

# STATES OF JERSEY

## Corporate Services Scrutiny Panel Comprehensive Spending Review Public Hearing with the Chief Minister

**MONDAY, 21st JUNE 2010**

**Panel:**

Senator S.C. Ferguson (Chairman)  
Deputy T.A. Vallois of St. Saviour  
Mr. M. Oliver (Economic Adviser)

**Witnesses:**

Senator T.A. Le Sueur, The Chief Minister  
Chief Executive, Chief Minister's Department  
Deputy Chief Executive and Chief Officer Resources

**In attendance:**

Mr. M. Robbins (Scrutiny Officer)

[11:03]

**Senator S.C. Ferguson (Chairman):**

Good morning, Chief Minister and gentlemen. Welcome to this meeting of the Corporate Services Scrutiny Panel public hearing on the Comprehensive Spending Review. I wonder if you could please say your name and position for the benefit of transcription?

**The Chief Minister:**

Yes, Senator Terry Le Sueur, the Chief Minister.

**Chief Executive, Chief Minister's Department:**

Chief Executive to the Chief Minister.

**Deputy Chief Executive and Chief Officer Resources:**

Deputy Executive and Chief Officer Resources.

**Mr. M. Oliver (Economic Adviser):**

Michael Oliver, Economic Adviser to the Panel.

**Deputy T.A. Vallois of St. Saviour:**

Tracey Vallois, Deputy of St. Saviour.

**Senator S.C. Ferguson:**

Sarah Ferguson, Chairman of the Panel.

**Mr. M. Robbins (Scrutiny Officer):**

Mick Robbins, Scrutiny Officer.

**Senator S.C. Ferguson:**

Right. Why is the international section of your department being protected from cuts?

**The Chief Minister:**

Clearly if cuts have to be made the idea would be to focus on those areas deemed to be less essential and retaining those areas which we believe are essential or of higher importance. Certainly I think at the current time we have come to the conclusion that international work is of very high importance. Jersey is coming under increased scrutiny from the outside world and equally we are competing in an increasingly competitive environment with the outside world. So we have to make sure that we are fully geared up to meeting both those challenges and the competition and being well placed to take advantage of new markets as they emerge. We have seen that the economy in some of the western world is a little bit uncertain at the moment. Other parts of the world may be emerging in a slightly better shape or more quickly and we have got to be alert enough to be able to position ourselves to take advantage of that where appropriate. So we believe in short it is essential that we maintain our spending on international activities.

**Senator S.C. Ferguson:**

Yes. How do you measure the impact of this section?

**The Chief Minister:**

That is rather more difficult. It is a matter of policy really, that I think given that most of our competitors are spending considerably more than we are in these areas. We are doing the very least we need to do to maintain any sort of competitive position. We can do that in other ways besides spending money, by expertise, reputation and so on and we do that. It is good we have had things like the I.M.F. (International Monetary Fund) report and the *Foot Report* which justify our standard of excellence. Nonetheless we have to promote that to the rest of the world who do not always read the financial press with the same degree of interest that we do.

**Senator S.C. Ferguson:**

Which is perhaps one of the reasons why we should perhaps be doing more with Guernsey, presenting a joint view.

**The Chief Minister:**

I believe we are. We can perhaps talk later on in this session about the way we are working together in Brussels, how some of the activities we do in other parts of the world will not necessarily be sharing but at least will be complementing one another. So I believe we are working much more closely with Guernsey and continue to do so. We are regarded I think by most of the

outside world as the Channel Islands and they do not seek to distinguish very seriously between Jersey and Guernsey.

**Senator S.C. Ferguson:**

Yes. What consultation did you have with E.D.D. (Economic Development Department) in relation to the withdrawal of the E.D.D. 60 per cent funding for the management position lost in Communications?

**The Chief Minister:**

Quite a bit really. It is not a total loss in that the service which was being provided to E.D.D. in respect of Communications primarily in terms of harbours and airports has now been replaced by a post at the airport, part of whose activities related to Communications. So the problem has been resolved in a different way, in a way which we think is probably more cost effective overall, gives the person concerned on the spot presence and at the same time gives us an efficiency saving. So I think it is something we did discuss jointly and felt that it was in both our interests.

**Senator S.C. Ferguson:**

So that is really a sort of ...

**The Chief Minister:**

Sideways shift, if you like.

**Senator S.C. Ferguson:**

Yes. I mean it is a saving for you but it is not a saving for the States as a whole.

**The Chief Minister:**

Well, it will be because that person at the airport can do other jobs besides just Communications. So it might avoid the need to have a second person in post at the airport doing a different job if one person can cover both posts in a proper fashion.

**Chief Executive, Chief Minister's Department:**

It might just be worth saying that the saving we have shown is only the 40 per cent cost of the post, so that is a true saving in that sense.

**Senator S.C. Ferguson:**

Yes.

**Chief Executive, Chief Minister's Department:**

That is the element we were funding from the Chief Minister's budget.

**Senator S.C. Ferguson:**

Yes. Now if we go on to Resources, how can a more modern approach to building maintenance be achieved when there is such a huge backlog of maintenance work hanging over the department?

**The Chief Minister:**

I think that is a very good question in demonstrating how the C.S.R. (Comprehensive Spending Review) process particularly in 2012 and 2013 will need to focus on different ways of doing things. At the present time building maintenance like many other activities has been done on an ad hoc basis with recognised contractors and recognised terms of working, which have evolved over the years and which are no doubt quite good and have stood the test of time, but are not probably in accordance with modern management thinking and best procedures. If one looks at industry they are moving far more to things like facilities management where you have an overall provision for larger organisations. Given that Property Holdings now is that larger organisation we believe that investing in facilities management and procuring the right to receive management services should deliver the sort of level of maintenance that we do need at a far more cost effective way.

**Senator S.C. Ferguson:**

But my P.A.C. (Public Accounts Committee) was promised a charging mechanism in 2009 and we seem to be no nearer to it. I understand from the Greffier that it concentrates the mind wonderfully at Morier House at the utilisation of space. When are we getting it?

**The Chief Minister:**

Yes. There I think I might have to defer probably to officers to give me a timescale. I do not know if that is one for John or Bill. I have no particular ...

**Deputy Chief Executive and Chief Officer Resources:**

I can certainly comment on office charging. I think that maybe we have drifted off the question of building maintenance but in terms of the charging we are currently ...

**Senator S.C. Ferguson:**

Well, it is going to pay for building maintenance, if you will excuse me, surely?

**Deputy Chief Executive and Chief Officer Resources:**

Well, there is a much bigger equation in terms of capital costs and depreciation payment which is all part of rentalisation of property. But in terms of when we are going to start putting charging in place, we are currently working on looking at whether we charge for the space currently occupied, in which case we have got to work on existing areas which we know are inefficient because of the way the building is laid out, or we charge on or provide a charge to departments based on what their modern equivalent would be and then provide a way of incentivising them to get down to that. But in doing that we have to be very mindful of the fact that a lot of departments will need quite a lot of assistance in terms of investment to be able to make those structural changes to the buildings to occupy modern areas.

**Senator S.C. Ferguson:**

But where departments are occupying more than the 110 square feet per person surely that is a fairly simple equation?

**Deputy Chief Executive and Chief Officer Resources:**

Not in a building which is compartmentalised into individual offices. The only way you will move effectively from 180 to 200 square feet per person down to 110 is by significant structural alterations to the building fabric in order to provide that facility. So there is an investment required to get there and that is what we are currently looking at, which buildings are capable of being modified to move down to that and how long will it take, so that those departments that are currently occupied in the buildings can be incentivised over a period of time to get down to that square footage.

