises about policy will be on the desk in 3 months.*

<sup>77</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 42

<sup>78</sup> Since this hearing, Scrutiny has decided not to scrutinise the Health Tourism policy and this was confirmed in writing to the Department in January 2010.

- 6.16 The Director of Finance and Information Services for Health and Social Services explained the background to the draft policy:

**Director of Finance and Information Services for Health and Social Services:**

*... what the policy is about is removing the big obvious loopholes that are high cost. We recognise that there will always, at this stage anyway, there will always be a level of hospital activity, outpatient appointment that sneaks through, through the route that they have got relatives on the Island, they give that address. If it is a relatively low cost procedure ... we need to concentrate our resources on removing the big abusers and those first of all. So this policy is designed to try and tackle that issue, to get on to those, and the whole policy principle really is about saying it is for the individual to demonstrate to the satisfaction of those on the ground who are accessing their status, that they are genuinely entitled to free treatment. So, where someone is essentially picked up as a risk, then the onus is pushed on to them to state that they would have to demonstrate that they are entitled to free treatment, rather than us trying to disprove that they are entitled to free treatment, which has been essentially the problem in the past.*

- 6.17 The Director of Finance and Information Services for Health and Social Services cited lack of information resources as a stumbling block:

*Because of the lack of information we are unable with the resources at H.S.S. to investigate all of these factors; we have been unable to disprove people's information. So it is about turning it around and saying ... We have done the same with the travel entitlement as well. We have said: "If someone wants to effect the benefit of supported travel it is for them to prove they are entitled to it.*

**6.18 KEY FINDING**

The lack of data gathering and monitoring, both in terms of what costs are and in terms of patient information, is a recurrent theme within Health. Without the existence of such information, cost cutting measures will be difficult if not impossible to implement.

**6.19 RECOMMENDATION**

An appropriate Integrated Care Record system should be installed in order to achieve the identified savings.

- 6.20 Gathering of the kind of information required above, as well as collecting payment where appropriate, might well present a cost in itself, according to a written submission from the Health Department:

*"Potentially investment will be required to increase resource necessary to monitor and collect the information about the patients on admission and to ensure that payment is received i.e. maybe 24 hour cover for someone to collate the information and if necessary obtain a credit card impress when a patient has been admitted late at night via a GP referral."<sup>79</sup>*

- 6.21 The Department also seems pessimistic about the length of time the policy would take to implement, saying that: *'These savings will require the ICR system to be in place so realistically they are three to four years away.'* Also, the Department warns that the policy will be challenged as it requires an 'acceptance of a policy that by definition will exclude certain patients from receiving free healthcare. Also the concept that patients may be required to provide additional evidence of their eligibility for free healthcare. The other main barrier internally is that clinicians on the front line will have to accept they also have a role in determining and explaining eligibility to patients as they are referred.'<sup>80</sup>

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<sup>79</sup> Extract from Health Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>80</sup> Extract from Health Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

6.22 The PAC is pleased to note that the draft policy is aiming to protect those with legitimate claims:

**Director of Finance and Information Services for Health and Social Services:**

*I think the key thing is if someone is here for legitimate reasons associated with a partner, for example, who is working on the Island, we would not necessarily want to restrict their health care, even if it is genuinely high cost, because if the individual is here for legitimate reasons, then as a health service we are taking a stance at the moment that says they should be able to access free care. The ones we are looking to cut out of this policy are the ones who deliberately undertake actions to access high cost treatment because maybe they are unavailable in their own country, or, for example, it is an ability to access into the U.K. referral via a Jersey referral at the expense of the Jersey taxpayer. So, in order to clarify, the current draft at the moment talks about a 5-year residency period, in effect, before someone would be able to receive free long-term medical care.*

6.23 However, a policy needs to be implemented as soon as possible for optimum savings to be achieved.

**6.24 KEY FINDING**

Although the PAC acknowledges the unpredictable nature of Health spending, Health Tourism is an area which has yet to be satisfactorily addressed.

**6.25 RECOMMENDATION**

Swift moves should be made to progress a Health Tourism policy.

**6.26 United Kingdom treatment costs**

The C&AG proposed the following saving:

*Amount- £200,000*

*Timing -Medium-term*

*Type of reduction- Efficiency*

*Certainty –Speculative*

*The department should review the costs incurred in flying patients to the United Kingdom for treatment through more rigorous assessment and the establishment of cost effective service level agreements with selected hospitals.<sup>81</sup>*

6.27 While rationalising the choice of available providers has been accepted by the Department as an achievable saving. H&SS staff resistance to having to restrict referrals to certain providers has been cited by the Department as the main barrier to this matter progressing. It states that 'difficult discussions around the clinicians' expectations that they can refer patients to wherever they/the patient chooses' will need to be had.<sup>82</sup>

**6.28 KEY FINDING**

When looking to make substantial savings such as those required now, 'difficult discussions' are unavoidable and should not be seen as a barrier to progress.

**6.29 RECOMMENDATION**

Political will is required to implement unpopular yet necessary decisions. Greater emphasis on overall costs should be undertaken in respect of the selection of the service provider.

**6.30 Accident and Emergency**

The C&AG proposed the following saving:

<sup>81</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 41

<sup>82</sup> Extract from Health Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

Amount- £75,000  
Timing -Medium-term  
Type of reduction- user pays  
Certainty –not Speculative

*The department should introduce charges for patients accessing primary care by way of visits to the hospital's Accident and Emergency Department.<sup>83</sup>*

6.31 'Clinical attitudes'<sup>84</sup> in A&E about the idea of collecting money from patients were cited as an obstacle to implementing this proposal by the Health Department.

### **6.32 'User pays' for ambulance services?**

The Acting Chief Officer confirmed that introducing user pays for ambulance services (as practised in Guernsey) was not in the pipeline.

**Senator B.E. Shenton:**

*The ambulance ... in Guernsey you pay £150 for an ambulance.*

**Acting Chief Officer – Health and Social Services:**

*Absolutely.*

**Senator B.E. Shenton:**

*Is that on your radar to look at, at all?*

**Acting Chief Officer – Health and Social Services:**

*Personally, no. The reason that occurs in Guernsey is because Guernsey's ambulance is a charitable organisation. That is why it happens, it is not a user pay, it is a charitable organisation.*

However, he did say that user pays for A&E was on the agenda, awaiting public consultation.

**Acting Chief Officer – Health and Social Services:**

*'... yes it is on the agenda, the Minister has asked that there is a significant public consultation before she takes any of those issues into the States.*

### **6.33 'User pays' for accident and emergency services?**

**Senator B.E. Shenton:**

*....there is a doctors' surgery that does not charge, which is called the A.&E. (Accident and Emergency) Department, what actions are you looking to rid the Island of this anomaly?*

**Acting Chief Officer – Health and Social Services:**

*The Ministerial position on this is that seeking further user pays in A.&E. is supported but it would require public consultation before it occurs, significant public consultation, because the first child who dies of meningitis because a mother decides not to take that child to A.&E. because they thought they should go to the G.P. and they did not have money to spend on it, will cause us a significant problem. In other words, there are people currently who are accessing A.&E. because they are saying they cannot afford to go to their G.P.*

**Senator B.E. Shenton:**

*Yet those people would be on income support of which a component is for G.P. care.*

**Acting Chief Officer – Health and Social Services:**

<sup>83</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 42

<sup>84</sup> Extract from Health Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

*As long as people are using the argument that there is a barrier to entry to G.P.s we have to sort out that anomaly. Okay, what I am saying is should we be introducing user pays into A.&E., I think acceptance of that would be a good idea but should it be a charge across the board or should it be a charge for inappropriate use, in other words using it as a primary care provider. That needs to be discussed, there needs to be a public consultation. From our perspective, I hold my hands up, the reason we are not doing that public consultation right now is because we have got a lot on. What we are doing in 2010 is around user pays. The user pays issue we are dealing with at the moment is around sorting out the path charges, the States approved that at the end of the last year, we are making sure that system works efficiently, working with the G.P.s about developing those links.*

#### **6.34 KEY FINDING**

There appears to be little urgency to adopt a user pays policy within the Health Service. With Health costs likely to continue to rise at above inflation levels, this could lead to an inappropriate use of resources, with core services neglected as funds are diverted to areas where a user pays policy would be more appropriate.

#### **6.35 RECOMMENDATION**

Where appropriate, 'user pays' policies should be introduced, rather than waiting for them to be forced on the Department due to budget constraints.

#### **6.36 Critical mass issues**

The C&AG proposed the following saving:

*Amount- £250,000*

*Timing -Medium-term*

*Type of reduction- efficiency*

*Certainty – Speculative*

*In a number of instances, the unit cost of services provided by the department is higher than the costs that would be incurred by mainland health services because the size of the Island's population is relatively small. This suggest that opportunities may exist for unit costs to be reduced if it were possible to reach agreement with the States of Guernsey to collaborate in the management of the services concerned.<sup>85</sup>*

6.37 The initial Departmental response to the above proposal to collaborate with Guernsey stated that the outcome would depend on the 'attitude of the States of Guernsey.'<sup>86</sup>

6.38 The Acting Chief Officer – Health and Social Services mentioned that there were talks in the pipeline with Guernsey regarding the possibility of joint air ambulance services:

#### ***Acting Chief Officer – Health and Social Services:***

*We have worked in the last couple of years trying to work with Guernsey in developing joint services and my own particular interest was around the air ambulance service. It seems an obvious thing to do to achieve the economies of scale. Actually the prize there in terms of ... the prize there from my perspective is around patient safety and effective and efficient services but there is a bigger financial prize, which is actually around the more routine movement of outpatients, which is significant numbers of patients moving from both hospitals to the south coast'*

#### **6.39 KEY FINDING**

The initiative of working with Guernsey to develop joint services in health has merit, and should be pursued. The Public Accounts Committee shall seek to work closely with its

<sup>85</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 43

<sup>86</sup> Extract from Health Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

Guernsey counterparts in order to advance inter-island co-operation, and a further meeting with the Guernsey Public Accounts Committee is currently being planned.

#### 6.40 RECOMMENDATION

The financial model for the provision of all ambulance services should be reviewed. A benchmarking process using the taxpayer costs to the Guernsey taxpayer of a similar service published and reviewed.

