



Corporate Services Scrutiny Panel

Public Sector Pay

Witness: States Employment Board

Monday, 21st January 2019

Panel:

Senator K.L. Moore (Chairman)

Deputy S.M. Ahier of St. Helier (Vice-Chairman)

Connétable K.Shenton-Stone of St. Martin

Connétable R. Vibert of St. Peter

Witnesses:

Chairman, States Employment Board

Vice-Chairman, States Employment Board

The Minister for Treasury and Resources

Deputy G. Truscott, States Employment Board

Connétable D. Mezbourian, States Employment Board

Director General and States Treasurer

Head of Pay and Reward and Employee Relations

Director of People Services

Director of Employment Relations and Organisation Design

[11:01]

Senator K.L. Moore (Chairman):

If everyone is settled, let us get started. There is lots to get through this morning. I would ask that questions can be as brief but informative as they possibly can be please. I will be timing some of the answers to ensure that we are keeping to time. So please could you be aware of that and mindful. I am grateful to you all for finding the time to meet with us today. I know it is a considerable challenge for so many to meet in one place at one particular time, so thank you very much for taking

that time. We are very grateful. So we will start with our introductions, for the record. I am Senator Kristina Moore. I am the chairman of the Corporate Services Scrutiny Panel.

Deputy S.M. Ahier of St. Helier (Vice-Chairman):

Deputy Steve Ahier, vice-chair.

Connétable R. Vibert of St. Peter:

Constable Richard Vibert, member of the Corporate Services Scrutiny Panel.

Scrutiny Officer:

Simon Spottiswoode, Scrutiny Officer.

Director General and States Treasurer:

Richard Bell, Treasurer.

Deputy G. Truscott, States Employment Board:

Deputy Graham Truscott, member of S.E.B. (States Employment Board).

The Minister for Treasury and Resources:

Deputy Susie Pinel, Minister for Treasury and Resources.

Chairman, States Employment Board:

Senator John Le Fondré, Chief Minister.

Deputy Chairman, States Employment Board:

Richard Buchanan, deputy chair of S.E.B.

Connétable D. Mezbourian of St. Lawrence, States Employment Board

Deirdre Mezbourian, Constable of St. Lawrence and S.E.B. member.

Director of People Services:

Jacquie MacGeachie, Director of People Services.

Head of Pay and Reward and Employee Relations

Jonathan Donovan, Head of Pay and Reward.

Director of Employment Relations & Organisation Design:

Chris Stephenson, Senior H.R. Manager.

Connétable K. Shenton-Stone of St. Martin:

Karen Shenton-Stone, Constable of St. Martin and member of the Corporate Services Scrutiny Panel

Senator K.L. Moore:

Apologies from Deputy Jess Perchard who is away on States business today. We are going to start by talking about membership of the States Employment Board, if we could. Chief Minister, our initial question is: what criteria did you use when selecting members of the States Employment Board? Did you employ a selection process?

Chairman, States Employment Board:

As you know, part of the structure, and there is an issue as to whether it is as flexible as it should be, is laid down in the law so it is a certain number of people from the Executive side and certain from the non-Executive side. Certainly looking back at previous structures, it makes sense that the Minister for Treasury and Resources should be on there. It used to be a significant employer, which is one of the reasons I had Senator Vallois. Obviously, the Connétable of St. Ouen does have experience in employment matters. Obviously, from the non-Executive side, it was looking at members who had previous experience of S.E.B.

Senator K.L. Moore:

It was rather a process of experience and defining that rather than representing any particular balance around the table?

Chairman, States Employment Board:

Is this going similar to the diversity point? Because if it is, obviously there were 3 women on the board and there are now 2. So there was a balance between, from that perspective, but also it was about experience and also some of the roles that people hold.

Deputy G. Truscott, States Employment Board:

Can I just correct? I have personally not had membership of the S.E.B. board in the last Government.

Chairman, States Employment Board:

Apologies, yes.

Deputy G. Truscott, States Employment Board:

We did discuss that last ...

Chairman, States Employment Board:

My apologies.

Deputy G. Truscott, States Employment Board:

Just for the record.

Chairman, States Employment Board:

It was also around a bit of business experience as well from the point of view of that perspective. I do apologise.

Senator K.L. Moore:

And knowledge of the States finances, I would imagine also.

Deputy G. Truscott, States Employment Board:

Yes, indeed.

Senator K.L. Moore:

Unfortunately, the chairman of the S.E.B. stood down from that role at the end of last year so what steps have been taken to replace Senator Vallois?

Chairman, States Employment Board:

I have taken over essentially because, as I pointed out in the correspondence, when Senator Vallois stood down the role automatically reverted to me. That is the position. I did not particularly feel it was fair to bring anyone completely unfamiliar with the position of where we are into the role. So I have been kept updated since being appointed as Chief Minister and that is one of the reasons we have, with the Constable of St. Ouen as vice-chairman, he obviously has kept me regularly updated, as had Senator Vallois.

Senator K.L. Moore:

We are grateful for the minutes that were delivered to us this morning but unfortunately those minutes only run up until November so we have not had an opportunity to have sight of the minutes. Also, if I could just make you aware, that we only have those until November because my next question is: at what point, Chief Minister, did you decide that it was best for you to take the chair of the States Employment Board?

Chairman, States Employment Board:

The default position is that when Senator Vallois stood down it fell to me. So the question is then who takes over from there onwards. That is a decision I think it will depend on where we end up with the various industrial relation issues that we have got going forward.

Senator K.L. Moore:

Given the situation that you are in, do you consider that to be an important decision to make? How high is it on your list of priorities?

Chairman, States Employment Board:

I want to see the outcomes of the industrial relations side and while the present matter carries on there is no change in visit.

The Connétable of St. Martin:

What was your reaction to the public sector workers' rally in the public square on Tuesday, 15th January, as well as your reaction to the meeting you had that afternoon?

Chairman, States Employment Board:

I think it would be fair to say we were all obviously disappointed that we got to the point around industrial action being taken and in relation to the meeting ... sorry, there is one thing I do need to just point out before we go much further, depending where it goes, because the structure of the S.E.B. is relatively non-contentious. But obviously you will appreciate that we are in the middle of the 2018/19 pay review, is at a delicate stage and we are in the middle of things. So in a public environment I am going to be somewhat constrained as to what I can say because I do not want to, in any way shape or form, prejudice those particular talks. That has to be our focus. So there may be some times when I will need to be more circumspect in what I say because of where we are. What I will say is what I have said publicly is that the meeting we had with the union on the Tuesday, and as you will remember I was at the start of the meeting, then I had to come up to the Assembly to do a statement, was I think overall productive. Obviously, we have had some time for reflection, we have issued the statement we have issued, and officers are going to do some more discussions later in the week. So that is where we are. Let us see how these evolve but, do not forget, it is a negotiation process. It has been a negotiation process for quite some time and things will keep moving forward slowly.

The Connétable of St. Martin:

Do you feel if you had met the unions earlier they would not have reached this stage?

Chairman, States Employment Board:

I am going to hand over to Jonathan Donovan on that front because he can give you some, I think, description as to ... there have been a lot of meetings that have been going on. This was not the first time that meetings have been held with the unions. It does always depend on your definition of a meeting.

Head of Pay and Reward and Employee Relations:

Yes, it does. I think your point there, Chief Minister, is around meetings where there was no movement as distinct from those meetings at a delicate point. S.E.B. met most of the unions in October last year and the chief executive held a meeting with all of the unions to talk about pay in the same month. I personally have met, for instance, with civil service unions 26 times since the end of May, 12 of those meetings discussed in whole or in part pay. So there have been significant opportunities to discuss things. I do think, for the record, it is important to note that the unions were offered the opportunity right at the beginning of the process to receive opening offers, which demonstrated S.E.B.'s final position because pay this year is somewhat constrained because of financial considerations. All unions, bar none, accepted the sense of seeing the final position at the first pay meetings rather than going through some sham process of negotiation. Of course I would also note, as is well known, that the unions subsequently have been disappointed that S.E.B. have not been prepared to put more money on the table, particularly in relation to 2019.