**Senator S.C. Ferguson:**

It is only a problem where you have got fixed walls, is it not? Where you have got partitions. You just shove them up like a load of toast.

**The Chief Minister:**

Ideally the modern method of working would be far more open plan offices where you can be a lot more flexible, but our office accommodation goes back anything from 5 to 50 ... I would not say 500 years but some of it is quite old and solid block walls and different floor heights and ceiling heights and so on. Yes, this building itself is a prime example of that in terms of different floor levels and the efficient use of space. But to try to rationalise all that lot is a fairly massive job. It needs doing, but that will take rather more than 12 months to evaluate and then find the funding if we do decide that is the way to go ahead to deliver.

**Senator S.C. Ferguson:**

Well, with respect the meeting where we discussed it was way back in 2005, 2006 and we are still looking at it. You know, it is the ...

[11:15]

**Deputy T.A. Vallois:**

Can I just make a point on the maintenance part? You are planning on saving £244,000 by reprofiling the 2011 building maintenance. Can you just explain what you mean by reprofiling and how that will work?

**Deputy Chief Executive and Chief Officer Resources:**

The area in property maintenance is very much as the Chief Minister explained to begin with, that at the moment we have a number of individual contracts for maintenance and that goes all the way from a supplier coming in to undertake a piece of work, whereas a modern facilities management function specifies it once for a range of buildings and places the administration, maintenance and management responsibilities on to the contractor. So effectively all we have to do is audit and check as opposed to specify, supervise and then pay lots of individual bills for individual pieces of work. So by moving to that there are quite a lot of efficiency savings that can be made and that is where we are predominantly aiming to achieve the saving.

**Senator S.C. Ferguson:**

Right. Now the Resources invest to save bid is £3.4 million and the saving gained is £646 million. Given that the ...

**The Chief Minister:**

Hundred thousand, I think.

**Senator S.C. Ferguson:**

£646,000, sorry. Yes, I lost my noughts.

**The Chief Minister:**

I think you are being a bit optimistic there.

**Senator S.C. Ferguson:**

Yes. Given that the money invested to save will take time, over 5 years, to gain back from the savings made, how can you regard this as a one-off saving?

**The Chief Minister:**

Two things. Firstly the figure has now come down to just under £3 million. Be that as it may, the second point you make would be quite right if that were the ongoing level of the savings. But what many of these investment to save bids will do is change the way of thinking, change the way of working. The majority of this investment of £2.8 million is in procurement and restructuring that procurement function right across the States. Now that is going to take time to implement but it will pay back, we believe, significant dividends. We believe over a 5-year timeframe the project will identify a year-on-year basis of saving of £5 million. Now if that saving materialises then clearly we have got a very good investment for our £3 million, in fact £2 million of procurement. Even if we only yielded half of that as a saving, and that would be unduly pessimistic, that is still a huge return. So one should not look at the first year's return where there are not going to be any real savings, but look further forward to the years ahead.

**Senator S.C. Ferguson:**

Yes, well how are you going to measure the savings?

**The Chief Minister:**

That one you probably can measure more accurately by comparing what the current spend is with what the future spend turns out to be, assuming that they are buying roughly like-for-like.

**Senator S.C. Ferguson:**

Yes, so the 5 extra staff you are investing to save by recruiting staff, so that is an ongoing cost?

**The Chief Minister:**

Some of it will be an ongoing cost, some of it may be a restructuring cost but there will be a need for permanent, ongoing staff, yes. But staff as a procurement function, it is changing the way the States do things. Another example of how if we are going to get this £50 million saving we have to make

a fundamental change to the way we do things and that I think is a very good example of how there might be additional staff in that area and some additional upfront spend to achieve a restructuring and the overall savings are significantly worthwhile.

**Senator S.C. Ferguson:**

Yes, because the current procurement team researched the cost of beds in Health and went on to save £80,000. Does it not worry you that Health did not know that they were overspending to that degree?

**The Chief Minister:**

It worried me considerably and part of the investment will be in respect of Health and Social Services totally restructuring their procurement services. I mean I think they are, without pointing a finger, one of the prime examples where there are too many people involved in the purchasing side and creating not only inefficiencies but difficulty in measuring who is doing what and where the performance is falling short. So Health is an example where there is a specific budget identified simply to look at that area of savings and improvements. In fairness to Health they already have significant purchasing benefits through national drug purchasing arrangements, but a lot of their domestic purchasing arrangements leave a lot, in my view, to be desired.

**Senator S.C. Ferguson:**

Yes, because one thing I have been doing is asking the firm written question and I suppose my firm written question for your department, Chief Minister, is how much does it cost to get a press release out? Do you know the cost, or does the Chief Officer know the cost?

**The Chief Minister:**

The short answer is no, not off hand. Would I benefit significantly if I did know the cost? Some people unfortunately ...

**Senator S.C. Ferguson:**

Well, it is a question of being able to identify the cost drivers, I suppose.

**The Chief Minister:**

It is, but on the other hand some people like to have the information available and a press release is often the best way of getting the information available rather than having to answer individual questions from different people at different times.

**Senator S.C. Ferguson:**

Well, for instance we asked T.T.S. (Transport and Technical Services) how much does it cost to dig a 100 foot trench.

**Deputy T.A. Vallois:**

It is basically identifying whether you have a streamlining approach to costing or whether it is a case of when somebody comes to you with a bespoke cost ... so whether you are able to do one or the other or whether it is a mishmash.

**The Chief Minister:**

I suspect we are talking about different functions here. Certainly if I were running T.T.S. I would expect to know the average cost of digging a 100 foot trench, recognising that some trenches may be dug in soil and some trenches may be dug in tarmac and others dug in solid granite. But that is a different question from knowing when you should issue a press release and when you should not and the cost benefit of doing any particular press releases. I do not think we should try to confuse them.

**Senator S.C. Ferguson:**

I was not asking for the cost benefit. I was just saying, you know, for example how much does a press release cost to do, or the average cost of a press release? But we will move on, in that case.

**The Chief Minister:**

Yes. I think the difficulty in trying to evaluate that sort of thing is that the information is not ... the press release does not emanate from our departmental communication unit. The information has to be collated from other sources, so in other words if there is a press release going out on tax proposals, the Treasury will first of all have to work out what those tax proposals are, and if you like work out what message needs to be communicated. I am perhaps making more of this question than one needs to but I do not think that the cost of press releases is a significant burden on the department per se. It is part of the overall function of a communications unit.

**Senator S.C. Ferguson:**

Yes. Right. You have just started a review of pay and conditions, I believe?

**The Chief Minister:**

That is right.

**Senator S.C. Ferguson:**

Why has it taken so long? It was in the Business Plan for 2009 and it has only just swung into being. What happened?

**The Chief Minister:**

I think the reality is that we do not have the scope within the House to do a proper review of terms and conditions of employment and so it has to be planned from external reviews. Having looked at the need for a comprehensive spending review, one of which would be terms and conditions, one had to see how that fitted in so that it was an overall terms and conditions review rather than simply a departmental one. I think we often find that things take longer in the States to begin and to implement than might happen in the private sector where decisions can be made at the drop of a hat and one can get on with it. So yes, it perhaps could have started earlier but I am not sure in the great scheme of things this is going to be quite a long process to review and implement and it is perhaps regrettable that it has not started yet but it ...

**Senator S.C. Ferguson:**

Yes, because it has taken 18 months.

