



Public Accounts Committee

2019 States Accounts

Witness: Chief Executive Officer of the States

Monday, 11th May 2020

Panel:

Senator S.C. Ferguson (Chair)

Connétable J. Le Bailly of St. Mary (Vice-Chair)

Deputy I. Gardiner of St. Helier

Deputy R.E. Huelin of St. Peter

Mr. A. Lane

Ms. M. Scott

Mr. T. Rogers

Witnesses:

Mr. C. Parker, Chief Executive of the States

Mr. R. Bell, Treasurer of the States

Mr. P. Styles, Head of Group Reporting

Mr. K. Hemmings, Head of Financial Governance

Mr. M. Thomas, Director of Risk and Audit

Ms. A. Rogers, Group Director of Strategic Finance

[00:00]

Senator S.C. Ferguson (Chair):

Welcome to this video hearing of the Public Accounts Committee interviewing the chief executive and his team about the annual accounts. These will be under the same rules as in personal hearings. The usual opening statement, Chief Executive, so it is in the chat column if you want to remind yourself of it. We have lots to get through and we have limited time, so please can you all

keep your answers succinct. Now if we do the introduction for transcribers and viewers. I am Sarah Ferguson, chairman of the Public Accounts Committee. My vice-chairman is?

Connétable J. Le Bailly of St. Mary (Vice-Chair):

John Le Bailly, Constable of St. Mary, vice-chairman. Thank you.

Senator S.C. Ferguson:

We have the Deputy of St. Peter.

Deputy R.E. Huelin of St. Peter:

Yes, Deputy of St. Peter.

Deputy I. Gardiner of St. Helier:

Deputy Inna Gardiner, St. Helier 3 and 4, member of P.A.C. (Public Accounts Committee).

Mr. A. Lane:

Adrian Lane, independent member.

Ms. M. Scott:

Moz Scott, I am an independent member too. Sorry you cannot see me.

Mr. T. Rogers:

Hello there, my name is Tim Rogers; I am also an independent member.

Chief Executive of the States:

Chief Executive Charlie Parker.

Senator S.C. Ferguson:

And if you can introduce the rest of your team?

Chief Executive of the States:

I have in the room with me, appropriately socially distanced away, the Treasurer, Richard Bell.

Treasurer of the States:

Hello.

Chief Executive of the States:

We also have online Peter Styles, Kevin Hemmings and Mike Thomas and Alison Rogers.

Senator S.C. Ferguson:

The accounts are titled "Government of Jersey". Why?

Chief Executive of the States:

Peter Styles can answer that question for you, Chairman.

Head of Group Reporting:

Chairman, the accounts are the States of Jersey accounts and they reference States of Jersey throughout and in the introductions. There has been some confusion to some extent around the distinction with States of Jersey and Government of Jersey when they are colloquially referred to but I can confirm they are States of Jersey accounts as referenced on the websites and reports of the States Assembly. In acknowledgement of the difference between the States of Jersey and the Government of Jersey, there is on page one of the accounts reference to that in the scope of the annual report and accounts and so it does make reference to the distinction between the 2 and where reference is given to both of those throughout the documents to try to give some clarity to the end user. Inherently with the legal nuances between the 2 it is accepted that some readers may conflate the 2 but we have tried to clarify that from that scope on page one.

Senator S.C. Ferguson:

Fine. Now, Chief Executive, what legacy issues do you believe Government has got to grips with and resolved as stated in the accounts?

Chief Executive of the States:

There are a number of areas where, over the last year, we have made progress around some of the investment decisions of the past or operational improvements that we have had to make. For example, we have had significant under-investment by the Government in I.T. (information technology), which has resulted in a whole host of challenges that have faced the organisation. We have, over the last few years, under-invested in our people, which again the Government Plan sought to address that problem around lack of finance in developing our own workforce, being able to look at how we could invest in cultural change and also support staff through some of the changes that we are making as a public service. We have had a long-term problem about the recruitment of social workers, which has resulted in there being, over the last year, some real changes in the way in which we have addressed that deficit, which has seen a significant improvement in the number of people who have been able to be appointed on a permanent basis to what had previously been an area where predominantly we had a huge number of people that had been either interim or temporary and you did not get the consistency across for service users. We have done a significant amount about consolidating a lot of our customer services into one place, which again tended to be

rather disparate and there was not the coherence around some of the approaches to the way in which we have dealt with individual accessing of government services by Islanders. The other area where we have done quite a lot of work in the last period that the annual report covers is in the Treasury and Exchequer service and department, which has seen a significant investment and moving forward has helped us to improve our reporting, our end-of-year accounts, the work that we have been doing to drive improvements in Revenue Jersey, and also work that we have been doing to improve the connectivity with I.T., the I.T. systems that will underpin both the Treasury function, payroll, our people services and H.R. (human resources) systems and procurement. So these are some of the areas over the period of the annual report, which we have started to address, we have secured investment for, and we are making progress on.

Senator S.C. Ferguson:

Super, thank you very much. Was the decision not to reference the uncertainty created by COVID-19 until late in the document a conscious one and, if so, why?