Senator K.L. Moore:

Thank you. We will go into some more depth at a later point in the hearing, if we could, in relation to the finances themselves but given your description there, could you understand or do you understand, as you have described, that the initial opening offer was what was on the table because it was felt by the S.E.B. and the Council of Ministers that that was the financial position? So the offer has been the same offer and has been repeated in those meetings that you have conducted so far.

Head of Pay and Reward and Employee Relations:

By all means very happy to go into more depth but I want to state very clearly that for significant groups, including manual workers, energy recovery facility workers, nurses and midwives, the offers on the table were significantly changed as a result of negotiations, resulting in manual and energy recovery workers accepting their offer at the back end of last year. This month, midwives are accepting their offer although nurses have rejected. Different groups have responded in different ways to what have been substantive negotiations.

Senator K.L. Moore:

Thank you. Chief Minister, if we could go back to the events of last week. Were you surprised that 2 of your Ministers spoke in favour of the strike in the Royal Square on Tuesday?

Chairman, States Employment Board:

Two Ministers?

Senator K.L. Moore:

Yes.

Chairman, States Employment Board:

There was one Minister and one Assistant Minister, I believe.

Senator K.L. Moore:

No, I think it was the Minister for Children and Housing and the Minister for the Environment.

Chairman, States Employment Board:

Sorry, yes, you are right. I do apologise.

Senator K.L. Moore:

And there were Assistant Ministers as well.

Chairman, States Employment Board:

The short answer is, in relation to Ministers, one of the Ministers obviously I was not surprised and on the other one he did mention to me what had happened. So not overly surprised, I think would be the expression. But as I said, mainly because I have known the position of the Minister for Children and Housing, he has made that all very clear during the whole position, and that is something at the Council of Ministers we accept there will be, on differing issues, differing views around the table. It is how overall that team comes together. Then for the Minister for the Environment, I think from memory he has expressed one or 2 concerns but equally he has also been very supportive of some of the other positive things that we are doing around the workforce changes that are going through, which no doubt we will touch on later.

Senator K.L. Moore:

Are there any other Ministers who are in disagreement with the position of the States Employment Board?

Chairman, States Employment Board:

I think at this stage I am going to say no, not that I am aware of.

Senator K.L. Moore:

But you are not sure?

Chairman, States Employment Board:

When I say "I am not aware of" because I know people's opinions sometimes change and that does always depend on the circumstances. As negotiations continue, circumstances may change and people's opinions do shift on this. I think the crucial thing though is that as far as I am aware the majority of the Council of Ministers fully appreciate the financial constraints that we are operating under.

[11:15]

No doubt we will touch on that later. But the deficits that are being forecast for 2020 onwards are not insignificant. No doubt, as a former member of C.O.M. (Council of Ministers), who will have been aware of that position and the constraints that one has to operate under.

Senator K.L. Moore:

How many times have C.O.M. been updated on the negotiations to date?

Vice-Chairman, States Employment Board:

As far as I am aware, and I am just going from memory, we have updated them virtually every Council of Ministers' meeting in the last month or so on what is happening and where we are.

Head of Pay and Reward and Employee Relations:

And will do so again this week.

Vice-Chairman, States Employment Board

There is another update scheduled for Thursday.

Chairman, States Employment Board:

I was pausing back. There have certainly been other updates around whether it is the pay dispute or whether it is the overall change in the workforce in the number of months since the summer basically.

Senator K.L. Moore:

Thank you. On Tuesday, you referred to your statement earlier, it was a very strongly worded statement that clearly said that the offer was the offer and there was no more money to do anything else. Yet later in the week it was announced that S.E.B. were moving to mediation. What changed your mind exactly?

Chairman, States Employment Board:

I think the principles still stay ... bear in mind what I said earlier, the issue we have is the financial envelope we operate in. I think that is really all one can probably say at the moment in terms with the negotiations and the mediation coming ahead. Our key concern is what is the impact in terms of revenue expenditure and recurring expenditure on 2020 going forwards. Obviously, again as you will appreciate, the present M.T.F.P. (Medium Term Financial Plan) was approved by the previous C.O.M. and pay restraint was a key plank of that previous Council of Ministers. So we have a constraint for 2019 but we are also very mindful about the impact of recurring expenditure on the deficit going forward. There is a balance there to see whether within that financial envelope some form of compromise can be achieved. But I think at that stage that is a case of let us see. There are meetings with S.E.B. later on in the week and there are discussions then between officers and unions and let us see what comes out of that.

Senator K.L. Moore:

I appreciate that the following questions may be slightly difficult for you but we will push on and see how we get along. As you have just said there, you are willing to negotiate, however does that mean that you are able to move away from the 1 per cent that has been offered to the Civil Service Union?

Chairman, States Employment Board:

I do not think we can comment at this stage because I have said that is a ... you are going into a negotiation process and that is something that naturally is a live event.

Vice-Chairman, States Employment Board:

If I could just add briefly, we have agreed to both mediation with J.A.C.S. (Jersey Advisory Conciliation Service), which I think should be seen as a positive stand essentially, and we have said publicly that we are going to engage in meaningful discussions with the unions. I think as the Chief Minister has reiterated, we cannot say more than that at this stage.

Chairman, States Employment Board:

One of the things is that we have also basically agreed not to make too many public comments, which is why I have got to be somewhat circumspect during the course of this particular hearing, which ordinarily obviously I would prefer not to.

Deputy S.M. Ahier:

What structure do you use for the meetings with the unions? What form of structure do you have?

Chairman, States Employment Board:

How do you mean?

Deputy S.M. Ahier:

In your negotiations with the unions.

Chairman, States Employment Board:

Perhaps I will hand over to Jonathan, Chris and Jacquie for that detail.

Head of Pay and Reward and Employee Relations:

In terms of structure, there are a range of different types of meeting ranging from quite informal where we are trying to identify potential ways forward through to more formal set piece discussions, including the 2 that I referred to earlier by the States Employment Board and by the chief executive, which are formal noted meetings. We reserve an ability to be flexible. What we do seek to do is to bring the relevant unions into meetings together where that makes sense. For instance, in relation to discussions for civil servants we have a forum that includes both Prospect and Unite. For nurses and midwives, we have a forum that brings together the Royal Colleges of Nurses and Midwives and the Jersey Nursing Association, all in the same room. We maintain those single tables in part for operational efficiency and in part for good employee relations.

Deputy S.M. Ahier:

Is there a record of the meetings? If so, is it publicly available? If not, do you intend to make it publicly available in the near future?

Head of Pay and Reward and Employee Relations:

In relation to meetings that I have held to date, we do not issue minutes because these are private negotiations. In relation to the meetings that will be held under the auspices of the Jersey Advisory Conciliation Service, we will agree what our public position is as part of each of those discussions, which may be no public position, depending on where we get to with the discussions. As we are all aiming, as the Chief Minister and others have said, we are approaching these discussions with a view to reaching agreement, if at all possible. If that agreement can be reached then that will be formally documented and signed by the chair of S.E.B. as a binding agreement that is then binding on the States.

Deputy S.M. Ahier:

Chief Minister, how many meetings are scheduled to take place and how many have there been since you came to office?

Chairman, States Employment Board:

Sorry, when you say "how many meetings", of ...?