**The Chief Minister:**

It has taken 18 months. On the other hand one has to have the co-operation to some extent of the employee representatives in order to achieve the best possible outcome. I think having in the latest pay round required as part of that pay settlement their involvement in reviews of terms and conditions of employment may mean that we will get a more co-operative employee representative workforce contribution to that review than might have happened had it been a sort of: "them and us" situation. There will still obviously be differences of opinion and different views put forward, but by linking it to the pay award I think we achieved significant benefit even if we have had to wait 6 months until they accept or agree to pay award terms to deliver that. We have seen that for example with the teaching unions where there will be a specific review of their terms and conditions as part of their settlement, assuming that they do settle.

**Senator S.C. Ferguson:**

Right, and I suppose the other part of Resources, a review of I.T. (Information Technology) because the spend on I.T. over the next few years, whether it is invest to save or whatever is fairly significant. Are you doing a review of that as well?

**Deputy Chief Executive and Chief Officer Resources:**

The main area of expenditure falls into 3 main camps effectively. One is the education network, its own network and clearly that has got to fit in with the Education Service and the curriculum that they are running. So that is one area that has got to be reviewed and we have got to do that in conjunction with Education. That is a very big area of expenditure when you look at the overall I.T. across the States. The second would be the general provision of software and P.C.s (Personal Computers) on desks in office accommodation and that is an area which needs just to be regularly replaced and upgraded and that is where investment needs to be just so that modern I.T. equipment can run modern systems, otherwise we are likely to fall into a significant backlog. The third area, which is probably one of major expenditure in the future is the long term future for the JD Edwards accounting system we have. That has got a life which is probably coming to a point in about 2015 where the system will need to be significantly upgraded or replaced and work has already started to look at what is the best solution for that. Technology has moved on a long way since the first investment was made in it and some fairly major decisions have got to be taken in the next 2 to 3 years as to the right solution for either its major upgrade or its replacement.

**Senator S.C. Ferguson:**

Yes, because obviously it will have to fit into the ... or the procurement system will have to tie in with it as well.

**Deputy Chief Executive and Chief Officer Resources:**

Absolutely.

**Senator S.C. Ferguson:**

The black hole that is in ... no, I am sorry, the substantial spending on Health in I.T., is that going to be reviewed?

**Deputy Chief Executive and Chief Officer Resources:**

There is currently one major project running in Health which is the Integrated Care Records system which is now well through its investment programme but in line with all other I.T. across the States and certainly looking at how the health service moves forward in time it is clearly going to be a requirement to maintain the level of investment in Health along with all the other medical side that needs ongoing investment. That has got to be looked at as part of the overall I.T. solution.

**Senator S.C. Ferguson:**

Yes, because there are problems I gather on the mainland with their sort of integrated care system and everybody's records where people are saying: "No, I do not want my records held centrally and available to everybody." Has that been looked at?

**Deputy Chief Executive and Chief Officer Resources:**

Our records system is central because it relates to one health department in Jersey, so clearly in the manual system they are central or effectively most of this work is about transferring a manual system on to a modern computerised system, which gives access to the health professional at the desktop as opposed to have to call for individual case notes on the file on a manual system. So it is probably not quite the same as having all of the U.K. (United Kingdom) records held in one central repository. Ours are already there in manual form and it is now computerising them so that they become electronic and accessible to the medical profession.

**Senator S.C. Ferguson:**

Yes, and what time have you made available within the Law Draftsman's Office to deal with the structural and legislative changes required to effect the full 10 per cent of the C.S.R. particularly in line with the reduction in the Law Draftsman's budget?

[11:30]

**The Chief Minister:**

Right. We have not yet published the law drafting proposals for the current year's Business Plan. What we have done is taken rather a different approach in this, building in a lot more flexibility, giving departments the authority to manage their own law drafting peaks and troughs and pressures in accordance with their needs, working with the Law Draftsman and communicating regularly and building in contingency time sufficient to cover any likely law changes which would have resulted from these savings. So I am confident that there is capacity within the law drafting programme, should that be required.

**Deputy T.A. Vallois:**

A large amount of some of the departments' roles is statutory or otherwise legislative-led and therefore they have to provide the services, so if they were to make fundamental structural changes, which many have said they want to look at the efficiency going forward, then surely that would take up a large amount of draftsman time from any perspective. So is that being taken into account?

**The Chief Minister:**

It is very difficult to relate. The fact that a system may have complicated procedural changes does not necessarily mean that it will have complicated legislative changes to follow. Conversely something which appears to be quite simple procedurally can have huge legislative changes. An example, if you like, perhaps not totally relevant and this is not a cost one, in terms of civil partnerships when the Civil Partnerships law got passed that was a very simple operation but we then found it affected about 50 different laws. So the ramifications were huge. The converse also applies that sometimes significant procedural changes within a department do not require particularly significant law changes. It will vary from one to another but one should not generalise.

**Deputy T.A. Vallois:**

With regards to the spending review the savings that are being targeted are 2 per cent and that was advised to us as £12 million. Is that correct?

**The Chief Minister:**

Yes, roughly.

**Deputy T.A. Vallois:**

Is that based on gross revenue expenditure or net revenue expenditure?

**The Chief Minister:**

It is really a target. The objective is to save £50 million over a 3-year period. That roughly equates to 10 per cent of ... if I say net because it is trying to cut what the bottom line is by £50 million, but on the other hand departments are asked to look at their gross spending, because effectively what you need to have is a little bit of leeway to see ... there are some things which perhaps will not be feasible to deliver. If you start with a higher target than you think you require you will probably end up with somewhere near where you want to be. So it is not really one or the other although the ultimate objective is to save £50 million.

**Deputy T.A. Vallois:**

But 2 per cent of gross revenue expenditure is more than £12 million.

**The Chief Minister:**

Yes, but ...

**Chief Executive, Chief Minister's Department:**

But after you have taken account of debt charge elements and those fixed parts in the budget 2 per cent is effectively 2 per cent of your gross revenue

expenditure excluding those items. So 2 per cent is £12 million gross, the target is £50 million which perhaps comes on to a later question which is why you are targeting £10 million. Well, if 2 per cent is £12 million, targeting 10 per cent would give you £60 million and the target is £50 million, so you have the opportunity of making judgments. Ministers have that opportunity.

**Senator S.C. Ferguson:**

Yes, and you told ... or the instructions to Chief Officers were 2 per cent of gross less the debt and the other factors that you ... the instructions were issued by the C.S.R. group?

**Chief Executive, Chief Minister's Department:**

That is right.

**Senator S.C. Ferguson:**

I wonder if we might have a copy of that, because I am sure ... we have a multitude of paper but I think that is one bit that escaped us.

**The Chief Minister:**

Okay.

**Senator S.C. Ferguson:**

Thank you. Right. If we move on to the Council of Ministers policy. With the benefit of the first 2 per cent savings, how practical are the timelines for the C.S.R.?

**The Chief Minister:**

They are certainly tight. They are probably tighter than I would like to have if we were to do a thorough, well planned job and still deliver within the same timescale. Now in commercial life one would simply throw a huge amount of resource at it and just get on with it. In political States activities we have a very limited resource and we get on with it as fast as we possibly can. But the fact is there is an imperative that we do need to get this solution by the end of 2013. Get the solution before the end of this year and start implementing it to get some results. But I accept that that can only be done with tremendous goodwill on all sides and departments themselves have had to get involved in and signed up to this process, and they are. Departments and Chief Officers are very much anxious to co-operate and have a spirit of trying to achieve this, because they recognise as much as anybody else the imperative of doing this and doing it in the timescale. So we will bring in some external expertise, as much as we realistically can, but on the other hand we also rely on the expertise and goodwill built up by departmental officers over the years and we believe by harnessing all of that lot we can make virtually all the decisions we need to make in the timescale we are talking about. It is going to be tight but we believe it is achievable with that co-operation and goodwill.

