



Public Accounts Committee

States of Jersey Annual Report and Accounts 2023

Review

Witness: The Treasurer of the States

Wednesday, 5th June 2024

Panel:

Deputy R.S. Kovacs of St. Saviour (Lead Member for the Review)

Deputy I. Gardiner of St. Helier North (Chair)

Mr. P. Taylor

Mr. G. Phipps

Mr. V. Khakhria

Ms. L. Pamment, Comptroller and Auditor General

Witnesses:

Mr. R. Bell, Treasurer of the States

Mr. A. Metcalfe, Associate Director, Strategic Planning and Accountability

Mr. J. Whitfield, Chief Information Officer, Modernisation and Digital

Ms. H. Layer, Head of Group Reporting, Treasury and Exchequer

[14:02]

Deputy R.S. Kovacs of St. Saviour (Lead Member for the Review):

Welcome to this public hearing with the Treasurer of the States and officers in relation to the Public Accounts Committee's review of the States of Jersey Annual Report and Accounts 2023. I would like to draw everyone's attention to the following. This hearing will be filmed and streamed live. The recording and transcript will be published afterwards on the States Assembly website. All electronic devices, including mobile phones, should be switched to silent. We do not have members of the

public in person. So for the purpose of the recording and the transcription, I would be grateful if everyone who speaks could ensure that you state your name and role. If we can begin with the introductions; I suggest that the committee members introduce ourselves, followed by the Treasurer and his team. I am Deputy Raluca Kovacs, and I am the lead member for this review. I should note from the outset that as this review is examining the 2023 Annual Report and Accounts, members of the committee who held Ministerial positions during 2023 will not be asking any questions relating to their area of responsibility. If you can introduce yourself.

Deputy I. Gardiner of St. Helier North (Chair):

Deputy Inna Gardiner, chair of the Public Accounts Committee.

Mr. G. Phipps:

I am Graeme Phipps, a lay member.

Mr. P. Taylor:

Philip Taylor, a lay member.

Mr. V. Khakhria:

I am Vijay Khakhria, also a lay member.

Comptroller and Auditor General:

I am Lynn Pamment, Comptroller and Auditor General, in attendance.

Treasurer of the States:

Good afternoon. Richard Bell, Treasurer.

Chief Information Officer, Modernisation and Digital:

Good afternoon. Jason Whitfield, chief information officer.

Associate Director, Strategic Planning and Accountability:

Andrew Metcalfe, associate director for Strategic Planning and Accountability.

Head of Group Reporting, Treasury and Exchequer:

Hello, and I am head of Group Reporting. Hannah Layer, sorry.

Deputy R.S. Kovacs:

Thank you. I would just like to draw your attention to the fact that we have a 1½ hours scheduled for this hearing and a few areas of questioning. Therefore, I will begin and then hand over to my

colleagues for other sections. I will please ask everyone's responses to be concise and kept to the subject to be able to cover all our questions in the allocated time. For the ones that possibly did not attend the hearing before, to note that the proceedings of the panel are covered by parliamentary privilege through Article 34 of States of Jersey Law 2005 and the States of Jersey Regulations 2006, and witnesses are protected from being sued or prosecuted for anything said during hearings unless they say something that they know to be untrue. This protection is given to witnesses to ensure that they can speak freely and openly to the panel when giving evidence without fear of legal action, although the immunity should obviously not be abused by making unsubstantial statements about third parties who have no right of reply. The panel would like you to bear this in mind when answering the questions. We have 6 areas of questions, and I will start with the first one, which is related to accessibility, accountability and performance management. To start, can you provide us and the public with a brief overview as to the intended purpose of providing the States Annual Report and Accounts 2023, and who the main stakeholders for this report are?

Treasurer of the States:

I am sure colleagues will supplement my shortish answers. It largely tells the story of the year for the States of Jersey group at a group level, focusing heavily upon core entities, i.e. departmental spend, income, and the like. It tells the story of the spend and income of the organisation as well as the position of the balance sheet, but linking to what was done with the money and, critically, why that was done with money which falls from the common strategic priorities of Government.

Deputy R.S. Kovacs:

What would you say is the overall message behind this year's report and the main 3 points you are most proud of coming out of this report?

Treasurer of the States:

The 3 main ...?

Deputy R.S. Kovacs:

The main 3 points you are most proud of this report.

Treasurer of the States:

From the pride perspective, I would probably start at a very parochial Treasury perspective, and that is that we were in 2023 going through, let us describe it, a difficult implementation of an I.T. (information technology) system, which made that far more problematic in terms of production of the accounts or there was a risk that it would, and I am proud to say that the team did very well, in my view, in turning out the accounts themselves from a financial reporting perspective, but also that the audit hit the deadline that we said it would deliver. So I am grateful to the audit team as well. We

got some positive feedback in both directions between ourselves and them. So I guess that is number one. Number 2 would be, rather cheekily, one of your lay members said the report is too long, and in a previous hearing I said I would get it shorter and we have got it shorter. The aim in future years will be to get it shorter. We have endeavoured to ... I guess number 3 will be we have endeavoured to take all the feedback from the Public Accounts Committee, formal feedback from the C. and A.G. (Comptroller and Auditor General) and reports, and from an informal contribution as well from the C. and A.G., and has endeavoured in every aspect - not necessarily delivered to the very high levels expected of us - in every scenario to make improvements in the report. So I am focusing there on the subject of your review, which is around the production of the old accounts and report rather than necessarily the messages that come from the report.

Deputy R.S. Kovacs:

Okay, thank you.

Mr. G. Phipps:

Just to further clarify, what would the 3 items that this report talks to about the performance of the Government and the results that you would want, to make sure that the public hear and are most proud of? So rather than the process and getting the document out, the message behind the report. When you stand back and look at it, what are the 3 areas of highlights you would like the public to be aware of?

Treasurer of the States:

I will answer it from a financial perspective.

Deputy I. Gardiner:

It might be performance.

Mr. G. Phipps:

For the actual ... whatever. At a high level, what are the 3 items that really stand out that this report should address that you would like the public to know about?

Treasurer of the States:

My role is principally relating to finances. That is that the balance sheet is in a stronger position than it ... well, is in a stronger position, maintain the value of the balance sheet. We broadly had a balanced Consolidated Fund, balance of tax and spend across departments broadly. I guess those would be the first 2 messages that we are going to get across. The third one would be, as is always the case, a high level of focus in terms of investment performance. Difficult times, but I think we

have performed very well and the long laid down strategies are doing as we might expect against the market.

Mr. G. Phipps:

Thanks.

Deputy R.S. Kovacs:

Who has the overall responsibility for preparing timing and signing off on the States Annual Report and Accounts and the single point of accountability?