Chief Executive of the States:

Richard Bell is going to pick that up.

Treasurer of the States:

You say late in the document, in terms of being late in the document we have put that as a risk most appropriately where most of the risks are considered as opposed to separately. Prominence is given to COVID-19 as the first risk stated in the key risks section and reference is made to it being after the event or an event after the reporting period disclosure. It is perhaps worthwhile just recapping on the timeline. At the time we first did drafts of this set of accounts COVID-19 was nowhere near the issue and risk that it is now or was at the point at which we concluded the accounts.

Senator S.C. Ferguson:

Thank you very much. I hate to cut you off but you have answered the question and, as I say, we have quite a lot to get through. Deloitte has requested additional fees. Why and how much?

Chief Executive of the States:

Peter, you were going to pick that up?

Head of Group Reporting:

Yes. Chairman, we are still in conversation with Deloitte about the fees, so we are moving closer to agreement but that is still under consideration, so that can be discussed further as that number is confirmed. It is less than was previously charged by PwC in the previous year. So in terms of the key drivers for the additional fee this year, one of the key factors was the change in accounting policy

for income tax, so that was a substantial piece of work, irrespective of Deloitte being new auditors, so them being new added another dimension to that as well. A large proportion of the additional fee is in respect of the work that they had to do to validate the numbers involved in the income tax estimates. There was also the work done on the change in working practice for us and them as new auditors. So, as a complex organisation, we have done a lot of work to raise the standards and processes. They were in their first-year audit, so combined with that they have had to do some additional work to get underneath the fact of those things.

Senator S.C. Ferguson:

Yes, but from the comments I had it sounded as if they were being, not blamed, but held responsible for the extra fees because they were new and had to do extra work. But surely there should be a balance that it is a joint responsibility because they had nothing from the previous year to compare it with because a lot of things had changed. So perhaps it is, as I say, surely negotiation on the fees is a matter of joint responsibility.

Head of Group Reporting:

It absolutely is, Chairman, there is no blame in terms of pointing at Deloitte and saying there is an issue there, it is purely the nature of the work being both the first-year audit and on our side the change in processes and crucially the change in accounting to progress forward. Deloitte have acknowledged that it was definitely the right thing to do to change the accounting policy and that just coincided with the first-year audit with Deloitte, so it did mean that they were coming in both fresh and we had changed an accounting policy.

Senator S.C. Ferguson:

Super, thank you very much. Now we move over to questions on capital expenditure and investment from the Deputy of St. Peter.

The Deputy of St. Peter:

I refer to page 100; was the capital expenditure within budget and is it on track to deliver and what are the additional risks associated with it?

Chief Executive of the States:

Alison Rogers and Richard Bell are going to pick this up, Chairman.

Group Director of Strategic Finance:

Hello, Chair. The question around whether our capital expenditure was within budget, obviously by law it has to be. There are occasions, but not within the page referred to, but there are instances where a project may need extra expenditure, which of course will go through a process of

assessment. On page 100, which is the page referred to, then all capital was within budget. You will know that in 2020 this is the first year that we are going to be doing capital on a cashflow basis, so this is going to be a change for us as to how we are going to be planning for our capital. But you will still see the expenditure going through the accounts on an individual year-by-year basis. In terms of risks, there are risks obviously in the current environment. It is a difficult time with lockdown for things to progress as you might have wanted them to. But I am sure you will be aware that there has been some progress made in terms of ensuring that the construction industry can keep going where it is important that it does.

The Deputy of St. Peter:

If we go to page 217, there is a significant level of contractual capital commitments at the end of 2019, which presumably you cannot withdraw from. However, are you revisiting these commitments?

[00:15]

Group Director of Strategic Finance:

Yes. As you say, there are large commitments at the end of 2019 and those are on a contractual basis. That will include some large projects such as the sewerage treatment works where the contract will be for a significant amount of work and will extend beyond 2020, so there is the possibility, now that we are planning on a cash basis, to release some of that money in 2020 if we need to use it for other fiscal stimulus so long as we replace that funding for that department in future years.

The Deputy of St. Peter:

So are you potentially reprioritising some of the projects?

Group Director of Strategic Finance:

We should keep all options open, absolutely.

The Deputy of St. Peter:

What has been the impact of COVID-19 on the valuation of assets on the balance sheet, including, you mentioned here, social housing, strategic investment and financial assets.

Treasurer of the States:

I am going to take that one. It will be too early to say what the long-lasting or enduring impact will be on the valuation on the balance sheet. Our external valuers are still running through what the impacts will be themselves and do not yet know but will advise us as we go through them; but if I

can just pick up 2 or 3 of the specific areas. States of Jersey social housing through Andium Homes; that is valued on a rental value basis and clearly is underpinned by the income support system, it is on the longer-term basis of 90 per cent of market values for equivalent properties. So the longer we see some dislocation in that market we may see some change in valuations but largely as rent is underpinned through income support we do not expect that to drop off in the meantime. With regard to strategic investments, the Government or States-owned entities, they are largely trading fairly well, we are in regular dialogue with them. One exception to that is obviously Ports of Jersey through the airport in particular, we will have to pick that up further into the year as and when we understand the extent to which the air links will be impacted for the medium to longer term. On the investment portfolio, obviously they took quite a hit as we saw across the globe in terms of investments dropping but the estimate between the end of year and 31st March was about a 13 per cent drop off, which was a lot less than you have seen on certain markets. Indeed during April we have seen up to an 8 per cent, is our estimate, recovery. Obviously that is an early indication of where markets are and we will not know until that levels off to a more sustainable or a basis over the longer term.

