



Corporate Services Scrutiny Panel

Transfer of Functions

FRIDAY, 7th AUGUST 2015

Panel:

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

Deputy S.M. Brée of St. Clement

Witness:

Partner, Concerto Partners

[11:43]

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

This is a hearing with Concerto who are presenting their report to us. For the purpose of the tapes, it is Deputy John Le Fondré, Chairman of the panel.

Deputy S.M. Brée of St. Clement:

Deputy Simon Brée, Vice Chairman of the panel.

Partner, Concerto Partners:

I am Matthew Symes, a partner in Concerto Partners. I am going to introduce myself and then tell you about Ben, who is my colleague, and then I am going to move into the findings. So, yes, Matthew Symes; I am a civil engineer. I know a lot about property. I have been consulting in property and construction for most of my career. I have advised many organisations on corporate restructuring of their property functions and arranging delivery solutions for property functions, including the Royal Mail and Direct Line Group. I have worked on major projects, including the mobilisation of the Olympics for 2 years, and I have been recently working with HS2 on their

delivery strategy. Relevant to this discussion is the work I did with the Office of Public Works in Ireland last year, doing a capability and capacity assessment of their property function. Ben Burke-Davis: a career in the civil service; part of this review team; 10 years in the M.o.D. (Ministry of Defence) and then he was head of strategy in the Government Property Unit, the G.P.U., for mainland U.K. (United Kingdom) and he has also spent time restructuring portfolios and property solutions.

[11:45]

So that was the team and we had a researcher in the background as well helping us. I am just going to say a few words just to set the context. It is going to be one step at a time. So I am looking at the benefits for Jersey, which are to create a strategic view of the asset management solution, potentially put all the related resources into one place, achieve some cost efficiency and savings, release value through office consolidation, and create some value through planning gain or planning development activities. These are the things we heard about during the interviews from people and that is the kind of broad canvas that we identified as the main driver for this initiative. There is also a potential for the new workplaces - several people have expressed this - to become enablers of change, breaking down barriers and so on and increasing agility and flexibility among the workforce here. All these things were mentioned in the interviews and are part of the context behind the study. I am just going to give you an overview of the international comparators as a backdrop just to start off with, because there are many and varied solutions and I would say there is no right answer. You cannot look at all the comparators and say: "Oh, so the answer is X." So there are many types of answer and many configurations and just to help us into the discussion, there are 2 types of model which we saw in this pattern. One is what we call the devolved model and one is a centralised model. So, if you imagine a centre of government with departments and the property unit being potentially in the centre, or some responsibility for property being in the centre, and having a relationship with various departments. The devolved model basically devolves responsibility to the departments. So they have resource accountability, they in effect are owner-occupiers, and the centre just confines itself to setting standards and setting benchmarks and best practice sort of activities and maybe some overarching strategic planning, but basically the departments are responsible for their own destinies. That is under the devolved model. Under the centralised model, the centre will take a leadership role and will be the landlord and will have a directive role and the departments are simply tenants. They just have a normal landlord-tenant relationship with defined leases and quite often paying rent, although that is not always the case. So those are the 2 models. They are very different. Again, looking at reporting lines, we saw 2 patterns. There is one where the property/infrastructure/public works is going through one route with ministerial accountability, nice and straightforward. The other route is where it is split, which is what you have at the moment, where property reports to treasury, and

that is a very common pattern, and then the rest of the infrastructure will report to a minister who will be the accounting officer. So those are those 2 models. So already you can see the pattern: there is devolved versus centralised and then there are 2 patterns of the way people tend to configure their real estate solutions. If we just look at the comparisons we did, they are quite interesting. Down the left you have got quite a few island situations that we studied and also Australia as a bit of an extreme example, but most of them are quite small. Number of people served, the areas, and then the first split is the type of model. So you can see roughly just over half have adopted a centralised model and half have a devolved model where the departments have their own direct responsibility for their property destinies and the centre just does the benchmarking and standard setting. So that is quite an interesting split. You can see there is sort of no particular rhyme or reason to it. You can see potentially the bigger nations will go for a devolved arrangement, although not necessarily so. Ireland and the Netherlands have also gone the other way. They have gone for a centralised arrangement. So you could not say that size determines one's destiny and you really draw a conclusion that people do what is right for themselves. Now, there are different levels of sophistication within the way people run those models. Cayman Islands, Bermuda; not sophisticated. Our investigations, we have got people we are in touch with there; it all sounds quite a kind of loose arrangement, so you are not looking at best practice. On the other hand, somewhere like the U.K. and Singapore are at good levels of maturity. The Irish, at a good level of maturity, are operating a central model. The Isle of Man is a very interesting arrangement where it is centralised but actually not quite so because the role of strategic asset planning is reporting directly to the treasury and everything else is done away in the centralised unit. So there is a kind of hybrid going on in the Isle of Man. I would say no particular rhyme or reason to it, but there are a number of models and once you start to look at them you appreciate that it is what is right for the particular territory and you have to be very careful about the thought process that leads to the solution. You can see where they report to. It is either the cabinet office/some other infrastructure arrangement or the treasury. That seems to be the pattern there. Here I am looking at the column which says: "Are they integrated with infrastructure? Is property integrated with infrastructure?" You can see there is a slight pattern there. The ones who have gone for devolved arrangements tend to keep property separate and on the other pattern some do and some do not. So, very much horses for courses, and I would say if you are looking at best practice in there, Ireland is interesting. I think the Isle of Man has been down your road and slightly come back a bit. It has reversed a little bit from the model you are aspiring towards. But Ireland I think is particularly interesting as a comparison. I know it is bigger but I think the lessons are very similar. They have a centralised model. It has got its own accounting officer, the O.P.W. (Office of Public Works), and a junior minister but they in turn report through to the treasury as the senior department, so they have created a self-contained unit with its own accounting officer reporting up to the treasury. The result of all this, as I say, is there are very many ways of configuring one's real estate solutions and there is not necessarily a right answer