Treasurer of the States:

The single point of accountability; short answer is me. It is a bit more complex than that, thinking about accountability and responsibility. So I am the senior responsible officer for the production of the Annual Report and Accounts. I am also accountable for the accounts production, but I share the accountability in terms of other elements of the report and, indeed, ultimate accountability for the performance reporting lies with the chief executive, i.e. the people who sign the pages at the bottom. But rather than having myself and Mr. Walker, the assistant chief executive, jointly responsible, I have the sole pressure of the single responsible officer meetings now, although that is not to say that we are ... I am hugely dependent upon the input from Andrew and his team under Tom, for the production of the performance report.

Deputy R.S. Kovacs:

Okay, thank you. Please, can you outline how the States Annual Report and Accounts 2023 has developed improved accessibility, how you monitor it and track that accessibility to ensure this is happening?

Treasurer of the States:

I will just answer the second part. In terms of tracking that, that relates to, where we have got recommendations, have we implemented the recommendations or not. But if I can turn to Andrew for the more detailed answer to the improvements to accessibility.

Associate Director, Strategic Planning and Accountability:

So I think the main improvements to accessibility this year have been that we have included an in-brief section at the beginning of the document which tries to cover off the main highlights of the performance report. We think that is a major improvement over last year. We have also tried to include aspects of performance from other parts of the group. So last year, there was very much a focus on government department performance. We have begun to incorporate further performance coming from the non-Ministerial departments and from some of the States-owned entities, which

you will see through the document. I think we continue to see an improvement in the quality of the departmental annual reports which are published alongside the Annual Report and Accounts, which are the source for a lot of the high-level material which is used in the performance report.

Deputy R.S. Kovacs:

Okay. Just because you mentioned the recommendations, and you have done shorter summaries at the beginning of it, one of the recommendations I remember was around providing a digital summary of it, which we have not seen yet. Can you explain why?

Associate Director, Strategic Planning and Accountability:

The digital summary is online. If you go to the web page and click through, I am pretty sure the in-brief section is available as an online document there.

Mr. P. Taylor:

Is that the 11-page summary that was ...

Deputy R.S. Kovacs:

There is the annex?

Mr. P. Taylor:

... issued at the same time as the accounts?

Associate Director, Strategic Planning and Accountability:

Yes, it is ...

Mr. P. Taylor:

We have got copies of what is ... it is essentially repeating certain elements of what is in the main ...

Associate Director, Strategic Planning and Accountability:

Yes. So last year we had those 2 parts separate. We put them together in the document so that, if you like, the Annual Report and Accounts works like an onion. If you are just interested in taking the skin off, you can read the first section. If you are a more sophisticated user, you can get into the detailed performance report. And if you are a really sophisticated user, then you get down into the financial sections.

Deputy R.S. Kovacs:

How do you address and promote accessibility through your social media channels?

Associate Director, Strategic Planning and Accountability:

The usual communications went out around the Annual Report and Accounts.

Mr. P. Taylor:

Was that the same attachments ... links with the same 11 pages that are in here? I mean, I did not see it, so I do not know. A bit of a short form result, if you like.

Associate Director, Strategic Planning and Accountability:

I do not remember. I would need to go and check that, and I can get back to the panel with that answer.

Mr. P. Taylor:

The issue is what is put out on social media may be what people read and therefore one wants to be sure that actually what people are being asked to read is properly reflective of what you want to say.

Treasurer of the States:

It is fair to say the focus is more putting it in a digital format and getting it out through our internet pages, as opposed to any social media platforms.

Deputy R.S. Kovacs:

How are decisions made about which contextual information to include in the report that relates to the work of individual departments and services performance measures and how is it decided what should go in the press release published?

Associate Director, Strategic Planning and Accountability:

So I think there are several bits to that question. In terms of the content, if I understand the first part, of the performance report, we start off with the department annual reports are produced by each of the departments.

[14:15]

We then review those. We look for the key stories working with the departments to identify what the key stories are coming from those departments, which we then put into the performance report. There is then a process of taking those through to the S.R.O. (senior responsible officer) group and through to the C.E.O. (chief executive officer) for them to also consider whether those are the key

messages that need to be in the document. In terms of the second part of your question around the press release ...

Deputy R.S. Kovacs:

How do you decide what should go in the press release?

Associate Director, Strategic Planning and Accountability:

Again, I do not recall off the top of my head; I would need to go and check that.

Deputy R.S. Kovacs:

Okay, Philip. Yours is the next one.

Mr. P. Taylor:

Thank you very much. Who do you see as the principal audiences for the Annual Report and Accounts?

Treasurer of the States:

Principally, they are Islanders and, among that, States Members. So they are geared at various audiences in various parts of the document. The document, and using the onion, is also there in terms of investors or perhaps businesses who want to do business with Jersey or want to come to Jersey, understanding what the Government is about, what the Government has achieved, what its financial position is and so on.

Deputy R.S. Kovacs:

Can I ask something here? We have made a poll questionnaire online to understand, because you mentioned the public is one of the stakeholders as well, the main audience. How the public understands the accounts and how easy they can find it online. Except LinkedIn, which is a professional network, on all the other social medias, the response was over 50 per cent that they are not aware or they do not know how to engage. How do you engage with the public to raise awareness on these reports?

Treasurer of the States:

Largely through in the press releases directing to the existence of the report. We offer a briefing to States Members. We did not this year do interested parties but we have in the past; we did not this year. Through more traditional channels rather than, in answering the last question, specifically establishing ... I do not have a social media platform as Treasurer of the States or personality as Treasurer of the States for the sake of not inappropriately responding to things that I might read there. So we do it through that. We use the communications channels through the Comms team,

but predominantly our focus is on presenting it to the States Members. Lodging it formally, issuing press releases that can be picked up by social media channels, and some of the local media outlets have access into the social media channels. But I have to say we do not have a specific social media strategy for releasing the annual report.

Deputy R.S. Kovacs:

Can you look at improving this accessibility in this area because we have seen overwhelmingly that they are not aware not even how to access it, let alone understanding it? The public is one of the main ...

Treasurer of the States:

They are. I would be happy to look at it. The challenge, I suppose, would be distilling all these messages down into easily accessible, even further simplified, messages. But it could be on that layer. This would be the very skin of the onion, if you like, signalling where to understand more.

Mr. P. Taylor:

Let me ask it in a different way. In your presentations, in your relationships with investors, meeting members of the public, States Members, what sort of feedback are they giving you? What sort of questions are they asking that would indicate areas that you could perhaps improve in the future?

