

STATES OF JERSEY

Corporate Services Scrutiny Panel Comprehensive Spending Review: 2012 - 2013 and Delivery

FRIDAY, 20th MAY 2011

Panel:

Senator S.C. Ferguson (Chairman)
Senator J.L. Perchard
Deputy D.J. De Sousa of St. Helier
Mr. M. Oliver, Panel Adviser
Mr. N. McLocklin, Panel Adviser

Witnesses:

Senator A.J.H. Maclean (The Minister for Economic Development)
Mr. M. King, Chief Executive Officer

Also Present:

Mr. W. Millow, Scrutiny Officer

[13:50]

Senator S.C. Ferguson (Chairman):

Welcome to this meeting of the Corporate Services Scrutiny Panel hearing on the Comprehensive Spending Review and beyond, 2012-2013 and the delivery. I believe you have got the health warning there. If you have not read it, if you could just cast your eyes over it and if you could just say who you are for the benefit of the transcription ladies.

The Minister for Economic Development:

Yes, Senator Alan Maclean, Minister for Economic Development.

Chief Executive Officer:

Mike King, Chief Executive Officer for Economic Development.

Mr. M. Oliver:

Michael Oliver, an Adviser to the Panel.

Senator J.L. Perchard:

Senator Jim Perchard. I need to declare an interest now that we are having a meeting with the Minister for Economic Development and his Chief Officer in that I am a shareholder of 2 businesses that are in receipt of financial support from the rural support mechanism.

Senator S.C. Ferguson:

Sarah Ferguson, Chairman.

Mr. W. Millow:

William Millow, Scrutiny Officer.

Mr. N. McLocklin:

Neil McLocklin, Panel Adviser.

Senator S.C. Ferguson:

Right. What do you understand is the purpose of the C.S.R. (Comprehensive Spending Review)?

The Minister for Economic Development:

I assume you are referring to across the States, not just in relation to our own department?

Senator S.C. Ferguson:

Yes.

The Minister for Economic Development:

To reduce costs in the operation of Government, to drive efficiencies and to work towards a more balanced budgetary position.

Senator S.C. Ferguson:

How are you going to ensure that your department is going to make genuine savings as per the Auditor General's 2008 report? If you remember there were certain categories that he had, not by department but overall.

The Minister for Economic Development:

We work through a fairly detailed process of assessing deliverables through the various and wide open areas that we cover and for which all directors within Economic Development are charged to come forward with a prioritisation and the deliverables are on a grade system similar to the red, yellow, green that has been produced more centrally. At the end of the day the delivery therein is the responsibility of the accounting officer, the Chief Executive here, to make sure that they are delivered, the savings are delivered.

Senator S.C. Ferguson:

As a quick one, what do you understand by the red and the green categories?

The Minister for Economic Development:

Well, red is there is a high risk of non-delivery. It is a traffic light system, basically.

Senator S.C. Ferguson:

Well, yes, but we have had 2 different definitions already.

The Minister for Economic Development:

Have you?

Senator S.C. Ferguson:

Yes.

The Minister for Economic Development:

My understanding -- you will notice from Economic Development's point of view that we are nearly all green. In fact the red and the orange are relatively minor from our point of view. But it is a traffic light system and red quite simply is it is going to be a high risk of delivery. The orange is medium risk and the green there is no expected failure.

Chief Executive Officer:

Can I expand a little bit upon the rationale, Minister? The green is wholly within E.D.D.'s (Economic Development Department) control, a function of our annual business planning process and we have absolute confidence that it will be delivered. The amber and red, to varying degrees, are dependent on other departments or other factors or approval by the States and therefore there is an inherent risk that it not being within our control it is more risky than the green. I mean the best example I think is the first one which is related to the relocation of E.D.D. from not very expensive offices in the centre of St. Helier which we are able to access at the moment at a rate significantly below market rate. There is no doubt that we could attract a tenant from the financial services sector who would pay the landlord a much more significant rate, to the extent that Property Holdings believe that we could break the lease that we have and move into much lower cost accommodation, so deliver the net saving that is indicated here. That would be amplified by the fact that the most likely locations for that saving are existing, non-revenue earning space, particularly at the airport which would generate rental revenue for the airport in addition to the savings that we would make. But it is outside our control directly.

The Minister for Economic Development:

It is interesting; Mike has given you a very good rundown of the traffic light system as far as E.D.D. is concerned and how we have approached it. I think the comments I made earlier were more general across the States. My view is that some departments are viewing the red as difficult to deliver, the orange

as possible to deliver and the green as acceptable. Other departments have different interpretations.

Senator S.C. Ferguson:

There is somewhat of a divergence of the interpretations, certainly, but that is just by the way. What methodology have you adopted to identify them? I mean you have talked about getting hold of the directors and what about bottom-up as opposed to top down?

Chief Executive Officer:

I suppose that is bottom-up from our perspective in that we do not have a very large staff. We have delivered the savings quite simply by repeating the zero-based budgeting process that we have for our discretionary spend which we undertake on an annual basis, adjusted to the cash limit that we have been asked to deliver against. What that requires is a further reprioritisation of our activity and that falls into 3 categories. There is stuff that we continue to do and that we cannot see a way of reducing the cost of undertaking, certainly not within the plan period. There are other examples, beach lifeguards being a very good example of that, where we can deliver the same service but at a materially lower cost. There are further examples of things that we previously did provide that we have stopped and probably a simplistic example of that, and possibly the most controversial, is school milk. But all of those are brought together into a business planning process that is guided initially by the overall ministerial priorities and it is a bottom-up process, the department and the directors work on prioritising against the cash limit. For us, because

of the proportion of discretionary spend, or non-staff related spend that we have, achieving that is perhaps easier than it is in some of the other departments where the balance of discretionary versus non-discretionary spend is different.