#### 6.41 Human resource management in Health and Social Services

The C&AG proposed the following saving:

*Amount- £100,000*

*Timing -Medium-term*

*Type of reduction- efficiency*

*Certainty – not speculative*

*The (Health and Social Services) Department has a number of staff who it recognised are not performing adequately either through long term illness or for other reasons. The responsible managers explain that their Departmental costs are unnecessarily high because appropriate procedures do not exist to deal with such cases. In contrast, the States' Human Resources department believes that appropriate procedures do exist. The Department should make use of the procedures that have been provided to release the posts which are currently occupied in this way.<sup>87</sup>*

6.42 The Health Department has recognised in a written statement, that: 'Generally it is recognised that considerable sums are lost due to sickness/absence across the States.'<sup>88</sup>

#### 6.43 **Senator B.E. Shenton:**

*It is fairly well recorded that within the hospital type service across both Jersey and United Kingdom there is a higher level of sickness absence. That can easily be put down to not necessarily the fact there is a shortage of staff when people are sick. But quite clearly you would not want people with a cold coming into work on wards so therefore ... that probably gives you higher sort of numbers than anyone else would expect. But underlying all that, are you managing the absence rates of particular people. Are you monitoring people who are perhaps more sick than others and how are you doing that, and what measures you are bringing to make sure you are not wasting staff by not managing their attendance more closely and using sickness as an excuse not to come to work?*

#### **Acting Chief Officer - Health & Social Services:**

*Not wishing to contradict you, but I believe, and correct me if I am wrong, but our sickness and absence in Health and Social Services as a whole is rather good and it compares favourably both with the private sector and ...*

#### **Senator B.E. Shenton:**

*That was not the information I got from H.R. several weeks ago.*

6.44 This view (that sickness levels are rather good) also contradicts the information in the C&AG report which states that: 'The Department has a number of staff who it recognised are not performing adequately either through long term illness or for other reasons. The responsible managers explain that their departmental costs are unnecessarily high because appropriate procedures do not exist to deal with such cases.'<sup>89</sup>

<sup>87</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 42

<sup>88</sup> Extract from Health Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>89</sup> Report by the Comptroller and Auditor General – 'Emerging Issues- States Spending Review' p42

6.45 The PAC is troubled that the Acting Chief Officer was expressing such markedly different views to those expressed to the C&AG by Managers in the Health Department.

6.46 **Acting Chief Officer - Health & Social Services:**

*We are a business where about 75 to 80 per cent of our expenditure is on people. So to ignore how those people are behaving would be foolish, we can recognise that. To ignore how they are feeling in the workplace and whether they are being used effectively would be foolish. I would suggest that a significant amount of our staff were experiencing quite high levels of dissatisfaction and low morale last year. If you went on to a ward as I would do and say: "What can I do to improve your lot?" they will say: "Give us more staff." It was not give us more money, it was give us more colleagues to work alongside us so we can do our job properly.*

6.47 The Acting Chief Officer confirmed that staff morale in his Department could be better. However he did not consider that reducing sickness absence was something within his power:

**Acting Chief Officer - Health & Social Services:**

*Absolutely. I mean Health and Social Services are a hugely diverse portfolio. It is 2,500 employees. But, as I say, the point is 80 per cent of the business cost is on people so you have got to get that bit right. Morale is not great, the business is running very hot, people need to ... and human resource practices are fundamentally important. We have got to get both ends of it right, though. You have got to get the bit about reducing the average sickness from 7.5 days to 6.5 days, is just as important in cost terms and in business terms as also sorting out the one or 2 outliers who are off sick for 2 years. You have got to do both of those things. Are there practices in train to deliver both of those? No. I do not think so. They are not within my power to control those, they exist as central States policies but I think they need to be addressed.*

6.48 **KEY FINDING**

The Acting Chief Officer of Health saw the job of addressing high absence levels in his Department as beyond his control. He sees this task as a centralised function. The Public Accounts Committee was extremely concerned at the lack of ownership by H&SS management in respect of the management of sickness levels. Because HR had been centralized the problem had been passed away from the coalface – and lost at the centre. Good sickness management can achieve considerable savings for the taxpayer – yet there is a lack of ownership of the problem. The PAC sees no indication that the Acting Chief Officer of Health understands the relationship between effective resource management and the ability to achieve the desired outcomes in a Department. If there is no accord in working towards shared corporate objectives (in this case, making savings) then those objectives will not be achieved.

6.49 Furthermore, the Acting Chief Officer did not appear to view most people in his Department as being in an HR role at all.

**Senator B.E. Shenton:**

*This is part of the problem because going back a couple of years to the H.R. function being centralised, it was not working as well as it should have done. It certainly was not when I was Health Minister. Going back to a previous hearing where the Director of Finance and Information Services for Health and Social Services appeared at, he said: "That when people come to me with and are over budget, they tell me they are over budget, and they believe that they have passed the problem on to me." Now I got the impression within Health and Social Services that if there is a H.R. problem they would pass it on to the Chief Minister's Department, the H.R. Department, and then they would pass the problem on. There were not a lot of people within H.S.S. actually taking ownership of H.R. resources because they were not responsible for it.*

**Acting Chief Officer – Health and Social Services:**

*I agree up until the last line. There was not a lot of people in H.S.S. taking responsibility for H.R. issues because there is not a lot of people in H.S.S. in H.R. roles.*

**Senator B.E. Shenton:**

*But if you are a manager you are in an H.R. role.*

**Acting Chief Officer – Health and Social Services:**

*Yes, in terms of H.R. ...*

**Senator B.E. Shenton:**

*That is where, I think, if you are a manager of a department or supervisor you are in an H.R. role? You do not need to have the initial ...*

**Acting Chief Officer – Health and Social Services:**

*No, you are a manager of people but in terms of getting specific H.R. advice who would always look to the centre in terms of making sure that our decision making around suspension or whatever, or disciplinary process, is consistent across the board. That is what we would be looking to the centre for. But believe you me if we put somebody on long term sick or long term suspension it is something that we are absolutely wishing to address on a day by day basis because it is causing us pain.*

- 6.50 The Acting Chief Officer confirmed that he did not support the centralisation of HR under the Chief Minister's Department, implying that central HR did not understand the business of recruiting:

**Senator B.E. Shenton:**

*Can you put your hand on your heart and say that the centralisation of H.R. in the States is generally to be working well?*

**Acting Chief Officer – Health and Social Services:**

*I believe the centralisation and the devolution of H.R. on a 5-year rotation, it appears everywhere in the world, is a complete waste of time. I believe that we would work more effectively if we had a departmental H.R. Department which understood our business of recruiting.<sup>90</sup>*

**6.51 KEY FINDING**

There are mixed messages from the Executive. There appears to be no consistency regarding whether sickness absence levels are a cause for concern and very little ownership of HR issues by the Departmental Chief Officer of Health. Without buy in from key officers and an acknowledgement of the problems that exist, progress on implementing savings arising from these issues is unlikely.

**6.52 RECOMMENDATION**

The absence of staff through sickness is considered more of a nuisance than a cost. Whilst the management of HR has been centralised, the management of sickness has not and this fact should be conveyed to all staff in management positions.

- 6.53 Moving on from the issue of sickness absence, the Committee discussed the issue of underperforming staff members, as mentioned in the C&AG's Emerging Issues report. The Acting Chief Officer for Health and Social Services and the Director of Finance and Information Services for Health and Social Services acknowledged that in Jersey, an individual's pay is protected much more than it would be in the NHS, meaning there was a

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<sup>90</sup> The (now former) Acting Chief Officer for HSS has submitted the following clarification: "I was pointing out the cyclical nature of devolution and centralisation of HR and not problems with centralisation in itself." (correspondence to the PAC, 9<sup>th</sup> April 2010)

lack of incentive for self improvement. That said, the view expressed seemed to be that the examination of terms and conditions and remuneration was a central function:

**Senator B.E. Shenton:**

*You have got some staff within your Department, or within H.S.S, that are perhaps, I think it is fair to say, grossly overpaid through evolution where their terms and conditions have got way out of sync with what they are doing. H.R. now comes under the Chief Minister's Department. Who looks at the remuneration of individuals within H.S.S. to see whether you are getting value for money from each role?*

**Acting Chief Officer – Health and Social Services:**

*I think, broadly speaking, in terms of the terms and conditions that that is something for the States Employment Board to consider. When we come down to the role of an individual, we were discussing this only the other day about protected pay and how those issues are worked through with respect to issues in N.H.S. and how that works in Jersey. In the U.K. you would be ... after 5 years there would be no further protected pay, but I believe in the States, it is for life. Now, that is a problem, because as an individual if you are going to protect my pay for 5 years and then no longer protect it, then I am looking pretty hard to find a suitable role for me to be in to ensure that I remain at my salary. But if you are going to put me in a position whereby I am going to be on that protected pay for life, and there is no incentive for me as an individual to move, then it is very difficult for the organisation to move that individual unless they are incompetent in that role. Now, do not forget, they are unlikely to be incompetent in that role because they have come from another role.*

- 6.54 The witnesses considered that issue was largely a matter for central HR under Chief Minister's Department:

**Senator B.E. Shenton:**

*But a finance director, working for a big entity, he may well turn round and say: "Well, Freddy in accounts is paid far too much, we are going to have to lose him" or something like that. I think that you do not look at salaries in any way, shape or form as you would in the private sector, because it is all just central and that is the States payment.*

**Director of Finance and Information Services for Health and Social Services:**

*I suppose, when I started in H.S.S. the first thing I asked for was effectively a list of all of the senior individuals, because I assumed those would be the ones I would be working closely with to deliver the various objectives of H.S.S. So we are aware of those and the line managers of those individuals will be aware of what they are paid. I would say it is the responsibility of the line managers, that is part of ... because we have touched on H.R. management already, to review the functions that that individual is carrying out to ensure that they are comfortable that they are competent etc. to do the job. If the States of Jersey terms and conditions dictate how that individual is remunerated for that, then I think that is more an issue for the H.R. team to take forward in regards to policy, rather than the manager in reviewing whether that person is adequate.*

**Senator B.E. Shenton:**

*But as finance director you would never ask a line manager or a manager, how can you justify paying him that much for doing that?*

**Director of Finance and Information Services for Health and Social Services:**

*I can do that, and I have done it with various individuals. But the reality is as long as the manager of that area can justify the individual, the post they are in and the costs that they are incurring, then depending on obviously how grossly out of line it is, then I would rely on that manager to make sure that they are achieving their objectives in value for money for the States of Jersey in employing that individual.*

**Senator B.E. Shenton:**

*The public sector is certainly a very different world to the private sector, is it not?*

## 6.55 KEY FINDING

The position of Hospital Director has been removed. Therefore there is no longer any distinction between the operational running of the hospital and the strategic management of the Department. Therefore long-term planning had been somewhat neglected in favour of day to day fire fighting.