Treasurer of the States:

Predominantly, I would have to say that most of the questioning that we get, and that is principally from States Members but in the past from others as well, it has been about the financials. Less so about the performance report.

Mr. P. Taylor:

I am a bit hard of hearing.

Treasurer of the States:

That is 2 of us. More so about the financials, even though a great deal of effort goes into, and has over recent years, improving and expanding ... expanding and then shrinking. They are performance reporting to get that up to a standard that you might expect it to be. Still most of the questioning and most of the interest relates to the financial results.

Mr. P. Taylor:

Okay. And that tells you what?

Treasurer of the States:

I think not unusual in terms of entities releasing annual report and accounts. If I read when non-government agencies put out reports, be they in the national press or local press, the first focus is on financial results. It always is. I guess the other point might be, which you can see as a positive and/or a negative, is that many of the stories that will be in the Annual Report and Accounts will have been stories or messages or updates or even debates in the States Assembly that have already been news. We tend to talk about the detail of the finances or even the total of the finances ... well twice a year, (1) in setting the Government Plan and then (2) at the end of the year when we have the full accounts there. So that is, I think, probably why that is the biggest news item.

Mr. P. Taylor:

Okay. Now you have already said we have got the performance analysis of each Ministerial department. How do you go about making sure that is fair and truly representative of the performance of that department?

Associate Director, Strategic Planning and Accountability:

The service performance measures are verified by the chief statistician who works with the departments to produce them and identify them in the first place. We go through a process of asking for assurance from each of the chief officers that they are assuring that the information they are providing in their reports is correct.

Mr. P. Taylor:

In reviewing that process, have you ever raised issues around ... have you thought about disclosing this because that looks a bit inconsistent? Do you have that sort of dialogue with them?

Associate Director, Strategic Planning and Accountability:

The chief statistician certainly does, I know that he works very closely with them to make sure that the data is correct and he does challenge back where things appear to be missing or ask questions around the data, but he is probably best placed to answer that rather than me.

Mr. P. Taylor:

And of course, as the States Treasurer has now told us this, he has overall responsibility for the document, he of course makes himself satisfied as well.

Treasurer of the States:

Yes.

Mr. P. Taylor:

Yes.

Deputy R.S. Kovacs:

Can I mention here, because we talked about the Ministerial department? I am aware that some Ministers have not seen how their department performed last year before the Annual Report and Accounts was published. Has each Minister been offered a briefing of their department before this being published?

Associate Director, Strategic Planning and Accountability:

That would be a question for the chief officer of each department to answer.

Deputy R.S. Kovacs:

Is each department having their departmental part made available in case they need to refer to it at any point?

Treasurer of the States:

I would have to remind myself this particular year, when there was a change of Government, which would have made that I think probably quite difficult to have briefed the former Ministers of those departments as to the ...

Deputy R.S. Kovacs:

No, I mean the current one.

Treasurer of the States:

The current one? Again, I think most of that had already been done. We will have to look back to see where that took place. But largely reports are generated by the department.

Associate Director, Strategic Planning and Accountability:

So they are departmental reports. As I say, it is a matter for each chief officer how they manage their relationship with their Minister, particularly the incoming Minister.

Deputy I. Gardiner:

Do you have clear guidelines that the chief officer must present a department report to the Minister before it will be submitted to yourself?

Treasurer of the States:

We would have to look at the formal guidance. There is an expectation that that would be the case.

Mr. G. Phipps:

Just to follow up on that theme. The statistician can see that the numbers are right; the question is: are these the right numbers to look at in understanding the performance of each department? I am assuming then that you and the chief would look at it from the context, is this the kind of stuff that we really want to measure, rather than are the numbers right. Is that a fair way of assessing the overall performance in the charts you are showing and this kind of look?

Treasurer of the States:

The key performance indicators, a lot of work goes into establishing those measures that are the measures that are the key ones that are reported. There will obviously be throughout the year things that happen or debates that happen or policy initiatives, and there is a bit of the flavour on top of the key performance measures. Just thinking through the last 2 questions in this context, there is a requirement for Ministers to be briefed in respect of the performance of their departments quarterly. Each point through that there should be nothing in the report that is news and those quarterly briefings will have been the basis on which those documents are prepared. When we are talking about political initiatives, it is a matter of fact.

Deputy I. Gardiner:

I think it is important that the chief officer will brief quarterly and also the final accounts.

Treasurer of the States:

There is a requirement to do the briefings quarterly on performance.

Deputy I. Gardiner:

How are you reassured that it is happening?

Treasurer of the States:

My department gets lined up to do quarterly ones, although they are probably overdue the first. Those requirements therefore, if they are not already covered, need to be addressed within the governance statement if we have a belief, which you are indicating you do have a belief, that from experience you are not ... some Ministers may not have been updated quarterly.

Deputy I. Gardiner:

No, as a Minister it is important I have been briefed.

Deputy R.S. Kovacs:

But I am aware that others have not. Thank you, we are going to move on.

Mr. P. Taylor:

When you are looking at the overall performance of individual departments, how are the expected outcomes from the plan monitored and then reported?

Associate Director, Strategic Planning and Accountability:

Sorry, can you just clarify your question?

Mr. P. Taylor:

On assessment of the performance of each department, and you have explained to me how that is put together and reviewed and checked. My next question is about, we have a Government Plan which sets out various objectives. How are those monitored on an ongoing basis?

Associate Director, Strategic Planning and Accountability:

Through the ...

Mr. P. Taylor:

The outcomes.

Associate Director, Strategic Planning and Accountability:

Do you want to come in Richard? Through the C.E.O.'s performance management of the chief officers.

Treasurer of the States:

So you go down several layers on this. The objectives of chief officers usually go through from a combination of 2 things, either corporate or departmental priorities and the Minister's priorities. They are laid out in the plans. The chief officer's role, one will be giving the objectives. Typically one of those will be to deliver the plan, subsidiary and flowing through the organisations. Objectives consistent at each level will therefore be set for directors, managers and others in the organisation. I hate using the phrase "golden thread", that thread should then monitor the objectives that ultimately link through to the departmental or Ministerial priorities that are being achieved.

Mr. P. Taylor:

The result of that overall process during the year would then be reflected in the Annual Report and Accounts as part of the performance analysis?

Treasurer of the States:

Yes. But we also, in terms of key performance indicators or measures, they are published on a quarterly ...

Associate Director, Strategic Planning and Accountability:

Quarterly basis online.

Mr. P. Taylor:

Okay, thank you.