Senator S.C. Ferguson:

Well, you do the zero-based budgeting but have you looked and sort of said: “Well, these are core, we have got to do them”?

The Minister for Economic Development:

Yes.

Senator S.C. Ferguson:

Which ones do you think were core because ...

The Minister for Economic Development:

Well, for instance if you look at things in terms of pure economic return then one could say that we spend a disproportionately high element of our discretionary budget on tourism, marketing and promotion but we believe that is a core function and not just because it delivers value to the tourism sector but it delivers value across all the sectors. In fact we are in the process of evaluating what we believe the true economic contribution of the tourism sector is to the Island’s economy as a whole at the moment, because it is grossly understated in our view in the G.V.A.(Gross Value Added) statistics of hotels, restaurants and bars. So we look at it from that perspective. But each

line item is scored against a set of criteria which comes up with a relative economic value, truth be told. It is not done in G.V.A. terms but it is a scoring system that we then adjust based on what we do believe is necessary activity, that in all the things we do we sometimes have to compromise what we believe might be the highest economic return and what is a necessary service for us to continue delivering, tourism and marketing being a good example. In reference to core, which you made a moment ago, of course the statutory elements like Regulation of Undertakings, the trading standards, there are elements there that, of course, are core because we have to deliver them.

Senator S.C. Ferguson:

I seem to remember, was it our last C.S.R. meeting, the implication was that really E.D.D. could be slimmed down even more.

Chief Executive Officer:

We continue to be in the process of slimming it down.

Senator S.C. Ferguson:

Just have a peripatetic Chief Officer who just sort of turned up when an economic industry matter was ...

The Minister for Economic Development:

That might be a slight oversimplification but the principle is, yes, we are looking at, as I believe all departments frankly should do, we look at all areas of activity and consider indeed whether the activity itself should be part of a

Government function or indeed whether it could be outsourced or in a different delivery mechanism.

[14:00]

An example of that is Jersey Business Venture and Jersey Enterprise. We have been grant-funding Jersey Business Venture, as you will be aware, for some considerable time. We have made progress now on a merger between Jersey Business Venture and Jersey Enterprise which will reduce the cost of delivery of Enterprise's business development services in the Island. Part of the ongoing discussions are the delivery of that service in total outside of Government, through a different delivery mechanism altogether.

Senator S.C. Ferguson:

But when you merge organisations usually you get rid of the matters which are duplicated.

The Minister for Economic Development:

Exactly.

Senator S.C. Ferguson:

Has that been done?

The Minister for Economic Development:

That is part of the discussion, that we have now agreed the principle of merging Jersey Business Venture and Jersey Enterprise. We were grant-funding Jersey Business Venture. You will see an immediate saving as that merger goes ahead or completes, the 2 come together. You do not need the same premises, for example, premises cost and so on included in that, so you will see an immediate saving. An additional saving above and beyond that is if you take that structure and put it into a different delivery model outside of Government. There are 2 stages.

Senator S.C. Ferguson:

The other area where you were going to reduce involvement was to move tourism marketing back into the industry where it is more use. How is that going?

The Minister for Economic Development:

That is still subject to ongoing discussions. We did bring forward a proposal last year which is a private-public partnership to run it on a similar basis to JFL for example. We are now looking at other potential models to do exactly that but clearly there is quite a lot of discussion still to be undertaken. The view is, and that is a view that I share very strongly, that we can have a different delivery model for tourism which will involve the industry and will be more cost-effective and efficient in terms of destination marketing of the Island.

Chief Executive Officer:

I think coming back, and maybe I misunderstood your question, Chairman, the core functions, the model for Economic Development as of 1st January 2013, and we think it is deliverable, is that the core functions that the department will fulfil are policy, strategy, legislation, oversight of regulation where that is appropriate and the management of delivery through external bodies. So that is where the Jersey Enterprise, Jersey Business Venture and Jersey Tourism would come. So you are talking about a smaller Government department undertaking core Government functions.

Senator S.C. Ferguson:

Yes.

Chief Executive Officer:

That is the plan.

The Minister for Economic Development:

There are some functions, though, that Government is probably right in delivering and within our remit inward investment would be one that I would say is right for Government to be involved in in terms of looking -- or inward investment opportunities, businesses to be relocated to the Island. For example in 2010 we had 36 businesses that were successfully relocated into the Island that are now locally trading, paying tax locally and employing local people. That is an important part of the mix but it is a role of Government as opposed to outsourcing that particular function.

Mr. M. Oliver:

Did you attract those businesses, Minister? Did E.D.D. attract those businesses or did they just come here on their own accord?

The Minister for Economic Development:

It is a mixture, but one of the things that we started doing in 2008 was putting the Jersey Open for Business message out into the market place and marketing it in a way that just simply had not happened before. That I think has been responsible for raising awareness, particularly in the U.K. (United Kingdom) market and that attracted some of the inward investors. My experience of inward investment is such that you get a mix of people who know you are there and they come looking for you, and ones that you attract by virtue of the marketing activity that you undertake.

Deputy D.J. De Sousa of St. Helier:

I have a question along those lines. You said that you have attracted a number of businesses and they have now set up and they are paying tax. So does that mean that they are finance companies? Because non-finance companies do not pay tax on the Island.

The Minister for Economic Development:

There are some finance-related companies, for example hedge funds which were included as part of that. They do pay tax, they are contributing tax and indeed their partners in these organisations that have relocated their families here are paying significant amounts of tax. That is one particularly successful

area and it is a good example of where the cluster effect is particularly beneficial, because you tend to find in that environment, with hedge funds, that once you get 2 or 3 you get this community and more want to come because it is more cost-effective when they bring their clients over here and quite often they work between themselves. So there is a leveraging opportunity. So that is a good example.