Deputy S.M. Ahier:

How many meetings with the unions? Not meetings of S.E.B.

Chairman, States Employment Board:

The meetings with the unions, I think again it is down to the officers because it is as matters evolve, if that makes sense. But they are meeting on a very regular basis. Perhaps Jonathan can elaborate on that.

Head of Pay and Reward and Employee Relations:

I cannot give you a definitive answer but there have been many dozens of meetings. Alongside that, many dozens of telephone conversations or private one-to-one meetings or one and small groups to try to find accommodation and a way forward. So several different types of interaction, including email interaction. I discussed matters of importance including but not limited to pay most weeks with most unions.

Deputy S.M. Ahier:

Sorry, Chief Minister, just to press: how many meetings have you personally conducted with the unions?

Chairman, States Employment Board:

With the unions; one.

Deputy S.M. Ahier:

Just one? That was the one last week?

Chairman, States Employment Board:

Yes. But obviously, I have only been in since December.

Deputy S.M. Ahier:

Yes, absolutely. I just wanted to clarify.

Chairman, States Employment Board:

There is an additional balance between obviously S.E.B. do not directly negotiate with unions, that is always done at an officer level. Then we oversee what is going on. I am quite keen to improve the kind of face-to-face meetings but obviously S.E.B. previously, and I was fully in favour of it, met with the unions in October, which perhaps Richard can elaborate on if he wishes to. But obviously

when one is in the middle of an industrial dispute the balance changes or the dynamics change slightly. But once we get out of that I would be quite keen to have some more regular meetings on a listening basis not a negotiation basis.

Deputy S.M. Ahier:

Would you describe the meetings more towards negotiation or the repetition of the same message from one or both sides?

Chairman, States Employment Board:

I do not negotiate.

Deputy S.M. Ahier:

You do not do the negotiations?

Chairman, States Employment Board:

There will be a discussion but the officers do the negotiation. Richard, do you want to add something?

Vice-Chairman, States Employment Board:

Sorry, can I just add something? The process we have when we met the unions face to face as a board was very much one of listening and, I have to say, pay was one of the topics we discussed. It was also very helpful because there was a whole range of other issues that were raised and which we are now actively looking at. We will continue, as a board, to meet at least twice a year with all the unions face to face.

Chairman, States Employment Board:

There are some changes happening within the whole workforce structure, so bullying and whistleblowing comes out today as a revision on the policy. The structure around performance management is also starting to come together. That will then mean that the principles will be that with the Strategic Plan and then the Government Plan, that will then start changing the metrics, if you like, by which management is judged. That will then feed down directly into the workforce. My understanding, that is probably the first time that has been done as well. So you are seeing some other changes going on around the workforce as a whole rather than just focusing. There are a lot of facets to the issues we are dealing with.

The Connétable of St. Martin:

Do you think we have a moral obligation to ensure that people working in the States of Jersey do not find themselves worse off year on year in real terms?

Chairman, States Employment Board:

I am not too sure if I can add to that at this stage because the difficulties are, as I said we are in the middle of a live negotiation, and I think one of the issues one does have is around the old benchmarking issues, which are coming through. They have been around for a long time. There are differences within the different pay groups, where there are inconsistencies. I am going to look at the officers and Richard and the rest of S.E.B., but I think it would be fair to say the unions do recognise some of those and they do need to be addressed. I think one also has got that balance between the public sector workforce but also the private sector, i.e. the Island community, the impact on Island finances and making sure that is correct. Also what is happening in the outside market as well. I do not know if the officers want to add to that.

Head of Pay and Reward and Employee Relations:

Very briefly. There is a moral obligation to spend States money where it is most needed and through the current position and further discussions, we have aimed to direct money particularly to progress towards equal pay for work of equal value, which is an important principle endorsed by S.E.B. and endorsed by all unions, with no exception. Consequently, the offers that we have made, for instance the accepted offer to manual workers and energy recovery facility workers, was for 6.7 per cent over the 2 years 2018/19, the offer accepted by midwives is for 6.1 per cent over those 2 years, which are the 2 highest offers that I have made on behalf of the board.

Director of Employment Relations and Organisation Design

It is probably worth noting, just as an observation, that the States Statistics Unit back in June last year, they produce an average earnings report on a regular basis, which I am sure members are familiar with. That shows very clearly that the finance sector's average earnings per week is about £1,020, the public sector's is the second-best paid workforce group in that group at £960 a week. The mean for the Island as a whole is £740. I think when we are looking at our pay awards, we have to take factors like that into account as well, as I am sure you would appreciate.

Senator K.L. Moore:

That is an interesting point and certainly a line of questioning. We have also looked at the average earnings in depth and since 2001 it is possible to track the movement and compare private sector average pay with public sector average pay, and there has been a widening of the gap. Would you not agree with that?

Director of Employment Relations and Organisation Design:

Yes, I mean the facts are the facts, are they not? They are never really clear and very explicit, that is that bit there. But I think it is back to the observations the Chief Minister made, and I am sure it

is true not only of this administration but previous administrations, and look to that tracks back, that everybody recognises it is important to be circumspect with the public finances. You have to be.

Senator K.L. Moore:

The issue of benchmarking was raised by the head of pay and reward. I believe that benchmarking has been done with either councils in different cities in the United Kingdom, is that correct?

Head of Pay and Reward and Employee Relations:

We do a lot of benchmarking and under the pay and reward review that S.E.B. have commissioned, which I have to report by the end of March, we are doing some further detailed benchmarking both on and off-Island. In relation to benchmarking data that we have, we can demonstrate that the public sector pay, up to the point where the more senior levels kick in, is generally higher than the private sector. There are some dangers in making these comparisons because we never exactly compare like with like because of private sector practice, for instance, to give a non-cash benefit such as private medical insurance, in some cases car parking and bonus payments, of course, although on Jersey, bonuses have been quite restricted over the last couple of years, probably impacted by Brexit uncertainty and other economic factors.

[11:30]

Our comparisons tend to be cash only, base pay plus pension provision where the States pension contribution is, on average, 16 per cent. The private sector average is a little bit over 7 per cent. Those factors have to be taken into account. We also look at wider issues such as recruitment matters. I know they were raised by the unions to this panel on 14th November and to attrition rates because the pay policy at the States is to attract, retain and motivate talented people, and that what I and my team and those who preceded me - I joined in May last year - have been focused on. I think at the moment we are successful. There is often talk from the unions about an exodus. There is no evidence whatsoever to support the assertion that that is true.

Senator K.L. Moore:

If we could go back to the point about benchmarking: how are the locations in the United Kingdom determined if a benchmarking exercise is to be carried out against those?

Head of Pay and Reward and Employee Relations:

We look at those areas where predominantly we focus recruitment activity, so very important is inner and outer London, because that is a big recruitment marketplace for us for a whole range of roles, ranging from social work through to nursing into some specialist roles, but we will also look at the major conurbations, most particularly Manchester, Birmingham, Edinburgh and Glasgow.

Senator K.L. Moore:

How much does the cost of living in each of those locations, particularly the housing, factor into the decisions to benchmark against them?

Head of Pay and Reward and Employee Relations:

That is a very pertinent question, because we look at the cost of living and we also look at disposable income, because that is an important side of the coin. Tax treatment within the States is advantageous compared to the U.K. (United Kingdom) for salaries above around £35,000. It is not especially different for salaries below £35,000. In addition to that, we look at the cost of housing in inner cities and other more rural locations and we factor in non-cash issues such as quality of life and length of commute and of course the cost of those commutes.