Deputy R.S. Kovacs:

In the 2022 report and accounts, a table was provided which outlined the number of employees per department who earned between £100,000 and £150,000-plus, alongside the comparison to 2021. This table is not included in the 2023 report and a link is provided to the States Employment Board's annual report instead. However, this information is provided in percentage of employees per pay band rather than number of employees per pay band. Why has this approach been taken within the 2023 accounts and what is the purpose of this change in approach? Is this seen as improving transparency and accessibility?

Treasurer of the States:

We did review and, in some cases, changed some of the disclosures. I believe our intent was not ... there was no intent that ultimately that information was not available. We just looked at the number of disclosures that we did, and this one fell out of those numbers of disclosures. I guess the feedback I can inevitably imagine will be that some people would like to see those disclosures reintroduced. It is not that it is not available, we just looked at the tables we have produced, which are numerous in the remuneration report, and that was removed.

Deputy R.S. Kovacs:

But also, although it is not included here and it is presented in the S.E.B.'s (States Employment Board) report, it is presented now as a percentage rather than the numbers, not knowing those percentage is referring to what numbers.

[14:30]

So it is not as clear as before. Could it go to the previous format?

Treasurer of the States:

Yes, it can.

Deputy R.S. Kovacs:

Thank you. We will move to question area 2, which talks about internal controls and Vijay will ask on that.

Mr. V. Khakhria:

Thank you. The external auditors of the Annual Report and Accounts have noted a marked improvement from previous years for which you must be congratulated. However, they have noted issues with the internal I.T. controls. Can you update the committee, please, with progress on how you have progressed with updating these and what your plans are?

Treasurer of the States:

Can I refer to you, Jason, please?

Chief information Officer, Modernisation and Digital:

Good afternoon, everybody. In summary, the report from Mazars covered 32 issues, which I can give a summary here now, give you a flavour. I would like to say at a high level that on behalf of my department we have apologised to Mazars and department officers impacted that the department did not get the information at the right time, and some of it not complete to the audit. That led to some of the findings that you referred. I have also apologised to the Executive Committee about that. We have done some reviews to make sure that it will not repeat for the audit at the end of this year. The second point I wanted to note for you is, as a result of that, we have identified specific process failings in the way that some of our processes enact. In other words, the points that Mazars have talked about. I will refer to those specifically in a moment. We are in the middle of a review of the department on some of those processes and changes that we are going to be making in the next 6 months to specific I.T. process controls. In other words, to give better control for the weaknesses that Mazars have identified. The third area: why did that happen? Since joining the department - I joined the department in October last year, took over my responsibility in December - I have identified a missing management role in the Modernisation and Digital team. We do not have a role with management responsibility for assurance, for audit. It is fairly easy to identify the linkage here. This happened in another area as well, I have identified; so it is not just the Mazars audit, there is another area. I am in the middle of reviewing the management structure and I intend to implement an additional management role to cover that, which will be belts and braces to make sure we do not have that problem with the audit next year. But it is a more general point of assurance generally with the importance of I.T. information systems that Governments become more and more dependent upon, of course, with I.T. The final part, what we have done in action to the Mazars review and the 32 issues, is we have called together the business process owners for the systems. If you have seen the detailed report, which I do not think it is possible to share with the public, but the detailed report covers 7 systems across Government. Each of those systems is owned by a different department officer, as you would expect different systems that we have. We have run 2 workshops, we have identified a specific action plan. I have had 2 of my senior managers lead that quite deliberately - the chief architect and the chief information security officer - which relates to the

findings. We are making good progress and we have a clear action plan to follow that and mitigate the points. Would you like me to summarise now the areas of control weaknesses?

Mr. V. Khakhria:

I think that would be very helpful if you could also provide some detail on timetables for resolution. I assume this is going to fall under the umbrella of the new management roles, but please go ahead.

Chief information Officer, Modernisation and Digital:

Some of that, yes. I will be able to answer the question. As I mentioned, there were 32 management issues that were raised by the Mazars report. A small piece of good news at this stage is as a result of the 2 workshops, 2 of those issues have been identified and discussed with Mazars that we can close them off. This is, of course, an informal response from Mazars as the audit is completed and they reported. But progress made already is what I wanted to share with the committee. Five of the findings, we believe that had we provided the evidence at the right point, at the right time, and the right level of detail, the severity would not have been marked so serious. We are reasonably confident, as we make the changes and we give more timely responses to the audit at the end of this year, that those will be of less severity. The ones that are remaining - 25 - broadly fall into 4, categories, which I am just going to give a summary of now, because this is quite a technical area you will appreciate. The first is what we call I.T. change management processes. Some of you are familiar, I think, with your work. But for those not, when you build a new system or you change it, you go through a planning stage, a building phase, an implementation and operation phase, and then you go around in a cycle with how can we improve it. Under I.T. change management processes, it is industry best practice to have firm controls as software and hardware is changed between the levels. You do not have the same people changing. It protects you against fraud, for example. In some areas, we do not have the level of rigour with the control that you would expect, so we are making improvements for those. However, we do have a large amount of control with our change management processes on most systems. It was these that were particularly called out. Some of that relates to the way that we work with third parties providing those systems. As a general point, we know that our change management can change and improve. We have identified that, but it is these particular systems that we are focusing on, so these 7 that we are focusing on hard. The second area covered by the Mazars issues is what the industry would call "privileged access user control". You will appreciate these types of systems, many of them making high-value payments, you have different levels of control and access. For example, you would limit which type of user on which role could add extra users as well as specific things like financial sign-off limits. Mazars have identified, and we agree with them, that we can be tighter with our controls and the regular review and hygiene. A really simple one is when somebody leaves their role or is promoted or leaves the Government, then the speed and the pace that you instantly change their access or remove it or pass it on. We have plans to tighten that up in the area of privilege access user. The third area, we

have simply simplified in the term of “user access management”. I mentioned just then on privileged access, when someone leaves their role, either the department or the Government, Mazars have identified, and we agree with them, that we can be stricter and faster with removing access for controls. We have a specific programme focused on that, which broadly is information security programme 2. Some people call it CSP 2.0, but not to mix up the other use of C.S.P. (Common Strategic Policy) in the Government Plans. I would summarise this to you and for the public as housekeeping, so we think we can speed up the resolution of this quite quickly. I have spoken to a number of the other chief officers on an end-to-end review, also of people that move department and new joiners as well. An end-to-end, what we are calling joiners, movers and levers process that can be tightened up. I think that is much needed. The final area from the Mazars reviews is just broadly around information controls and information systems. So things like password management and how we can be tighter with password management. In the world that we live in, more and more reliant on digital, and unfortunately various organisations and other jurisdictions in hacking, things like passwords control become more and more important. I am sure that members of the committee have that with your own systems that you use. So under our CSP 2.0 programme, we have a plan to tighten up password management and password control. So you see there is a theme there in the last 3 points. The final area at a high level with the review work that my team has been carrying out in the last few months is we have a new programme, which is called professional standards, and we are raising the bar effectively across the department on the standards and the frameworks from industry that we are using and applying to make sure we do not have any of these things repeating, and tighter controls more generally across the systems and the projects that we are accountable for; modernisation and digital.