Deputy D.J. De Sousa:

So are you saying the bulk of these companies were finance-related?

The Minister for Economic Development:

Not the bulk necessarily. There is a wide divergence. For example there has been an H.R. (Human Resources) payroll company that springs to mind, an oil company brought its organisation here, a mineral company. There have been a wide variety of different businesses, some of which have sought us out because they have heard about Jersey, the opportunities that exist here, others as Michael was saying because of the activities. We are far more proactively now going out to places like London and other events to try and attract businesses to relocate here. We want a particular profile of business, we want the low footprint high value, so we do not want them to be a heavy burden on resources in the Island which are important, but we do want them to come here and we want them to invest and we want them to employ people to pay tax.

Senator J.L. Perchard:

Can I just ask a question on that?

Senator S.C. Ferguson:

I think Michael ...

Senator J.L. Perchard:

It is a supplementary on the answer the Minister has just given, so it is probably relevant and then you come in after, Michael. You said, Alan, that some of the partners are paying a significant amount of tax. I assume you are right, but are you making that assumption?

Chief Executive Officer:

Well, you are because you have not signed the tax oath and you do not know.

Senator J.L. Perchard:

You are making that assumption?

Chief Executive Officer:

But I think it is fair to say, Senator, that they are here, their housing status as (j) category means that they are, on all of the profits that arise through to them as partners, paying taxes as you and I would.

Senator J.L. Perchard:

One would expect that to be the case.

The Minister for Economic Development:

Just to give you a further example as to how we know a bit more about it, because part of the inward investment role that we fulfil is if you like a type of concierge service where we smooth the processes of businesses that want to relocate here so you bring all the Government functions and requirements together and they have one point of contact that helps them go through the process that they need to go through in order to relocate. Equally we get to see what they are doing in terms of purchasing of housing and so on and all these people are buying multi-million pound houses, they are spending a lot of money renovating them and all the rest of it. So millions of pounds going into the local economy. So some of this stuff we can see.

Mr. M. Oliver:

I am still not convinced mentally yet, perhaps you can convince me, why the private sector could not do that and could not do it more efficiently with some minimal Government intervention, help, not intervention?

The Minister for Economic Development:

Some elements you are quite correct, the private sector could do. What I would say to you is why is the private sector not doing it? The bits that we have referred to.

Mr. M. Oliver:

I think it is, I think it is.

The Minister for Economic Development:

Well, to a degree but there is still without doubt an opportunity for Government to be involved. As I mentioned, the concierge service where you are bringing it all together and smoothing the process. Businesses relocating here want confidence that Government is sending out the right messages, open for business, the stability and can smooth the process through. I think that Government involvement is essential.

Chief Executive Officer:

I think when we talked to the intermediaries and the gatekeepers who you quite rightly say introduce people, the combination of their activity which is specific to their company, and our activity which is about the jurisdiction as a whole, of the fiscal system, the quality of life, but also what the Minister has referred to, which is making sure that from our perspective we can hook up all of the elements of the Government machine to deliver the smoothest possible service to bring them into the Island, that is a public sector function.

The Minister for Economic Development:

The ease of doing business in a jurisdiction is key to a lot of these organisations. They want to know that it is not going to be complicated, that it is not going to be heavily bureaucratic and so on and so forth. So there is an important role for Government. Getting the balance right I would concede the private sector have an important role to play in this and it is the role between the 2.

Mr. M. Oliver:

You have not quite got the balance right yet, is that what you are saying? In 2013 you will have?

Chief Executive Officer:

No, I think we are perhaps talking at cross purposes. We work extremely well with the intermediaries and the gatekeepers in the private sector. If you are talking about inward investment, we complement or the 2 elements complement each other to deliver the outcome which is having people in the Island, as the Minister says, employing people, paying tax et cetera. I think that balance is correct. What we are saying about the set of the department is that because of the nature of E.D.D. we believe that a lot of that which is directly delivered by the public sector can be delivered outside the public sector at lower cost more effectively, more efficiently and with higher productivity. Government's core functions, which are the 5 that I referred to, can be undertaken by the public sector.

The Minister for Economic Development:

What you also tend to see is that Jersey Enterprise, Jersey Business Venture, focus very much on the small and medium-sized businesses and are giving support to those that are already here. Part of obviously the key element of developing and increasing economic growth is to ensure that you increase productivity and opportunities for existing businesses and allow the existing businesses to grow and employ more people and so on and so forth. So that is more an on-Island activity.

Senator S.C. Ferguson:

Looking at other parts of the department, what work have you done looking at the economics of income generation within the various parts of your department?

The Minister for Economic Development:

Well, there are limited areas where we have looked at first of all increasing charges, like gambling commission is probably a great ...

Senator S.C. Ferguson:

Expanding it to include Harbours and Airports which, okay, you are trying to keep separate but ...