driven by size or by any particular structure. It has to be tuned to what the local government needs and wants. That is the backdrop of the benchmarking and I think that is quite interesting. The status here, we tried some rather unusual things. This is just some observations on the process now. It is very interesting that there is no business case for this change, so we were looking around to see what the Government's process was for it and, in a typical way, it might have come from a ministerial expression of wishes or directive but it seems like the civil service has not quite caught up with that. There is not a business case and there has not even been one retrofitted to the policy. What I was looking for ... just going back to my previous slide, there are very many options for how property can be configured and managed and organised. I was looking for some consideration of those options, so devolved versus centralised and treasury versus infrastructure and there are combinations of the 2. I was looking to see if there was an appraisal of those options and I would say the governance looks unusually relaxed in the situation. Then looking at the transition itself, I do not think it is a stealth transition because I think the change is already underway. All parties seem to be acting as if this is happening and yet the legislation has not formally pushed through, so that is a little odd. There really is not much of a plan, although within Property Holdings there is a contribution towards an integrated business plan, so I have seen that. But I would say there is not a joined-up transition plan for this proposed transfer and I also think there is very low transformation energy about it and in that sense there is a trick been missed because there is not enough momentum behind it to create a big impact. There could be a big impact out of this change, whereas actually it is very much bringing together 2 departments in a kind of business-as-usual arrangement and there is a transformational opportunity passing by. So I think that is disappointing. I am now going to look at the benefits of this particular situation. We interviewed quite widely across the organisations involved and got to feel where the benefits might come from, and I would say there are some benefits to be had from this manoeuvre. There are some synergies. You have got project managers in both departments and they are quite scarce commodities, so if you bring them together that inherently would give Jersey some greater strength and depth and some more flexibility and people could even have more varied careers as they move from topic to topic. So pooling of the scarce resources is a benefit. I think there is some interaction between the types of projects between the 2 divisions. Roads might interact with buildings; the planning permission cycle might be better if it was joined up. So you can imagine some efficiencies from better communications and just reducing the number of interfaces. I can see very good sense in merging the maintenance aspects of Jersey Property Holdings with the future infrastructure world because basically you have got white collar and blue collar, and the blue collar part of J.P.H. (Jersey Property Holdings) could easily move across to the infrastructure division and there would be a synergy there. I will come back to that point a little later on. That is quite an important one. I think there is a big benefit from a whole life asset review, having the whole perspective on a long-term asset. An asset management approach I think is particularly valuable. That would come together more under the new arrangement. There is a lot of

communication at the moment, I think it is pretty good at the moment, but if it was all together it would be better. There is no question of the benefit of that. I think also potentially talking about surplus land, there are different ways that land could be brought together and assembled and it might be helpful to have the whole management process under one roof, just to have that whole view of the value release potential from land across the portfolio. I can see there are some benefits for Jersey in doing this. The catalyst for public sector reform, I think that is also a potential benefit. Shaking up the model and changing the way J.P.H. interacts with its department could bring real benefit. I am just going to look at the significance of the benefits and also the status. The first one, the synergies I think are relatively low. There are some synergies. There is probably a few cost savings with vacant jobs which no longer need to be filled and that can all be smoothed through and there may be some efficiencies elsewhere through co-ordination of comms but I do not think they are very high. I put it as a green because they are on track and it is sort of happening already, as I say, with the gentle approach that is going on at the moment. I think the whole life aspect is a bigger benefit.

[12:00]

I am putting that as amber, which does not really show up, but I think that is not necessarily being grasped at the moment, for the reasons I said earlier. Just literally bringing the 2 business-as-usual approaches together is not creating that view. Similarly, I am worried about regeneration. I do not think that is the focus yet or in people's minds enough and I think this is a trick being missed on the public sector reform programme. In other words, if this is going ahead, some of the benefits are at risk because of the approach being taken and I think a firmer approach with more transformational energy would yield more benefits if the approach is to be followed through. It is too low key. Some disbenefits from the transfer. I think being remote from the Treasury does bring a few disbenefits because potentially there is a slightly weaker link between basically the money and the strategic planning process. I can see there are benefits of that staying together and also the link with the business planning process for projects, business case sponsorship. It is healthier and stronger to be nearer the Treasury for that sort of part of the process, the front end part of the process, so there is an ownership thing there. I do not think that is a big loss and I think communications sound quite good, so it is probably low impact. I think there is something in J.P.H. about being a custodian of the people's assets the way J.P.H. was set up, and so having an independent stance alongside the Treasury is just stronger to protect the original intention of J.P.H. Putting it into one of the departments I think needs to be thought about. I am not sure it has been thought about very much. It may not be a big issue but I am putting it as a medium impact in my assessment. Then just to reverse the whole coin around, disbenefits if this stops. I think there would be a high impact if this were to be stopped now because, as I say, the train has left the station and people are acting as if it is going to happen. I think there would be a morale