Senator S.C. Ferguson:

If we can transfer to zero-based budgeting and Adrian Lane.

Mr. A. Lane:

Good afternoon. I would like to ask some questions on the zero-based budgeting. The last time you spoke to us in November about zero-based budgeting you talked about it as a project. Can you just confirm whether you see zero-based budgeting itself as a one-off project or is the development of the capability that you are running as a project?

Treasurer of the States:

We see it as a project to the extent that it is a project that we need to implement and then get into a B.A.U. (business as usual) way of working for Treasury so that, as I say, the project at this point is the implementation and getting it up and running, so we do regard it as a project in that regard, but we do see it as a long-term development for the way in which we set about our budgeting in Government of Jersey.

Mr. A. Lane:

How will you take insights from the current process to redeploying budget on COVID-19 to support your assessment of what departments really need to spend going forward?

Treasurer of the States:

Because of the way we were running it previously and the fact that we could not have people in the office, and obviously people have been diverted on to the urgent areas regarding COVID-19

response, we have had to pause the project for a while. However, in the last couple of weeks we have formed a view that we need to kick this one off again. It is, in our belief, fertile ground at the moment in terms of using Z.B.B. (zero-based budgeting) and using the way that people have changed the way that they work, reconsidered what a priority is within their budget, we see that it is a useful tool that we could use to inform opening up ways of thinking about what we need to do, what and how we need to do it, and how much it might cost. Equally, there is very highly likely to be a fiscal challenge going forward, which will open up minds to consider things that perhaps in the past will have been seen as a sacred cow, so we see it as a key way by which we can budget across the States of Jersey and Government of Jersey going forward.

Mr. A. Lane:

Why have we slipped 18 months from the date we originally thought it was going to happen?

Treasurer of the States:

We did talk about Z.B.B. a while back but prioritised other parts of financial transformation. However, we did highlight, or the Chief Minister in particular highlighted that he wanted to see this up and running for 2020, so we have got it up and running. We had started early-January, Treasury was to be the first department to go live, we were partway through that when the team, for understandable reasons, had to leave the Island and return back to the U.K. (United Kingdom). That was going to make it increasingly difficult in those early days of the outbreak to make good productive progress so we put it on hold for a while but it will now, in the coming weeks, begin at pace.

Mr. A. Lane:

That will be in time for this year's budget round?

Treasurer of the States:

It will not get all the way through all departments but it will inform us across some of those departments. We will have to recast the plan over the year.

Mr. A. Lane:

So you are obviously in the process of redeploying budgets at the moment as part of your COVID-19 response. Without having done zero-based budgeting, how do you know which expenditure is damaging to cut or which is just a deferment to a future period?

Treasurer of the States:

The way that we are doing this current initiative of halt, defer, reduce expenditure in 2020, and the way that you do zero-based budgeting, it reduces the risk of doing so because you are using the

people who are in the department who know what will damage their services on an ongoing basis and what can be removed from budgets without damaging those budgets on an ongoing basis. Much of the exercise we are currently doing is a natural progression or a consequence of being in lockdown, not being able to recruit quite as easily, much of the capital programme not being able to progress for obvious reasons, so we do not see that there is a high risk at the moment of those steps we take in this interim phase as having a long-lasting, damaging impact.

Chief Executive of the States:

The other bit of the situation though is that there will be potentially a need to change some of the way in which the Council of Ministers original C.S.P. (Common Strategic Policy) challenges are viewed in the light of the post-COVID position. So we are not proposing any changes to the principles behind the Government Plan but the emphasis might be slightly different. So, by way of example, economic recovery might be a priority in comparison to other aspects of what previously was seen as being part of the Council of Ministers' first wave of investment decisions going forward. That might see some shift in emphasis. So I guess the other thing is in this period we will be looking at expenditure and understanding where we are going to perhaps redirect some of it for whatever is deemed by the Council of Ministers as their immediate priority as a Government.

Mr. A. Lane:

Thank you. Looking at the wider finance transformation programme, to what extent are the delivery dates for that at risk?