Chairman, States Employment Board:

Maybe it is helpful to add, we have got some data, some of which we can certainly obviously pass on to you, but if I give an example. I would not like to bet my house on the figures, if that makes sense. In other words, it gives us an indicative thing. We need to do some more validation around it, but it gives you an indication of the data we have been receiving, which is only from one particular source, but the indications are for a civil service grade 9 - and grade 9, according to the figures I have, is around 10 per cent of the workforce, 339 - it ranges from £40,000 to £47,000 in terms of salaries. We have done a middle range of just under £43,000. The private sector equivalent kind of positions in terms of the work and things like that range from about £30,000, £39,000, £38,000, £36,000, there is one at £43,000, so that is out of 6 posts, 5 would be less than the grade 9 that it is being compared to. I really caveat that, because it is only from one particular source and obviously if you want to get statistically significant, you should go and speak to the Stats Department about how you make sure that you are getting accurate data. It is giving us a reasonable indication that the grades we are dealing with, public sector and relative private sector - I believe this is before pensions, Jonathan can correct me on that - is still well-placed. That is consistent with some of the other statistics we have had in the past, where I think it is about 85 per cent overall of the workforce compared to the private sector are quite well better off - that is the wrong expression - are better off than their private sector equivalents. But obviously we are trying to get some more information and just give more evidence so that you can turn around and say: "Yes, we are absolutely happy that this is the indication." Now there has been a piece of work behind that to give us a reasonably warm feeling on that. Does anybody want to add to that?

Vice-Chairman, States Employment Board:

I looked at management grades, which are civil service grade 11 management - that would be management in the private industry - and looking at a mid-grade of £55,000 for that. My own

experience in the private industry, £48,000, £49,000 is a normal range of salary for a manager with obviously pension and probably healthcare thrown in as well, so if you add the States equivalent of a final salary and pension scheme ... it is worth emphasising not only are the contributions higher, but also the employer is assuming the investment risk, whereas most pension schemes in the private industry are in defined contribution, where the employee assumes the investment risk. There is a big differential there and it is a very valuable benefit. They are broadly comparable. In fact, the States is slightly ahead.

The Connétable of St. Peter:

Chief Minister, have you explored any alternative methods of negotiation or partnership? I think the question probably has been overtaken by the fact you have entered negotiations with J.A.C.S., but would you in the future be open to an introduction of legislative changes to provide new methods to gain public sector worker support, such as the Scottish Prison Service has entered into a partnership agreement, and in the Netherlands they use a consensus decision-making system, the polder system? Have you considered any of these alternatives?

Chairman, States Employment Board:

One comment I would say, then I will hand over to the officers, is that I do not think we are constrained as to how we can do things. It obviously is flexible enough to adapt to the individual circumstances we face, but unless any other member wants to chip in, I will hand over to Chris, I suspect.

Director of Employment Relations and Organisation Design:

I think there are, as you quite rightly point out, a number of different ways of skinning the proverbial cat. The States itself has a partnership arrangement with some of its teaching units, the N.A.S.U.W.T. (National Association of Schoolmasters Union of Women Teachers), for example, which was signed in one of the previous administrations. That is all about things such as not only pay, but the wider concept of educational change generally. That is a good example of that. Obviously, the unions rejected workforce modernisation, which the States have been working on for some time, but that was built around a partnership model as well, everybody in the room talking through things and so on and so forth. As it happened, in the end the workforce rejected the opportunity, but the point being that there were different methods used to achieve the objectives, so we do try different routes to get to where we need to get to.

Deputy S.M. Ahier:

Given the recent letter from a number of States Members and a call from one of your Ministers to end the deadlock, how has the Council of Ministers dealt with the concerns raised?

Chairman, States Employment Board:

As I circulated to States Members, I felt the timing of the letter was slightly unfortunate, given that we had met with the union that afternoon. We had circulated to States Members that evening with a small update, which basically said we were considering matters. Obviously, we are going to mediation. I think that is probably all I really want to say on that letter, unless anybody else wants to add anything, but in other words, it is an ongoing process that is happening; it is not static. Therefore, just because we are not necessarily commenting in public, it does not mean nothing is happening, because it is a negotiation process.

Senator K.L. Moore:

Chief Minister, the Head of Pay and Reward - this is really a question for him - said earlier on that he is discussing on a weekly basis matters of importance with the unions. Could you elaborate a little? We have talked about equal pay for work of equal value. Perhaps could you illustrate what some of those matters of importance are?

Head of Pay and Reward and Employee Relations:

Certainly. The most important at the moment is the rollout of the target operating model, which is the new organisational structure across the States from top to bottom. If I take civil service unions again, Prospect and Unite, they and we have worked extremely productively together, principally using the T.O.M. (target operating model) rollout across the finance function, because we are using that as both proof of concept and to establish how we consult with unions and with employees. I think we should record certainly on behalf of officers - and I know this is the S.E.B.'s view as well - our heartfelt thanks to the unions for the very significant input through that process and very significant help and assistance to us to do that properly. What is perhaps telling about the professionalism of our trade unions across the piece, not by any stretch limited to any particular pay group, this is across the piece, they are very keen to work with the States productively wherever they can. Clearly, we are in a different position in relation to pay, where many unions are not on the same page as the States at the moment, but we are trying to resolve that. Their deep commitment to both public service to their members and to the success of this organisation is palpable. That builds on the points that my colleague made a few moments ago in relation to the partnership working in that approach. Industrial relations within the States, with the exception of the pay disputes we currently have, has been historically - and continues to be - very productive.

Senator K.L. Moore:

That is really pleasing to hear, but this is perhaps a political question: would the Chief Minister agree that the issues surrounding the T.O.M. and the changes within the public sector have to be handled in tandem with pay, because one is impacting on the other to an extent, particularly when we talk about the moral aspect and the sensitivities and motivation of the workforce?

Chairman, States Employment Board:

When you say “moral aspect”, do you want to elaborate on that?

Senator K.L. Moore:

We talked earlier about moral obligations. I guess alongside that, perhaps there is a sensitivity towards feelings and engagement with the workforce.

Chairman, States Employment Board:

One of the issues is obviously we are still in relatively early days of a new Council of Ministers. A number of things were set in train before our time. One Government T.O.M., to use the expression, was announced on 6th March 2018, so it was before the election. I again would assume that the Council of Ministers of the day was fully briefed on the matter. Obviously again we are also operating under the constraints we have of the M.T.F.P. where, as I have said previously, pay restraints was one of the key factors of that document. I think that is understandable, given the financial pressures that were evident at the time, which obviously we are seeing going forward. The issue is that we are trying to manage a whole range of things and I think it is also fair to say that in a time of change - and I have been through one or 2 in my professional life - where people do become or feel unsettled because that change is happening and you are in the middle of it, that is not about being undervalued or anything along those lines, it is because you are unsettled because change is happening. That is one of the reasons we are trying to put the change through reasonably swiftly is because the shorter the time period of that uncertainty, although it is painful, hopefully the period of pain is shorter. Do we need to balance those up? To an extent, probably, yes, but equally the other thing we will have to take into account is, as we have said, the overall issues facing the Island community, potential pressures ahead. We do not need to allude to it too much again, but Brexit is possibly around the corner and that will generate uncertainty; that generates uncertainty in the wider community and impacts potentially not on our financial management, but our financial position. It is a case of bringing all those factors together, and it is quite a hard act to manage at times, because you will not be able to please everyone on all of those areas all at the same time.

[11:45]

I do not know if Chris or Jonathan want to add anything to that.

Head of Pay and Reward and Employee Relations:

I would not add to that.

Director General and States Treasurer:

No.

Head of Pay and Reward and Employee Relations:

I think that summarises it. That is fine.

Senator K.L. Moore:

Are you able to tell us how much has been spent on the green government programme or the T.O.M.?