**Senator S.C. Ferguson:**

Yes, because we have had a variety of reactions from those that regard the 2 per cent as a sort of holding action while they cope with the 3 and the 5 and those who just say: "Oh, that is part of business. Yes, we can do that." You

know, the 3 and the 5 may be more difficult. You know, some have kind of started with the 2 per cent and are looking at the 3 and the 5 and others have started with the 10 and are working back. So there seems in some areas to be a sort of an air of desperation attached.

**The Chief Minister:**

I hope not. I think there is probably an air of reality attached. In some departments it is possible to effectively assess that 10 per cent right now. Where it can be done that is obviously the best way to do it. There are other departments who will say they believe that 10 per cent is possible but need time to work out just how it is best done. Meanwhile as you say anyone should be able to deliver 2 per cent and that was why it was a very straightforward simple operation, instruction to departments: "Just go ahead and deliver 2 per cent for this year, for 2011", while those bigger departments with the perhaps more difficult jobs can plan and have a bit more time to do that. So for those departments with more significant issues and there are specific reviews on departments such as Health and Education and Home Affairs, those departments obviously will take more time and for them this 2 per cent is a straightforward holding exercise. On the other hand some small departments and areas within my remit such as the Governor's Office will say: "Okay, we will show you the 10 per cent now" and effectively ...

**Senator S.C. Ferguson:**

Well, those are the ones to ask to do 20, are they not?

**The Chief Minister:**

Well, it may well be. What they have done is demonstrated that 10 per cent is deliverable and I think that encourages other people to say yes, that 10 per cent is deliverable or the £50 million is deliverable across the board.

**Senator S.C. Ferguson:**

Yes, because with respect, Chief Minister, the list that was issued for the public is a bit cryptic and I ... you know, we have had discussions on one or 2 of the ... or a number of the savings which have a rational explanation.

**The Chief Minister:**

Yes, I acknowledge that some of the headings are a bit cryptic.

**Senator S.C. Ferguson:**

What are you going to do to make that a bit more comprehensible?

**The Chief Minister:**

If one had time I suppose one could publish a 100-page document setting out or translating the cryptic bits into full text. One has to say what is the purpose of that document? That is really a summary of the way departments think they could deliver the 2 per cent. It is an internal working document for them, for Ministers, for scrutiny panels. It is not necessarily a public consultation document and I think you have got to say that in terms of overall time and resource where I think time and resource should be devoted is into 2012 and 2013, the longer 3-year 10 per cent operation. So if this is short and cryptic

and maybe, I will not say misleading but not always properly understood, that is regrettable but in the great scheme of things trying to cram a quart into a pint pot I think that is probably a more efficient use of time and resource. Frankly if people simply look at the headline but do not go into the detail it is a bit like reading the *Jersey Evening Post* with all due respect to newspaper reporters. Sometimes the headline is not quite a total reflection of the full story.

**Senator S.C. Ferguson:**

We have already heard examples of the headline being used and quoted as the total sort of killing off of a frontline service, which it is not. If you look at the facts behind it.

**The Chief Minister:**

That is right, and I suppose to that extent it may be we did not communicate that well enough to the average reader, but we did invite all States Members to the presentation. They did have those summary questions. Granted it was perhaps a bit premature for them to be asking questions straight away, having just seen the sheet of paper, but that is why we have got these 4 weeks between publishing those in cryptic summary form or whatever and finalising Ministers' final proposals for the Business Plan in which if the cryptic comments turn out not to be ones which are acceptable or desirable or the wrong ones we have got time to put it right. That is why I think some people think that this is the Business Plan that we have published. It is not. It is one step along the way, a step involving or trying to involve scrutiny panels and all States Members so that we all get the right outcome when it comes to debating the Business Plan itself and hopefully when we come to debate that Business Plan itself we can debate it without having to have so many questions and amendments to it that we have the slightly uncomfortable spectacle of last year of spending day after day ploughing through it.

**Senator S.C. Ferguson:**

Yes. Now going on from that why are the savings to tax cuts 50-50 rather than the accepted economic split 80-20, 80 per cent spending cuts 20 per cent tax rises?

**The Chief Minister:**

I think one has to look at the overall size of the problem which as we see is something probably approaching £100 million, if one looks at the overall picture. So is it feasible to achieve £75 million or £80 million worth of spending cuts? It probably is, but I am not sure that the public have an appetite for that. The 80-20 may be a good rule of thumb in a society which is already quite highly taxed. Now I am not saying that Jersey's overall rate of taxation is too low because one has to be competitive and one has to have regard to the economic benefit of a relatively low tax regime, but I think the appetite of the public is such that they would prefer to pay a little bit more and maintain a decent level of service than have a drastic reduction in a service simply in order to maintain a very low level of taxation.

**Deputy T.A. Vallois:**

On the public service point of view, you have just mentioned the public view on the maintenance of the high level service that they are provided with and you mentioned the public consultation in regards to the 3 and 5. When do you foresee that coming to the public and for everybody to tell you what kind of service they do want?

[11:45]

**The Chief Minister:**

Well, I think there is a public consultation which was announced today by the Treasury Minister in respect of the tax proposals to raise potentially anything up to £60 million. Now I think that will give a clearer indication to the public the size of the problem which faces them if the States does not reduce its spending by maybe more than the £50 million that the Chairman was talking about. There are going to be conflicting views. There are some who would like to see more services provided or less cuts so long as somebody else pays for them. There are others who will say: "If you raise that taxation you are making it uncompetitive and we are not only going to lose that business, we are going to lose the revenue they generate and the public is still going to have to pay for it." So there are going to be debates and I think the time to debate that is once the Business Plan proposals are published and the taxation proposals are published and the financial situation looking forward to the next few years is published and they see all that lot and then no doubt they will have varying views. The public ...

**Deputy T.A. Vallois:**

But are we looking at 50-50 with regards to the C.S.R. and the F.S.R. (Fiscal Strategy Review)?

**The Chief Minister:**

I do not think that was necessarily the starting point. The starting point as far as we were concerned is that there should be more savings than tax measures.

**Deputy T.A. Vallois:**

So that begs the question why are we asking for consultation on tax before asking for consultation on savings?

**The Chief Minister:**

I think really because earlier this year you may recall we had a couple of workshops looking at the spending cuts and the financial situation and people tried to work out what level of cuts might be deliverable and then I suppose the balance would need to be found by taxation measures.

**Deputy T.A. Vallois:**

But that was not asking the public, that was asking the States Members.

**The Chief Minister:**

It was asking the States Members and I think if you were to ask the public: "Would you prefer to see the States cut spending by £80 million and raise

taxes by 20 per cent?" they would say yes. But if you then demonstrated to them what effect that would have on the services they would receive they would probably say: "Oh, we did not realise that and in that case let us think again and deliver a bit more revenue rather than having to cut those services." There is no right or wrong answer to this one, I am afraid. It is a judgment to be made and if States Members believe that the level of cuts is not adequate or if States Members do not want to raise that level of taxation then they are quite at liberty to propose further cuts to the Business Plan. But I have not in past years seen a great appetite for reducing Business Plan spending, I have to say.

**Senator S.C. Ferguson:**

Yes, because the perceived rates balance which Canada and Sweden have used has been more on the 80-20.

**The Chief Minister:**

It has, but as I say if you look at for example the Swedish model they start from a higher overall tax base. Now whether it is wise to try to compare absolutely like with like, I do not know. What I am suggesting is I think it was something like Lafakur(?) and how much taxation you can raise before you get an account reduction, you might want to look to an economics expert rather than me on this one, but I think Sweden may be one side of the cut-off point and we are the other side of it. So it may be different rules or different principles apply. As I say there is no right or wrong answer, but these are the proposals that the Council of Ministers have come up with and probably in a 3-year period in the current mood of the Island it might be difficult to deliver anything more than that in that timescale.