Treasurer of the States:

So there has naturally been some slippage. A major component of financial transformation going forward would be the integrated technology solution. We have had to, just as it falls from the natural consequence of lockdown, slip that slightly towards the back-end of this year in terms of the procurement process, but we are trying to lay out plans that will hopefully catch time back up further down the line. Some of the other elements, so the training modules, some of those have been put together reliant upon face-to-face and we will and are already reconsidering how we do these as we go through a more-protracted period of people not being in the office but people have got to grips with, on the whole anyhow, the use of the technology through Teams and we are seeing meetings taking place across Treasury, picking up on elements of that. I had an email last week asking me if I would do a video as part of the T. & E. (Treasury and Exchequer) induction and that is just one small example of showing you how we are changing our approach. Some other areas, for example risk management, the embedding of that will slip slightly but that is because we have had to deploy resources and people used for risk management into those high-risk areas of COVID-19 and have them embedded in some of those groups. But governance remains in place; we are still having programme management meetings at the governance level for Treasury and Exchequer, for my

senior leadership team. As I say, we are reintroducing Z.B.B. further down the line. It is fair to say that you have seen some of the benefit of finance transformation progress to date. It meant that we are in a better shape to appraise lots of business cases that people are putting together and indeed advise them on putting those business cases together, so we have certainly seen some benefit from having done that, even if it will not be perfect afterwards I am sure. But I see now through the initial phase that we are picking up lots of that transformation work going forward.

Mr. A. Lane:

So we should understand from what you have just said that you will have made a decision on your future finance system provider by the end of the year still?

Treasurer of the States:

Yes.

Chief Executive of the States:

Yes. Just so that members of the committee are aware, while clearly the Government has been focusing on the crisis created by the pandemic, we have been also proceeding with a number of B.A.U. items, which are deemed to be important, and potentially are also going to be critical both organisationally and potentially economically. So the public service is not just completely and all-consumed by the crisis, albeit large parts of the workforce are focusing on it, so we have people that we have separated out, we have been doing work on a range of big-ticket projects. The hospital is a good example about that, and the technology progress is another one. Because, if there is one thing that the crisis has shown, is that the problems that we have talked about, about technology, while colleagues have done a sterling job in getting and keeping us live, it has not been without a huge amount of work, which showed the paucity of our systems and processes, which we have been talking about for some time, in reality being very much a risk for us. So we have created aspects of people's work, which is just focusing on B.A.U., because we know that we will come through the crisis at some point and we need to be able to continue the work that is a priority for the Government, particularly around some of the base infrastructure, whether it is systems, whether it is about people or whatever.

Mr. A. Lane:

Thank you, Treasurer and Chief Executive.

Senator S.C. Ferguson:

If we can move to Inna Gardiner for the question on income tax policy.

Deputy I. Gardiner:

Thank you, Chairman. In 2019 income tax policy was changed to recognise the income tax in the year in which the underlying income tax was earned, not the year the tax return was paid. I would like to bring your attention to page 233 where the accounts show over £350 million of accrued income tax recognised but not received, as well as an additional £114 million income tax receivable not collected. So my first question, and it is connecting to the risks, is there the risk to recovering that money? If so, what percentage?

Chief Executive of the States:

Peter and Richard are going to deal with this.

[00:30]

Head of Group Reporting:

Just in terms of the recognition, as I referred to earlier, that was a decision that has been backed by the auditors, Deloitte, so it was absolutely the right thing to do from an accounting perspective and in itself does not pose a risk by recognising the tax in that way. There is obviously always a risk with any debts to recovery and particularly in light of the COVID impact on employment and earnings that risk could be perceived to be greater. At this stage it is too early to understand what the percentage impact is likely to be but what we can say is that the sectors or market sectors that are worst affected or most affected currently are not necessarily where our greatest proportion of income comes from, so there is an inherent stabiliser in that respect from an income tax perspective. It is also worth noting that the payroll co-funding scheme has been supporting those sectors that are worst impacted and in itself that allows income to still flow through the system and support the income tax payments on the back of that.

Deputy I. Gardiner:

I would like to take it a bit further. I accept that as an accounting point of view it should be done this way. If I am going purely to the money and if you will compare to the year, previous year, what percentage has not been recovered? What percent generally average has not been recovered for the taxes paid, should be receivable, sorry?

Treasurer of the States:

At this point that is quite difficult to say what will happen for the rest of the year.

Deputy I. Gardiner:

I am not asking the rest of the year. If we are going to 2018 what the amount, percentage of expected tax, has not been collected, can we compare what the risk process was put in place regarding COVID-19, regardless of COVID-19?

Treasurer of the States:

Regardless of COVID-19, the figures up to March were holding up broadly similar to the figures for March for previous periods. When you think about how recently COVID-19 has started to have an impact, but when you also consider, as Pete has picked up there, lots of those sectors and in particular financial services was not seeing any early signs of impact from COVID-19 and as far as we are currently aware have not, so it has broadly stayed as it was for previous years for the first 3 months. We are just obviously in the early days of finalising the position for April and we will know more as we go through it, but when we were looking at modelling, and I think just to emphasise again what Pete said, when you look at where the tax flows from it does not flow from those sectors mostly impacted from COVID-19, be it in the shape of corporate taxation or be it arising from personal taxation. We have done some modelling and we have used that when we have been putting together the business case for borrowing, which we have taken through now, but the points that Pete made around financial services, around Government employees still being paid and they are paying their I.T.I.S. (Income Tax Instalment System) applied. Towards the end of this year we will find ourselves knowing more but also towards the end of this year we will find ourselves in the situation that we were before I.T.I.S. was introduced, i.e. people will receive tax bills at the end of the year, those amounts would still be due and we will get into considering over what time period they are paid off. But, as things stand, those taxes will still fall due and it will all be about whatever policy we have in place at the end of the year as to how long people have to pay that tax that is due and was on 2019's earnings, not 2020 earnings, was due from then.