The Minister for Economic Development:

I think the key is we look first of all at services that are carried out as to whether or not there should be a charge for that particular function. Some years ago you will recall that charges were introduced as a separate department of Housing for housing application forms. It was a service that was being carried out and quite rightly there was a cost associated and a charge was introduced. So we are looking at areas like Regulation of Undertakings, charges for applications, and we have looked at the cost purely on a time basis of recouping the cost as opposed to creating a profit centre out of it which we think is the right approach to take. There are other examples of, if you like, a user pays but it is not really a user pays, it is simply

taking a charge in the gambling area. We have looked at licence fees that are charged here compared with other jurisdictions and we have seen a gap, that we are not charging what we should be charging, we are not recovering costs and we think it is perfectly fair and reasonable to seek to recover costs and that is another area we have looked at. Liquor licensing, when the liquor licensing law comes forward and it is down in our figures for the end of 2012 or 2013 although there is a bit of slippage based on law drafting for the new liquor licensing law, but there you will see about £175,000 of charges because there have been no increases in charges for liquor licences for premises for some years now, an undertaking given in the States until the new liquor licensing law came forward. So the areas that we are really concentrating on are where there is either a very low charge that needs to be increased and brought up to the cost recovery element or indeed where there is no charge and we are looking to again recover costs for a service that is undertaken. So we think the balance is probably fairly reasonable. Just one other point, you did widen it out to the ports. Clearly those are large trading entities in their own right, but as an example, the harbour, we looked at the charging mechanisms for boat owners for berthing, for example, and we saw that the charges in outlying harbours were lower than any other jurisdiction we could find. They were literally £50 or £100 a year, I think they are about £50 a year and we put them up and they will get closer to cost recovery but over a sort of 5-year period. But they were very, very low, they started at a very low starting point and there are examples across the piece in the Harbour Department of charges that really do need to come back to be more realistic and effective

without compromising the sustainable and commercial sustainability of the port by obviously losing customers.

Senator S.C. Ferguson:

Right. You have indicated that you have only got a yellow and a red. How confident are you?

Chief Executive Officer:

Very confident.

The Minister for Economic Development:

That is why they are green, Senator.

Senator J.L. Perchard:

That is very good. Can I ask you a question about this? It is very impressive and a very impressive 12 per cent C.S.R. saving and that is refreshing when having met many of your colleagues, Minister, who are struggling to meet the requested 10 and some of them are struggling to really embrace the C.S.R. initiatives. But can you answer a question, of the 12 per cent savings that your department is going to achieve throughout the 3-year programme, what percentage of that saving will be salaries? Are you going to be able to save 12 per cent on salaries? Are you going to be able to save 12 per cent on staffing, or is it simply that you are cutting support to so many of the initiatives that you do support?

[14:15]

The Minister for Economic Development:

It is a mixture, in short. Mike in a moment might be able to give you a rundown on the staffing side. I mean there have been some staffing reductions that will flow as a result of the changes that we are making and indeed some of the further changes that we have touched on with regard to delivery of Jersey Business Venture and Jersey Enterprise that may well lead ultimately to some restructuring changes which will flow. The same possibly from a tourism perspective if that alternative model is progressed as we plan to do. We have seen some changes for example in the visitors' centre where there was a reduction in one staff member because we restructured the visitor centre, it was a requirement when people came in to be met but, of course, there are other girls there so it was not a necessity, so we were able to restructure and save and that was a staff cost. Others are, I do not really like the term: "cuts" as such because I think there is an awful lot in terms of savings that can be delivered through efficiencies, looking at the way to deliver a service and trying a more efficient and effective way of doing that.

Senator J.L. Perchard:

How do you measure that? In your case if it is not salary savings and it is not savings on rental how do you become more efficient?

Chief Executive Officer:

The best example, well, I do not say it is the best example, we took a decision to change the way that we deliver the beach lifeguard service. We took a decision to move from the way it was being delivered to the R.N.L.I. (Royal National Lifeboat Institution). We are delivering and will deliver as a consequence of that a service which is at least as good and probably better at a significantly lower cost. So what we are seeking to do is genuinely deliver efficiencies, and that is delivering the same service at lower cost right across the piece. The majority of what we have here is non-staff-related. There is some staff-related in here, for instance we have terminated the employment of the mobile union representatives which has saved us about £50,000 per annum recurring, but as far as E.D.D. is concerned the cost is in the programme spend and the value is what is delivered by the people. That is the issue. We have had a policy, a Ministry-instigated policy the best part of 2 years ago now whereby we do not replace on a like-for-like basis by definition people who leave the department. As a consequence of that and other factors we are currently almost 11 F.T.E.s (Full-time Equivalent) below our approved headcount. So we are running what we think is at relatively lean levels. Now is this going to do more and will we do more with the changes that we are going to put in place in 2012 and 2013 that will result in savings in 2014, 2015 and beyond which are equally important because C.S.R. is for life, not just for 2012 and 2013? Yes, we will but we have managed to achieve the savings that we were asked to achieve by making efficiency savings and reductions in service and applying that triage which I pointed out earlier, either stop doing it, do it for less, or if absolutely necessary keep on doing it, if you cannot reduce the cost, but it needs to be delivered.

The Minister for Economic Development:

In terms of oversight, I think it was an earlier question how we monitor the delivery of savings. We have quite close controls in all areas and as Mike was saying about 2 years ago took a decision that any new staff, any replacement post would come to the Ministers first. We wanted to have an explanation as to why that post was required and a business case put forward. We have thrown quite a few back, but it is that type of oversight that is necessary because one of the most frustrating things for me was that we were going through C.S.R. and you were picking up the paper and you were seeing new staff appearing, being advertised.

Senator J.L. Perchard:

Yes, that is right. Being sceptical about some of the processes and certainly some of the departments it looks like C.S.R. is about introducing user pays and cutting services, not necessarily cutting expenditure.

The Minister for Economic Development:

Yes.

Chief Executive Officer:

I think certainly initially, and I think it is still the case, we have certainly worked on that basis, that the savings have to be savings and not income that offsets savings. I mean that is the basis on which we work which is why there is not a lot of additional user pays and what is user pays in here is dealt with

separately and in addition to the C.S.R. targets that we were set. So if user pays charges were frozen today and not moved on we would still make our C.S.R. target because it is not dependent on that additional income.