## 6.56 RECOMMENDATION

There are two distinct spheres of HR management: process management and the way in which line managers manage. The latter cannot be outsourced. Managers need to take ownership and responsibility for some aspects of HR management, otherwise certain issues, which are costing taxpayers' money, cannot be addressed

## 6.57 Locum services – Proposal by the C&AG

Amount 600,000

Timing Medium-term

Type of reduction Efficiency

Certainty Not speculative

*The department should review all of its staffing arrangements with a view to minimising its need to acquire the services of locums to cover staff absences.<sup>91</sup>*

6.58 It was stated that the reliance on locums was to the detriment of other services:

### ***Director of Finance and Information Services for Health and Social Services:***

*The Department does not have recurrent budgets set to the level of locum expenditure as being incurred, so the effect of that means that other things are stopped, usually temporarily, permanently where I can, but in nearly all instances they are temporarily, to ensure that the department can live within its cash limit, so we will slow down on a less priority or lower important service to release the money to pay for the excess locum costs generated possibly by a long term sickness of a middle grade doctor who therefore we are obviously paying their salary but we are also then paying for someone to come in and cover their job. So the reality of the budgeting currently is that there are not sufficient recurrent budgets to cover the level of locum expenditure that is being incurred.<sup>92</sup>*

6.59 The problem of recruiting and retaining suitably qualified nursing staff was highlighted:

### ***The Connétable of St. Peter:***

*How important do you see the importance of human resource management in driving your expectation or your wish for safety reasons to produce the requirement on locum and agency nurses and provide, at the end of the day, cost benefits back to the taxpayer?*

### ***Acting Chief Officer – Health and Social Services:***

*We have significant issues with recruiting nurses to Jersey. It is a worldwide problem but I would suggest our problems are more acute than elsewhere. We have got a 6.4 per cent vacancy rate for nurses. You have got 5 per cent in inner London, 2 per cent in Guernsey, we are ... this is one leader board that we do not want to be top of and we have got significant issues there. It is not a simple issue.<sup>93</sup>*

## 6.60 KEY FINDING

There is significant overspending due to an over reliance on locum staff, and problems within the recruiting process.

<sup>91</sup> C&AG report – 'Emerging Issues – States Spending Review' p41

<sup>92</sup> Transcript of the Public Hearing with the Acting Chief Officer of Health p12

<sup>93</sup> Transcript of the Public Hearing with the Acting Chief Officer of Health p12

## 6.61 Management of procurement – the C&AG Proposal

Amount: £800,000

Timing: Medium term

Type of reduction: efficiency

Certainty: not speculative

*The department should establish a centralised procurement function with a view to achieving savings through a more rigorous approach to purchasing. The department already purchases drugs through a mainland consortium but reductions could be achieved by extending good procurement practice to other areas of purchasing.*

### 6.62 **Senator B.E. Shenton:**

*If we just start with procurement then, what steps have been taken to improve procurement since the report came out?*

#### **Director of Finance and Information for Health and Social Services:**

*Taking the management procurement, I believe firmly in the opportunities that are available from an effective procurement process in H.S.S. and possibly across the States of Jersey overall, so we have engaged with the head of States Procurement. She is working with us to develop a best practice system which ideally will be presented for all States departments, with H.S.S. being the pilot of that. Our view is if you can make it work in H.S.S. you are removing bits of it for other Departments rather than having to add bits in that no one thought of if you do a pilot in a different Department. So that work is being planned and prepared, initial presentation has been given to the H.S.S. S.M.T. (senior management team) who have fully supported the concept of that. Another presentation is coming on the detail of what that means in 2 to 3 weeks' time for final S.M.T. approval because there is resource needed to fund the consultants that the Director of Strategic Procurement will employ to undertake some of this work, and obviously the benefits accruing from that we are expecting to be in the region of £800,000-plus.*

#### **Senator B.E. Shenton:**

*Within these plans that you present forward, do they have fixed timeframes and who is ultimately responsible for hitting those timeframes?*

#### **Director of Finance and Information for Health and Social Services:**

*That is right, the project plan will be undertaken as per States of Jersey procurement office staff so there are clear cut-offs and review at certain stages on it to ensure it is still going to deliver what is expected and to make sure that it goes according to track. That is what is due to be presented to the Health S.M.T. in 2 to 3 weeks' time which will then hopefully endorse that approach and that will then be effectively a project that is in train.*

#### **Senator B.E. Shenton:**

*Who is responsible?*

#### **Director of Finance and Information for Health and Social Services:**

*I am taking the S.M.T. lead on working ... from an H.S.S. perspective I am working with the Director of Strategic Procurement to deliver that project.*

#### **Senator B.E. Shenton:**

*You are taking the lead, does that mean you are responsible?*

#### **Director of Finance and Information for Health and Social Services:**

*I suppose the accounting officer always retains responsibility but while we did not directly discuss it I assume that it is a delegated function to me, to deliver on behalf of the accounting officer.*

## 6.63 Purchase Cards in Health and Social Services

**Senator B.E. Shenton:**

*There were a lot of purchasing cards within Health which sort of implies that purchases were being made on a piecemeal basis, have you done anything about reducing the number of purchasing cards and what have you done?*

**Director of Finance and Information for Health and Social Services:**

*Yes, we have undertaken a comprehensive review of all the purchase cards that are out there in H.S.S. The first job was to cull those quite spectacularly depending on what rationale the individual had for holding them, so for example all of the S.M.T. team said basically they held these cards purely when they are over in the U.K. to pay for incidental expenses. Well, to be quite frank, the risk of having all of those cards out there compared to the use they got and also the fact that we can reclaim our travel expenses via a different route, all of those cards have been pulled in. So I no longer have one, Richard no longer has one, et cetera. So various pieces of work are in train to ensure that only those who need to have a purchase card because of the essential nature of what they do, or the fact that there is not another system in place to enable them to make up the types of purchase they need to at this stage, only those people have retained their cards.*

**The Connétable of St. Peter:**

*Can you give us an example of who that might be?*

**Director of Finance and Information for Health and Social Services:**

*An example is the senior nurses. The senior nurses in the acute unit, you tend to think: "Well, they should not need a purchase card because if there were incidental expenses they could reclaim them" but there is a unique situation that when patients effectively have an emergency transfer, out of hours of the H.S.S. travel office, and if their relatives need to go with them then obviously there needs to be a process of booking their flights for them. Because this all happens out of hours and the fact that an emergency transfer from the jet service has taken that patient off to, say, St. George's for example, the senior nurses have to get on the internet and book basically flights and pay for them. In no other circumstances should they need a purchase card and ideally we would come to a solution over time which says that there will be a different way of managing that particular problem .... There is an example of a piece of work where those individuals have been reviewed and hopefully we have got ourselves to a place where only those who for essential urgent reasons in the absence of any other systems will hold a purchase card.*

6.64 The Committee asked for a confirmation for a timescale for this work:

**The Connétable of St. Peter:**

*What is your timeframe to complete that piece of work?*

**Director of Finance and Information for Health and Social Services:**

*Two to 3 months maximum.*

### 6.65 KEY FINDING

One of the reasons for believing that substantial procurement savings might be available was that the Department had issued a very large number of States purchasing cards. This indicates that many items are purchased on a piecemeal basis rather than by means of general contracts –where terms can be controlled.

### 6.66 RECOMMENDATION

The Procurement Manager at Treasury and Resources should be given overarching control over all HSS procurement functions.

## 6.67 Procurement: The Integrated Care Record Project

**Senator B.E. Shenton:**

*One of the things that did cause a little bit of sleepless nights was, of course, the massive investment into the new I.T. (information technology) software. Can you give us an update on how that is going and the process of that because it is obviously significant.*

**Acting Chief Officer – Health and Social Services:**

*I think from my perspective, I have obviously taken over as chair of the board more recently with respect to the I.C.R. (integrated care record) project, and having not been involved with it prior to October last year that did give me a degree of nervousness because it is a huge and complex process and I am aware of the NPfIT program in the U.K. spiralling massively out of control in terms of its cost control. So that is certainly something that has been on my radar to be concerned about. I am pleased to say that I think the project has been very well managed and it is about to deliver its first key deliverable, which is the RIS/PACS system on 2nd February, on time and on budget. I cannot really ask for more than that from an I.C.T. (information communications technology) project. That is the system whereby we introduce electronic digital imagery across the organisation. The real win here is if we can not just introduce the I.C.T. effectively and safely into the organisation, the key is that we can change the business processes around it and become more efficient and that is the trick. So that is what we have really got to watch, is that not just the successful implementation of the I.C.R. project but we see a change in how business operates so the people do not just do the same old thing using new kit, that they actually change the way in which they do their processes.*

6.68 The PAC asked what was being done to manage the behavioural change required:

**Senator B.E. Shenton:**

*You have got quite a big job ahead of you managing the behavioural change required for people to use that. Have you got structures in place to manage that? Do you know what the cost of that part of the project will be?*

**Acting Chief Officer – Health and Social Services:**

*What we are putting in at the moment is really the background infrastructure to the organisation so it can reap all the benefits in terms of order comms, which is the second phase of the programme which is not at this point in time funded. The future is that you put the consumer much more in control of the service so if you want to reduce non attendance at clinics then do not send them an automatic appointment which is when they are taking their kids to school, give them a choice to choose and book. The point is that choose and book in the U.K. is not working properly yet. There are lots of things that we need to do. It is very much ... I can book online for a variety of different services, airlines and such like, so we should be able to bring that technology. It is not new technology, it is not cutting edge. We should be able to bring that into the public sector. It does require a change of behaviour and a significant amount of investment over the next 5 years*

## 6.69 KEY FINDING

While the PAC anticipates that savings will flow from the centralisation of IS under Chief Ministers, it is troubled that the savings mentioned above are promises for the future and that the above technology is not already in place. Installing and implementing ICT systems is only part of the picture. It appears that the rationale for procurement in this area has been simplistically based on the purchase of equipment, without consideration of the process design which will allow staff to use it properly.