Deputy I. Gardiner:

It would be very helpful for me, I mean I am not coming from an accounting background, what I tried to understand how much money from income tax has not been recovered for the previous year and in this case how much from £140 million might be not recovered; it might be not received, collected for this year. If we are taking everything out, if we are taking COVID-19 out, simple answer, how much has not been recovered in the previous year and will never be recovered, how much can be lost?

Treasurer of the States:

Pete, do you want to talk about the receivable versus the accrual?

Head of Group Reporting:

Yes. In terms of the debt, if you ignore the change in accounting treatment, if you like, which is just an accounting entry to recognise that extra year, so if you think about the cash versus the tax bill, which I think is what you are talking about, but please correct me if I am wrong.

Deputy I. Gardiner:

Yes, I am talking about the cash you get in.

Head of Group Reporting:

So I do not have the exact numbers to hand but we can always come back with that to confirm the precise numbers we are looking at, but if you look at the debtor in the accounts and consider that, at least in the year prior, so 2018 and 2019, if you strip out that accounting entry for the accrued income tax for the change in policy, the level of debtor remains fairly stable. What that indicates is that the cash being paid is going through, we are not facing an ever-increasing level of debt that is going up when people are not paying their tax bills. So there is an element where the tax debt is constantly being monitored and followed up and closed down. There will always be an element of debt that is not recovered and that is the number that I can come back and we can report back to you and confirm what that percentage exactly is, but I do not have that to hand currently.

Deputy I. Gardiner:

Thank you and we will move forward and the last question: is there a risk in recognising the income before collecting the cash?

Head of Group Reporting:

Just to pick that one up again, so I probably touched on this slightly in the first part of the question, but there is to some extent an inherent risk with any debt but this in itself as an accounting treatment is no riskier than any other accounting estimate. Accounts everywhere use estimates for both income and expenditure as a normal course of business so this is purely using an estimate of income rather than waiting for the final assessments. It is something that we have cleared through our external auditors, they support it, and it is a move that aligns ourselves with common practice in an accounting sense. So that by itself does not increase the risk; the risk is on the recoverability, which, as we have covered in the first part, is down to the impact on the economy and earnings more widely.

Senator S.C. Ferguson:

Now if we can turn to Moz Scott and risk management.

Ms. M. Scott:

At the time the accounts were produced COVID-19 was identified as one of a number of risks. Have any other risks surfaced that you would regard as key now that are not mentioned in the accounts?

Chief Executive of the States:

Mike, are you going to take this?

Director of Risk and Audit:

I will do, yes, I will pick that one up. Apologies, the camera on my laptop is not functional so you will not be able to see me give the response. Yes, there are a wide range of risks that have been picked up since the accounts were produced. As the Treasurer said, at the time we put a risk in there that has impacted probably all aspects of Island life in one way or another and, as I say, risks at a strategic, operational and tactical level, which have been captured through the SharePoint site we use with the departmental risk champions and through the wider co-ordination groups. In terms of headlines, so a risk was identified around the potential failure for the operations in health and what that would mean for the Island if the Health Service was overwhelmed and there were responses put in place around that. There has been risk identified about safeguarding for vulnerable adults and children due to different ways of working. There are some quite logistical ones around national infrastructure, if there was failure of some of that, what would that mean for the Island. Some of the risks that have already been mentioned around capital projects but most importantly a failure to respond to the potential economic downturn and what our strategy and response to that would be. The chief executive has already referenced some of the risks around business as usual and particularly making sure projects have been reprioritised or prioritised and continued to move forward even though the crisis is being managed. Probably one of the big ones from a financial aspect is making sure we have enough cashflow and liquidity in place, the matters that were put in place around the economy. There has been a general heightened awareness around risks of fraud, data security and cyber threats. There is probably a much broader one around communication to the Island and making sure we get that right because people need to know what the messages are and how they need to respond.

Ms. M. Scott:

You have mentioned that you have been moving people off the risk management project, as it were, into various departments. How are you evaluating those risks holistically and how will this reflect in allocating Government resourcing? So I am thinking about things like weighting and scoring and construction of mitigating actions, so to repeat my question again, how are you evaluating the various risks holistically and how will this reflect in allocating Government resourcing?

Director of Risk and Audit:

In terms of the way we evaluate, there is a risk management guidance document that we have been using to underpin that, which is how we use a sort of standard impact and likelihood and some of the factors that are in the financials, some are reputational, and we score on that basis, so it is a sort of 5-by-5 grid that comes out with a score, if the score is above 15 then it becomes high priority for senior management to review and respond to. Those high priorities would be the ones that senior management would need to take a decision on what then to allocate resources to dependent on the risk identified.