**Senator S.C. Ferguson:**

Given that there are certain areas that the States are involved in, perhaps certain businesses which perhaps they should not be involved in, how are you managing to inculcate into your Council of Ministers some enthusiasm for reducing the size of their department and perhaps shifting these businesses either into the public area or hiving them off somehow?

**The Chief Minister:**

There are certain trading operation businesses which the States conduct which may well benefit from hiving off as you call it, but there are a lot of services which the States provide which could be done by a private sector organisation but not necessarily particularly economically. I speak from past experience when about 15 years ago now I suggested that Social Security should be run by an insurance company. They could do it probably more efficiently than Social Security and Social Security administration costs were only about 4 per cent. I felt that an insurance company ought to have economies of scale and the expertise to deliver it, and I floated the idea and the insurance companies just dismissed it. Jersey was just a microscopic irritation to them, the numbers were far too small even with the millions that we were talking about. We think that Jersey is a large organisation with some large spending. The sorts of organisations that we wanted to employ to deliver and provide those savings just are not interested in Jersey.

Conversely you can have some very small fly by night providers who might deliver that service. Could we rely on the quality? Could we rely on the ongoing delivery? Would we get the same standards that we get from our present well trained and highly motivated public workforce? I am not so sure. So there is no point in just putting everything out to the private sector for the sake of doing that, unless there is going to be some real benefits. So far we have not seen except in a very few cases I think examples where there can be real benefits. On the other hand, you spoke earlier about I.T., the amendments we did to the States website were done effectively by a private sector organisation and that probably has been of benefit to us and that was done by a relatively small, I certainly would not say fly by night because it was a very small and reputable, well evaluated team before we let the contract, but you have to specify what standards and what you expect before you let that contract. That was a one-off contract to do a specific piece of work. It is not an ongoing contract where I think very often one sees greater enthusiasm for the first 6 months, I sometimes think for the lost leader, and then once you are established in that contract the standards start to slip. So I have probably rambled on for long enough on that answer.

**Senator S.C. Ferguson:**

Yes, because there are obviously ... there is a tendency for the: "State" to clasp activities to itself which perhaps should not be.

**The Chief Minister:**

There is a reluctance among many States Members to let go of the reins. I regret that but on the other hand that is apparently the will of many States Members.

**Senator S.C. Ferguson:**

Right. Now how will the steering groups for the large reviews work with the introduction of an outside ... as far as we understand it there will be an outside Chairman. Is that correct?

**The Chief Minister:**

The Chairman would normally be one of the business programme board, either the Executive or the Deputy Chief Executive or possibly the States Interim Treasurer. But really I think working across the organisation will not give any difficulties. We tried this at Ministerial level and Ministers reviewed one another's spending proposals, and given the goodwill of other Chief Officers I am sure they will all seek to work together to try to work so as to achieve the best outcome for each individual department. They will be helped. The review board team will also include either the Treasury Minister or myself together with the Minister of the department concerned and the Chief Officer for that department concerned and where there are the departmental reviews in Education or Health an external independent expert who will have I think between the whole panel a tremendous amount to bring together. In some cases it may even be that that independent outside person will be better as the Chairman, but that will I think be a matter of procedure that we have to work out. The whole steering group should be there to steer the process.

**Senator S.C. Ferguson:**

Right. What powers will the group have? Will it just do a report? How is it going to work? Is it going to do a review and report back to the Chief Minister's office?

**The Chief Minister:**

At the end of the day it is Ministers who are going to have to recommend the savings proposals to the States, so the Ministers have got to be satisfied.

**Senator S.C. Ferguson:**

But this is a review being imposed on the Ministers.

**The Chief Minister:**

Well, no, imposed in one sense but it is something that Ministers want to achieve as well, so I do not think that we should look at: "impose" in a negative way. Ministers want to achieve the best outcome for their department and they I am sure will not stand for anything which they believe will be detrimental to the department. But in terms of operational matters I can hand over to the Chief Executive.

**Chief Executive, Chief Minister's Department:**

There are really 3 levels of these reviews to take place. The first is they are owned by the Chief Minister, so the Chief Minister, the Treasury Minister and the departmental Minister, so that is where the political ownership comes. The steering group's job is to provide an independent report to those 3 Ministers, publish a report to them identifying where it should be possible to make savings, the extent and the implication of those savings, clearly with a target of 10 per cent but to go beyond that if possible or to identify if that is particularly damaging at 10 per cent. The steering group we hope will be chaired by the independent person, you will remember the Treasury Minister advertised and has appointed a number of independents, but if not then either the Deputy Chief Executive, myself or the Treasurer. The remit of that steering group is to ensure that all areas of spending are looked at, to identify where savings are possible and then to produce a report. We are using, particularly for the larger areas, some external support, paid for support to get in and dig through the numbers and dig through some of the facts and bring experience from other jurisdictions. Clearly we are looking from the U.K. but from anywhere else that has provided that service in a new and innovative way. We hope to bring all of that together into a report to the 3 Ministers and the expectation is that those reports will be at the end of the process available for review.

**Senator S.C. Ferguson:**

What is the timescale? When are you going to get those finished?

**Chief Executive, Chief Minister's Department:**

Our timescale for those is to have them finished in most cases by the end of August and I say most cases because clearly we are starting a bit later on Health with the management changes that have been taking place. We felt it

was appropriate to have new management, a new Chief Executive and there is an interim hospital director very much part of the review process, so that we can bring that fresh thinking to bear.

**Senator S.C. Ferguson:**

You will be looking at the staff. Will these reviews also look at the staffing levels or are you leaving that to the ...

**Chief Executive, Chief Minister's Department:**

No, no. The reviews will have to address staffing levels. The pay terms and conditions is looking literally at that, comparative levels of pay and comparative terms and conditions, whether it be pension or allowances or other issues like that. The review itself has got a steering group led by an external ...

**Senator S.C. Ferguson:**

Well, obviously the 2 will dovetail together from that point of view.

**Chief Executive, Chief Minister's Department:**

They should do, yes.

**Senator S.C. Ferguson:**

Because you will have seen the headlines in the *Evening Post* about the extra managers they are going to need in Health, alleged.

**Chief Executive, Chief Minister's Department:**

Yes. That might well be necessary as an interim to take us through the significant change, but you would expect to see it as an interim arrangement.

[12:00]

**Senator S.C. Ferguson:**

Well, going by some of the submissions we have had which will obviously be part of the report and we can let you have a copy of them, there is as you will have gathered quite a feeling about the number of employees within the whole service, particularly Health. Whether it is a retired surgeon or somebody from the shop floor.

**The Chief Minister:**

I am not going to prejudge the outcome of that review but I would say it may well be that the management structure might need to change. You might need more bodies at one level in that structure and significantly fewer bodies at a different level in that structure. So yes, there may well be changes and ideally one would hope that people in one part of the structure could fit into a job at a different level in the structure, and where that is possible I am sure it could be done. But again that is a matter for assessing at the time. All I am saying is the objective has to be to reduce the overall management costs and at the same time deliver more effective management structure.

**Chief Executive, Chief Minister's Department:**

We have been very clear throughout all of this that both where there are reviews and where there are not that this should apply to all levels of employment and no level should be exempt from that. So we would expect to see senior management contributing as much to this as anywhere else.

**Senator S.C. Ferguson:**

Have you discovered any sort of level of scepticism that the 10 per cent will be achieved? Because our experience with the people that we have had hearings with so far, it is variable. How are you finding it?