and demotivation factor which would be quite significant on people who are being impacted. Of course, if we stopped it then the synergies I referred to earlier would be lost as well, so there are a couple of things to think about there. I am just going to summarise really. Merging the 2 units is a business-as-usual activity at the moment and not a transformational activity and I think they are missing the opportunity to really restructure and define the process. Particularly with J.P.H., it could be much directive and less facilitative, could go into strong landlord mode and could help with the reform agenda and could take a more assertive position in value release as well. We have heard to a few examples of potentially more that is going on through the States of Jersey Development Company. There are more opportunities outside of that remit. So the way it is going at the moment, this would be a good way to do it: do the vision plan, then do the transfer. What we have seen is the transfer is half happening and the vision plan is probably the wrong way round really. So, what does all this mean then in terms of is it right or is not? I think there is no right answer; different governments do have different approaches. I think some have thought about your approach and rejected it, so that needs to be thought about, and others have evolved into different solutions; some are good practice and some are not at your level of maturity yet. Several do have what you are trying to do, which is the integrated asset management approach. They do go there. So there are some advantages for you and I think on balance they are significant, they could be significant, and the disadvantages need to be watched and managed. But I think Jersey is in danger of losing some of the benefits by this sort of low key approach and not treating it as a transformational activity, not really thinking about the roles and responsibilities and the powers that the new configuration could offer you, so organisational structures, remits, a transition plan, and it is very much one and one is 2, which is a shame given the disturbance that is going on. It is a bit of a missed opportunity and I would say it feels like a done deal, and I do not want to recommend wasted activity for people but it seems like the official process needs to catch up with the stated process. I would be looking for a business case, do nothing, and the hybrid model where there may be a hybrid arrangement in the middle between doing nothing and doing the full transfer or just transferring maintenance could be something to look at, leaving in a way, like the Isle of Man, the strategic asset planning is with treasury and everything else is with infrastructure. That could be a model to think about because I think there are strong synergies with the maintenance unit with the infrastructure unit. That makes a lot of sense to me. So I think an option appraisal would be a good idea, although I can sense it is pretty late in the day and, as I say, the train has definitely left the station in the way people are behaving and thinking at all levels, ministerial, senior government and in the 2 departments. They all believe this is happening, so it will be your call as to whether you push that or not. It may just be too late for it but I think the middle ground there, if I was doing this analysis myself, at the start of the journey I would have looked at that middle option quite carefully. I think some definition of the new end state would be very beneficial: the combined organisational model, the roles, the competencies that are needed to run it and the responsibilities, and again the authorities of J.P.H. moving across. This is a great time to have a

look at that and think about that. Then get the transition to be more purposeful and get some momentum and drive it from some benefits. There is a lack of focus on benefits and the benefits should be driving the behaviours and the activities. So, rather than just bringing the departments together as kind of a good idea, it needs to be more granular than that and people need to know why things are happening and where the benefits are and then chase and track those benefits. So I would say that would turn this around into being quite purposeful if that could happen, put some force behind it, get some momentum and chase the benefits. First of all, define what the benefits are and then chase them, and I think that would be a good thing to do. So, doing a business case may just be too late, but defining the new end state and developing a purposeful transformation approach to the transition would be my recommendation at this stage. The first one about the business case I think is up to you, how you want to pitch that, given that time has passed and your options are probably closed. That is entirely your call as a panel. I think that is it. I have put here in the annex just some comments on the various benchmarks but I am not proposing to go through those particularly. They are there for reference if anyone is interested. That is the end of my submission to you. I am very happy to take any questions.

Deputy S.M. Brée:

Thank you very much. One question I had is my concern over the lack of the business case being done before the recommendation to transfer effectively was, as you say, the train leaving the station. Why do you think that was? Have you gleaned any reason?

Partner, Concerto Partners:

I do not know your political environment very well but it sounds like there was a ministerial desire to do this, which is fair enough and we get that in mainland U.K. But what then did not happen was someone saying: "Okay, that is a potential policy. Let us examine the policy and let us look at some options around it", in which case you probably would have looked at the hybrid option a lot harder. I just think it looks to me like the civil service did not intervene at that point and step back and do the options appraisal and a business case. To me, looking at this from the outside, it seems like a done deal and nobody stopped to question it. That is what it feels like. I do not know your due processes here and maybe that is the way things work. I do not know, but it seems odd to me that something as profound as this, the nation's assets are in J.P.H., or much of the assets are in J.P.H., and to move that into another configuration without any appraisal seemed strange.

Deputy S.M. Brée:

Okay. Thank you.