Ms. M. Scott:

Then how? Presumably you get the department saying this is risky, this is a substantial risk enough to refer to high management, how do they evaluate these different risks? How do they weight them against each other in terms of working out how to mitigate and if to mitigate?

Director of Risk and Audit:

There are 2 funnels for that, one is through the departmental risk group, which has senior departmental risk leads on who flow then a set of risks into the executive leadership team and it is for the executive leadership team then to determine based on the risks that are presenting and the options as to which way to allocate resources or move resources around to respond to those risks.

Ms. M. Scott:

For example, if I am saying the Health Department has calculated a health risk, given it a factor of 9, and yet the Economic Department have given one similar of 9 or 8; how do they decide to holistically weigh these against each other to construct mitigating action? Is there further scoring; how does it happen?

Director of Risk and Audit:

Yes, there is further scoring, so there would be initial identification, evaluation based on what controls are in place, and then there will be some planned mitigating actions to reduce the risk and they could be, for example, through this COVID process, the modelling in Health was suggesting a peak in the middle of May and therefore decisions were taken on how we would best respond to that. Therefore funds were allocated, was part of a financial plan to respond to that such as the building of the field hospital as one mitigation action should the peak have arisen and been higher than the hospital could cope with, for instance.

[00:45]

Chief Executive of the States:

If I could just follow on from Mike. In the current crisis, by way of example, we have had to do a number of balancing between the different risks, so watching the way in which the crisis has moved, inevitably at one stage the health and humanitarian component was the biggest single issue. But we probably spent more money in pure terms on the economic impact of the crisis on the Island's overarching economy. But we did not look at it from a fiscal point of view; it is about what are the requirements for us to mitigate the risks that affect society as a whole in the Island and individual Islanders within that as much as by theme. So departments in some of those particular areas would have taken a lead role, would have been responsible for managing and delivering a programme to

help mitigate against the risks that would have been looked at in the context of Mike's previous answer. But it is not as simple as to say that it is one bidding against another; it is more about us managing the waves of the different components of the pandemic and, as a consequence of that, we will do things that meet those needs as and when. So by way of example, if we find that the health component gets to become more significant again, there would be a focus and an emphasis on making sure that we had mitigated as many of the risks as possible, whatever they may be, whether it is about number of beds, equipment, whether it is about human resources, so by way of example we had back-filled into H.C.S. (Health and Community Services) huge numbers of people to help, to ensure that we can take other people through new training programmes. We have people from different parts of the organisation that have been targeted towards other components of what I would call the monitoring of the health impact, so contact tracing by way of example. Some of that will be about investment; some of that will be about human resources; and some of that will be short versus much longer-term decision making. So it is fairly fluid. It takes account of the risk register but it does not work just purely on a departmental funding basis.

Senator S.C. Ferguson:

Thank you very much. Out of interest then, if you are looking at the risk of not having or having a Nightingale hospital, when you are assessing the risk why would you not be consulting with the clinicians on this?

Chief Executive of the States:

We did and in fact the drive behind a lot of the decision-making has come from direct conversations with the medical teams at the forefront, so we have a Scientific and Technical Advisory Cell, which is chaired by the director of Health, and includes within it colleagues who are involved in testing, clinicians at the forefront of I.C.U. (intensive care unit), as well as colleagues from senior management teams of health and public health.

Senator S.C. Ferguson:

Thank you; that is useful. I wonder if we could possibly have access to the minutes of the advisory cell meetings please. We need to move on I am afraid. If we can go on to the use of interims and consultants from Connétable Le Bailly.

The Connétable of St. Mary:

Yes, hello. What is the long-term target for the proportion of resources to be acquired from outside the organisation? This is regarding interims and consultants.

Chief Executive of the States:

We have not really set a target for the proportion of resources that are spent on external resources, albeit we have made it clear that we want to see a reduction in the use and number of external advisers as we go through the implementation of the Government Plan. But we will always need resources from outside the organisation to respond to short-term needs and also to sometimes deal with fixed-term contracts where we do not have either the capacity or the capability on-Island and it might be better, cheaper and more appropriate, to take people into different categories, whether that is interims, Connétable, whether that is contractors, which sometimes are not permanent but you need to bring someone in, whether that is agency temps, we use that for teaching and for nursing, and also locums, et cetera. So there is not a one-size-fits-all approach, albeit that we do have some quite important principles about trying to get as much of our resources from on-Island. However it is also worth just pointing out to the committee that over the last 12 months we have been doing a piece of work around our procurement frameworks and in particular looking at the way in which the procurement of spend on the Island is shaped, because there is a bit of a myth that the majority of the money goes off-Island. In fact the amount of money we spend on consultants and interims in real terms is relatively small and you will have seen in the last report that came back the figure is circa £10 million to £13 million out of an external spend of something in the region of over half a billion. If you look at our spend over the last period in 2018 at the top 100 suppliers, 75 per cent of our spend is on-Island out of a rough estimate of £423 million every year. That equates to something in the last couple of years of around £313 million was spent in Jersey rather than spent externally, so I do think that is quite an important factor in recognising the proportionality issue and also the amount of money that goes off-Island. The biggest area that goes off-Island for us is in the N.H.S. (National Health Service) and pharmaceuticals, which clearly we as an Island do not produce large amounts of pharmaceuticals and we also have to deal with significant off-Island placements from a health perspective. So we do recognise that we have, probably in the first period of the changes that we introduced to help modernise the public services, spent more on interims than one would have liked in comparison to previous periods, but in real terms it was a relatively small amount and of course the organisation regularly used to spend somewhere around 8 to 12 per cent of the workforce budget around interims and consultants, fixed-term contracts and/or agency and temp staff. So it is something that we will see reduced but we will still need, where appropriate, to ensure that we get the best value for the public pound and also where we will have some very specialist skills that we will need and there is no point in suggesting that we will have all of that home-grown on Jersey.