## 6.70 Procurement: the possibility of working with Guernsey and the UK

When it came to other issues of joint procurement, it appeared that Guernsey had not been much considered, but that the UK had, particularly in the area of buying supplies in bulk:

**Senator B.E. Shenton:**

*You have not really looked at procurement work in Guernsey yet? Apart from air ambulance?*

**Director of Finance and Information for Health and Social Services:**

*If you are talking about procurement of effectively hospital type supplies, we have undertaken a considerable development there working more on the U.K. side, so instead of lumping in with Guernsey, in effect, we took the approach in this - and has also been in agreement with Caroline Hastings - as saying that if we access an N.H.S. (National Health Service) contract that has been tendered with the purchasing power of the N.H.S. then that is considered adequate for States of Jersey financial directions and demonstrating value for money that we are piggy backing on the back of such a large purchasing power that by definition there is an assumption and expectation that that will be generating the best possible price and value for money.*

**Senator B.E. Shenton:**

*I am well aware of the N.I.C.E. (National Institute for Health and Clinical Excellence) guidelines and so on and so forth, and use an N.H.S. consortia for gross purchases.*

**Director of Finance and Information for Health and Social Services:**

*Indeed that is right and we are currently for other consumables, such as syringes, et cetera, instead of working with Guernsey on that we are accessing with N.H.S. logistics to take advantage of the prices that they can secure. The other key thing about going to that more single supplier is they batch up our orders effectively into one container and it comes over so we reduce our carriage costs as well rather than piecemeal ... single orders with single carriage costs being applied.*

**6.71 KEY FINDING**

The PAC are heartened to note the efforts made in the Health Department to buy as a consortium.

**6.72 RECOMMENDATION**

More efforts should be made to co-operate with Guernsey in Health. The PAC recommends that potential avenues for making savings via joint purchases be thoroughly explored.

## 7. Home Affairs Department

### 7.1 The Proposed Closure of the Western Fire Station

The Comptroller and Auditor General proposed the following saving with regard to the Western Fire Station:

*Amount- £15,000*

*Timing -Short-term*

*Type of reduction- Efficiency*

*Certainty -Not speculative*

*The Western Fire Station would be closed and the retained fire fighters, currently associated with that fire station would either be associated with the principal fire station in St Helier or replaced by retained fire fighters recruited in St Helier. Incidental utility costs of approximately £5,000 per year would be avoided together with associated maintenance and supervision costs which may amount to approximately £10,000.*

*The Jersey Fire Service has been experiencing difficulty in recruiting retained fire fighters for the Western Fire Station. The result is that, irrespective of spending pressures, it may prove necessary to close the Western Fire Station for operational reasons.*

*Closure of the station would have some effect upon incident response times but appears unlikely to increase response times for incidents within the immediate vicinity of the station beyond response times experienced elsewhere in the Island.*

*The estimate of reduction of expenditure does not take any account of the proceeds of sale of the fire station site.<sup>94</sup>*

### 7.2 What are the real savings?

In its initial written response to the C&AG's proposal to close the Western Fire Station, the Home Affairs Department stated that the proposed saving had been overestimated:

*Closure of the Western Fire station (WFS) could result in the £5,000 incidental utility costs and £10,000 maintenance and supervision costs not having to be borne (i.e. a £15,000 saving). The proposal does not however, consider the 'Fire House' (a dwelling on the site let to a member of staff who provides a security / oversight role as part of the tenancy agreement). The house, which is part of the overall site and was constructed as part of the same, provides an income to the Service of approximately £10,000 p.a. This income offsets the £15,000 expenditure which, therefore reduces the sum of the proposed saving. Due to the offset of the income from the 'Fire House' it is estimated that savings to be achieved would be closer to £5,000 than £15,000.*

*In addition to the revenue costs, there is a total annual capital cost of £13,800 in respect of depreciation for the buildings on the site (£9,000 for the WFS over a period of 28 years and £4,800 for the Fire House over a period of 48 years).<sup>95</sup>*

7.3 Furthermore, the Department warned that if the WFS were to close, extra costs would be incurred:

<sup>94</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 43

<sup>95</sup> Extract from Home Affairs Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

*Most Firefighters currently posted to WFS would not be eligible for service at the HQ station as they could not meet the required response times for attendance at the station. A significant recruitment campaign would therefore need to be undertaken and the associated costs of this would exceed the first year's savings.*

*New facilities for the Firefighters assigned to the HQ station would need to be secured however and, given that there is no capacity at the HQ facility, garaging for two or three heavy appliances would need to be funded.<sup>96</sup>*

- 7.4 In a later response, the Chief Officer maintained that few savings would be made by closing the WFS:

*The figures quoted relating to the running costs of the Western Fire Station itself have been reviewed and are much in line with those stated in the Department's initial response to the proposal. The core costs for 2008 were £6,431 which included utilities, servicing and insurance (although it should be emphasised that initiatives introduced this year should see a saving in 2010 of at least £500 p.a.). In addition to this expenditure, £3,511 was spent on replacing both front and rear doors; however, an outlay for repairs at this level is unusual and should, for the purpose of this report, be considered a 'one off'. Nevertheless, in the circumstances, it would not be unreasonable to add a further £850 to the core costs (less the anticipated saving) to show an averaged annual spend.*

*From an administrative perspective, closure of the Western Station would have little effect on processing expenditure given that no more than 20 invoices per year relate to these premises. By far the greater percentage of Western Station administrative costs relate to the management and maintenance of Retained Fire-fighters. It should be noted that in order to maintain the Service's operational effectiveness, in the event of closure, the Western workforce would be transferred to HQ in St.Helier; an action that would see a reduction in neither staff nor administrative costs.*

*Issues such as equipment duplication and administrative burden are not significant given that the Western Fire Station is a base from which Retained (part-time) fire-fighters are mobilised to emergency calls and not a location from which the full range of functions undertaken at the HQ site are performed. Indeed, the cost-effectiveness provided by the facility is, coupled with its operational usefulness, one of the main reasons why the Service's Strategic Management Board has not proposed its disposal previously.<sup>97</sup>*

- 7.5 The concept that the closure of the Western Fire Station will result in a £5,000 annual saving sums up what is wrong with public sector thinking.

- 7.6 Let us look at the difference between public and private sector by considering the approach if the Fire Service was actually privatised and the Company owned both the Central and Western Fire Stations. The Financial Director would be aware that the Company owned two properties and that both required maintenance and occasional renovation. Both would have a capital value in the books and there would therefore be a cost in maintaining the premises.

## **7.7 KEY FINDING**

The response to the PAC was that closure would result in a saving of £5,000. Yet in the private sector, the Finance Director would look at the sub-station as an asset – probably worth in excess of £500,000, as well as the running costs. He would also look at the cost of equipment duplication and the administrative burden. Based on site value, the elimination of maintenance and administration costs, and the fact that the capital sum released could be better utilised elsewhere, his conclusion may be that closure would result in significant savings to the Company and its shareholders. Yet in the public sector, the cost of the asset

<sup>96</sup> Extract from Home Affairs Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>97</sup> Correspondence from the Chief Officer of Home Affairs 29<sup>th</sup> December 2009

is considered differently and the 'true' cost of a service is not costed correctly. The rental from the premises in no way covers the capital employed in maintaining the service.

7.8 The Department also opposed the proposal on the following grounds:

**Health and Safety.** The Department cautioned that the proposal would entail *'the removal of a fire station from what has recently been established as a high risk Parish with regard to fire based upon UK risk criteria (States of Jersey Fire & Rescue Service Island Risk Profile 2008).....The WFS also provides a forward dispatch point for Ambulance Service operations when the risk profile for life threatening illness increases in the Western Parishes (i.e. during periods when western beaches are well used).*<sup>98</sup>

The Department expresses concern that the safety of the west of the Island would be compromised by closing the Western Fire Station. By the same reasoning, we would ask for some clarification on whether there is therefore the optimum cover in town to service the east of the Island? Such a justification for the luxury of a second station logically implies that a third is required, which is clearly inappropriate?

7.9 The Chief Officer of Home Affairs maintains that two fire stations are necessary:

*The SJFRS Island Risk Profile, among other 'risk intelligence' sources, supports the Service's Integrated Risk Management Plan 2010-2012 and identifies St.Helier, St.Saviour and St.Brelade as 'High Risk' Parishes with regard to rate of fire, fire injury, fire rescues and other non-fire emergencies. St.Peter houses critical infrastructure (Jersey Airport), a notable transport incident risk site. The key point, however, is that the east of the Island does not present the same risk profile and therefore does not require the same response capacity. The fact that eastern parishes are equidistant from the St.Helier HQ fire station is of far less significance. The Western Fire Station forms part of the emergency response and recovery strategy and its provision is based upon risk as opposed to geography alone. In this sense, unlike with the western Parishes, the SJFRS does not consider there to be a case for the provision of a fire station in the east of the Island.*

*Analysis of sample colleague Fire & Rescue Services from the South of England and the Isle of Man representing Island, County and Metropolitan areas shows that the average area covered per station by the two fire stations in Jersey to be well within the typical range for UK Fire & Rescue Services. It is also worthy of note that the fire station based at the St.Helier HQ site has a default Island-wide emergency cover role and so, for this station specifically, a 'cover area' of 45 sq miles is provided.*

<i>Isle of Man FRS (7 Stations)</i>	<i>Average station cover = 31.5 sq miles</i>
<i>Hampshire FRS (52 Stations)</i>	<i>Average station cover = 29 sq miles</i>
<i>States of Jersey FRS (2 Stations)</i>	<i>Average station cover = 22.5 sq miles</i>
<i>Isle of Wight FRS (10 Stations)</i>	<i>Average station cover = 14.5 sq miles</i>
<i>London Fire Brigade (112 Stations)</i>	<i>Average station cover = 13 sq miles</i>

*The activity rate for both of Jersey's fire stations is high by any standard, particularly given their complement of operational personnel. For Wholetime, multi-appliance stations (like the St.Helier HQ station), the number of calls per station for large county services ranges from 122 to 225, and for the much busier metropolitan services, from 479 to 988 (not including false alarms); Jersey's St.Helier HQ responded to 913 emergency incidents in 2008 (not including false alarms). Indeed, those stations in English metropolitan services that are as busy as St.Helier's are commonly crewed by 18 fire-fighters with anywhere between 40 and 111 other fire stations able to support from within the same authority area; in Jersey the number of fire-fighters is normally 10 and sometimes 11 despite the fact that, unlike in the UK, mutual aid or 'over border' assistance is at best a number of hours away.*

<sup>98</sup> Extract from Home Affairs Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

*The range for single pump, RDS (Retained Duty System) stations is from fewer than 25 up to 175 emergency responses; the Western Fire Station averages around 100 emergency responses a year.*

*Based upon this analysis, the Department considers that the provision of two fire stations for our Island environment which, unlike many county or metropolitan Fire Authorities, also contains our entire critical national infrastructure does not constitute an extravagance.<sup>99</sup>*

*Because of the overriding operational need for the Western Fire Station, based upon the Island Risk Profile, the Department decided not to apply its finite accounting resources to “fully costing” a closure option. Notwithstanding that decision, this could be carried out should the PAC consider it necessary in the light of this analysis, once we are through the year end accounting procedures.*

*As a further action emanating from the ‘Emerging Issues’ report, the Department was asked to examine jointly with Jersey Airport the viability of a combined fire station in the west of the island co-located with the Airport Fire and Rescue Service. That research has been completed recently and the report will be considered by the Corporate Management Board in the New Year. This will no doubt be made available to the Public Accounts Committee in due course if required.<sup>100</sup>*

**Training.** The response stated that *‘the WFS also currently serves as a venue for special training and community engagement events (i.e. Prince’s trust training and Ambulance Support Team training) and is in regular use for such purposes. The loss of the facility could not be fully mitigated through the use of the HQ facility due to it’s high levels of operational activity.’<sup>101</sup>*

**Garaging Facilities.** The response stated that *‘the WFS provides vital garaging facilities for a front line and reserve appliance. The HQ facility is already overcrowded to the point of concern with regard to garaging and the fleet could not be reduced in size without very significant consequences for the Service’s operational capacity.’<sup>102</sup>*

## **7.10 KEY FINDING**

It is perverse that a recommendation by the Department is then opposed so robustly. The PAC intends to undertake further work in respect of the efficiency of the Fire Service.