Chairman, States Employment Board:

I was going to say, off the top of my head I cannot, but we can certainly get the full details back to you in terms of the costs. There are elements, obviously, so the Team Jersey is £3.5 million and that is over 3 years, and that is around £150 per employee. If I remember correctly - I do not have it in front of me - it is something like a number of interactions per employee during that process. The first stage is due to finish around March, I think, of this year, if I remember correctly, and then that is kind of more the analysis and conversations are happening, then it starts rolling out and that is really fundamentally around organisational change. There will be another figure, which was of Ernst & Young, I believe, or EY, which is around the whole financial transformation stuff. I think part of that was scoped, if I remember, in 2017, looking at the Treasurer. He will not mind me saying this, because this is something he has been grappling with for a long time. That piece of work is partially, for example, the one that identified not the EY stuff, but what then drove into the EY stuff, we have something like £180,000, I think it is, or £120,000, some of which may be unaudited spreadsheets, which are used to produce the year-end accounts, which really these days is not acceptable. But I think one of the other things that has become clear is that you cannot do it off the side of one's desk. This is putting the right resources into the right place to try to achieve the changes. A lot of them are one-off costs, but it is recognising that it is not just the previous Council of Ministers, that it has been over perhaps a decade of under-investment in the structures that most organisations in the 21st century would automatically expect to be in place. No doubt we will get on to interims at some point, when I will elaborate on it a bit further.

Senator K.L. Moore:

Very shortly, but just if I could ask you a couple more questions on this area. First, you have outlined a number of programmes that are underway and we are also aware of those, but who has the responsibility or where does the responsibility lie for maintaining an overview of the total cost?

Chairman, States Employment Board:

I think in terms of cost, I shall hand over the Minister for Treasury and Resources.

The Minister for Treasury and Resources:

Yes, we have the overview of it, obviously because it has come from Treasury resources, which are depleting, but from the point of view of 2 massive changes, a cultural change and a finance transformation change, as you will probably be aware, what they will indicate is where the savings can be made to pay for themselves, essentially. There a lot of areas to tackle. As the Chief Minister said, I do not think anything has been looked at certainly for the last 10 years, so that is what these 2 programmes will do. But yes, the control lies, in essence, with the Treasury. I do not know if the Treasurer wants to ...

Director General and States Treasurer:

Just in terms of overall governance, there is a one government board for officers and there is a mirroring structure for Ministers that has been created to create an overall governance around the One Government programme, so that will look at efficiencies, it will look at the I.T. (information technology) changes, it will have oversight of the finance transformation, the Team Jersey work and everything else, so that will all be in one place.

Senator K.L. Moore:

Does that board maintain a balance of the amount that is being spent on the project?

Director General and States Treasurer:

It depends how far back we go, because we talk about One Government and then people say: "Can we go back to 2017 or do we start in 2018?" We have to be clear on what was due diligence work, what was transition work and work that was coming after that that relates to transformation, in addition to which parts of departments will be undertaking transformations of their own that sit alongside. It may look as though it is One Government, but would have been taking place in any case. Where health transformation takes place, is that One Government? It is, after a fashion, but it was separately running in any case. Around the programme that is decided to be One Government, the finance transformation and suchlike, there will be reporting of costs to date going forward.

Senator K.L. Moore:

Today? Sorry, did you say today or to date?

Chairman, States Employment Board:

To date, I think.

Director General and States Treasurer:

Not today, to date, sorry.

Senator K.L. Moore:

When are we likely understand that figure?

Director General and States Treasurer:

Once we have delivered it up to the political programme board, it will be available for Scrutiny. I would have to look at the schedule of meetings for that.

Senator K.L. Moore:

Thank you.

Deputy S.M. Ahier:

Do you understand the frustrations of public sector workers and members of the public at the number of interim appointments and the amounts they are being paid?

Chairman, States Employment Board:

From the way it has been reported, yes, I can. I am glad you are asking the question, but it is worthwhile, particularly if I can find the right bit, just dwelling on it a little bit. Some of this was, rightly, decisions that were taken prior to the new Council of Ministers being appointed. I will give some examples just to elaborate on some of the reasons that interims are being used. As we know, Children's Services and certain parts of the health services have been in difficulties as a result of the Care Inquiry, so you are going to bring in somebody who is of the right quality. The short-term measure is to start getting that work done and started and then slowly you are going to backfill them with a permanent position. Some of the figures that have been quoted, I will use the head of health as the example, the head of health left and the director of the hospital left and so we had to bring in an interim at that stage. Now, the balance between ... am I able to give those figures? Obviously £27,000 is in the public domain. So the balance between the ... if you annualise them, the director of health permanent position would be about £19,000 a month as opposed to the £27,000, which is in the public domain, on the interim position. It is not a complete new course of £27,000, it is that differential between those 2 figures. That is the incremental amount that has been paid in that position. But, for example, it does compare and is consistent with regards to the question, back in 2011 there were some issues around publicity around the level of pay being paid for what was a lower position - lower in terms of civil service ranking - which was a tier 2. I think it was the director of the hospital, who I think was brought in on an interim post and was being paid an amount consistent to the amounts that were being bandied around for the head of the Health Department. That is the problem when you get into those places, because it is effectively a temporary contract, you are having to pay the higher amounts. I will give another example, which I had heard anecdotally and then has been confirmed as well: it is that anybody listening from the ... well, anybody listening,

hopefully, but certainly from the private sector, will be aware of the G.D.P.R. (General Data Protection Regulation), so that is the whole changes in how data protection is being handled. Many organisations I would say have been preparing for it for probably 2 years. When the chief executive came in, I think in November 2017 roughly, he was asking a question and was basically told there had been little or no preparation for G.D.P.R. Bear in mind it was 6 months away. That might focus some people's minds, that you have to be ready, given the legislation that is coming through, so therefore there are grounds - and it was under, as I said, the previous C.O.M. - and it was the right decision. You have to bring people in to get through that issue. What I am trying to say, I suppose, by using those examples is that there are sometimes genuine and absolute reasons why the money has to be spent. Yes, I suppose that is reactionary, because obviously under the previous, shall we say, management at an operational level, for whatever reason things had not been done. This was a position that was inherited with a very short deadline ahead. What are you going to do? You either do not conform, which raises all sorts of issues as a government, or you throw money at it, because you have got to get it in place. So G.D.P.R., Children's Services, health are kind of the examples that I think people do not understand. They just hear a headline, but there are quite legitimate reasons for it. Obviously, the plan is either that piece of work gets completed, yes, we have to take a hit because this is stuff effectively whichever C.O.M. it is, this is identified to them, so it is something they inherit or we inherit and have to deal with, because otherwise the consequences are more costly overall. Obviously once that piece of work is done, then hopefully that interim post either goes away, because the work has been completed, or then you can get your improvement process in place to get a permanent position in, which then brings the cost back down to a manageable level. That is why I referred to them, to an extent, as one-off costs; they are not recurring costs. Well, they should not be regularly recurring costs. They are there, designed to deal with very specific issues. It goes back to the issue I mentioned earlier: one of the problems in any transformation programme, which is what we are going through, is in the past it has been done off the side of somebody's desk, so somebody is doing their day job and they are trying to handle massive change. This is part of that aspect of putting resources into it properly to ultimately achieve a better public sector, whether that is for the environment for the employees, for us as politicians and for the senior management in terms of delivering things on a more efficient basis. Ultimately that is all about the community and the taxpayer as well, but there are one-off blips, which of course if they are not communicated correctly, the public will get a perception which is not necessarily always the right one.

Deputy S.M. Ahier:

How many of these interim appointments will turn into permanent appointments?

Chairman, States Employment Board:

That is a good question. On that detailed basis, I am going to hand over to Jacquie, I think.