Senator S.C. Ferguson:

Thank you very much. As you will have gathered, the Auditor General is also going to be looking at procurement, so we shall look forward to discussing it with you at a later time in the season. I wonder if we can move over to Tim Rogers and talk about performance.

Mr. T. Rogers:

Good afternoon. Who owns the data and the performance report now that you no longer sign it off? I believe it has been removed, or the requirement to sign it, has been removed from the Jersey Financial Reporting Manual, so curious as to the ownership and accountability.

Treasurer of the States:

Just firstly, Tim, to cover off why we removed it from the J.F.R.M. (Jersey Financial Reporting Manual) document, the J.F.R.M. document is about the accounts and reflected the fact that previously, if we go back 3 years ago, any commentary in the accounts was largely around financial commentary, it was not how well the organisation had been doing in terms of delivering improvements for Islanders. So we took it out of the J.F.R.M., it was no longer strictly relevant to the financial numbers, and in fact, as I guess your question is heading to, I could not sign off on those as Treasurer as much of that performance data does not originate within the Treasury or within the financial systems. Those service level indicators are owned by individual director generals; they are accountable for those statistics as they come out, but also, as I have just touched on with statistics, lots of them come through the independent Statistic Jersey operation. So they are either generated by the independent Statistics Unit or they are owned by the relevant director generals for the departments.

Mr. T. Rogers:

Thank you. May I ask, how has the governance around key performance indicators, because you just mentioned key performance, been developed given that this is not, as you rightly say, exclusively a Treasury financial control issue?

Treasurer of the States:

If we go back 2 years when we started using more of the performance statistics within the report, the D.G. (Director General) on the project set about putting in place an assurance framework and a sign-off process by which those indicators were recorded and therefore reported so that we could see full accountability through to the officers concerned with putting those numbers together. We have the opportunity or the option to audit them as we go forward but it is also worthwhile mentioning that we have the development of a consistent method of reporting planned through the Jersey Performance Framework, which will see statistics and key performance indicators reported on a much more real time basis, on a regular basis throughout the year.

Mr. T. Rogers:

That is very helpful. Could you just expand very briefly, as a supplementary, because you said there will be more reporting and almost real time, when do you anticipate that becoming available; what sort of timeframe?

Chief Executive of the States:

The level of reporting has already improved significantly. The expectation was that we would have had the majority of this being developed throughout 2020 and certainly the expectation would have been later on this year we would have been able to see that. I have to say that some of the work that those colleagues have been involved in developing that, those personnel have been involved in a huge amount of other work in the current crisis, so by way of example they are doing a lot about the reporting of data and the monitoring of testing and all the work that is associated with that at the moment. So I would have to come back and look at what the revised timelines are for taking that forward, so there will be some slippage, but I do expect the work to continue and I know that some of the team are still being deployed on that and I do not expect it to be lost in 2020, but I could not give you an assurance at the moment of exactly when.

Mr. T. Rogers:

Under the current circumstances that is entirely acceptable and we will look forward to an update in due course.

Chief Executive of the States:

I apologise for cutting across you, Tim, but just on that, there was some work literally just before the crisis came, which was some demonstration work that was presented to the Council of Ministers around reporting and, while it is very much in its infancy, at the appropriate time, once we have come through this particular phase, I would be very happy at some point, Chairman, to come back to the committee with potentially some further demonstration. But I will go back and just look at the realism of all of that timing, but just to give you some assurance that there was already some early work that was coming forward, Tim.

[01:00]

Mr. T. Rogers:

I am very encouraged by that and very grateful for the offer, thank you. My final question is, in recognition that there has been a lot of pressure to produce the accounts on this accelerated timetable, what are the key person dependencies that were identified during the preparation process and what are the lessons of this going forward in the future?