Mr. V. Khakhria:

Are you able to report that the risk profile of the internal control deficiencies, the I.T. internal control deficiencies, has improved already?

Chief information Officer, Modernisation and Digital:

With 2 of the points, yes. We have identified that they are not major. But as a result of the review, we have added some additional risks, which we have reported in the corporate risk system at the moment.

Mr. V. Khakhria:

What are you able to tell us in terms of timetable for completion of the introduction of new internal controls over these areas?

Chief information Officer, Modernisation and Digital:

I can only really be high level at the moment, but I could follow up with a more detailed plan in about a month for the committee that would be useful. But at a high level, to answer your question, the professional standards programme, we are actively focusing on 3 processes at the moment. We expect that to be complete by the end of August for 3 processes, which is incident management, change management, and problem management. For the privileged access users control, my expectation is the end of the year, end of 2024; so December 2024 for that work. But that is part of a wider programme on cyber-control, which is a 3-year programme with the level of investment that we anticipate and is budgeted for.

Mr. V. Khakhria:

Some of those timetables, in particular the privileged user access, I mean these seem like, to me, from my own experience of running businesses that face exactly the same sorts of issues - I appreciate yours are on a much grander scale - but these are fairly fundamental things that can be changed quite straightforwardly simply by looking at roles and responsibility matrices. Why do you think it is going to take you until the end of the year? Are you saying that this is going to be more like an S-curve, so this is going to be something that is going to be largely complete, probably already is most of it complete, and that you have just got the last few to complete towards the end of the year? Or is this something ...

Chief information Officer, Modernisation and Digital:

It is a good question. The 2 workshops that we run with the business system owners has already identified in the last month - 2 months actually, because the first one was run in May - that there were particular roles of people that have left and they have been removed and cleaned up. So yes, it is an S-curve. The specifics have been addressed already, where there were specific names and users called out by the Mazars review. When I said "the end of the year", I was referring to a more general approach. We think we are going to implement some new tools. We are going to change some of the training, some of the wider communication across Government about things that are important. So it is more of an S-curve, to answer your question.

Deputy I. Gardiner:

Thank you, and we will follow the process. It is good that we know where is the problem. When we know where is the problem, we can address. I would like to check, Richard, with yourself, have these I.T. controls been previously reported by internal audit?

Treasurer of the States:

Well, I was asking myself the question this morning in respect of external audit. Some of these were mentioned in correspondence with external audit so they ...

Deputy I. Gardiner:

It has been done?

Treasurer of the States:

I would have to double check whether they were raised with internal audit. Whether they are internal audit or external audit, some of them were raised previously and the actions have not been addressed. Jason has a plan in place to address them now with the business users. In terms of monitoring that, we have also asked for a change in the way that the audit completion is signed off because what tended to happen is you look at the audit completion memorandum from the previous year and remind yourself of the tasks and then update. Some of these were in different correspondence, so they were not in the source document that we now have. Mazars are now going to be setting out everything within an update of the audit completion memorandum, which will be much more appropriate or easier for us to monitor progress against them.

Deputy I. Gardiner:

Thank you. My question, if it is possible to follow up, is if it has been reported by internal audit what has happened in the process, why it has not been addressed before Mazars picked it up at the Annual Report and Accounts? If it has not been addressed by internal audit the question is why and does internal audit have enough resources to address? So basically for us, it is important to understand more on the wider scale and we can follow it up in writing later.

Treasurer of the States:

I would say that external auditors have a right to raise those as level 1 issues. Therefore, if they had not been raised through internal audit, it points to us needing to reprioritise where our audit attention is.

[14:45]

If these are level 1 issues, what level 3 issues are we dealing with in the programme?

Deputy I. Gardiner:

Understand. That will be good. As this question was about the governance, I will pick up on something else quickly to make sure that we can also follow up for the next Annual Report and Accounts. Once the Government Plan is approved, we do have a performance report and we do have financial report, and the financial report should be through reflection of the Government Plan that was approved by the States Assembly. This is the States Assembly decided to spend money on and this is how the money was spent. We know that during the year lots of things are happening and there is a reallocation of specifically approved items that was decided. There was a decision

made to spend on something else or to overrun the budget. So how this change is communicated to all States Members and stakeholders when the changes are happening, when it is transferred from one head of expenditure to other heads of expenditure and if it is different spend on the gross.

Mr. G. Phipps:

The approval process that goes along with those changes.

Treasurer of the States:

The approval process is ultimately the decision of the Minister for Treasury and Resources. I will split those into 2. Transfers between heads of expenditure, the rules for those would be that the Minister approves those, after the respective Ministers of those departments have also agreed to the move, and those decisions sit in front of the Assembly for 4 weeks. They do not get debated by the Assembly, although they can be called for debate by Assembly Members, but they are nevertheless tabled in front of the Assembly for 4 weeks. They are also the subject of a public decision of the Minister for Treasury and Resources. Allocations from contingencies, central reserves, rather than ... we get awfully confused from time to time about the Strategic Reserve. This is not the Strategic Reserve. More commonly, you would call it ... old language was General Reserve, but when I am trying to explain it now, contingency amounts approved by the Assembly under the control of the Minister for Treasury and Resources, those would also be subject to decisions of the Minister for Treasury and Resources, so those are public decisions as well. Each of those decisions then is also recorded in a half-yearly report, which was required under the Public Finances Law, which summarises all the decisions in that half year. I do remember a previous incarnation of this panel asking me to make improvements to that report, and hopefully we do, which gives more narrative as to what those decisions are and why we produced the report.

Deputy I. Gardiner:

Okay, thank you.

Deputy R.S. Kovacs:

Thank you. We are going to move to the next area, which is reporting on and quantifying risk, and Graeme will ask questions on that.

Mr. G. Phipps:

The committee notes that all the risks highlighted in the report have been assigned a low-risk appetite except for the Government of Jersey property maintenance, which is classified as a medium risk. Would you explain the criteria for high, medium, and low-risk appetite, and can you share with us how these risk appetites are assessed and identified in the process of making those assessments?

Treasurer of the States:

In terms of appetite, largely a judgment that arises from the chief earner of those risks is then ratified through the Executive Leadership Team for items that are on the corporate risk register. It is largely a relative issue. I suppose I would say that culturally civil servants are more prone to say everything has a low-risk appetite but relative to one another that is where the property risk is compared to some of the other ones for which we have a lower-risk appetite.