Mr. N. McLocklin:

What is your relationship with the overall C.S.R. programme in terms of reporting but also sharing knowledge and good ideas? Your example of the relationship with R.N.L.I. as a third sector provider, is some of that thinking back into other departments?

Chief Executive Officer:

I sit on the C.S.R. Programme Board.

Mr. N. McLocklin:

Is it effective?

Chief Executive Officer:

It is effective, but I think it would be wrong for anybody to believe that with the diverse nature of the States organisation there is a one size fits all solution that can be applied right across the piece. But yes, I think it is effective. There are examples of what could be described as good practise. There are examples of where sometimes tricky political decisions have been made, school milk, R.N.L.I. being 2 examples where we have made them and as I said it has probably demonstrated to people that with the right level of will it can happen.

The Minister for Economic Development:

Delivery is absolutely key on this, though. These are difficult decisions. The R.N.L.I. one was highly challenged because it was not fully understood, basically the way in which the process was managed through. Some of the departments for example appear to have got some savings that are slightly politically challenged and at the first sign of gunfire there has been an about-turn and that is not the way to do it. The R.N.L.I. is in my view a very good example, and Mike has already explained it, is where the Island is effectively getting a service which is costing more money and we have got away from having the capital replacement costs and all the rest of it. So it really is a very good deal, but there are other areas of Government where you could do similar things, in my view.

Chief Executive Officer:

Right at the outset of this process we had a group of people from the I.M.F. (International Monetary Fund) came over and talked about their experience of running C.S.R. both in the U.K. with the individuals who had been involved in some of the C.S.R. and in South Africa and contrasting the difference between a bottom-up process where the difference between the cash limit and the bid was huge and the top down process where you defined what the departmental cash limits were and they were obliged, for want of a better word, to deliver. Now that to some extent is what has happened here, but it is easier I think for some departments to deliver than it is for others. Certainly it

is difficult to apply the same ethos across all departments because it is such a diverse organisation.

The Minister for Economic Development:

It is diverse and you also need to consider the starting point of each of the departments, because some of them started from a position that was not really particularly sustainable as their budget was not realistic in the first place and future requirements had not been effectively budgeted for.

Senator J.L. Perchard:

Alan, you said the R.N.L.I. experience has been challenging and there are other areas of Government where we could do similar things. Could you tell us what they are?

The Minister for Economic Development:

Not in detail here and now but I think what each department needs to do is to look very closely at the service that they are providing and consider whether or not there are other delivery mechanisms. I think there are other delivery mechanisms, I think you could look at things like parks and gardens, you could look at areas like car parking, I mean you can go on and on, we could spend all afternoon, but you really need to analyse them properly and consider how you would go about effecting some form of change and more efficient delivery.

Senator J.L. Perchard:

Are we doing this? Are you confident that this is happening at Ministerial level and corporate management level? Are we really challenging as you have done with the R.N.L.I.?

The Minister for Economic Development:

I am confident that other Ministers are certainly looking at some of these difficult challenges but I think the bottom line is that both the political and the officer civil service side probably needs some revision in order to be able to see through some of the more difficult decisions that need to be made because at the moment as well as the Council of Ministers works, and I believe it does work very well, you still because of the way we are structured politically have a natural silo created and you have a natural silo created from an officer perspective. Quite frankly the structure is the thing that needs to be looked at very closely in my view. You have got a Chief Minister that has no ability to hire or fire or bring to account his Ministers, you have a Chief Officer who is in a similar position, he cannot bring to account his various officers. It is not a good starting point in terms of trying to run a programme like this.

Mr. N. McLocklin:

You mentioned from an inward investment point of view being open to do business and making it easier to do business and your model about having a single point of contact certainly from my experience really works well. I guess there is -- how do you see the rest of -- that is obviously when they are coming in but when they are here and as they are developing, is the States good to do business?

The Minister for Economic Development:

I think we need to do more. I think we are doing quite well now, we have changed a lot in terms of the inward investment side of it and I think we do the bringing in, the landing and the setting up, and the ongoing maintenance of those businesses because we recognise the value of them, because they have been tracked. But when you consider there are the best part of 6,000 businesses in the Island we do a lot through Jersey Business Venture and Jersey Enterprise but I think we need to do more in terms of managing the progression and development of these businesses and I think that is why the delivery mechanism we are looking at, of merging those 2 together, removing duplication and what have you will help enormously. When you take it possibly into a model that operates under the guidance and expertise of a board, which J.B.V. have got at the moment I think it again can provide a very valuable private sector element that would assist and flows back.

Deputy D.J. De Sousa:

Sorry to take you back a bit, but you did say that you do not like cuts and yet there are several of the proposals here that have words like: “outsourcing” which means it would cut budget from you because it would be outsourced. “Reduction” is a cut. “Remove funding”, so there are cuts going on here. You have got: “Cut” to things like Gorey Fete, Air Display, Battle of Flowers.

The Minister for Economic Development:

Yes, I think if I could, what I was trying to make the point about is that I do not like cuts as the first port of call. I think it is wrong to go through a budget and just start cutting for the sake of it. I think we need to, which is what we have done, we have prioritised, we have looked at other delivery mechanisms, we have looked at efficiency savings that can be driven. That is the way that we approach it, not starting with what services can we cut because it is expensive, we will get rid of it. That is the big difference. The other thing that I would say is that the last ones you talked about, relating to tourism and events, I mean the events programme is important, we recognise that. But we also believe, and there are some very good examples of this, that if an event comes along and needs some funding in order to get itself up and running, some pump priming if you want to put it that way, and you can look at Jersey Live, you can look at Branchage, which came along, got some support in the initial stages, but the event itself should be self-sustaining in the longer term. Quite often they have difficulty with the upfront start-up costs but longer term, if it is a good event, it will be able to fund itself and that is the model we work to. Government should not be a crutch permanently to these events. If they cannot sustain themselves then it is questionable as to whether they add value, and that is the difference and we are working hard with different events and so on to ensure that they are self-sustaining. That includes, and it is difficult at the moment in the current climate, getting sponsorship. I will give you one very quick example which is the Boat Show. The Boat Show came along as a concept, the harbourmaster or the Harbour Department came up with this idea. I have to admit I was not sold on it to start with, simply because you have got Southampton, you have got London, how could we compete?