Chief Executive of the States:

We have to recognise that we have probably got quite a small team working on the performance arrangements and the data necessary for reporting on that. We do work with Stats Jersey obviously, which uses its officers to provide us with quite a lot of information, but what we have tried to create

is a deputy for any of the data cell work that we need to undertake to be identified so that, if somebody was not available for contact or we were not collecting the information appropriately, we had a mechanism for maintaining that. We will, post the COVID period, probably want to have a look at some of the lessons that we have learned from the COVID work and our performance arrangements before that because the team was quite small and the potential for some weaknesses in the single point of failure, we have identified that we need to probably just deal with a bit more than we have potentially thought about. The other bit though that will help is the automation of the process will therefore be less people-reliant on the performance system and more about the quality of the data that is going into the system. That is going to be an area where we will therefore be able to de-risk it around people dependencies and more about using the technology platforms that we are going out to develop over this year. So there is quite a lot there around finance; there is quite a lot there around people data; there is quite a lot there around some of the things that were raised earlier in the questioning about debt, et cetera, from a fiscal point of view. We have a performance system that is also being built at the moment that will improve the quality and way in which we can highlight our reporting, which hopefully will give us more resilience and be less people-dependent. But it is always going to be subject to what you put in the front end of the sausage machine so that you just do not get rubbish coming out the back end, as we have previously discussed.

Treasurer of the States:

The other aspect of it being a year-end process with a much tighter reporting timeline has been the use of rigorous project and programme management throughout, regular meetings to identify where we were behind where we said we would need to be and mitigating actions put in and making sure we chased down people for that data. So, as you would expect just for the finances, we had the same sort of governance process around performance data as well.

Mr. T. Rogers:

Thank you very much indeed for a very comprehensive answer. I am encouraged that you do have a number of lessons learned. Out of any process there is always the opportunity to improve it and I wholly agree with you that it will be very important to look at that information before you seek to automate. You really want to be confident that the process is right before you automate it. We certainly look forward to hearing more from your lessons and how you intend to implement them in new systems and processes in the future. Thank you very much.

Senator S.C. Ferguson:

Thank you very much, everybody, and thank you for that, Tim, I could not have said it better myself. Just a couple of things, obviously there will be questions arising from this hearing, so if we can send them on to you. Also, if we could have the minutes of the advisory cell discussing the construction of the Nightingale hospital please. But, apart from that, thank you very much indeed and we have

not run over too much I do not think, thank you very much and we look forward to the next quarterly hearing.

Chief Executive of the States:

Chairman, just before you go, just so that we can be clear, the S.T.A.C. (Scientific and Technical Advisory Cell), as I reference it, is involved in the wider advice around health needs. In terms of the decisions on the Nightingale Hospital, those were decisions made through the Competent Authorities meetings, the Emergency Council, and ultimately at some point through the Minister for Health and Social Services. We can provide that information for you separately but it will not come from the S.T.A.C. meetings; they were not part of the approach and decision making for the hospital; that came from all the assessments of the emergency planning for beds, for numbers and the outcome that would have been seen had we not flattened the curve. But I can certainly provide the relevant information for you from the relevant committee meetings that were determining the decisions on the Nightingale hospital. Just so that we are clear because the S.T.A.C. is a slightly different body.

Senator S.C. Ferguson:

What is the S.T.A.C.?

Chief Executive of the States:

It is the Scientific Technical Advisory Cell. So what it is, it is made up of a range of personnel that I informed you about earlier on and it does provide a device to Ministers and to the Emergency Council. However, the S.T.A.C. is more about the technical work around medical proficiency; its role is less about the emergency planning function required. So by way of example the number of beds that you need to be able to deal with the pandemic, the way in which you make decisions about secondary care facilities for people who may or may not need I.C.U. treatment, is not something that is determined by the S.T.A.C.; that is determined through the Health silver and gold control arrangements and obviously through the Emergency Council.

Senator S.C. Ferguson:

I am sorry, just let me get this right, the Nightingale hospital is going to be a dilution of the staff at the General Hospital with a few extra people thrown in, so who exactly was advising on that?

Chief Executive of the States:

No, the Nightingale hospital is not a dilution of the main facility at the General Hospital. It does though, you are quite right, have to be supported by the General Hospital. The decision that was taken involving the move to get the resilience in the number of beds was influenced and took account of medical advice through consultants in I.C.U. but that is not the same as the role of the S.T.A.C.

So, in deciding how and what facilities we needed, and there were a range and there are a range of options that were agreed, those decisions were taken through the Emergencies Council and the competent authorities, Ministerial Decisions, on the advice of both the senior management in H.C.S., consultants, those people who were involved in some of the modelling, as well as logistics experts and also involving people like the Ambulance Service, for example. So there was a range of personal who were involved but it was not through the S.T.A.C. is what I am trying to be clear. I am very happy to provide you with the minutes of the various decision-making bodies that came to the decision to commission the Nightingale hospital but all I am saying to you, Chairman, is that it would not be through the S.T.A.C. because that was not the decision-making body.

Senator S.C. Ferguson:

That will be very helpful, thank you very much indeed.

Chief Executive of the States:

No worries. I just wanted to make sure we were all clear on that particular point.

Senator S.C. Ferguson:

Yes, super, thank you all very much indeed and have a good evening.

[01:09]