Deputy J.A.N. Le Fondré:

I have a variety of questions, so I will start with what I think is the first one. It is the first but, you know what I mean: is it the most important one? You talked about a hybrid which, if I have understood it correctly, would effectively mean that the strategic side for the asset management side of things or strategic direction of use, et cetera, remains in Treasury but then you said potentially maintenance goes into the combined entity in J.P.H.

Partner, Concerto Partners:

Infrastructure, yes.

Deputy J.A.N. Le Fondré:

Presumably project implementation as well. Would that be valid?

Partner, Concerto Partners:

I think one would have to look quite carefully at that. As I say, there are some project manager type people in the infrastructure division already, so there could be some synergies moving those across. On the other hand, a lot of the concept planning and option appraisal work is about business cases which would stay on the Treasury side of the line. That what have to be looked at quite carefully. Maintenance is fair game; that could move across because there is a definite synergy there. You would have to look quite carefully at what is left and decide where it stays, which bit stays and how it works, but the strategic asset management function - people will know what those words mean - that would stay towards the Treasury side of the line.

Deputy J.A.N. Le Fondré:

Even at this late stage, do you think it is too late to raise that as a possibility? We have not had a discussion with Treasury yet. We wanted to hear your report first. Do Treasury recognise the fact that effectively - I do not even know if it is a valid comment - they are getting less control over the nation's assets, to use that expression, as a result of this change?

Partner, Concerto Partners:

It may be too late. It feels too late to me, but all things are possible because the legislation has not gone through.

Deputy J.A.N. Le Fondré:

No.

Partner, Concerto Partners:

I think you are then looking at working practices and if the whole lot moves lock, stock and barrel I think the working relationships are quite good between J.P.H. and Treasury and they would continue to make it work, so I can see that being a compromise solution that is okay. It is not like they are going a long way away. It is a small place and people do know each other and they do talk and they pick up the phone. I think that Treasury would welcome the simplicity of just dealing with Treasury matters and not necessarily having property on its books. So I can see from their point of view it is a tidier sheet.

Deputy J.A.N. Le Fondré:

In terms of the maintenance side of things, you said there are synergies and you made reference to blue collar, et cetera, which I had forgotten about with J.P.H. I thought a lot of it had been outsourced. There is a perception that the blue collar workers that we have are more expensive than using the private sector.

Partner, Concerto Partners:

I did not get into that.

Deputy J.A.N. Le Fondré:

I hasten to add it is a perception. So I suppose the query is: achieving the synergies you are talking about, presumably the fact you have got blue collar, blue collar in 2 separate departments and bringing them together, in theory allows for some scope in savings?

Partner, Concerto Partners:

Some, but also there may not be many blue collars in J.P.H. but they organise like cleaning contracts, so they might be organising contractors doing those sorts of services. There is a certain mentality and mind-set that goes with the provision of long-running service contracts which is different from people who run projects and do project management. All those people who think like that could usefully be in one place and I can see that whether they are using contractor services or in-house blue collar it does not really matter. It is the mentality that goes with it, so projects versus steady state.

Deputy J.A.N. Le Fondré:

I suppose that touches on departmental culture, as it were, which is something I said to you on the phone, just to elaborate on it slightly.

Partner, Concerto Partners:

Yes.

Deputy J.A.N. Le Fondré:

Perception-wise, and it is meant in the nicest possible way, I have had experience of both sides, I tend to regard the T.T.S. (Transport and Technical Services) group as engineering background, yes, blue collar, in the nicest possible way, wearing the welly boots and getting themselves into the ground, digging and that type of stuff.

Partner, Concerto Partners:

Yes, I would agree.

Deputy J.A.N. Le Fondré:

Whereas the Property Holdings side is much more in theory about business cases, value, legal contracts, leases and that type of thing. Is there a likely issue in terms of trying to bring those 2 cultures together.

Partner, Concerto Partners:

I think so. They are not at all the same worlds.

[12:15]

The synergy, I think, is evident from the project managers. Someone on the J.P.H. side doing projects will have the same outlook on life as not the blue collar but the project manager on the T.T.S. side. They will think the same way. A project is a project, really. So there is some synergy there.

Deputy J.A.N. Le Fondré:

That is where I was trying to make the distinction, I suppose, between strategy and implementation, if you like, or property or the landlord-tenant relationship with that value and actually the deliverer.

Partner, Concerto Partners:

Yes, so there is a difference there. So the people who think about value and the landlord-tenant and the strategic asset planning are different from the T.T.S. folk who are project managers delivering stuff. So someone has to do the integrated portfolio plan and that is quite long timescale thinking and it is quite holistic thinking, and that is not the same as the T.T.S. type project-by-project activity to do stuff, a sewage treatment plant or whatever needs doing. The Property Holdings folk would have a longer perspective, not the same perspective. So that would

be the role to keep behind. If anything was going to stay, it is that strategic asset management planning function but I think the rest could be looked at.

Deputy J.A.N. Le Fondré:

Okay. I do not quite know how to phrase it because you have obviously touched on certain areas. I think it is your green versus the red, in other words the transfer is happening and it is slightly low key and all that type of thing.

Partner, Concerto Partners:

Do you want me to go back to it?

Deputy J.A.N. Le Fondré:

Yes. I suppose what it comes down to is in terms of competencies, if you like, do you think they have got the combination of the drive or the competency to energise the process?