But they were convinced they could do it and I said: “Fine, but over a 3-year period you have got to make it self-sustaining, you are going to have to get sponsorship” and they have delivered that. They have got a headline sponsor in Barclays, it is covering its costs and they have got a niche which they have developed which is not just a boat show, it is a community event. That is a really good example of a Government department delivering something that is self-sustaining. I am delighted in that respect because of that, and the success that it showed, but others can do it. It does not matter the size, you can get lots of small niche events very valuable to tourism but they have got to be self-sustaining and they have got to find funding.

Deputy D.J. De Sousa:

Can I just ask on the R.N.L.I. probably stealing Sarah’s thunder a bit here, with the reduction that you have made in costs there does that include the accommodation costs for the lifeguards or is that cost separate?

[14:30]

The Minister for Economic Development:

Well you raise a really good point and this is particularly relevant to good joined-up Government. We did our bit in terms of negotiating the arrangements with the R.N.L.I. There is a longstanding arrangement going back to 1983 I think it is which was a decision of the States to provide accommodation for lifeguards at a set cost, which has changed over the period as you would expect. We negotiated the arrangement and then

Property Holdings came back to us as we were about to sign a 5-year contract to say that: "You cannot have Haut de la Garenne" which was part of the arrangement: "because we are doing a deal with somebody else so you will have to go to the private sector." The private sector cost was significantly greater, so we have now reached an accommodation. So there is going to be a change in costs and it is absolutely right that all States property is properly accounted for and that the true value and cost is paid between departments if that is the case. But yes, there was a shortfall in funding on the accommodation side which has now been rectified, but nevertheless the savings are still going to be delivered.

Senator S.C. Ferguson:

In 1983 when it was all started would Housing not be responsible for the housing?

The Minister for Economic Development:

You are absolutely right, Housing were involved and they have been part of the discussions because of their, if you like, contingent liability as part of that original arrangement. They have got no accommodation suitable at the moment, Property Holdings allegedly have no suitable accommodation, hence the suggestion that we go to the private sector which is unworkable. But longer term one of the attractions of the arrangement with the R.N.L.I. is that they are looking to train local people as well and indeed there is a Jersey boy who came forward, has gone through the training programme, he is now qualified as a lifeguard and is part of the programme for this coming season.

He has a surfing background, very keen, and we expect to see other local people coming on board to do the lifeguard. So longer term the accommodation mix is going to change. The other element we had to deal with this year, we have had for the first time a lifeguard coming, I think there is at least one, possibly 2, are females and, of course, there are highly qualified female lifeguards. We have never had them in Jersey before, we are going to have some this year.

Deputy D.J. De Sousa:

So is the accommodation now sorted out and is it at a lower rate so that you are not using your savings in paying for accommodation?

The Minister for Economic Development:

No, we are not. We have negotiated an arrangement that includes the accommodation now that we will be able to manage through for the 5-year contract with the R.N.L.I. which is the initial 5 years and I hope and expect it to then be renegotiated into a further contract after that. They are a highly professional organisation.

Senator S.C. Ferguson:

So the total contract price is less than we were paying before?

The Minister for Economic Development:

It is a lot less than we were paying before.

Senator S.C. Ferguson:

The total price?

Deputy D.J. De Sousa:

Including the accommodation?

The Minister for Economic Development:

The value of the service is significantly more, because we were paying £240,000 for delivering the whole service. We had to provide the Land Rovers and all the boats and the asset stuff that they used to carry out the service. The R.N.L.I. are providing all of that themselves in the contract price and on top of that the total delivery cost was going to have to increase this year anyway, so it is in excess of £300,000 and our budgeted amount is £170,000 including the accommodation. So we are paying £170,000 whereas we were paying £240,000 or £250,000 and it would have gone up again.

Deputy D.J. De Sousa:

So those assets that you have had, have you disposed of them or what has happened to them?

The Minister for Economic Development:

They are being disposed of. There is not a huge capital value because they were getting towards the end of their working life and therein lies another tale, because, of course, we would have had to replace those. We put back, and the reason we were able to deliver the service last year for £240,000 or

£250,000, was because we did no capital replacement, which we should have done.

Chief Executive Officer:

The large assets are the vehicles. One of the vehicles was purchased by the R.N.L.I. from us. The others are being sold but all of the other vehicles that you see with: "R.N.L.I." written on the side of them were purchased by the R.N.L.I. at no cost to Jersey and they will continue to renew those assets.

Senator S.C. Ferguson:

Those are part of the contract?

Chief Executive Officer:

Yes, absolutely.

Mr. M. Oliver:

Can I ask just 2 quick questions? You have mentioned tourism a couple of times now and recently there was a headline that said that tourism was going to have a bumper season. Do you have a future booking survey and what percentage increase does that show?

Chief Executive Officer:

We have a forward booking survey and that does not show at the moment any significant increase in bookings over the last year but that is repeating a pattern that we have seen for the last 2 or 3 years which is reflecting the fact

that people book far, far later and in fact I think Deputy De Sousa was there when we were talking about this the other day and it is now not unusual for people to book 2 or 3 weeks before, primarily because that attracts the greatest discounts, particularly on the hotel accommodation which is the most significant element of the cost.