Director of People Services:

We have got 9.

Deputy S.M. Ahier:

Nine?

Director of People Services:

Yes, will eventually turn into permanent posts.

Deputy S.M. Ahier:

Would you call that a blip, Chief Minister?

Chairman, States Employment Board:

Hang on, just to clarify, so 9 of the interims become permanent posts. Does mean then the ...

Director of People Services:

Not necessarily the person in the post, but 9 of the interims we would look to permanently recruit to a post of a similar nature.

Deputy S.M. Ahier:

All right.

Chairman, States Employment Board:

Yes. It is on the context of a workforce of 6,700.

Deputy S.M. Ahier:

Yes. Was your intention for them to be interim appointments or was your intention always for them to be permanent appointments?

Chairman, States Employment Board:

Some of these, as I said, have come in from decisions made pre the elections, so they are ones where the decision has been made. I am saying that I do not disagree with those decisions because when I have looked at the ones I have had the chance to look at, they make absolute sense, because the issues we have been facing in terms of G.D.P.R., children and health, you do not have any choice, but you have got to deal with it.

Deputy S.M. Ahier:

Okay, thank you.

The Connétable of St. Martin:

How does the S.E.B. guarantee value for money for interim appointments? How are these appointments and their respective value monitored?

Chairman, States Employment Board:

I think I am going to hand over to Richard on this, because I know that this particular S.E.B., which I am fully supportive of, have put in some better controls around the interims, but I will let Richard or any of the other members elaborate on that.

Vice-Chairman, States Employment Board

When we look at an interim role, whether it is either a new role or an ongoing role, we always ask for a presentation on the objectives of that role. If it is an ongoing role, we also ask to see what has been achieved in the time up to the renewal and what further work is required to finish that work off. Those objectives are rigorously challenged with the officers to make sure that, first, we need that person, and secondly, they are doing a role that is valuable to us as an organisation. There is a high degree of challenge on the process.

Chairman, States Employment Board:

That is, I think, a new process, as I understand it. It has not necessarily been done previously.

Director of Employment Relations and Organisation Design:

I could add obviously the process is known as a P.59, which comes back to Deputy Bob Hill, in his day, when he instituted it via the States Assembly proposition. Every board - this board and previous boards that I have secretaried - have been very rigorous in following through on P.59 because they are reported back in the S.E.B. annual report to the States Assembly, so there is scrutiny there and there is governance there. This particular board have improved the governance. One of the key aspects of improvement is the introduction of the relevant Minister signing off the P.59, which I think is a good step forward, because it is very clearly sighted and so forth.

[12:00]

I think there are things going forward where I suspect we will tighten them up again as we roll this forward.

Senator K.L. Moore:

That is at the initial point of agreeing to go ahead with the appointment?

Director of Employment Relations and Organisation Design:

Yes.

Senator K.L. Moore:

But what about on an ongoing basis once ...

Director of Employment Relations and Organisation Design:

Would it help if I took that? I am probably more familiar with it than most, I guess. Look, what happens is that the approval takes place for a period of time, so it might be 3 months, 6 months, occasionally 12 months, if it is needed. It has never been more than 12 months. Obviously, the theory is at the end of that assignment, if the individual has done their job ... if there is a requirement to extend it for whatever reason, then the issue has to come back to the board and, as Constable Buchanan said a few moments ago, they are rigorously looking at: "Well, did you deliver what you said you would deliver?" There have been 2 or 3 examples, it is appropriate to say, where some interims have not quite delivered on what their expectations were and their assignments have been terminated, which you would expect.

Senator K.L. Moore:

We are going to move on now to finance.

The Connétable of St. Peter:

Chief Minister, you have maintained that there is no more money to offer higher pay rises, yet our Budget review found that it was unusually high amounts being maintained in the consolidation fund. Why can you not allocate some of these funds towards higher pay rises?

Chairman, States Employment Board:

I think that the point I have made, and again ... and I will pass over to the Minister for Treasury and Resources and the Treasurer, but bear in mind what we said about being in the middle of negotiations, so I shall try and be somewhat circumspect. So normally any pay rise means it is a recurring expense and certainly the figures I have alluded to previously is that if it was a full cost of living across the board it was around £9 million a year. So that is not just this year £9 million, it is next year £9 million and ongoing. Of course, any pay award in the future then builds on top of that £9 million. That is also in the context that the awards that were already on the table are partially unfunded going forward, so essentially any recurring level of expenditure just makes the situation more difficult from 2020 onwards. Now, as I have alluded to previously, I certainly was not aware of the ... at least, sorry, as far as I am aware I was not aware, if that makes sense. I am just wondering if there is any documentation that came through on the corporate level, but I do not believe so. I do

not believe I was ever aware of the deficits that we were facing in 2020 onwards. Therefore, that is the issue around we have to keep an eye on what we do now relative to the impact on 2020 onwards. Now, if one goes into ... there are some sums of money on the consolidated fund and they are more than I think everyone was potentially expecting, but they are one-off pots of cash and they would be very easy to use up very, very quickly in terms of ... if you say £9 million, well, okay, just to keep the maths easy make it £10 million. It is not but that is obviously £40 million in 4 years type of thing. Obviously, it is £36 million. So that starts putting some quite significant dents into a liquid reserve that we have in the context of, as I said previously, Brexit, possible impacts on our financial position that we do not know. We now know obviously we have further work to do on the hospital because of the rejection of the planning application and there will be other pressures which will be one-off costs that we will need to fund. So that is why I have always made reference to this issue around we have a kind of financial envelope that we have to ideally keep within. The focus has to be on recurring expenditure and revenue costs, but is there something one can do within that financial envelope? Let us see how we go, and I think that is probably me saying enough on that front. I do not know whether the Minister for Treasury and Resources or the Treasurer want to add anything to that, but that is the context we are, as far as I am aware, still operating under.

The Minister for Treasury and Resources:

Just to reiterate really what the Chief Minister has just said, and as I have said in the States Assembly on many occasions, it is the problem of the recurring cost. If it was a one-off I am sure we could find it, but when it goes up each year ... and it is not just the pay, there is £359 million being spent on salaries in the public sector at the moment and £24 million, roughly speaking, on the table and there is only a certain limit to which we can extend on the basis that it is a recurring cost and we have total fixed expenditure, as has been said before, because of the M.T.F.P. in 2019.

Director General and States Treasurer:

I think both of you have covered the recurring element and, not to recur with the recurring element, that is very much the point, the point being a responsible Government would have a plan as to how it would fund any measures going forward. That has been our problem in the previous M.T.F.P. in terms of agreeing expenditure but subsequently not agreeing the income measures that go with it. Luckily, fortuitously, we have had better income and that has compensated for the lack of all those measures not having ... not all of those measures having been delivered. Going forward, while you could take money out of your savings account to pay for the pay rises, that would not deliver a plan for how they would be paid for going forward.

Chairman, States Employment Board:

I think there is one other context which any new Member will recall, and any existing Members if they attended the briefings, but a briefing was held to the States Members and the Treasurer was

there; obviously he gave the briefing. All the figures I believe to date assume that all the savings that were incorporated into the present M.T.F.P. are achieved, and at this point in time it is fair to say there may be some doubt as to whether they are all going to be achieved to the magnitude they needed to be achieved and on a recurring basis. So there is a further level of uncertainty attached to those figures and that is to the downside. I do not know if anybody else wants to add anything. So, I reiterate the point that we are going to ... we have been discussing it, we have been negotiating it, and we are now going to mediation. Obviously, from our point of view, our starting point has to be that we have that financial envelope that we have to continue to respect, but let us see how those negotiations go. Because there is a will to try and get to some formal position.