Partner, Concerto Partners:

I do not think so, no. I think it is very much business as usual in both camps and they are just trying to shoe it all together.

Deputy J.A.N. Le Fondré:

So how does one address that?

Partner, Concerto Partners:

It needs to be driven by the benefits. Someone has got to stop and say: "Right, where are the main benefits we could get from this?" It is not just about sharing secretarial posts or the occasional project manager vacancy. They have got to think really big picture, so bringing the organisations together could release value from the assets if we did more integrated strategic planning of area developments or the way if something is going to close, we do not need to maintain it so much, so the strategic planning needs to link to the operational planning. All those sorts of things need to come together. There probably needs to be some new planning processes, probably some new planning capabilities in the mix, and driven by someone with a transformation appetite to make some change happen, whereas I think very much if there is business-as-usual merging they are not going to do it.

Deputy J.A.N. Le Fondré:

There certainly used to be a drive in there but I get the impression it has just been beaten out of them almost.

Partner, Concerto Partners:

Yes. We detected quite a bit of fatigue really. This process has obviously dragged on a wee while anyway so I think people are tired from that. So, yes, not high on energy.

Deputy J.A.N. Le Fondré:

I did ask the question, I presume you met with Health, at the end, I do not know, in terms of the other projects that are going on. The hospital is obviously a biggie and obviously they have got sewage(?) funds going on and other bits and pieces. Is there the capacity to manage the change that should be happening as well as these capital projects that are going to be happening?

Partner, Concerto Partners:

We did not do a capacity and capability review of the whole department. I just do not know. We took the hospital as a case study just to see, before transfer versus after transfer, how the arrangements would work. So we were asking them to second guess between 2 worlds, but we had a very sensible answer from them. They have set up a governance structure for the project which will sustain them through this manoeuvre.

Deputy J.A.N. Le Fondré:

Whatever happens, yes.

Partner, Concerto Partners:

They were doing the right things with the stakeholder consultation and the governance processes sounded robust. We were satisfied that that project would not be affected by what we are talking about now. Whether the 2 departments have got the ability to cope with the change and deliver the project I do not know, so someone needs to look at the total resource.

Deputy J.A.N. Le Fondré:

Okay. You did talk about you felt it was a bit of a ministerial drive, as it were. If you like, this being an observation, a lot of it has been driven by not just this particular focus but the overall transformation. There are other changes happening which are not just property focused, driven by the individual in a particular political post at the end, in other words, such and such a person wants to do X so it has been transferred to them and such and such a person wants to do Y. Is that a valid comment, do you think?

Partner, Concerto Partners:

Yes. Most people said that to us, follow the man, and so the person involved apparently knows about property so there was some logic to that and understanding both sides is potentially good. I think it is curious, though. If you are looking at it as a sustainable process that is not a great

process, particularly if the civil service does not catch up with doing the options and defining the benefits and bringing it under control.

Deputy J.A.N. Le Fondré:

You kind of beg the question that I think the elections are in mid-2018, so what happens when it changes?

Partner, Concerto Partners:

Yes, it does. So it would need strong ministerial leadership and the integrated department would need to be reorganised and stable by then, much before then.

Deputy J.A.N. Le Fondré:

These are just thoughts as you were going through and I was scribbling. You made an observation about unusually relaxed governance of such a major change, I think it was, from the point of view that there is not a business case and ...

Partner, Concerto Partners:

No. As I said, it seemed to happen quite fast, no appraisal. To me, the civil service seems to assume this is going to happen and therefore there has not been any sort of official challenge to it or official analysis of it. That is the strong impression we got.

Deputy J.A.N. Le Fondré:

Would that be a concern?

Partner, Concerto Partners:

Yes. Again, I do not know your culture and processes here but to me, landing from the outside world, it caught our attention.

Deputy J.A.N. Le Fondré:

I would not mind just touching briefly on Ireland. I will declare a slight interest. I cannot remember if I said this to you. I am on the British-Irish Parliamentary Assembly, so I was sitting next to an Irish senator earlier this year who briefly touched on it slightly. Not very much, but I think he said it was centralised. It would be useful to know the structure they followed or why they have stuck to that structure, and I am looking particularly in the context that I have always understood of the real financial pressures that Ireland is facing. I use that in the context that I think from our point of view, although the numbers are a lot different, we would say that we are facing some unprecedented financial pressures. It is that sort of level.

Partner, Concerto Partners:

The Irish have been through a rather tough journey. They have had a centralised model for a long time, actually for ever. They have 2 commissioners who are legally responsible for running property in Ireland. One is a planning commissioner and one is a delivery commissioner.

Deputy J.A.N. Le Fondré:

Is a commissioner a civil servant or a politician?