Mr. G. Phipps:

So for the public reading this report and seeing low-risk appetite, it may be a relative judgment, but what is their perception? Does that mean that the people of Jersey should be fairly comfortable that there are no major risks facing us or ...?

Treasurer of the States:

Risk appetite is a different thing to scoring the risk.

Mr. G. Phipps:

Maybe you can clarify that.

Treasurer of the States:

The scoring of the risk relates to the likelihood and the severity of the impact related to the risk. The appetite score is the appetite of the organisation, ultimately through to the Council of Ministers, to carry that risk without full or near full mitigation.

Mr. G. Phipps:

To what extent do the changes in the risk section of this report reflect the data and relevant understanding concerning the organisational risks that exist in the enterprise risk management site? So you have the enterprise risk management site and you have this risk appetite. Can you share a little insight into how they relate?

Treasurer of the States:

The changes that have been made in the year - now wishing I brought the head of Risk - lots of it is laid out in quite some detail in the report in terms of where our attention was this year; some of that related to training. It is fair to say the challenge we have going forward or the ambition we have going forward is to ensure that we can provide the data that underpins those risks. That data is perhaps not as great as we would like it. It sometimes requires a great deal of judgment from, more often than not, very experienced individuals in the field as to their assessment of the risk. What we would like to move to is greater access to data underneath that, that would allow us to understand

better whether that risk profile has improved or deteriorated. In terms of activities that the risk team has been involved with in the last year as well, they do meet with departmental leadership teams to go through their particular risks. They will advise me of anything they are seeing in respect of escalating risk that needs to be brought to the attention of the Executive Leadership Team outside of the quarterly review of the risk register. They also, sometimes with and outside as well, with the Audit and Risk Committee will undertake deep dives to understand better some of the drivers relating to the risks that are on the register.

Mr. G. Phipps:

So the public should not necessarily assess when the risk appetite is lower, medium, that that would necessarily reflect the overall risk impacting the Government or the people in Jersey? Because it is a different criteria.

Treasurer of the States:

Yes.

Mr. G. Phipps:

I think I understand that. Regarding the people of Jersey, should they be overly concerned with pending risks facing Jersey or are there areas with potential risk and concern with the Government that it is monitoring and addressing, but it is not necessarily expressed in this report?

Treasurer of the States:

The largest of the extreme risks from a corporate risk perspective, those risks are disclosed in the Annual Report and Accounts in the opinion of myself and the chief executive, but that flows directly from the risk register. Many of these risks will not be news to members of the public. Those risks, as they are in the document, are risks relating to information security and cyber-attacks, in common with many organisations - nearly all - and in common with many of the risks across the globe. They are threats to the long-term financial sustainability, which are indeed both, and indeed one risk which is since reduced is the capacity for waste disposal and management; some of that related to the La Collette site. There is a change agreed by the States Assembly. But what this document also presents are the areas of focus that we are focusing on, the plans that are in place to address these risks, to mitigate those risks. I would be alarmed if, as a member of the public, the Government did not have those areas of focus or plans to address those risks. Each quarter a risk earner is required to update the risk on the system in respect of the measures and the scoring. They will typically be picked up by the respective departmental leadership team to address whether the risk has escalated or whether there are other things we need to put in place to address the risks. I think that the risks, in summary, are not risks you would not expect the organisation to be facing. The good news is that

there are plans to address those risks. Of course, some of those risks originate externally, so there is a limit to which they can be fully mitigated by the organisation.

Mr. G. Phipps:

What is the purpose of the risk appetite then?

Treasurer of the States:

The risk appetite will address whether ... in its far extreme, you might have a risk that you say: "Well, you are just going to have to tolerate." You might have a risk, we have not got any of those on the corporate risk register, where we have a high appetite for carrying that high risk. The risk appetite is around whether we are accepting of that risk and therefore a low-risk appetite means that we are not accepting of carrying that level of risk and wish to reduce it.

Mr. G. Phipps:

Low-risk appetite means you are not happy with it and actions are taking place?

Treasurer of the States:

Yes.

Mr. G. Phipps:

Okay, I just wanted to clarify that. Thank you.

Treasurer of the States:

Yes, sorry.

Mr. G. Phipps:

Thank you. I will move on then. That is good clarification.

Deputy R.S. Kovacs:

We go to question area 4, talking about full incorporation of States-owned entities. Deputy Inna Gardiner has questions.

Deputy I. Gardiner:

I will generally have 2 areas to ask about incorporation. One of them is incorporation of the States-owned entities. Since 2019 ... it was 2020, but from 2019 auditors officially wrote to the Government that the States-owned entities should be incorporated in the group accounts. I know that informal conversations with auditors going back to 1990s, late 1990s. Currently, we have 4 entities, J.T. (Jersey Telecom), Jersey Post, Jersey Electricity, and Jersey New Waterworks Company, which

have not been incorporated yet. What is happening with them now? Are you assured about their status? When will you inform the committee what the current audit engagement of these companies is?

Treasurer of the States:

Firstly, in terms of their inclusion in the accounts, they are included in the accounts. They are not consolidated in the accounts. They are included in the accounts from the perspective of our assessment of the value of those companies in terms of incorporating them in the accounts as opposed to consolidating the accounts in accordance with international accounting standards. It is fair to say that their current position is not ideal in that we have consolidated some and not consolidated others; a phrase I have probably used is neither fish nor fowl.

Deputy I. Gardiner:

It feels like the worst from both worlds.

Treasurer of the States:

That is not to say, however, there is not a great deal of work required to consolidate. It is good to see that with the entities that are consolidated, that that runs fairly smoothly and even survived this year's issues we were having ourselves with the new system through the year. A key question that I have asked of myself, and it has come from some feedback actually, is to what extent would all of that work lead to greater understanding? I would have to say, in my opinion, I am not sure that it would add greater to the understanding of many Islanders as to the financial situation. But if I could just finish. We are torn between the requirements of international reporting standards and actually then thinking about how with all that work, which just is not related to the Treasury. I have got accountants who look for nothing else to do consolidations on a regular basis, but also the work within those entities that are currently not consolidated. We are doing a review around the benefits of full consolidation of these entities as opposed to the disbenefits, or if I could say the costs of doing so, just to satisfy ourselves it is the right direction. My holding position is that it is. That is not to say it does not come without its difficulties, particularly for those entities who are not wholly-owned entities, at least one of whom has a different accounting year end and therefore would have to change a lot in respect of reporting. We can of course, if we do undertake full consolidation, then actually provide more pages to illustrate the different analysis, which is one of the challenges we have at the moment. We are going through that as a rapid piece of work just to confirm whether we are moving along to full consolidation. As things currently stand, if we were to do so that would be 2025 for the full consolidation because we would have to do ...