Senator K.L. Moore:

There are 2 points there really to make, I think. One would deal with recurring costs and that would be the target operating model that we have just been talking about and the changes to the public sector that are under way. We are promised that they will return a £30 million saving year on year, yet that figure is not represented in any forecasts that have been published to date. So one has to take that into consideration when looking at the red numbers that are placed before us because we are aiming, as the States of Jersey, to return a £30 million saving recurring year on year.

Chairman, States Employment Board:

But the maths is that the £30 million ... and that £30 million assumes that all savings that were committed to in the present M.T.F.P. by the previous Council of Ministers are achieved. So for prudence at this stage let us assume that £30 million is going to be worse, but equally if we add in, let us say, £9 million depending on how those figures fall, that takes you ... you are still in deficit. It does not achieve ... it sorts out the present problem without having the pay rise in there. Now, as we all know, there are all sorts of fluctuations that could occur but it is not going to solve all of our problems. It makes the problem easier and, again, the principle is that from a prudence point of view you do not willingly throw an extra amount of a recurring expenditure into that pot without knowing where you are going to fund it from. At this stage, we cannot identify that and that is part of the issue. Does anybody else want to add to that?

Head of Pay and Reward and Employee Relations:

Chair, could I add just a little bit of detail? As the Minister for Treasury and Resources mentioned, the pay bill is currently £359 million. The current offer is coming up to a further £27.4 million, which will take the pay bill to £386.4 million recurring, as has been said. The £30 million to £40 million gap will be added to by anything we do negotiate through this further process. In order to arrive at sustainable public finances in relation to head count, the target operating model basically works from the bottom upwards to determine what needs to be done to provide the services that the States wish to provide to the public of Jersey. So, while that work is being done, it is very difficult to say what is

that number going to be. I think it is fair to say that people involved with that understand the pressures of under-investment in the past. If I take finance as an example because I know it well, its costs in the first year or 2 from the rollout of its own target operating model will increase by about a million per annum, but that will fall out in due course as efficiencies are achieved. So that is an investment in improving the financial governance of the States and in supporting all other directors general to do what they need to do. So, from a point of view of a pay negotiator, that should not drive a pay negotiation but it provides context about how we do need to manage the sustainability of cost going forward. The final point that I would want to make, because I think it is pertinent, is that we have been very careful not to fill vacancies wherever possible with permanent appointments - this is not a point about interims, it is off that point completely - across the States. So we are carrying in the region of 650 vacancies at the moment which are filled by a combination of extra hours, people on zero hours contracts stepping up, part-timers doing more work, overtime, agency, bank and so on. The cost of that in 2018 is marginally higher than the cost had we filled those jobs permanently, but the point is to retain vacancies so that if there is displacement within and between directorates we have homes for people to go to to maintain their employment and livelihood and also to avoid an unnecessary redundancy cost. So the planning around that whole piece is very, very comprehensive and has some significant questions in it yet to be answered as to what is the final cost position going to be once those target operating models are rolled out across the piece.

Deputy S.M. Ahier:

If Jersey continues to enjoy strong years of revenue, will you be able to link this to public sector pay offers? That was preceded by "if".

Chairman, States Employment Board:

I think at this stage, because funnily enough ... no, I will not make that comment. I will make a comment to you offline, I think. I think at this stage I am not going to dwell on a hypothetical question, particularly in the middle of a pay negotiation.

Deputy S.M. Ahier:

Okay, fine, thank you.

The Connétable of St. Martin:

Deputy Southern's proposition had the support of a large number of States Members and was defeated by a narrow margin. Has this had any direct effect on your policy as a result?

Chairman, States Employment Board:

I think the answer is probably no and the reason I say that is ultimately - I think as I said in the statement - none of us like being in the position we are in, if that makes sense. I am not aware of

any warped senses of humour around here, if that makes sense. So we accept we are in a very, very difficult position but we are also trying to be in the position of managing the finances appropriately. So would things have changed? I do not know, obviously, because they did not ultimately and so we have carried on. I keep going back to that point, and bearing in mind in the context of where we are, of operating within the financial envelope that we are having to operate within. With the year of uncertainty, in a Brexit year potentially, and with the other uncertainties around the savings that may or may not be made and how that comes together, from a prudence point of view keeping an eye on what happens in 2020 and onwards from a recurring point of view is quite important. So I hope that gives you the round, but in actual fact if I can just use the opportunity, and I have said it privately, just to thank all the members of S.E.B. because it has not been ... sorry, I was going to use the wrong expression. It has been a very difficult position to be in and the whole team has worked incredibly well. So on record, I thank all of the members of S.E.B., including the former chairman, because they have done a very difficult role, a very responsible role, and they continue to do so.

[12:15]

Senator K.L. Moore:

Could you tell us what the forecast outturn is for 2018, please?

Chairman, States Employment Board:

I think I will hand it to the Minister for Treasury and Resources and Treasurer.

Director General and States Treasurer:

We are currently closing the books for 2018 and we will then go through a process of audit for that and we will release the figures under the normal protocols for post-audit release. I am happy to give briefings to the panel offline once we think we have a good and nailed-down position on the numbers, but also what we need to do is look to see what that means for the 2019 forecast and also 2020 to 2023 forecast in terms of the Government Plan because if we had not done forecasts for 2020 and beyond we would not know the consequences of decisions we make now. Faced with the income we currently have and on the assumption that savings will be delivered it is important that we bottom that out and any income forecasts should be updated to bear in mind the outturn from 2018 as well.

Senator K.L. Moore:

We have heard that there is some concern that some of the savings that were due to take place in 2018 and 2019 are not to be met. So do we have any indication whether it is likely to be a positive or a negative figure for 2018?

Director General and States Treasurer:

It is undoubtedly the case that some of the savings for 2018 have not been met on a sustainable basis and they will otherwise be managed within departments on a one-off basis either by delaying projects that they have on the cards and they have money for or delaying the employment of people if vacancies arise. There are a number of measures in order to balance their petitions, including taking money from contingency to assist.

Senator K.L. Moore:

We do have somewhat ... and this harks back to Deputy Ahier's previous question about economic performance and how that reflects back on States accounts sometimes. We do have somewhat of a tradition of having considerable underspends in our system.

Director General and States Treasurer:

If it helps at this early stage, I can confirm that the underspends are nowhere near where they were in previous years, even on my understanding of the numbers at this point.

Senator K.L. Moore:

So if we look at 2017, I think the underspend was about £26 million, which was transferred to contingency, a significant percentage, yet we have seen a press release that showed £5.3 million of that had been allocated through the Investment Appraisal Board process to various projects. So where does the rest of that money sit?

Director General and States Treasurer:

Some of that money is being used to pay the funded part of the build and there are a number of measures or a number of decisions that have been made, as the Chair maybe knows, in terms of funding recurring expenditure on programmes that were deemed necessary at the time on a recurring basis from contingency. That has not been funded necessarily from the in-year contingency but from some of those brought forward sums of contingency from previous years' underspends. As I say, some of that money is in the envelope that we allocated to pay.

Senator K.L. Moore:

Okay. So next we are going to carry on this theme. Given the forecasts that we have touched on previously, we have identified that that does not contain the projected savings year on year. However, could it be explained how the black hole was calculated?

Director General and States Treasurer:

Sorry, I do not think I have ever made any reference to a black hole, Chair.

Senator K.L. Moore:

Well, we have been told that there is a structural deficit and that that was a political decision to announce that it was so, and that is the basis for the decision to retain the point that there is no more money.