Partner, Concerto Partners:

No, they are civil servants but the role is defined in an Act of Parliament, so it is a well baked role. It is a very well defined role, the 2 commissioners, and there is a third commissioner who is the chairman, so between them they control the O.P.W. The O.P.W. is responsible for strategic asset management planning, so that is the big picture; it is responsible for project planning and project initiation and project business cases; it is then responsible for delivery of projects; and it is then responsible for asset management and facilities management, property maintenance. The scope covers offices, the whole office portfolio, which is large and is spread across Ireland of course, plus a range of things like the garda police stations, flood defences, historic monuments, of which there are many and varied, all under O.P.W.'s remit. So that is a one-stop shop. It is a fully integrated, centralised function. The hybrid difference to the world you are creating here is that there is an accounting officer for the O.P.W. with an accountable minister but they are like ... it is a junior arrangement. There is a senior minister in the treasury and the reporting line to the treasury as well. It is freestanding with a dotted line to the treasury, so it is a slight hybrid on all the worlds we have talked about.

Deputy J.A.N. Le Fondré:

Does that mean treasury have the final say or the strategic team?

Partner, Concerto Partners:

They do, yes. The department is called D.P.E.R. (Department of Public Expenditure and Reform) and the E.R. is for economic reform. The change agenda which you are now starting to touch on is driven by D.P.E.R. and as a consequence O.P.W., with their strategic planning, have driven out. Every time there is a lease break, they exit it. Because they are an assertive landlord, not a passive landlord, they drive the departments, they crunch them together, they make them sit together, they instruct them to move buildings and generally manage the estate like an active landlord. The figures are quite dramatic and I can send you a weblink for their achievements. They have driven down the cost of the portfolio. It is now more or less in a residual freehold condition because they have got rid of every possible leasehold and they have retreated into the freeholds. They are also imposing standards, so they are trying to get 12 square metres per

person but they are way off that at the moment. They are driving down all the time, bearing down on cost, and the difference with you is they have a co-ordination role with local authorities. They do not have direct authority over local authorities but they are empowered to set the standards. So, 12 square metres each; everyone goes there.

Deputy J.A.N. Le Fondré:

For the purposes of Jersey, we do not really have local authorities. We have the parishes but they are, within the context of this, not relevant, if that makes sense.

Partner, Concerto Partners:

Not really, but Ireland is bigger, I understand, so there is a structural difference. But the difference is O.P.W. has a very assertive role and it is a one-stop shop. Everything happens in O.P.W., with D.P.E.R., like the finance ministry, bearing down on them to reform and cut costs.

Deputy J.A.N. Le Fondré:

In your view, was the original purpose of J.P.H. meant to be more assertive?

Partner, Concerto Partners:

Yes. I was looking at the articles of association, where it was set up some years ago, of which the wording looked good. So it seems to be set up as a landlord with some powers to do stuff and be assertive. I am not sure if it turned out that way.

Deputy J.A.N. Le Fondré:

I can tell you there was a lot of resistance to assertiveness. So I suppose what I am trying to ask is, this is really trying to focus on the money on the basis we are facing financial pressures, we have got a public sector reform agenda and stuff like that. It is trying to understand whether something similar to the Irish model ... bearing in mind, as you say, that we have got this issue of the train has left the station now; can it be diverted or not? Does something like the Irish model in the ideal world work for Jersey, if that makes sense, at high levels, in theory?

Partner, Concerto Partners:

I think it could do if it is brought together properly in a really purposeful way.

Deputy J.A.N. Le Fondré:

That is kind of like an infrastructure model but with the Treasury input or the strategic side of things?

Partner, Concerto Partners:

Yes. So if Treasury drive it hard, like D.P.E.R. do in Ireland, and set the targets and just concentrate on costs, then an integrated function with strategic planning embedded in it is perfectly fine. This is a small environment here. I like the idea of integration intrinsically but it makes sense for Jersey. The fewer interfaces the better really. That is quite sensible.

Deputy J.A.N. Le Fondré:

There is the balance between the organisational culture and the crucial one then is the link.

Partner, Concerto Partners:

Yes.

Deputy J.A.N. Le Fondré:

Would it matter, having said all that, again exploring more than anything else, if the strategic function remained in Treasury as the driving force that came down? It really depends what side of the line you are on.

Partner, Concerto Partners:

Precisely.

Deputy J.A.N. Le Fondré:

At this stage there is no one best solution, is there?

Partner, Concerto Partners:

No.

Deputy J.A.N. Le Fondré:

It is what matches the culture more than anything else.

Partner, Concerto Partners:

I think choose a solution and then really make it work. What I am seeing here is that it has loosely been chosen but it is not being put in with vigour.

Deputy J.A.N. Le Fondré:

They are drifting into it?

Partner, Concerto Partners:

They are drifting into it, so in a way they could be ... well, they are heading for the Irish model in a way but it needs to be brought together with force and a sense of purpose and the Treasury role needs to be adapted accordingly to make the whole thing work.

Deputy J.A.N. Le Fondré:

You talked about this could be a catalyst for product sector reform, I think somewhere in there, which I probably would agree with. The catalyst, is that the change, if you see what I mean, or actually property?

Partner, Concerto Partners:

Property.

Deputy J.A.N. Le Fondré:

Right, okay. You are pushing on an open door on that one.

[12:30]

Would I be right to say that, therefore, the property function is the catalyst for public sector reform? Is that partially because effectively you have got the ability to move people to unsettle them, if you like, break the silos at that time as well?

Partner, Concerto Partners:

Set up J.P.H. now with some real authority to do that and it could do it now, but this transition, if you stir it all up, could reinvigorate J.P.H. with those powers.