Deputy I. Gardiner:

2025 for full consolidation?

Treasurer of the States:

Yes. In terms of your question relating to interaction with those entities we have already started ...

Deputy I. Gardiner:

Which challenges are you seeing for them?

[15:00]

Treasurer of the States:

If we were to say definitively this is where we are going and this is the direction, I would start with the 2 other wholly-owned States entities for whom the year ends are co-terminus and therefore we would ... it would be easier to achieve. The other 2 that are not wholly-owned ...

Deputy I. Gardiner:

Which are the 2 that will be easier to achieve?

Treasurer of the States:

Telecoms and Post, because they are the 2 wholly-owned entities. The other 2 are not wholly-owned by the States of Jersey.

Deputy R.S. Kovacs:

You said as well that you started already the evaluation to see the benefits and disbenefits.

Treasurer of the States:

Yes.

Deputy R.S. Kovacs:

By when will you have the outcomes of that valuation?

Head of Group Reporting, Treasury and Exchequer:

So we are currently working on it and completing a mock consolidation as well, so that has to go through a process of review, so I suspect that will be done by September.

Deputy I. Gardiner:

Now, Richard, you mentioned that we ... the story, when I asked what is the Annual Report and Accounts, the statement was made ... it is a group level story of the finance on the group level. Is it a valid statement when we do not have 4 States-owned companies not consolidated?

Treasurer of the States:

I would say that most of the focus in terms of most of the people who want to know what the story of the financial position of the organisation is focuses on the balance of tax and spend, the performance of the investment portfolios and, less so, the financial performance of those entities which are earned by the organisation. Predominantly, those questions occur when those entities' results have published themselves. We have tried to incorporate some of those, which expands the breadth of those disclosures outside of investors. Predominantly, most of the questions I get relate to the balance of tax and spend.

Mr. V. Khakhria:

Sorry, a personal information gap here. Has the decision to consolidate actually been made or not made yet?

Treasurer of the States:

The plan to do so was the case. The decision had predominantly been made. I have had challenge recently; all the way back to the start of your questioning relate to what feedback do we get. We have had feedback that questions the value of undertaking that where concerns to the significant amount of effort that it will entail. So the holding position is, I have had feedback. It might be feedback that across the other side of the table is not favourable to the position held, but that we need to explain the benefits of doing so outside qualified accountants.

Mr. V. Khakhria:

Are there any other reporting standards that you are contemplating opting out of?

Treasurer of the States:

We are just finalising the preparation of adoption of I.F.R.S. (International Financial Reporting Standards) 16 relating to leases. Generally we do follow them; this is the one that remains.

Mr. V. Khakhria:

Perhaps you can explain to me the cost benefit exercise over consolidation. The agreement, my understanding was, was made in 2019; this was the formal plan to do this. I do not understand why we are carrying out further work on the cost benefit exercise in 2024. Perhaps you could explain that, please.

Treasurer of the States:

Because I think it is valuable to often challenge one self, not just all the dogmatic position and apply that; that is broadly why. There is a lot of work that goes into this. There are a lot of resources paid

for the taxpayer that could be otherwise deployed in other areas. I just need to make the case, particularly with others as well, that this is the best use of those resources.

Mr. G. Phipps:

This has been bouncing around for a while, so let us just cut to the chase. Are you definitely going to consolidate the two Government-owned organisations and hold on the other 2 until you are in a better position and then make a decision that is clear to this panel and the public? When does this ...

Treasurer of the States:

My working assumption is, yes, subject to the outcome of this piece of work just going round that.

Mr. G. Phipps:

When will that be finalised and will you come back?

Treasurer of the States:

This summer.

Mr. G. Phipps:

Okay, so you will have a clear decision this summer to what extent you will move forward or not move forward.

Treasurer of the States:

Yes.

Mr. G. Phipps:

Okay, if you can let us know when that happens, thanks.

Deputy I. Gardiner:

Thank you, and we will follow ...

Treasurer of the States:

I suppose to just clarify as well, it would raise the question that would result in deconsolidation, I think. I am entirely dissatisfied with being neither fish nor fowl, partial consolidation versus whole, yes.

Mr. G. Phipps:

Just so we understand exactly where you are at, and your reasoning, et cetera, will be clear so we do not keep bringing this thing back up every year.

Deputy I. Gardiner:

Okay, thank you. One more question about consolidation note, and I completely understand. What I am asking now, I understand that from the legal point of view that Public Employees Pension Fund and Jersey Teachers' Superannuation Fund, they are not to be included in the annual report because the deficit that they have from 2015 will not be picked up, it does not need to be picked up legally by the States. This is the reason that it is not consolidated. I understand the legal side. From the moral side, if we have a high deficit in the pension funds would we keep it as it is? What will happen to the pensions of the employees?

Deputy R.S. Kovacs:

In other words, would you consider reporting on this deficit for the public to be aware of where that fund stands?

Treasurer of the States:

I know we do actuary reviews. I am just trying to, in my head, clarify the publication of those actuary reviews on a 3-year basis. Those actuary reviews are a full multi-definitive position of the state of the funds and we have got 2 different issues here. One is relating to the refinancing of the past service liabilities which have been settled with the funds, and those liabilities were always disclosed in the funds and included in the accounts. The other relates to accounting standards assessments of whether there is an overall deficit in the fund, quite apart from that, that has been acknowledged. I have had this conversation so many times but I have not had it so recently that it is at the front of my mind as to the rationale. But it relates to whether the employer carries the liability or not, and in legislation and based upon history when there has been found to be deficits in those funds in more recent history, and this is going back some time ...

Deputy I. Gardiner:

As it was ageing population.

Treasurer of the States:

... the measures within the legislation underpinning it reduced the increases to the benefits and that is the evidence upon which we say it is, therefore, more fitting not to be including the liability at that point within the accounts.

Deputy I. Gardiner:

But it is something that we need ...

Treasurer of the States:

We keep it under regular review. The actuary reviews are in a positive position at the moment for those 2 funds.

Deputy I. Gardiner:

Okay, thank you.

Deputy R.S. Kovacs:

The next question area is around the severance payments for employees leaving, and there is a table presented in the report showing the compulsory voluntary redundancy, a loss of office and other reasons in totalling that. Could you provide further insight into the reasons behind the significant decrease in average payment per person for exit packages from £7,300 in 2022 to £11,309 in 2023?