**The Chief Minister:**

I think it is fair to say you asked earlier about whether we should not follow the 80-20 rule. I think there would be a significant level of scepticism that one could deliver £75 million or £80 million worth of savings. I think that may well be misplaced but there probably has been scepticism at that level. I think the £50 million level is one which Ministers were reasonably comfortable with as being achievable even if not necessarily equally across the board, but a total saving of £50 million was relatively modest in comparison with many other jurisdictions and ought to be within our grasp. So I suppose a Jerseyman is naturally a sceptic and until he sees the outcome of anything he always believes it cannot be done, but that should not colour the view from a Ministerial point of view. We believe that £50 million is a realistic target otherwise we would not have set it.

**Senator S.C. Ferguson:**

Well, I suppose if you reckon that we have got a wage bill of something in the order of £300 million 10 per cent of that is your extra £30 million.

**The Chief Minister:**

Yes.

**Senator S.C. Ferguson:**

Perhaps it should have been ... would you not think that should have been considered too?

**The Chief Minister:**

I think one has to look at practicalities. If that were a practical operation in terms of reduction in pay and ...

**Senator S.C. Ferguson:**

No, over ...

**The Chief Minister:**

... a reduction in staffing then you have got to say: "Identify how that staff is reduced." Equally it would not be sensible to have a 10 per cent unilateral reduction in staffing across the whole organisation. Some parts of the organisation are more staff intensive than others, some have staff providing different functions. I think trying to apply a blanket broad brush approach has difficulties once you start looking at the detail.

**Senator S.C. Ferguson:**

Well, the Auditor General did say that that sort of approach should be taken over a period of time.

**The Chief Minister:**

He did, and I think he made it quite clear that it would be over a period of time. It would not be an overnight period. The time he was talking about was something like 10 or 15 years, if I recall.

**Senator S.C. Ferguson:**

Yes. We have lost 3 years already.

**The Chief Minister:**

Maybe I would like to be a bit more ambitious and see if he cannot deliver it over 3 to 5 years.

**Senator S.C. Ferguson:**

Now the international experience, I hate to come back to Canada and Sweden again but they have been very successful.

**The Chief Minister:**

No, they are good examples and they ... we have looked at them and certainly we believe we can learn from other countries so I welcome comparisons of that nature.

**Senator S.C. Ferguson:**

But they show that there is much more likelihood of success using differentiated targets. Why have the Council of Ministers chosen to set undifferentiated targets across the board?

**The Chief Minister:**

I think again maybe that is a question of a misleading headline. Certainly departments have all been asked or tasked with finding the same level of cuts of 10 per cent, but Ministers are quite clear that the ultimate outcome is going to be different across different departments. There will be differentials in the end result, but I think if you take Canada and Sweden and you may have ... I sent you a video last week of the Swedish, who said there will be no sacred cows. We want to look across all departments and I think this is the sort of philosophy that we have taken on board. Yes, all departments should look, they should not say: "No, we are sacrosanct, you cannot touch us." We say every department should look at that 10 per cent, identify what they can do and then the Ministers, and it will be Ministers, will say: "That is a step too far. Yes, that is easy enough, let us bank that one and let us consider this one a little bit more." But if you start off by having half a dozen sacred cows I think that is a recipe for disaster and that is not what Sweden or Canada have said at all.

**Senator S.C. Ferguson:**

Yes. But the Council of Ministers just told everybody 10 per cent per department.

**The Chief Minister:**

Yes, but the departments are quite clear that are doing that in order that one can ascertain the relative levels of pain, if you like, or relative levels of ease, of delivering 10 per cent across one department or another. Having done that then we as Ministers can compare what effect a 10 per cent cut in Health might have compared with a 10 per cent cut in Housing, say.

**Senator S.C. Ferguson:**

Right, thank you.

**Chief Executive, Chief Minister's Department:**

May I just add it is important that in addition to that 10 per cent we have talked today about procurement, we have talked about the review of pay terms and conditions, we have talked about property and there are a number of items in the Council of Ministers' Strategic Plan that was agreed by the States that would lead to reductions in cash limits that are still out with that 10 per cent. So you have got plenty of opportunity for differentiation in the final decisions.

**Senator S.C. Ferguson:**

Right. Because that leads on to what appetite is there for the abolition for outsourcing of individual programmes rather than the attempts to slim from the top across the board?

**The Chief Minister:**

I do not think you would achieve £2 million just by trying to slim down all the departments. We have been following that sort of approach for a few years now and there is a limit to how far we can push that. That is really why we have said if one is going to achieve that level of savings or hopefully even more it is going to be by a more fundamental review of what we do and whether we need to do it.

**Senator S.C. Ferguson:**

Yes, so you feel that there is a will to act structurally?

**The Chief Minister:**

There has to be. Otherwise I fear we ... well there would not be the enthusiasm or even the interest I think in trying to achieve 10 per cent simply by further salami slicing.

**Senator S.C. Ferguson:**

Yes, because we have found, as you have said, Chief Minister, in the past that erratic bursts of retrenchment are insufficient to create the necessary savings. What appetite is there for a complete overhaul of the system itself?

**The Chief Minister:**

I think there is an appetite providing there is the investment in order to change. One cannot expect change to happen without some stimulation, without some seed corn and probably without some initial capital which will transform what you are doing. In the past we said: "Save 1 per cent, 2 per

cent”, whatever the figure may be but not providing any incentive to rethink different ways of doing things, not putting any money upfront. But sometimes people have come back to us and said: “We could save you a lot more if only we could do this but in order to do this we need another £2 million upfront in order to start it off. It will pay itself back in a couple of years’ time but we need that upfront.” We have been a bit blinkered maybe in not giving them the initial investment in order to deliver those savings later on. What we have got to do is to appreciate that with that investment to save there will be benefits later on but at the expense of an upfront cost.

**Deputy T.A. Vallois:**

With the investment to save will that be used along the same lines as say the economic stimulus package, in that you would have a temporary finding and it is targeted? So would you use that kind of notion to ensure that the monies are being targeted in the right way and then it is only temporary? Because obviously with certain things you are going to need to bring in people to do things.

**The Chief Minister:**

Yes. It is one thing to say: “If I invest £2 million I can generate £1 million a year in savings thereafter.” If people say that then I think it is up to the programme to leave it to the board to look at it and say: “That was a good idea, let us see if it works in practice. Let us evaluate it and get more details and if it works then bring it forward.” But sometimes people have bright ideas or pipe dreams and say: “Oh, I would like to have a new project. I would like to computerise cycle tax. We only need £500,000, we can get a new computer system to work out cycle tax” so you spend £500,000 to generate £50,000 a year in cycle tax. That is not particularly successful and I am being slightly facetious there but realistically people do sometimes come up with bright spending ideas that they have not really thought out.

**Senator S.C. Ferguson:**

So the measurement, keeping a track of the savings, is going to be very important and are you going to ask the departments to justify, to keep track and report back?

**The Chief Minister:**

Effectively if we could move to 3-year budgeting, the idea is that departments have to have ownership or control of their budgets and effectively if they say: “We will invest £5 million in year one and we will get savings of £2 million in years 2, 3, 4 and 5” we will say: “Okay, you can have that funding in year one but we are taking away £2 million from your budget in years 2, 3, 4, and 5. You live within it. If you cannot put your money where your mouth is or you cannot put your savings where your investment is you are the ones who are going to suffer.”

**Deputy T.A. Vallois:**

So that will be your way of tracking and identifying as to whether that saving is being made?

**The Chief Minister:**

Yes, I mean hopefully if departments are allowed to keep those savings that will incentivise them to save even more.