## **7.11 RECOMMENDATION**

The PAC would like the option of closing the Western Fire Station to be fully costed and re-presented.

7.12 Overall, Home Affairs was adamant that the C&AG’s proposal was not a realistic one on both a political and practical basis:

*‘Whilst an approximate £5,000 annual saving could be made through the closure of the WFS, the operational and business continuity benefits that would be lost coupled with the inevitable public opposition in the surrounding area outweigh the level of savings generated. The business or operational cases do not exist to pursue this option.’*

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<sup>99</sup> Correspondence from the Chief Officer of Home Affairs 29<sup>th</sup> December 2009

<sup>100</sup> Correspondence from the Chief Officer of Home Affairs 29<sup>th</sup> December 2009

<sup>101</sup> Extract from Home Affairs Department’s response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>102</sup> Extract from Home Affairs Department’s response within the Council of Ministers Report 7<sup>th</sup> May 2009

### 7.13 A political issue?

The Home Affairs Department stated:

*There is little doubt that a decision to close the WFS would result in significant public dissatisfaction and concern, particularly in the area covered by the WFS.*

*The contribution made by the WFS and its retained crew to recent high profile fires (Broadlands and Bellozanne) illustrate the operational advantages to the FRS and the decision to close may not be considered timely or reasonable by the communities that it serves.<sup>103</sup>*

### 7.14 KEY FINDING

The PAC is concerned that political decisions seem to be being made at individual Departmental level.

a) It is not a civil servant's job to anticipate or make decisions based on an anticipated political reaction

b) Even if the public reaction were to be disapproving, it does not necessarily follow that the saving should not be made

There has to be a clearer and stronger direction by Ministers in respect of policy. The replies to the C&AG's Emerging Issues report were largely unacceptable in terms of quality and structure. However, they appear to have received the sanction of the Minister.

### 7.15 RECOMMENDATION

Ministers should ensure that policies determined by the States are upheld and not side-tracked by their Department. There appears to remain confusion as to where a Minister's loyalty lies. An oath of office should be sworn by each Minister promising to uphold his responsibilities to the public.

### 7.16 Charging for the Inspection of Commercial Premises:

The Comptroller and Auditor General proposed the following saving with regard to Charging for the Inspection of Commercial Premises:

*Amount- £50,000*

*Timing -Medium-term*

*Type of reduction- user pays*

*Certainty -Not speculative*

*The Jersey Fire Service inspects commercial premises during development to assess fire safety and the appropriateness of fire precautions. The Planning & Environment Department makes charges for inspection visits in similar circumstances. The estimate of the total amount of charges is indicative only.*

*Introduction of charges would require a change in the legislation governing the Fire & Rescue Service.<sup>104</sup>*

<sup>103</sup> Extract from Home Affairs Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>104</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 44

7.17 The Home Affairs Department's initial response consisted of five main concerns:

- That the sustainability of the income created by charging for inspection of commercial premises is very difficult to predict.
- That to charge for such services might dissuade individuals from taking advice and may result in reduced fire safety or prohibition of use.
- That the Service was already running on a skeleton basis with limited infrastructure that would struggle to provide advice on a commercial basis.
- That the introduction of charges would face political and public opposition.
- That there would need to be a change in legislation which would take at least 18 months to achieve.

7.18 The response also claimed that it was problematic to calculate *'how sustainable this income could be (i.e. anticipated levels of development of buildings that would require fire precautions) is very difficult to predict.'*<sup>105</sup>

7.19 The concern is that the income stream would be highly dependent on the amount of new developments, which is a factor beyond the SJFRS control.

*'the Fire & Rescue Service has no ability to influence the type and level of commercial property development planned or undertaken.'*<sup>106</sup>

7.20 This sentiment was echoed by a response from the Chief Officer in December 2009:

*Any reduction in the amount of development in the built environment will therefore naturally reduce the amount of involvement of the SJFRS during these phases and therefore reduce the amount of business undertaken. During 2009 the Service has experienced a 60% reduction in income derived from undertaking file searches on commercial premises being sold and this, in the Department's view, is a good example of how external factors can have a significant and detrimental effect on income.'*<sup>107</sup>

7.21 There were also concerns for safety:

*The introduction of charges may, under certain circumstances, have the effect of dissuading owners of developments from seeking necessary advice with the outcome being either reduced fire safety in the affected building or prohibition of the use of the building upon discovery of any avoidance. There may also be potential for some confusion in the minds of customers as to which fire safety services are "chargeable" and which are free which may serve to hinder progress on community safety engagement.'*<sup>108</sup>

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<sup>105</sup> Extract from Home Affairs Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>106</sup> Extract from Home Affairs Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>107</sup> Correspondence from the Chief Officer of Home Affairs 29<sup>th</sup> December 2009

<sup>108</sup> Extract from Home Affairs Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

7.22 The Chief Officer also reminded the Committee that any financial gain needed to be balanced against strategic objectives, on which improvement in safety was one:<sup>109</sup>

*Whilst the States is, in effect, providing a free service to these businesses, the benefit is an improvement in safety for the occupants and this is a strategic objective. Whilst research has already commenced on reviewing the legislation and supporting regulations for all technical fire safety activity as mentioned, the risk that some, if given the choice, may not request safety advice because of cost implications must be considered.*<sup>110</sup>

7.23 and the feasibility of having the staff or infrastructure to provide a commercial service was in doubt without added investment:

*The final risk to be considered is the experience of the Planning & Environment Department when charging was introduced for services. In introducing charges (following very extensive consultation specifically on the issue), the customer expectation with regard to service performance issues such as speed of response / processing and technical reports and drawings was raised significantly and much initial investment was required to bring the infrastructure (including resources) to the required standard to meet them. The Technical Fire Safety team is very small (5 plus a seconded officer) and is constantly looking to reduce its workload in enforcing the Fire Precautions Law, Petroleum Law and other legislation. An increased expectation on performance is unlikely to be met without the resource to do so... Technical infrastructure and resource development would be required to meet the enhanced expectations of a service which becomes a "commercial factor" for businesses and developers..*<sup>111</sup>

7.24 Also:

*'Crewing levels are already considered to be at minimum levels to meet adequate health and safety standards.'*<sup>112</sup>

7.25 The Department also predicted opposition to the introduction of charges:

*The main barrier would be the likely opposition from relevant lobby groups (developers, architects, quantity surveyors, property owners and the business community) over what may well be seen as a further "tax" on commercial developments, particularly as charges are already applied through the Planning and Environment Department for similar services. There could also be opposition from States members who are not in favour of any new 'User Pays' charges.*<sup>113</sup>

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<sup>109</sup> Strategic Priority 7: 'Protect the Public and Keep our Community Safe' - Strategic Plan 2009-2014 page 5

<sup>110</sup> Correspondence from the Chief Officer of Home Affairs 29<sup>th</sup> December 2009

<sup>111</sup> Extract from Home Affairs Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>112</sup> Correspondence from the Chief Officer of Home Affairs 29<sup>th</sup> December 2009

<sup>113</sup> Extract from Home Affairs Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

## 7.26 KEY FINDING

The Department's conclusion here cautions that there would be "significant risks" to the "sustainability of the business" if charges were implemented. Our Committee is unconvinced as to what these risks would be. Are "commercial expectations" really so much more demanding? In terms of safety implications, this is a worrying statement. We are also sceptical towards the assertion that the introduction of charges would dissuade individuals or companies from taking the appropriate advice. Surely compliance with safety regulations is mandatory, regardless of costs? Also, we are aware that many developments are undertaken by large companies who can more than afford to pay.

## 7.27 RECOMMENDATION

The Jersey Fire Service inspection unit should be reduced to a size whereby self-financing is possible. An internal transfer from Planning and Environment to cover services provided should be introduced. Alternatively, Planning and Environment could provide this service internally – reducing the fire service staffing in this area.

## 7.28 Current status as of April 2010

These 'User Pays' charges now have a new impetus as part of the Comprehensive Spending Review (CSR) process. The Fire and Rescue Service is being pro-active in researching what would be an achievable level of income by way of providing advice to commercial organisations. This includes the changes required to legislation, new charging scales and the impact on promoting fire safety in the Island.