Deputy D.J. De Sousa:

The bulk of the hits, there are a lot more hits on the website.

The Minister for Economic Development:

I would not get too carried away with media headlines.

Mr. M. Oliver:

No, I just wanted an indication. Second question, your Economic Growth Plan and how is that progressing?

The Minister for Economic Development:

Mike, just before you answer that, just on the tourism thing to finish it off, out of interest, they have not been published yet, but the April arrivals figures are up about 14.5 per cent, which is encouraging. The year to date, that is the first 4 months of the year, the earlier months were quite slow but it is showing about a 5 per cent increase. So the early signs of what we have seen are that the Island is doing quite well.

Senator S.C. Ferguson:

What percentage do you take off those figures for locals going backwards and forwards and for business?

The Minister for Economic Development:

It is purely comparing this year, that period, with 2010. So this is just raw data.

Senator S.C. Ferguson:

Colin Power used to knock about 10 per cent off for locals.

Chief Executive Officer:

We need to clarify this. What we get 2 weeks after the end of the month is a report of the raw arrivals, both air and sea arrivals, so purely numerical, by route, by whatever. Six weeks after month-end we get a full analysis which is based on the registration cards that everybody fills in at hotels, self-catering accommodation or whatever, which we use along with exit surveys which are run every 2 years and then it is all brought together statistically to estimate the percentage of staying later visitors, staying business visitors, or Island residents leaving and arriving in the Island. So we have a pretty detailed breakdown which is published every year in the annual tourism survey of who is going where when and are they here for leisure, are they departing or here for business or are they Island residents.

Senator S.C. Ferguson:

Yes, but your registration cards, there was a time when the people who submitted electronic returns about their visitors did not get included in the survey and presumably are probably not included in this revision of the figures. Have you brought that up-to-date now?

Chief Executive Officer:

Yes, that is up-to-date. Everybody who fills in, either electronically or manually, a registration card is detailed in the statistical analysis which you get on a monthly basis 6 weeks after month-end. It is published, it is all on the Jersey Tourism website.

The Minister for Economic Development:

I was just going to say, all I would say about the figures are that the early figures this year are encouraging but we have to bear in mind that one of the most important factors is the yield. It is still a highly competitive market and as such hotels in particular are having to reduce their margins and be very competitive on price. So profitability is still under pressure. The industry is still finding it tough. It is not just about raw figures.

Senator S.C. Ferguson:

Economic Growth Plan, sorry.

The Minister for Economic Development:

Yes, we are progressing the new updated Economic Growth Plan. We have got some early drafts already and we will be hopefully in a position to publish that by the middle of the year.

Senator S.C. Ferguson:

That is next month.

The Minister for Economic Development:

Yes, it is on about its fourth draft now. I think there are meetings next week and the week after with the relevant Ministers. Hopefully after that we will be in a position to put it out mid-year.

Senator J.L. Perchard:

Going back if I may, Chair, to the C.S.R. programme, are you confident that the States will achieve the C.S.R. targets over the next 3 years as planned, or over last year and the next 2 years? What are the greatest threats to us not achieving it?

The Minister for Economic Development:

I am 100 per cent confident that Economic Development will deliver their savings.

Senator J.L. Perchard:

That is good. I did not ask you about your department but I have been asking other Ministers about their departments but I am confident that you will

achieve that as well. I think it is quite reasonable to ask you about the programme and will we achieve it. There are pressures, we all know that. Is it achievable?

The Minister for Economic Development:

Is it achievable? Yes, I believe it is achievable.

Deputy D.J. De Sousa:

Do you think they will achieve it?

Senator S.C. Ferguson:

Difficult to ask the Minister.

The Minister for Economic Development:

Do I think it will be achieved? I certainly hope so. I think there are some threats, there are some challenges. Some departments have got some challenges as I have already said.

Senator J.L. Perchard:

Are you sympathetic? While your turnover is £17 million, only a fraction of that turnover is staff and salary costs, whereas other Ministers have 85 per cent staff and salary costs and that is why I pressed you earlier about what are you achieving with regards to staff and salary savings and you were not able to answer me, but I know it is not 12 per cent.

The Minister for Economic Development:

Well, when you consider that out of our £16 million only about £4 million is staff, I say: “only”, it is still a large amount of money, but nevertheless in simple terms it gives an indication and Mike made the point earlier on about the ability for us to deliver our savings from programme.

Senator S.C. Ferguson:

Yes. What service-specific transformation or methodology are you using?

The Minister for Economic Development:

A very good question. Can you elaborate on that?

Senator S.C. Ferguson:

No, I was going to pass it on to Neil.

Mr. N. McLocklin:

I think we have covered some of it. The bottom-up, top down, the process and stuff are less relevant to you because you are not really going into process, are you, but I guess it is the key things of engaging with the staff, ideas.

Chief Executive Officer:

You may be familiar with -- we work on the basis of 2 things as far as transforming the department is concerned. One is that form should follow function and it is the functions that we have to deliver. I am a great fan of a

guy called Paul Strebel from Harvard who wrote way back a paper about change and the failure of change and this is what we are really talking about, and the key phrases in that, and you have hit the nail on the head, the big elements of transformational change that we are looking at, Tourism and Enterprise, the Minister and I have both met with all of those staff, almost had the same discussion we have had with you today about why we are doing it because you have got to answer the question for them: "What is in it for me?" and if you do not you will not get the engagement. So if there was a methodology over and above that which you describe it is about engagement with the staff. Interestingly both in the areas of Enterprise and Tourism the staff know that they can do things more proactively, more effectively. They believed to an extent that they could do that if they were dealing with an external body like JFL rather than with the States and they are working on that solution with us.