Deputy J.A.N. Le Fondré:

So that is the point about the catalyst for change?

Partner, Concerto Partners:

Yes.

Deputy J.A.N. Le Fondré:

But if it is just drifting into it, it is not a catalyst?

Partner, Concerto Partners:

That is right, missing the chance. I would say the people I talked to do understand that as a possibility to ...

Deputy J.A.N. Le Fondré:

As in that property should ...

Partner, Concerto Partners:

It could release value. It could energise the reform programme.

Deputy S.M. Brée:

Can I ask a question, if I may? Following on from what the Chairman was saying, public sector reform, obviously the idea is that out of public sector reform comes cost savings ultimately.

Partner, Concerto Partners:

Yes.

Deputy S.M. Brée:

With the large portfolio of property that the States owns, one of the areas that has been talked about is this office rationalisation or consolidation.

Partner, Concerto Partners:

That is it, yes.

Deputy S.M. Brée:

By moving J.P.H into what will become the new Department for Infrastructure, and bearing in mind there is no real business plan for that transfer, do you think that the Department of Infrastructure, as it will become known, is going to be able to deliver any meaningful public sector reform in that area? I am meaning the mind-set as opposed to the current mind-set.

Partner, Concerto Partners:

It could, but not from what we saw. I think it could on the office portfolio because I think the senior officials do get the transformational opportunity. I think the people in the department understand it too, in J.P.H. I think for whatever reason, from when it was set up, it has not quite achieved that full potential and so this change could reinvigorate that mission and I think that would be very powerful, on the office portfolio. J.P.H., the planning function particularly, could be quite assertive as a landlord and move people around, break the silos, change the culture, everyone open plan, all that sort of stuff, which is a real catalyst for change. People do that all round the world now.

Deputy S.M. Brée:

If the transfer takes place without that vision and planning being in place, potentially you lose that opportunity?

Partner, Concerto Partners:

You do. It is a wake-up call now. The disturbance is a wake-up call and this is a chance to just reposition J.P.H. within the infrastructure group to be assertive, visionary, transformational, everything that it could have done. There are some wider synergies outside offices, by the way. There are land parcels here, there and everywhere, and I think J.P.H. may have some offices on them but abutting other land parcels. So I think there is a development opportunity which brings the 2 units together. If people could plan holistically, then that is why I am going on about value release. There is the offices for sure but there may be other patches of land as well.

Deputy J.A.N. Le Fondré:

J.P.H. you will know, do not have the ownership. So you will know it is States ownership. In theory, the States ownership is now vested in J.P.H. I say in theory, but how much territorial still exists, I do not know. I did not think it was meant to be a leading question and you may not have covered it, but Simon raised the office strategy side. In your experience from what you have seen, we have got the combination of the Jersey context, which is obviously small financial pressures, and also what you have seen elsewhere, let us use Ireland as the example ... my very brief update on the office strategy recently is that at the moment it does not encompass Health, Education or T.T.S. When I say that, they had analysed and said there are not that many contact points in reality. Health is here; it does not really need to talk to T.T.S. very much. Education is here; it does not need to talk to whatever. So, on that basis they are not going to be integrated, even the administration functions, into any central office function. What I am unclear about is ... bearing in mind Health and Education combined will be 50 per cent of our total spend, so it is those kind of numbers; Social Security is out there but I think they are integrated. I cannot ask you whether that is a valid approach because we do not know the detail but within office stuff, bearing in mind U.K. health ... I never quite understand the whole functions but the N.H.S. (National Health Service) is separate anyway and I do not know what the situation is in Ireland. But if you have got this issue about the ability of the office rationalisation to shake up the structures, break down the silo mentalities and all that sort of stuff, does it sound logical that you would exclude the 2 biggest departments in terms of spend, or it depends on the case, type of thing? Do you see what I am trying to ask?

Partner, Concerto Partners:

It is a bit of the latter, but I can say that people do tend to exclude those functions. Education and health in the Irish model they are excluded, although O.P.W. has grown an expertise in school

design and hospital support but the responsibility rests with the departments and O.P.W. provides a design service and a project management service into it.

Deputy J.A.N. Le Fondré:

I think, for example, if we wanted to build a new school that would go through J.P.H. It would be driven by Education but there would be a capital project team and that would be J.P.H.-run.

Partner, Concerto Partners:

Yes, as a service provision but the asset is owned by Education.

Deputy J.A.N. Le Fondré:

No, the asset is owned by J.P.H. and I think the hospital will be owned by J.P.H. and St. Saviours is owned by J.P.H., as far as I understand. I am more looking at when I say the operational level, the administration side. So you are not going to build office accommodation for nurses or whatever it is, but in terms of the admin functions and things like that, does it make sense for them to be separate on a small island or does it just depend?

Partner, Concerto Partners:

I think it depends. I can give you an example of Guy's and St. Thomas' Hospital estates where we are currently doing some work. They have got a large clinical facility but they have also got a lot of community sites and within all those sites there are admin functions. Admin office space is embedded in the clinical sites, plus there are some bog standard offices at the community sites. It is possible to get a grip on the office bit separately from the clinical bit and manage those within a centralised portfolio approach. An office is an office and it can be moved and it can be reassigned to people in different ways.