# 8. Planning and Environment Department

## 8.1 Privatisation of the Jersey Meteorological Office?

The Comptroller and Auditor General proposed the following saving with regard to the Met Office:

*Amount £500,000  
Timing Medium-term  
Type of reduction  
Certainty Speculative*

*There are strong arguments for ensuring that there is a local weather forecasting service within the Island. These arguments do not necessarily lead to the conclusion that such a service should be provided by the States.*

***Consideration should be given to 'privatising' the Meteorological Office.*** *Whilst accepting the arguments which appear to justify the maintenance of a local core meteorological service, the ability of the service to sell its services to other commercial entities appears unreasonably constrained by its location within the States' organisation. It is likely to be necessary in early years for the States to guarantee to the office a certain level of business thus the full cost of the office could not be avoided by privatisation.*<sup>114</sup>

8.2 In Planning and Environment Department's preliminary response to the above proposal, it was clear that the option to privatise was opposed without reservation, stating that the saving was not achievable:

*No – Not in its current form as a pure privatisation into a separate organisation. There is a minimum level of meteorological services that would need to be provided on community safety grounds. Warnings of severe weather, wind warnings etc. This would be inline with similar services provided by other National Meteorological services in Europe funded by*

<sup>114</sup> Report by the C&AG – 'Emerging Issues – States Spending Review' Page 46

*the public purse, and still require funding by the States. Of the order of £200,000 to £300,000 p.a.*<sup>115</sup>

8.3 A main barrier to the saving was cited as: *Fierce competition from other commercial Met service providers, operating in a much larger market place, benefiting from economies of scale and many years experience.*<sup>116</sup>

8.4 The Department also cautioned that any savings made would need to be offset against the expense of buying in services which are currently obtained for free:

*A fully privatised Met. Service would be viewed differently by the United Kingdom Meteorological Office and Météo France, from whom much of the core data needed to complete the forecast is received. Currently this data is provided free of charge however, in a commercial world the Jersey Office would be expected to pay for the data, in line with other commercial operations in Europe. This would represent an increase in operational costs of between £250,000 and £750,000.*<sup>117</sup>

8.5 In fact, the Department baldly stated that: *'There would be no saving. The implication of privatisation is a Met Service that can no longer deliver the highly specialised or dedicated service currently enjoyed by Channel Islanders.'*<sup>118</sup>

8.6 The Department also warned that the *IT infrastructure would need to be significantly enhanced to the point that either computer models were capable of providing detailed forecasts over a European scale to meet the various requirements of individual customers or to post-process computer model output from other larger Met. providers. Either way there would need to be a significant investment in IT of the order of £500,000 to £1M plus additional ongoing costs to support the technical staff and developers.*

## 8.7 RECOMMENDATION

The Public Accounts Committee is perplexed by the statement that a large investment into the IT infrastructure would be required "of the order of £500,000 to £1m plus additional ongoing costs." The C&AG was not necessarily suggesting the creation of a hefty independent entity to compete immediately in the European market place. The Committee does however think it is fair to question whether the wholesale funding of a local weather forecasting service by the taxpayers money is entirely justified. With this in mind, we suggest that other options including outsourcing need to be examined more realistically.

## 8.8 The current financial situation at the Jersey Met Office

### 8.9 The relationship with the Airport

The current Met service level contract with the Airport runs out in 2011, although the likelihood is that this will be extended. Met Equipment at the airport is maintained by Air Traffic Control Engineers, and the Met pay the Airport for this. IT support is provided by a dedicated engineer rather than the IS Dept, due to the specialised nature of the equipment. The Met also pay the airport £25k p.a. rent.

The Met Office has a service level agreement with the airport. For example the Met provides the airport with aviation weather reports. Currently the Met receives £350,000 p.a. from the airport as remuneration for these services. The other main clients are Guernsey

<sup>115</sup> Extract from Planning and Environment Development Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>116</sup> Extract from Planning and Environment Development Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>117</sup> Extract from Planning and Environment Development Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

<sup>118</sup> Extract from Planning and Environment Development Department's response within the Council of Ministers Report 7<sup>th</sup> May 2009

Airport, the States of Jersey and the States of Guernsey. Around £60-70 k is obtained from other services such as premium phone lines. The total income p.a. to the Jersey Met is £700,000 and it's net cost is c.£650,000.

#### **8.10 The relationship with Air Traffic Control**

After negotiations, Air Traffic Control has agreed to buy new equipment jointly with the Met office. There is an issue of overlapping services. It is possible in the future that Air Traffic will undertake their own weather observations (as happens at Southampton airport for example), and this would mean a loss of income for the Met.

#### **8.11 The relationship with UK Met**

The Jersey Met Office uses satellite and radar data, supplied by the UK Met Office. Jersey Met enjoys this data without charge (although there have been questions as to whether Jersey should contribute to the cost.) As it stands, as a crown dependency the UK has an obligation to provide this data free of charge to Jersey and there is a letter of agreement conforming this. If the Jersey Met was privatised the concern is that this would change, and any savings anticipated would need to be offset against the expense of buying data in from UK Met or Meteo France. The Chief Officer was minded that a contract with an outside agency such as UK Met would need to be undertaken with caution, bearing in mind that they are a commercial outfit and future costs could rise once Jersey was in thrall to their services.<sup>119</sup>

#### **8.12 The international weather exchange agreement**

There is an international agreement to exchange weather information. In order to forecast the weather in one place it is important to know what the weather is like 'upwind', and this is why exchange of information is so important. This information is exchanged via a computer network. Observers produce a 'code' every hour on the hour (or every half hour during airport operating hours) which correlates to a weather condition and this is distributed worldwide. This exchange is free except in times of war.

#### **8.13 The Jersey Met in Europe**

OPRA (Operational European RAdars) is a meteorological European working group, and Jersey sits on this group. Even though Jersey does not contribute financially, it is very much regarded as an active member rather than as an observer.

#### **8.14 Jersey Met Income**

The Met provide a six day forecast on a subscription basis. They describe this as their flagship product<sup>120</sup> and it brings in £10-12k per annum.

#### **8.15 RECOMMENDATION**

The PAC believes that this service (the six day forecast) could be marketed much more effectively than it is now, as there are many groups (farmers/ builders/ etc) who would buy the service. The report is currently posted and/or emailed out. If it were available online via a subscription service which was effectively advertised, more income could be obtained. Services to all media organisations should be reviewed and charges introduced where appropriate.

#### **8.16 The wage bill**

Manpower is the main cost to the Met office. In an extensive re-organisation in 2002-2003 after an Oxera report, staff were cut from 21 to 15. This has resulted in staff becoming more multi-faceted in their skills e.g. forecasters can also perform observations. This is also the trend in the UK and other jurisdictions.

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<sup>119</sup> Meeting between PAC and the Chief Officer of Planning and Environment, 12<sup>th</sup> January 2010

<sup>120</sup> Meeting with Principal Meteorological Officer 12<sup>th</sup> January 2010

## KEY FINDING

Manpower is the main cost to the Met office.

### 8.18 RECOMMENDATION

The PAC considers that it is possible to cut staff further, particularly as an entirely automated night observation could be technically possible in the future. A saving could be made with a move away from shift work pay to normal working hours.

8.19 The PAC notes that technology is always improving. Radar has trouble differentiating between rain snow and drizzle but soon, improved technology will mean that they can be more easily distinguished. Also, unmanned night time monitoring is technically feasible, meaning less staff are required.

### 8.20 Met Office 'real estate'

The Met Office rents out Maison St Louis and also various weather aerals. However, this revenue goes to property holdings and the Met does not enjoy this income.

### 8.21 RECOMMENDATION

A rental income should be transferred to the Met Office in order to facilitate its transformation to a standalone entity

## 8.22 Other jurisdictions

### 8.23 Meteorological Service of New Zealand

The Meteorological Service of New Zealand (MetService) was established in 1992 as a States owned enterprise, as a result of increasing pressure on government funding for New Zealand Met Services and a government wide move to 'user pays' services.

MetService is a State owned enterprise but also highly commercial, selling its products in the international marketplace.

MetService describes itself a '*global leader in providing relevant, timely and accurate weather information services, benefitting billions of people throughout the world.*'<sup>121</sup>

### 8.24 KEY FINDING

The establishment of a Met Office as a QUANGO has been very successful in New Zealand.

### 8.25 RECOMMENDATION

Rather than total privatisation, Jersey Met could be re-established as a States owned commercial trading enterprise.

### 8.26 The UK Met Office in crisis

The review of the Jersey Met Office is timely, given the potential predicament that faces the UK Met Office, whose contract to provide data and presenters to the BBC expires in April 2010. Metra, the international commercial subsidiary of The Meteorological Service of New Zealand (MetService) has come forward as a competitor.

The BBC confirmed that when choosing the successful tender, cost has to be its main concern:



<sup>121</sup> [www.metservice.com](http://www.metservice.com)

*'It is common practice to look at the options available when a contract is about to expire to ensure we get the best value for money for our licence-fee payers.'*<sup>122</sup>

## **8.27 The Met Office Review**

In the Business Plan, one of Planning and Environment Department's stated objectives is to "provide and review options for future provision of a local weather service to meet the needs of Channel Island communities."<sup>123</sup>

8.28 The Chief Officer of Planning and Environment agreed that in order to provide an extensive and evidence based response to the C&AG's proposals, a full review of the Met Office is required, and confirmed that this review will be undertaken in 2010.<sup>124</sup>

The Chief Officer for Planning and Environment explained that the review will need to be transparent and independent and to be seen to be so. It would need to be reviewed by the Chief Internal Auditor, Corporate Procurement and also receive some kind of external validation.

8.29 The review will be in three parts:

- Breaking down Met services and looking at what it does now and how much it costs
- Asking what Jersey wants. Do we want our own Met office? Examining identity and resilience, bearing in mind that Jersey is currently viewed as an equal in Europe. A political steer would be required and long term implications would need to be looked at, taking into considerations such as changes to European airspace and other factors. Consideration of what services are essential due to statutory obligations.
- The way forward. Examining alternative models of operations and calculating costs. The costs of buying in data need to be factored in to any potential savings. The New Zealand model was discussed. New Zealand has a 'halfway house' between a public service and a privatised one- a State owned enterprise with a subsidiary company. It would be possible to formally test the market by putting a contract out to tender but this would need to be done with extreme caution.

The Chief Officer also stated that he wants the review to test the CAG's recommendation of 500K savings, as he was of the view that this saving would be challenging given the figures above.<sup>125</sup>

8.30 The Public Accounts Committee looks forward to the reviews which are planned to take place, including a review of the different departmental and business model options available, driving off the C&AG's initial observations made in the May 2008 Emerging Issues report.

## **9. Treasury and Resources Department**

### **9.1 Property Holdings and the efficient use of resources**

During the public hearing with the Committee on the 15<sup>th</sup> January 2010, the Deputy Chief Executive and Chief Officer of Resources spoke about the States' property portfolio, and his aim to establish a strategy to make more efficient use of it:

*Now, I need to answer these specifically. In terms of property, we know we have a very large property portfolio, some of which is ... well, most of which is quite old and much of which is inefficient. Now, in terms of gaining success in improving performance of the*

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<sup>122</sup> The Times, January 18<sup>th</sup> 2010

<sup>123</sup> Annual Business Plan 2010 page 30

<sup>124</sup> Meeting between PAC and the Chief Officer of Planning and Environment, 12<sup>th</sup> January 2010

<sup>125</sup> Meeting between PAC and the Chief Officer of Planning and Environment, 12<sup>th</sup> January 2010

*property portfolio, it has to be the understanding of the needs of the major service areas of Health, of Education, and of the organisation - the Government side of it - for the next 15-20 years and coming up with a strategy that will allow us to provide modern, efficient building to meet those services and then dispose of what is not required.*<sup>126</sup>

9.2 When the States approved P.93/2005, they agreed the creation of a new department to be known as 'States of Jersey Property Holdings', in order to develop a modern, innovative approach to the management of property. They also approved:

- a) the development of a fully integrated landlord and tenant system of property provision and maintenance between States of Jersey Property Holdings and States Departments, regulated through Service Level Agreements;
- b) the introduction of a charging mechanism for all property assets to reflect the true cost of occupation.<sup>127</sup>

9.3 In short, under P.93/2005 the States (in 2006) approved charging Departments a rent for the use of property, and also to identify and sell redundant property. PAC considers this a prudent decision to reduce costs and to create an incentive for Departments to reduce their property needs.