**Senator S.C. Ferguson:**

So going on from that how are you managing to identify and eliminate duplication.

**The Chief Minister:**

Duplication?

**Senator S.C. Ferguson:**

We have had a session this morning talking to the Minister for Planning about the fact that he does fire regulations and so does the Minister for Home Affairs.

**The Chief Minister:**

Part of the remit of the C.S.R. team, and this is the first time really we have had a dedicated officer team looking at bids and part of their terms of reference is to look at bids which affect, or proposals affecting, more than one department to eliminate duplication and to ensure that it is not just a question of transferring across from one department to another where Department A says: "Oh, we have managed to save £500,000" and Department B says: "Yes, and you have lumbered us with that extra £500,000 bill."

**Senator S.C. Ferguson:**

Yes, we have seen that too.

[12:15]

**The Chief Minister:**

You have seen that happen, yes. An officer's duty is to identify and remind Ministers of that so that they do not try to and I am not saying that they do it sneakily, but sometimes there is clear evidence of where services are duplicated whether fire regulations, as a good example, and I do not know but certainly the historic one is the T.T.S. and various other people emptying bins and things down at Rozel and what have you.

**Senator S.C. Ferguson:**

Gardening.

**The Chief Minister:**

Gardening, yes.

**Senator S.C. Ferguson:**

Yes, there are all these duplications.

**The Chief Minister:**

There are and the benefit of having a dedicated team is that they should identify those. If they do not then Ministers will be on to them because we are

equally alert to that and say: "Hang on, that is not a real saving because you could do it this way and it would be far better."

**Senator S.C. Ferguson:**

Presumably they are also looking at withdrawal from areas that are not working.

**The Chief Minister:**

That is more political than the job.

**Senator S.C. Ferguson:**

Well, that way, like your fictitious cycle tax where there is no value.

**The Chief Minister:**

No, and to be fair the Minister for Home Affairs or the Minister for Transport and Technical Services are not proposing one.

**Senator S.C. Ferguson:**

No.

**The Chief Minister:**

But you cannot avoid proposals coming.

**Senator S.C. Ferguson:**

No, but where there is an area which is obviously of no value and ...

**The Chief Minister:**

I think both officers and Ministers should be flagging that up loud and clear: "Why on earth are we still providing this service when it is of no value?" Maybe it is imperative of having to produce savings to do that. If so, I am sorry, but I think that should be up to duty officers to remind their Ministers of that on a regular basis and I hope they do, but if they do not then this process should flush it out.

**Senator S.C. Ferguson:**

Yes, because another area which is obviously open to review and examination are quangos and the general sort of grant system where I had not realised that it was as high as £40 million a year that the States dishes out to various quangos, grants and so on. Is the overall review being done by your department, or by the C.S.R. programme, or ...?

**The Chief Minister:**

I think it is dangerous to label everything as quangos or outside organisations when many of them are contractors providing a service which departments have asked them to provide. As an example, family nursing which provides contracted outside nurses for some health services, grants to private schools where educational departments enter into a partnership arrangement with those schools to share the costs and get the benefits. So, one should not look at it as £40 million of charity or grants going out for no benefit; each individual spend needs to be looked at and therefore the Minister for

Education will look at the level of grant provided to private schools, the Minister for Health will look at the level of grant for the contract for services with family nursing to say, are they appropriate? Do they deliver value for money for us? That should be part of the overall review.

**Senator S.C. Ferguson:**

Yes, because some of them can fall into: "The States should not be doing them, perhaps they should be putting it all out." We acknowledge that.

**The Chief Minister:**

There are many cases where quangos or voluntary organisations will provide a service more efficiently and more effectively than the States can and in that case it is better that the States should give them a grant and monitor what they are providing for that grant because, as I say, very often they can do it better than the States can.

**Senator S.C. Ferguson:**

Yes. I mean, we have already had discussions with the Minister for Economic Development about merging or getting Jersey Business Venture and Jersey Enterprise to eliminate any duplication and work together more.

**The Chief Minister:**

Absolutely, yes.

**Senator S.C. Ferguson:**

We are not trying to be destructive on this. There are one or 2 quangos in the list that I think perhaps should be eliminated but that is another story and that is for your department to recommend.

**The Chief Minister:**

I think we often underestimate the amount of goodwill and free services that many of those quangos provide and I hate the word "quango" but I think we all understand what it means. Sometimes if different bodies seem to be duplicating services it may well be because of a difference of philosophy or clash of personalities and the last thing government wants to try to do, I think, is to interfere with the organisational structure of some of those departments. We may well say we should not give a grant to both organisations, we should give a grant to one and let the other one work out why we have not given it to that and talk to the one that we have given the grant and see if they can work together. I think sometimes if you try to force 2 organisations with different objectives to work together all you do is kill both organisations and you end up having to provide the service yourself. So, all I am saying is, yes, it is a clear objective but go into it with your eyes open.

**Senator S.C. Ferguson:**

But obviously there is a large amount of spending and £40 million needs looking at.

**The Chief Minister:**

There is indeed. Absolutely.

**Senator S.C. Ferguson:**

Obviously some of this will come into the review of employment and conditions, but how much appetite do you think there is for reducing spending in such areas as retirement programmes, advertising, procurement and levels of absenteeism? They are all sort of areas that are below the line costs that nobody notices. Below the waterline costs perhaps, but they need attending to.

**The Chief Minister:**

You link together a variety of things there. I am not sure whether ...

**Senator S.C. Ferguson:**

They are all in different directions, yes, but they are all items where, for instance, absentee spending, spending on people being off sick, is a very real expense.

**The Chief Minister:**

Absolutely, and one of the aspects of pay and conditions; we may need to review the length of time you are off sick before you have to provide a sick note, what arrangements are made if people are off sick every Monday morning and things like that. So, I am not going to judge the outcome, but they certainly all need to be looked at.

**Senator S.C. Ferguson:**

Is there an appetite to deal with these though?

**The Chief Minister:**

Well, I think there is. If you are going to find 10 per cent savings you are going to have to look in every drawer of the cabinet.

**Senator S.C. Ferguson:**

Is it likely that the changes in terms and conditions for staff that are going to be needed, will they be agreed in time for the C.S.R.? Will they be included as a long term sort of part of the C.S.R., or will it be next year?

**The Chief Minister:**

I think it is going to be next year before we start to see any implementation, or even the year after, and as the Comptroller and Auditor General said, it is potentially a long term operation which we need to try and speed up. We are not going to get the full effect in 3 years, I have no doubt about that, just as the Comptroller and Auditor General had no doubt about that, but that should not stop us from doing as much as we can as quick as we can.

**Senator S.C. Ferguson:**

Yes. Obviously all the groups are going to be consulted on it and consult on it and then ...

**The Chief Minister:**

Yes. Some things may happen quite quickly; others may take a lot longer to implement. I am certainly not going to pre-judge.

**Senator S.C. Ferguson:**

Yes. What sort of level of agreement would you feel comfortable with, with regard to the implementation of changes?

**The Chief Minister:**

I think a willingness on all sides to deliver this, particularly recognising that the alternative may well have to be reductions in staffing levels which clearly is something which neither the employer nor the employee wants to see, particularly at a time where we still have relatively high unemployment levels.

**Senator S.C. Ferguson:**

Yes, and where will your power to enforce change come from?

**The Chief Minister:**

Really Ministers have to convince the States Assembly, and indeed the States workforce and the public, that this is in the best interests of the Island. We do live in a consensus government where we have to convince people of the merit of any proposals and that is up to us to make sure the arguments are correct, that there has been proper discussion with the people concerned and that there is a clear understanding both of the proposals and of the consequences of not proceeding with them.