Director General and States Treasurer:

So if we are talking about the particular structural position in this point going forward for 2020, you will recall from the Fiscal Policy Panel - and we are lucky to have the Fiscal Policy Panel - that in particular the Fiscal Policy Panel is saying we should be balancing the books by 2019. At the time I think they were broadly in line with that. Therefore, if you should be balancing the books at that point from having a view of where the economy is, any deficit over and above that should be regarded as structural as opposed to a cyclical deficit.

Senator K.L. Moore:

We have also followed ... sorry, go on, you were going to continue.

Director General and States Treasurer:

In terms of how it is calculated, what we have done ... so we talk about it not including the efficiency savings and that is not surprising given that it was in Budget 2019, which was lodged in the autumn last year. What it also does not include is any provision for any investment in initiatives that might fall out of either the Council of Ministers wishing to do so or the States Assembly wishing to do so off the back of the corporate strategic ...

Chairman, States Employment Board:

Common Strategic Policy.

Director General and States Treasurer:

Yes. So it does not have any growth in those areas other than a forecast of where we see health requirements being off the back of the P.82/2012 health strategy. That is not to say that should not be reviewed; that is nevertheless the case. You have the base budgets for 2019 to which we add inflation, and we have used the F.P.P.'s (Fiscal Policy Panel) forecast of inflation, be that on pay or be that on non-pay items. You have matters that are still to be resolved after this Medium-Term Financial Plan, which is that all the income-raising measures were not delivered. Also, there is a grant to the social security scheme. That was fixed at £65 million for the period of this M.T.F.P. but will unwind and when it unwinds in legislation that will amount to £80 million. We also have the additional amounts of pay that we are providing for here as well as transfers to the health budget that were due to take place out of the Health Insurance Fund, for which there needs to be a replacement measure now. We also have a number of initiatives that were agreed out of

contingencies, as we call them, which have a recurring element and which our estimate is that both the Council of Ministers and the Assembly will want to see recur. They are investments in Children's Services, for example. There will be investments in financial crimes units, necessary investments in the international team in taxes, and then on top of that you need to reintroduce some element of reserves to provide some flexibility. It is that bottom-up approach to understanding where the expenditure is. On top of that, as the Chair will know, is that we undertake regular reviews of the income forecast and update that on the basis of the outturn but also on the basis of the Fiscal Policy Panel's endorsed assumptions of where we see the economy and, in particular, where we see inflation impacting but also the levels of employment.

Chairman, States Employment Board:

Can I just make one or 2 points? As somebody said earlier, you mentioned that the savings - I think Richard may have covered it - were not included in the figures. The point is that the savings are included in the deficit figures. It is assuming that they are being achieved. What we are saying is that if they not achieved, then the deficit gets worse. The other point is the saving figures are included. So if there was a provision to save £3 million, it is in those figures. If we only achieve £1 million, that deficit gets worse.

Senator K.L. Moore:

If I could just probe back your budget to 2019, on page 93: "Equally, none of the considerable savings it is anticipated will be delivered as a result of implementing the target operating model have been included."

Chairman, States Employment Board:

Oh, sorry, I was taking about the M.T.F.P. figures, which is that we are saying that the M.T.F.P. figures, i.e. this year, so the M.T.F.P. which has been going on from the previous Council of Ministers into this year, included various figures for savings.

Senator K.L. Moore:

But in your budget your Government agreed to follow the F.P.P. advice and put £50 million into the stabilisation fund and I think, if I am correct, it is £126 million in the Consolidated Fund, which is being set aside for your decisions around the Government Plan and what will occur then. It is really quite a good position one could say.

Chairman, States Employment Board:

That is not a saving. No, hang on, what we are talking about ... all I was trying to clarify is savings and revenue expenditure and the M.T.F.P. figures and the deficit figures going into 2020 include certain assumptions that all the savings identified in the M.T.F.P. will be achieved. If they are not

achieved, those figures will get worse. You are right in that we have not included the savings coming out of the other side of things, which is, one would hope, be how we manage things. The point there is it is about recurring expenditure versus one-off pots of cash and not making the position worse because of the other pressures coming down the line. The other point is I think you made reference to a political decision. Certainly, as far as I am concerned, and I am pretty certain I can speak for the other politicians around the table, we have not made any political influences on the figures that are being reported. They get reported to us by Treasury. We do not tweak them in any shape or form. They are as reported by Treasury.

Senator K.L. Moore:

But when we asked for a briefing on the financial position, we were told that a politician had to be present because the definition of a structural deficit was a political decision, not an officer-level decision. So that definition is a political one, surely. That is what we were told.

Director General and States Treasurer:

Sorry for any misunderstanding. It would be far more difficult to say whether it was a structural position or not - and I think this might be in the F.P.P. report - if we were currently being told to run surpluses or deficits because we would not have a number as to what that would be and, therefore, we would have to do a lot of unpicking. But as the Fiscal Policy Panel is saying that we should be balancing budgets broadly zero between income and expenditure, it is fairly easy to assert that, therefore, if you are running a deficit it is largely structural in nature as opposed to cyclical.

Chairman, States Employment Board:

The point I was trying to make is that reference to a political decision, we are not ... as far as we are concerned, these are the numbers we are presented with. We do not change the numbers in any shape or form. The numbers are not subject to ... well, certainly as far as I am concerned to a political whim to say you cannot include that or you can include that. We can challenge on assumptions but the numbers are the numbers.

Director General and States Treasurer:

As I say, I am happy to confirm that the income forecasts are undertaken by officers through an income forecasting group that has many people on it, including 2 independents, i.e. not from within the civil service or the paid States Employment Board.

Chairman, States Employment Board:

Yes, sorry, I just wanted to try to clarify that anyway.

The Connétable of St. Peter:

Chief Minister, did you approach any other States Members to take up the chair after Senator Vallois resigned and do you expect to appoint another States Member as chairman in the near future?

Chairman, States Employment Board:

As I said previously, no, I did not because it fell to me automatically and given that we were in the middle of, shall we say, pay discussions, I felt it was probably appropriate for me to take up the position (a) because I have a very good team around me; and (b) I was at least familiar with the overall macro circumstances of what was going on. In terms of looking forward, I think that will depend. Let us not try and look into a crystal ball. Let us get through this pay negotiation and see how things settle down.

Senator K.L. Moore:

Given the time, I will just ask one more question, which is a simple one. When will your mediation process start, Chief Minister?

Chairman, States Employment Board:

When will it start?

Senator K.L. Moore:

Yes.

Head of Pay and Reward and Employee Relations:

Shall I take that?

Chairman, States Employment Board:

Yes.

Head of Pay and Reward and Employee Relations:

We are already in discussion with J.A.C.S. about a range of mediation sessions with dates going in the diary starting next week.

Senator K.L. Moore:

Is there a period of time that it is anticipated will be allocated to dealing with it?

Head of Pay and Reward and Employee Relations:

I think those talks need to evolve and take shape and see where we get to. I would expect, on experience, that it would take some weeks.

Senator K.L. Moore:

Thank you. Okay, so is there anything else that colleagues across the table would like to ...?

Chairman, States Employment Board:

I would just add once again thank you to all of the team, both at a political level and the officer level. We are in negotiations. We accept it is a difficult position and we do not need to reiterate on that. I think also do not forget there are other things going on around the whole workforce programme and there are some positive changes coming out as well, not necessarily on the pay side but the other structural changes that we are trying to see. So we are in a position of a time of change. It is unsettling to people, obviously, which we fully understand, but we are all trying as well to make progress forward on improving things. I think some of that progress we are starting to see, fractionally, and that is in terms of some of the changes in terms of the structures that are coming through. Hopefully, those will start to bear fruit going forward. That is really what we are all about is trying to improve a lot of things that for a long time have needed improving. Thank you very much.

Senator K.L. Moore:

With that, I thank you and close the meeting.

[12:29]