9.4 However, when questioned on this issue, the Chief Officer of Resources gave a perturbing response. Not only did he omit to acknowledge that the States had made a clear decision on the above in 2006, he indicated that he was not inclined to carry out that decision. He said he did not want the cost of redundant properties that failed to sell on his budget:

**Chief Officer of Resources:**

*The question of paying rent for properties has been raised ... I think it has been in the last 2 Business Plans and I think it is referred to in this Business Plan.*

**Senator J.L. Perchard:**

*It is a criteria ... success criteria, in fact.*

**Chief Officer of Resources:**

*It is absolutely right that we have clear accountability and these departments must ultimately have full knowledge of the cost of the service they deliver to include the property side of it. So I have no question whatsoever about that is where we need to be. The question is how we are going to get there and how do we deliver that in a way that we do not end up with a lot of redundant property, departments offloading redundant property? If for whatever reason it cannot be sold or it gets bogged down in the disposal side of it then someone has got to carry that cost.*

**9.5 KEY FINDING**

It is clear that the Chief Officer of Resources has no appetite to identify a lot of redundant properties. The implications of this are serious, in that this is an example of a Chief Officer failing to implement a decision of the States Assembly. This Chief Officer is also allowing personal concerns (his budget) take precedence over corporate objectives and goals. The PAC is concerned by not only is the lost opportunity to save public funds, but there is also an overarching issue of the lack of accountability of a Chief Officer in carrying out States decisions.

**9.6 RECOMMENDATION**

All property assets should be assigned to relevant Departments as a matter of urgency. A full list of all assets, detailing both their capital value and rental value should be submitted to the States Assembly as a report within 6 months.

<sup>126</sup> Public Hearing with Chief Officer of Resources 15<sup>th</sup> January 2010, page 4

<sup>127</sup> Corporate Services Scrutiny Report S.R.9/2008 page 13

**Senator J.L. Perchard:**

*In the Annual Business Plan a success criteria, and I will read it out: "The introduction of a charging mechanism to recover the full cost of property from occupying departments." So it is ... you know, you are charged with that. Just, again, I will ask when do you think we will achieve this?*

**Deputy Chief Executive and Chief Officer for Resources:**

*I have said it twice, I have said it 3 times, when we get a property plan and we get approval for it and we can deliver it.<sup>128</sup>*

- 9.7 Since the States approved charging rents for Property over 4 years ago, this is a puzzling response, as outlined by an independent member of the PAC during the hearing, which received an equally inconclusive answer:

**Mr. M. Magee (Independent member):**

*... the thing we find frustrating is things seem to take so long to get anything done within the States. In 2006 the States Assembly approved a proposition to create Jersey Property Holdings. The main goals were take over the ownership of properties, responsibility of management and taking over the responsibility for rationalisation and maximising benefits obtained through the ownership and minimising the costs attached to occupation by the States. Now, to me that is a bit like what you are talking about now 4 years later and you are not willing to commit to a date when a conclusion will be forthcoming. I think that is the difficulty we have because when is this going to happen? Is it going to be 5 years after they said it was going to happen? Why does it take so long to get anything done because it does not give us confidence? If this was a business it would have gone bust by now. That is the issue I have.*

**Deputy Chief Executive and Chief Officer for Resources:**

*I think I share a lot of your concerns, and a lot of the concerns I have, about trying to deliver this is about getting to the point where we can deliver those services. I am frustrated many times by the time it takes to get to an end point and there are many examples that we could use - I do not think we need to go into them today - of why we get there. But this is now about trying to get to a point where we all recognise the need for this change and we are all prepared to work together and work to deliver it and not keep getting deflected off into other directions. The amount of time my staff spend on non-delivery of the subject we are talking about today - I have not analysed it but sometimes I think it would be worth doing - it would be quite frightening.<sup>129</sup>*

- 9.8 Having noted the acknowledgement of the difficulties and inefficiency of implementing change above, the Committee pressed the Deputy Chief Executive and Chief Officer for Resources for information regarding charging Departments rent – a policy which has been agreed by the States, as previously outlined:

**Mr. K. Keen:**

*....So why are you not getting on with that and getting that done? You have got quite a big department there and they are highly qualified people. Why can they not fix rents for the non-office accommodation so we can at least get this moving?*

**Deputy Chief Executive and Chief Officer for Resources:**

*Which ones do you have in mind?*

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<sup>128</sup> Public Hearing with Chief Officer of Resources 15<sup>th</sup> January 2010, page 9

<sup>129</sup> Public Hearing with Chief Officer of Resources 15<sup>th</sup> January 2010, page 13

**Mr. K. Keen:**

*Well, you have got light industrial; you have only got Fort Regent, you have got car parks, you have got all sorts of things where you operate a business. Why can you not fix rents for those properties? Sports halls, College of Further Education ...*

**Deputy Chief Executive and Chief Officer for Resources:**

*I struggle a little bit ...*

**Mr. K. Keen:**

*I think that is the ... I thought that was the purpose of these market rents so that you can ... so that when you operate your business you know the true, full cost of that, especially when you try to do a ... especially if you try to do a user-pays policy so you can recover the proper costs.*

**Deputy Chief Executive and Chief Officer for Resources:**

*All right. I struggle a little bit with your concept of the College of Further Education being in competition with others. I do not quite understand how that one would go in, but the principle - I think if we just stick with the principle of it - there is no reason why that could not be pursued. There is then a funding mechanism required in order to achieve that route, but obviously it will have a knock-on effect on to other user departments. The simple reality is we have limited resources to deliver that sort of change, but it is one that could be looked at at some stage in the future. There is no reason why it cannot be done and some of those areas where they are sole, unique trading operations, they could start looking at it as part of their trading function.<sup>130</sup>*

## 9.9 KEY FINDING

There appears to be a fundamental failure by the Public Sector in properly accounting for the services that they deliver. Furthermore, there is a failure in understanding the importance of this concept.

## 9.10 RECOMMENDATION

There appears to be a significant deficiency in the mind-set of Public Sector Managers in respect of understanding the time cost of the service or Department that they are responsible for. The PAC recommends that the Treasury a policy of 'education' amongst its Public Sector Managers in order that they fully understand their role and the true costs of running their Departments.

## 9.11 An Office Strategy for the States?

It became clear that the States has no office strategy, something that would be considered usual in the public sector.

**Senator B.E. Shenton:**

*So the States of Jersey will never have an office strategy?*

**Deputy Chief Executive and Chief Officer for Resources:**

*I cannot see one which I would be comfortable to sign up to and say: "I can deliver this for you." I am starting saying: "I have not got one" and I am going to develop ... I am in the process of developing one, but there are a number of questions that we have got to go through first. One of the key questions is if we are going through a significant Comprehensive Spending Review, which might result in change, then I need to make sure that what we put forward as an office strategy reflects that change.*

**Senator B.E. Shenton:**



<sup>130</sup> Public Hearing with Chief Officer of Resources 15<sup>th</sup> January 2010, page 11

*Why do you think the States ... I mean, it is commonsense to have an office strategy, would you not say? I mean, why has the States never had an office strategy?*

**Deputy Chief Executive and Chief Officer for Resources:**

*Traditionally we have lived in days of old under the committee structure and if we turn the clock back to committee structure of being ... each committee being a very autonomous organisation and structure and at that stage, certainly prior to Ministerial Government, there probably was not the culture within the organisation to look at significant change. I have heard the word used many times by many people of "silo" operation and I think that reflects on how we occupied our accommodation.*

**Senator B.E. Shenton:**

*So can you give us a date as to when the office strategy will be in place?*

**Deputy Chief Executive and Chief Officer for Resources:**

*Well, we have said we are going to have an outline by the middle of this year of where we want to be. If it boils down, I ... certainly I am following the line at the moment that we need to understand fully what Education require, because they have a very big estate and clearly we need to provide for them for the future. We need to understand exactly what Health require because they have a huge estate and there is much of that estate which they have already said ... and certainly we are working with them now within Property Holdings to see how best we can consolidate that for them and free up property and parts of the estate that could be sold or redeveloped. Then I split into 3, so it is Education, Health and then general property, which is predominantly the office accommodation. It is then review that office accommodation and determine what is the right solution.*

**Senator B.E. Shenton:**

*In your reply you said you had to have an outline by the middle of this year. That is really not a response to the question, is it? When do you hope to have a property strategy in place?*

**Deputy Chief Executive and Chief Officer for Resources:**

*In place? I am not going to set a date on that very simply because I want to see what the outcome of the Comprehensive Spending Review is and what change might come about as a result of that review before we set a strategy.*

**Senator B.E. Shenton:**

*So when will the Comprehensive Spending Review be completed?*

**Deputy Chief Executive and Chief Officer for Resources:**

*That is very much down to the Ministers and the States to determine.<sup>131</sup>*

**9.12 KEY FINDING**

Basic management deadlines are not in place which dilutes accountability and urgency.

**9.13 RECOMMENDATION**

All policies should have set time frames for implementation together with regular review. The Property Plan has the consent of the Assembly and should be implemented forthwith.