**Senator S.C. Ferguson:**

Yes, because there is bound to be a certain amount of shroud-waving. How are you going to deal with it?

**The Chief Minister:**

There will always be a degree of shroud-waving. I think people are beginning to identify where shrouds are being waved unnecessarily, but where they are waved necessarily then, as I say, that is why you are going to have differentials across the board and you may well find that some areas of proposed savings are less palatable than others. It should be done as far as possible on an objective basis but I accept that there have been times when people with the loudest voice seem to get a little bit extra. That is human nature.

**Senator S.C. Ferguson:**

So, how are you going to silence the loudest voices?

**The Chief Minister:**

Reason works best in a uniquely loud voice.

**Senator S.C. Ferguson:**

How are you going to get the reform taking place where departments see them as hostile?

**The Chief Minister:**

You have to engage departments and make sure they are not seen as hostile and that the departments are up for it as well. A part of the process is to ensure that departments are signed up to it. We could not do this work, particularly in the timescale concerned, without the goodwill and co-operation of departments. I am sure it just would not have a satisfactory outcome.

**Senator S.C. Ferguson:**

Yes, but there is this problem about turkeys voting for Christmas. You have presumably considered dictating reform from the centre, or are you just going to guide the reform from the centre?

**The Chief Minister:**

Once the States have agreed a policy then we can dictate, or impose, if you like, but it is a policy which would have been done in conjunction with Ministers and with their officers, so it should not come as a surprise to them and if the proposals go forward with the agreement of Ministers and Chief Officers, then the implementation should follow consequentially.

**Senator S.C. Ferguson:**

Yes, and what sort of incentives are there for Ministers or officers to achieve savings?

**The Chief Minister:**

The ability to have longer term budgeting and keep the savings.

**Senator S.C. Ferguson:**

And keep the savings?

**The Chief Minister:**

Certainly in the short term they have to be able to be incentivised to retain those savings but very often it is part of the longer term plan. They may well say: "We have a 3-year plan. We would like to do something in Year 1 but we cannot do it until we have saved up a little bit of money. By the end of Year 2 we will have saved up that money and can then deliver thereafter what we wanted to achieve from Year 3 going forward." If they cannot keep the savings in Year 1 and Year 2 they will never deliver what was required for Year 3.

**Senator S.C. Ferguson:**

So, there will not be the same sort of musical chairs at the end of the year where the underspends spend their life going around departments.

**The Chief Minister:**

No, and that is why you have to have proper budgeting to start with, otherwise you cannot achieve that.

**Senator S.C. Ferguson:**

How are you going to deal with Ministers who fail to make the savings?

**The Chief Minister:**

Budgets are set down in the States business plan. Effectively accounting officers have to live within their budgets. It is the accounting officer who will wave a red flag or amber flag if he feels that he is not living within his budget and will have to take corrective action.

**Senator S.C. Ferguson:**

Where it is corrective action at sort of operative level, how are you going to cope with the Ministers who perhaps have not co-operated properly in that?

**The Chief Minister:**

I have to make sure that as far as possible Ministers do co-operate and realise that it is not an individual problem, it is a problem for us as Council Ministers and for States Members and for the public. We are never going to solve a problem by each retreating into our little corners.

[12:30]

**Senator S.C. Ferguson:**

Right. In the beginning when you were sort of considering the C.S.R., what account did you take of the necessity to keep the staff on side?

**The Chief Minister:**

Very much so. As I say, it is a process which requires involvement and co-operation with the staff and recognising that for some of them it may mean a change in the way they do things. Now, I know that there are some staff in some departments who are going to be uneasy about the change and it may well be that they will decide to look for another job or look for another department. I have seen this in other parts of the organisation where changes have come in and you cannot expect to fit square pegs into round holes. If you change the shape of the hole, but the peg cannot change its shape, then there will have to be a parting of the ways. That is a sad but necessary conclusion and it happens.

**Senator S.C. Ferguson:**

The C.S.R. has generated numerous reviews relating to services, costs and savings and the public consultation has provided Scrutiny with questions from the public which, as I say, will be available as part of our report, as much as anything and one of which is, why should we be buying outside expertise when we are paying such high salaries for our top civil servants?

**The Chief Minister:**

Generally we should not, but there will be cases where a particular job requires a particular level of expertise in a particular area. Most of our Chief Executives and senior officers tend to be generalists; they have to do a variety of things in a very good way, but there will be specialist operations where it is far better to call in people with a particular expertise in the same way as, for example, I have every confidence in the top lawyers in our Jersey legal firms, but there will be times when you want to go to a Q.C. (Queens Counsel) in London for specific advice.

**Senator S.C. Ferguson:**

Yes, I suppose there are occasions where one has perhaps ...

**The Chief Minister:**

There seems to be a view that we bring in experts at the drop of a hat for this, that and the other and I think that is probably a misplaced view.

**Senator S.C. Ferguson:**

Yes. It may be a question of perception which is perhaps something that needs addressing by the Communications Unit.

**The Chief Minister:**

That may well be. Certainly I would far sooner bring in an expert for 2 or 3 months, or 6 months or even 12 months, rather than bring in a permanent member of staff at a very high grade to do that particular job and then have them twiddling their thumbs for the next 20 years, still at that high grade, doing mundane work.

**Senator S.C. Ferguson:**

Yes, because in the private sector very often if there was an unpalatable decision you would bring a consultant in to look at the proposal situation or whatever and then you would undertake the action you knew was necessary, but you would be able to blame the consultant for the advice and perhaps sometimes the public has the perception that this is occurring.

**The Chief Minister:**

I do not think so. Frankly, any decision should be one which a Minister or a States Member should be able to stand up and say: "I endorse that decision. I stand by it. That was the right advice. That was the right decision that was taken." You do not say: "I employed a consultant and he told us to do that. I would not have done it." That is not a mark of a good States Member.

**Senator S.C. Ferguson:**

No, but on the other hand very often you see: "Oh, well, the consultants came in and said this is what we needed to do, so we have done it." Which is perhaps slightly different, yes.

**The Chief Minister:**

Perhaps a consultant who is expert in that field knows more than I do.

**Deputy T.A. Vallois:**

Can I just ask on the ... we have not really touched on it, but on the growth proposals for the Chief Minister's Department for 2011 of £200,000 and the savings are £118,000. How do you feel the public are going to swallow that really; the fact that you are wanting to save money on your department, however, you are increasing it by more than what you are saving?

**The Chief Minister:**

Part of the difficulty over the years has been that the central departments, Chief Minister's Department and Treasury, have taken an undue share of the

cuts to the extent where we are now not able to provide the basic level of service. We have seen that certainly with Treasury and I have seen that to some extent with the Chief Minister's Department as well. Excuse me, I have just got a call in for my 12.30 p.m. appointment. No doubt they are wondering where on earth I am. **[Aside]** Apologies for that. As I say, I did have a 12.30 p.m. appointment, which is why I had hoped this meeting would finish by 12.30 p.m.

**Mr. M. Oliver:**

I do have a question, but the Chief Minister has to run.

**The Chief Minister:**

Well, maybe send it to me otherwise.

**Mr. M. Oliver:**

I will send it to you.

**The Chief Minister:**

I am sorry if I have rushed these things. Maybe I talk too much.

**Senator S.C. Ferguson:**

Obviously there must have been a breakdown in communication perhaps.

**The Chief Minister:**

Certainly. Could not possibly comment.

**Senator S.C. Ferguson:**

Thank you very much, Chief Minister. There are some questions which we will send on to you.

**The Chief Minister:**

We will happily get them in written form back to you.

**Senator S.C. Ferguson:**

Thank you very much.

[12:37]