The Minister for Economic Development:

You have to take people with you when you are trying to go on a journey like this because it is obviously a massive cultural change, particularly for this organisation, the States as a whole, and I think that is where we have approached this from, by dealing with the staff upfront. Because there is a lot of very good staff who have some very good ideas and who, probably surprisingly to some, are quite enthusiastic and excited about the opportunities. Some are not, as one would expect, but equally there are some who are and are rolling up their sleeves and getting involved in the transformation themselves. That is the best way to do it.

Chief Executive Officer:

We started this process with only 3 fixed points. One was the absolute cash limit, the other was the Minister's commitment to preserve spending on tourism marketing and promotion at the level that it was in 2011 through 2012 and 2013 and the third was an agreement that we put in place very early on in the process about the reduction in grant to Jersey Finance which we felt were important, and bonus to give them some certainty as well. Everything else was engaging with the management team, the directors and everybody building all of this up, and going beyond that the transformational stuff, which is what we have referred to, the organisational transformation is being done in the same way.

Senator S.C. Ferguson:

So you have got the suggestions from your staff without offering them monetary incentive or would you have got more?

Chief Executive Officer:

We did not have a suggestion scheme that said: "Where do you want to go?" but no ...

Senator S.C. Ferguson:

No, a suggestion scheme that: "If we do it like this we can do it more efficiently"?

Chief Executive Officer:

Yes, absolutely.

The Minister for Economic Development:

But where we have taken it from is that we need to change, we have to change, we have to be more efficient and we need to look at different ways of delivering the services that we currently deliver, if we are going to continue to carry out these particular services and as such that, if anything, is going to help empower staff to look at the opportunities that would exist in a new structural organisation for them. So there is a lot of incentive built in, in the process that we have put in place, in order to make a transformation.

[14:45]

I would add, though, that I agree 100 per cent with you, there is a need, in my view, across the wider organisation to consider ways in which we can provide incentives to staff. I mean performance-related pay, the whole ambit, which is not really being embraced, absolutely has to be as part of the overall change mechanism.

Senator S.C. Ferguson:

Well, prior to the new board being appointed to the Ports, how have you managed to communicate that to the Ports?

The Minister for Economic Development:

The point that I have just made ...

Senator S.C. Ferguson:

The concept of bottom-up change and so on and so forth.

The Minister for Economic Development:

Well, it is interesting because the Port is probably a very good example. They have quite a good: "Have our say" group that meets on a regular basis and certainly when I was the Assistant Minister down there I used to attend quite a few of their discussion lunches to allow them to ask questions and they were encouraged and we did it on a number of occasions without the senior management team from the harbour, because I was very keen that they had direct access to me, which they did, and I tended to get far more out of it and that has carried on with my Assistant Minister. So we have had some quite good feedback from members of staff who feel comfortable enough to come forward and put some ideas. But we are scratching the surface, to be honest. We need to do far more in this area and across the whole organisation. There are some really good ideas out there and it is the people at the coalface that really know where the opportunities for savings are.

Senator S.C. Ferguson:

Yes. Anything else, Neil?

Mr. N. McLocklin:

No, that is fine, thank you.

Senator J.L. Perchard:

Just one more, Sarah. Most departments have engaged Tribal or a similar firm of U.K. advisers to tell them how to achieve the C.S.R. savings. If E.D.D. did, and the report has passed me by, have you managed it like big boys all in-house yourselves?

The Minister for Economic Development:

Absolutely, yes. I noticed some criticism, probably not surprisingly, in the *Jersey Evening Post* the other day from a correspondent about our economic growth strategy and the fact that we had largely done it in-house and had not employed expensive consultants. We have consulted in the right places but not at great expense and we have done a lot of it internally.

Senator J.L. Perchard:

Well done.

Deputy D.J. De Sousa:

It will be okay if the Economic Growth Strategy does come forward in June.

The Minister for Economic Development:

Well, more importantly it will be okay if it works and delivers what it is supposed to do.

Deputy D.J. De Sousa:

Absolutely.

Senator J.L. Perchard:

Do you not think you would have been better off engaging a U.K. firm of consultants to tell you how to do it, and if not why not?

The Minister for Economic Development:

In this instance I do not. **[Laughter]** I think there is a lot of expertise locally available, particularly in the private sector locally, who are more than happy to come forward with their views and add value and we have engaged and are engaging with organisations like the Chamber of Commerce, Institute of Directors and what have you who will give their time and their expertise for free.

Chief Executive Officer:

I think the other thing is if you look at the staff and look at quite a few of the senior management team of the E.D.D. they have come from the private sector, they have worked in the private sector, they have worked in organisations that have undertaken a lot of change. So it is not alien to us to do it. There probably is the expertise and the capacity and the capability to some extent to not have to rely on a Tribal or PA Consulting or whoever it may be to come in and tell you what they think you should do. These things in my experience are better built, unless you need specific expertise, they are better built from within. As long as we have got a firm target to work to, which we have, it is doable.

Senator J.L. Perchard:

Well, of course, but particularly if you understand the local foibles and problems and pressures.

The Minister for Economic Development:

Which is absolute key to any of this and if you analyse what a Tribal or somebody like that tends to do, they come into a location and they get all of the local people to give them the raw data and all they do is then tabulate it and produce their report.

Senator J.L. Perchard:

A beautiful quote for the foreword of our report, Alan: "C.S.R. is for life, not just for 12 and 13." It is one of our favourites.

Senator S.C. Ferguson:

Super. Thank you very much indeed, gentlemen. You may escape.

The Minister for Economic Development:

It has been a pleasure. Thank you.

[14:49]