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<sup>131</sup> Public Hearing with Chief Officer of Resources 15<sup>th</sup> January 2010, page 5

## 9.14 The role of the Chief Officer of Resources

On 14<sup>th</sup> September 2009, a pack of Departmental Responses to the C&AG's Emerging Issues report was forwarded to the PAC. The Deputy Chief Executive and Chief Officer of Resources's covering letter accompanying this pack stated:

*I hope this provides sufficient detail for any further work the PAC will be undertaking and would suggest you speak directly to departments if you require more details as at present, I am not undertaking any further work in this area.*<sup>132</sup>

9.15 This is concerns for PAC for two reasons:

a) Surely it the job of the Chief Officer of Resources to identify savings on a continuous basis?

b) The advice to speak to particular Departments is worrying, and possibly indicative of a silo mentality, which was echoed in the public hearing, where the Chief Officer of Resources said that it was not within his power to oblige Departments to do anything: that his role was more to provide expertise:

**Senator A. Breckon:**

*... I might have picked up a contradiction there. Initially you said you could not get involved at departmental level and yet as an office strategy, there is a coming together for some savings on space and resources, so how can you do that if you have got that tension?*

**Deputy Chief Executive and Chief Officer for Resources**

*It is about working with departments to provide professional property expertise, understanding their requirements from a service provision point of view, and then matching that service provision with suitable accommodation.*

**Senator A. Breckon:**

*How could you tell them to do it and make them do it?*

**Deputy Chief Executive and Chief Officer for Resources**

*I cannot tell them to do it. What I can do is provide them with the opportunities that whatever the new solution is we will provide savings overall, which we as ...*

**Senator A. Breckon:**

*How would you make them do it?*

**Deputy Chief Executive and Chief Officer for Resources**

*Ultimately, that is a decision for the respective Minister to make.*

**Senator A. Breckon:**

*So they could still be in that silo then?*

**Deputy Chief Executive and Chief Officer for Resources**

*That is how we are constituted. Well, how ... sorry, how you are constituted as a government.*

**Mr. K. Keen (Independent member):**

*Kevin Keen. Can I ask about that? I suppose when you sort of see that there is the Office of the Chief Executive and there is a Corporate Management Board one gets the impression that the ... that it is the Corporate Management Board and the Chief Officers are driving things forward. When we are talking about a £50 million structural deficit it seems to be close to a crisis in my mind. It seems a clarity of leadership and who is*

<sup>132</sup> Letter from the Deputy Chief Executive to the PAC, 14<sup>th</sup> September 2009

*responsible for what is pretty essential if it is going to be resolved. Are you saying really as the Deputy Chief Executive that you do not ... that really we are back to a sort of silo mentality where you do not have any control over the departments to deliver on these efficiencies?*

**Deputy Chief Executive and Chief Officer for Resources**

*No, I think we have joint working, which is about trying to deliver results for the good of the Island. So I do not accept ... it is not silo mentality in the ... and we do not work that way. We work a very different way with respective Chief Officers and departments. Ultimately, the Minister for their respective department will make the decision with the Council of Ministers, and ultimately the States, as to what the Education requirements will be for the future or Health requirements and from that we will then provide the most modern office accommodation, if it is office we are talking about, or facilities, to enable Health to deliver their services.<sup>133</sup>*

**9.16 KEY FINDING**

The Chief Officer of Resources does not appear to consider it his role to ensure that policies are implemented in Departments. He sees it as the job of the respective Ministers. He sees his role as to provide 'opportunities' for savings and 'expertise.' There is a vast financial cost difference between giving Departments 'what they want' as opposed to 'what they need.' There appears to be no incentive in place to ensure that public funds are not wasted.

**9.17 RECOMMENDATION**

The extent of the savings now required calls for consistent and strong leadership from the centre. Political will is required to effect unpopular yet necessary decisions. The Chief Officer of Resources requires the mandate to implement and cascade these political decisions, insisting on changes if necessary. The provision of this mandate will require changes to the Public Finances (Jersey) Law 2005.

**9.18 Who has the overall responsibility for prudent financial management?**

In his report – 'Public Finances (Jersey) Law 2005- a Review in the Light of Experience' February 2010, the C&AG echoes the issue of Chief Officers being responsible for providing advice, but not implementation. In fact, this seems to be an endemic, States wide problem. For example, in the case of the Treasurer-

*'Article 28(3)(a) of the Law provides that the Treasurer is only responsible for advising on (key strategic) controls thus implying that the Treasurer is not responsible for ensuring they are implemented.'<sup>134</sup>*

9.19 The C&AG points to the fact that the Public Finances (Jersey) Law 2005 does not explicitly state who has responsibility for guaranteeing prudent public expenditure:

*'If the Treasurer is not the person responsible for monitoring expenditure control, **it is not clear who has the responsibility.** At least, it is clear that the 2005 Law does not refer to anyone else who might be thought to have responsibility **and that appears to be a significant weakness in the 2005 Law.** It is unsatisfactory that the 2005 Law is precise in its description of Departmental responsibilities but silent on States-wide control and responsibilities.'<sup>135</sup>*

<sup>133</sup> Public Hearing with Chief Officer of Resources 15<sup>th</sup> January 2010, page 7

<sup>134</sup> 'Public Finances (Jersey) Law 2005- a Review in the Light of Experience' February 2010, page 15

<sup>135</sup> 'Public Finances (Jersey) Law 2005- a Review in the Light of Experience' February 2010, page 15

9.20 In local authorities in the United Kingdom, responsibility for correct financial management is clearly assigned:

*Typically, local authorities would then establish a financial framework identifying all those financial management functions which must be discharged to ensure that the highest standards are achieved and identifying the officials who are to be responsible for each individual function. The Section 151 Officer would have a key responsibility for establishing the framework and maintaining it.*<sup>136</sup>

This Section 151 Officer has to abide by specific obligations, notably:

*(1) a duty to report unlawful expenditure, a loss or deficiency or an unlawful item of account as a result of the exercise of executive functions; and  
(2) a duty to report a failure to set or keep a balanced budget.*<sup>137</sup>

### **9.21 KEY FINDING**

In other jurisdictions, including the UK, an officer is assigned with the specific responsibility for financial management. No such framework exists in the States of Jersey.

### **9.22 RECOMMENDATION**

The PAC recommends that the responsibilities for financial management (in line with the 'Section 151 Officers' in the UK) are added to the duties of the Treasurer, so that his responsibility is enshrined in law.

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<sup>136</sup> 'Public Finances (Jersey) Law 2005- a Review in the Light of Experience' February 2010, page 16

<sup>137</sup> 'Public Finances (Jersey) Law 2005- a Review in the Light of Experience' February 2010, page 17

## Appendix

### Proposed reviews in Education Sport and Culture

<p align="center"><b>Title of ESC Review and Terms of Reference</b></p>	<p align="center"><b>Date for Reference to Scrutiny</b></p>	<p align="center"><b>Planned Completion Date and Estimated Cost</b></p>
<p><b>(1) Funding of Primary and Secondary education</b></p> <ul style="list-style-type: none"> <li>- A strategic review of the funding arrangements for education in Jersey looking both at the system for allocating resources to the Department from the States and the systems used by the Department to allocate resources to institutions.</li> <li>- Consideration will be given to whether the arrangements are fit for purpose in the light of challenges that can be envisaged over the next ten years, including demographic changes, the economic downturn and changing patterns of participation.</li> <li>- The review will also consider the funding arrangements for fee paying schools.</li> </ul>	<p align="center">May 2010</p>	<p align="center">Sept 2010</p> <p align="center">£16,000</p>
<p><b>(2) Secondary education – a review of options for the Island’s secondary education system</b></p> <ul style="list-style-type: none"> <li>- A strategic review of the demographic and curricular pressures on arrangements for secondary education in Jersey to develop options which will enable the service to improve and broaden its curriculum offer to students in a cost effective and efficient way.</li> </ul>	<p align="center">April 2010</p>	<p align="center">June 2010</p> <p align="center">£13,800 including 3 below</p>
<p><b>(3) Vocational provision for 14-19 year olds</b></p> <ul style="list-style-type: none"> <li>- A review of vocational provision for 14-19 year olds in Jersey.</li> <li>- A number of previous studies have concluded that students would benefit from a broader curriculum offer which includes vocational options.</li> </ul>	<p align="center">April 2010</p>	<p align="center">June 2010</p> <p align="center">included in 2 above</p>

<ul style="list-style-type: none"> <li>- Part of this review will be completed within the work described in (2) above. Additionally however, the Skills Board in 2010 will be making recommendations regarding improvements to existing apprenticeship arrangements.</li> </ul>		
<p><b>(5) Review of current arrangements for the financial support of students following programmes of higher education</b></p> <ul style="list-style-type: none"> <li>- A full review of the current arrangements for financial support, taking account of the position of divorced and separated parents, as well as changes in the overall level of support since 2001.</li> <li>- The review will also examine potential changes to university funding by the U.K. Government which may have an impact on local arrangements.</li> </ul>	October 2010	Dec 2010  £38,000
<p><b>(6) Review of Impact of demographic trends</b></p> <ul style="list-style-type: none"> <li>- A review of the impact of demographic trends on the primary and secondary education sectors in the period up to 2020, including catchment areas.</li> </ul>	April 2010	July 2010  Internal
<p><b>(7) Social inclusion:</b></p> <ul style="list-style-type: none"> <li>- A review of the support arrangements for students with additional needs.</li> </ul>	April 2010	June 2010  £31,000
<p><b>(8) Review of Jersey Library Service:</b></p> <ul style="list-style-type: none"> <li>- Development of next four year strategic plan for the Library Service, taking account of the work on the ESC Strategic Plan.</li> </ul>	October 2010	Dec 2010  Internal

<ul style="list-style-type: none"> <li>- The Library Service's strategic plan will take account of developments in library services in the UK and elsewhere.</li>   <li>- In addition to setting out a programme for the next four years, the strategic plan will develop a vision and roadmap for the Library Service for the period up to 2024.</li> </ul>		
<p><b>(9) Review of management structure across the ESC service</b></p> <ul style="list-style-type: none"> <li>- An external review of the management structure of the ESC Department, including the management structure of the Youth Service.</li> </ul>	February 2010	<p>April 2010</p> <p>£7,500</p>
<p><b>(10) Review of Cultural Strategy</b></p> <ul style="list-style-type: none"> <li>- A review of progress in implementing the objectives of the Cultural Strategy, adopted by the States in 2005.</li>   <li>- This review will take account of changes since 2005 with a view to developing a new vision and strategy to cover the period up to 2015.</li>   <li>- The review will also identify the total projected costs of implementation.</li>   <li>- This review will be progressed in two parts: the first will take the form of a report and proposition (to be lodged in the near future) setting out options for the future development of the Jersey Heritage Trust, and the second (to be presented to the States by the end of April 2010) will address the wider aspects of the Cultural</li> </ul>	<p>n/a</p> <p>(See Note 1)</p>	<p>April 2010</p> <p>Internal</p>

Strategy and its implementation.		
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Note 1: This review will be presented to the States by April 2010, in line with the States decision of September 2009 on the States Annual Business Plan 2010.

JMEH/ 9.2.10