Deputy J.A.N. Le Fondré:

Therefore, potentially you might still get some synergies presumably because it is less receptionists and stuff like that. Even if they do not necessarily talk to each other, there are some? Is that a fair comment?

Partner, Concerto Partners:

There are some synergies like that and synergies in releasing space through building the assets better.

Deputy J.A.N. Le Fondré:

That presumably applies across the board even with T.T.S. and what have you.

Partner, Concerto Partners:

Yes.

Deputy J.A.N. Le Fondré:

My impression of T.T.S. is: "We are engineers. We can live out by the sewage farm type of thing and off we go."

Partner, Concerto Partners:

Yes.

Deputy J.A.N. Le Fondré:

My concern is that is the silo bit, essentially. I suppose just seeing whether the office strategy in theory should at least ... I think they are saying they have addressed it but I am not too sure if it has been done for convenience or because financially it actually stacked up potentially.

Partner, Concerto Partners:

If there are pure offices, I would have thought it is definitely in the scope of the portfolio planning process. Things like clinical sites become quite complex quite quickly.

Deputy J.A.N. Le Fondré:

Yes. You have got 6 minutes. That has been a very quick run through.

Partner, Concerto Partners:

It was incredibly fast. I will just see if the plane is running late. I am meant to get an email alert. If they have got 2 planes, then it will be fine. No, there is no alert.

Deputy S.M. Brée:

Really, from your findings, it is not that it is the transferring itself is not the right thing to be doing. It is the fact that there are missed opportunities because it has not really ... you have not taken the vision plan for it and then ...

Partner, Concerto Partners:

Yes, got the most out of it.

Deputy S.M. Brée:

Yes. So what is coming across most of all is that we are missing a lot of opportunity here to ...

Partner, Concerto Partners:

I think that is right. It is a transition management point really and a transformation point. I think if you could wind the clock back and look at the options, I would have looked at that hybrid option a little bit more carefully but I completely see that time is up.

Deputy J.A.N. Le Fondré:

That is the bit we have got to decide.

Partner, Concerto Partners:

Yes, that is your call.

Deputy J.A.N. Le Fondré:

It is also a political decision of the Council of Ministers in terms of if we come back to part of what we are doing makes sense and carry on with that but you need to either postpone this bit until you have really made sure on a strategic level what you are doing or how you are going to drive the benefits, there may be some wriggle room there. I do not know.

Partner, Concerto Partners:

I am slightly concerned about that because of the morale and the momentum. The guys have been waiting a long time for something to happen.

Deputy S.M. Brée:

Also I think you are right in what you said that an awful lot of people consider it has already happened, effectively.

Partner, Concerto Partners:

Yes, they are behaving that way. So I think probably the train has left the station, but my thought is to push more for the transformation element and the transition to get the best out of the opportunity that is in front of you.

Deputy J.A.N. Le Fondré:

The question then is how one achieves that.

Deputy S.M. Brée:

Well, that is for us to consider.

Deputy J.A.N. Le Fondré:

Obviously it has been a very, very quick run through, through circumstances, particularly as we did not expect to be 2 people down today. I think hopefully what we would probably like to do, once we have digested the data and we have seen what we have discussed and looked at the transcript, is do another I am guessing a conference call, is it?

Partner, Concerto Partners:

I would be fine with a conference call. If we agree a time, I will dial in.

Deputy J.A.N. Le Fondré:

It is going to be a good week or so away because next week is not ...

Partner, Concerto Partners:

You are welcome. I am off on holiday in September but I am around for the next 3 weeks.

Deputy J.A.N. Le Fondré:

Okay. We will just see where we go from that, I think. Thank you very much for that. It is useful and feeding into the public sector reform side as well, that is the trouble, is how much they are going to achieve out of that.

Partner, Concerto Partners:

Yes.

Deputy J.A.N. Le Fondré:

That, to me, is the main driver because ultimately it is what ...

Partner, Concerto Partners:

I have got some hope because your Chief Executive - is it John Richardson - he gets it, he gets the potential, and I think Ray Foster gets it.

Deputy J.A.N. Le Fondré:

Ray Foster I would definitely expect to get it because he has been involved in integrating it for the last 6, 7, 8, 9, 10 years. I am not sure I should make any comments on that.

Partner, Concerto Partners:

No. I think with John Richardson he may get it and that is all well and good but it needs to be brought to life with a transition management approach and someone tracking the benefits. There

are different strands of benefit and someone needs to really grip that and manage it, and I think that is the missing link. So John may get it and Ray may get it but ...

Deputy J.A.N. Le Fondré:

It needs to happen.

Partner, Concerto Partners:

Yes, it needs to happen.

Deputy J.A.N. Le Fondré:

The office strategy, it got to a point in 2010 and we have not seen anything for 5 years, if that make sense, and that is the issue around the drive and the focus.

Partner, Concerto Partners:

Yes, drive and focus and remit. I think I had better go.

Deputy J.A.N. Le Fondré:

Thank you very much for coming.

Partner, Concerto Partners:

It is a pleasure. I look forward to your conference call. I am sorry, it is all out of my control, this flight business.

[12:43]