Treasurer of the States:

Some of that will relate to the increased numbers of payments in total - if I get this the right way around - from 2022 where there were 27 individual payments to 45 individual payments. Some of that, as mentioned in the report, is related to redundancy packages for people who are employed by us through COVID and those roles then became redundant. You could imagine that if typically those roles were for short periods of appointment they would not attract significant redundancy payments to them.

Deputy R.S. Kovacs:

Okay. Regarding the ...

Treasurer of the States:

Those took place in 2023, therefore, more average less.

Deputy R.S. Kovacs:

That is for a short period, the roles. Regarding the £198,690 allocated for other reasons in the exit packages, could you elaborate on what these reasons entail and why they necessitated such payments?

Treasurer of the States:

Typically they will arise through conciliation meetings and outcomes between the employee and the employer, as opposed to, in the case of the other ones being someone has lost office or has come through a redundancy process. They may arise from grievances an employee might have with an

employer, an agreement for settlement and moving on, and that is where the predominance of those payments are. They may also be for payment of a notice in some regards where that would not have been a contractual payment.

Deputy R.S. Kovacs:

Are there any lessons learned from these exit packages and redundancy processes to plan to incorporate in the future policies and practices?

Treasurer of the States:

In terms of why the mitigation here in discussion with H.R. (human resources) colleagues, in particular measures that are ... globally we have a greater focus on performance management now. With a greater focus on performance management, that cascades through the organisation. I have quarterly objectives, the people who report to me have job objectives. It is regularly reported as to whether I have set those objectives or approved those objectives or reviewed those objectives. There is a greater focus on what gets measured starts to count for the organisation; that goes through to E.L.T. (Executive Leadership Team) on a regular basis, and it is an element of great focus from the chief executive. That focus on performance management, firstly, making sure it is happening and now focusing on the quality of that performance management and, in particular, setting objectives that are specific, measurable, achievable, timely, for example, regular meetings between individuals and their managers will, therefore, allow for any performance issues, any coaching that needs to take place with people, any improvement of performance and helping people to improve performance can take place well before you get to a stage where you have not done so and all of a sudden some people are coming to a conclusion that performance is not happening. That is where some of these issues arise if you are not regularly managing performance. I am talking about that in a positive way, rather than maybe how it comes across in a negative way. It avoids some of this falling out further down the line. But also, for example, I would say that an increasingly difficult area for employees and managers relates to how to manage matters relating to discrimination in the workplace. There is a programme being put in place around training in respective discrimination in the measures that are being taken in the current year.

Mr. G. Phipps:

Where are you at in the overall cycle of improved performance management in this whole process? Is it pretty well in place now throughout the Government? Is it still being introduced or is this now ...

Treasurer of the States:

Sorry, I have not got the very latest of ...

Mr. G. Phipps:

In general, I mean.

Treasurer of the States:

Sorry, in general, yes, we have as part of the new Connect system, Connect People and the success story within there is connect to performance; that is used by many groups. There are other groups who do not use that because they already have performance management relating to their specific profession. You could well say that those specific professions already have strong performance management in place in terms of what is expected. The performance against what is required in terms of undertaking, setting them, agreeing them, monitoring them, is now well in train, I would say, with an improvement across the piece. I know very well that going to work this morning my screensaver is about the fact that by the end of June I am supposed to have had my mid-year performance review and that conversation had to take place with people throughout the organisation. There is a much greater focus on getting that done. There has been improvement; there is more improvement to be made. That greater improvement will relate to quality, ensure that it is consistent across the organisation as well.

Mr. G. Phipps:

Properly done obviously.

Treasurer of the States:

Yes, calibration.

Mr. G. Phipps:

It is pretty well in place whether it is one programme or another throughout the Government, and now it is just a function of continuous improvement.

Treasurer of the States:

Yes, plenty of work to do but it is in the right trajectory.

Mr. G. Phipps:

Okay, thanks.

Deputy R.S. Kovacs:

Any areas of the public service where exit packages are more expensive than others and will any of these be taken into consideration on the planned reduction in the public service workforce, as promised by the Chief Minister and the Minister for Treasury and Resources?

Treasurer of the States:

The focus of the new Council of Ministers is on curbing growth. It is on focusing savings in respect of the non-front line services, non-front line staff.

[15:15]

You would probably expect further down the line that payments may in a top category be greater in those areas and in management layers. The 2 focuses there in terms of removing unnecessary bureaucracy, for example, are in the management layers but also more predominantly as well in non-front line services. I think, however, firstly, we are focusing on where we have vacancies rightly, rather than looking in respect of where there are no vacancies; retired or put additional measures in place through which you have to jump if you wish to hire to a vacancy that is more than 6 months, for example, which you potentially do and indeed if you have not had it for 6 months. But more scrutiny in respect of those that have not been filled for 6 months, for example.

Mr. G. Phipps:

It just concerns me it is flattening the organisation to the extent you can and then, therefore, that might happen in higher levels, too many layers. If a job has been vacant for a long time maybe it did not need that job, is that a fair summary?

Treasurer of the States:

The first focus is around vacancies; where if we have not needed the job for that long, retiring vacancies. It is already the case that departments are supposed to ask themselves whether they need to replace the role that has been made vacant. I can see that happens in my department; I am sure it happens elsewhere. Elsewhere as well, so the focus is more heavily on vacancy but in terms of stripping roles out beyond that because you might strip out a vacancy but ... sorry, a vacancy may allow movement of individuals, changes of roles without redundancy, as well as just that specific vacancy being retired.

Mr. G. Phipps:

I understand that part, I am just thinking of the other part, about flattening the organisation and the numbers of layers and that might be a reflection of why the higher number. I mean I know that it is any organisation should look at flattening; is that fair, that you are going through that process?

Treasurer of the States:

It is fair to say that, yes, we all have savings target and we are all being asked to focus on layers of management as part of that; senior roles as much as elsewhere. But also looking at services that are provided and whether they need to continue.

Mr. G. Phipps:

As well.

Treasurer of the States:

Yes.

Mr. G. Phipps:

Yes, thank you.

Deputy R.S. Kovacs:

Our last area of questioning, that will be asked by Philip Taylor and it is around the Government deficit.

Mr. P. Taylor:

Richard, the deficit.

Treasurer of the States:

Yes.

Mr. P. Taylor:

People say to me: "Philip, is there a deficit or is there not?" I say: "It all depends what you are talking about when you look at States accounts." When I go through the accounts here I do see a deficit of £144 million. I can see a Government surplus of £2 million.

Treasurer of the States:

Yes.

Mr. P. Taylor:

I can see an overall surplus of £225 million. You can understand why people get confused.

Treasurer of the States:

Yes, and might say be more confused once you have consolidated more entities but there we go, yes.

Mr. P. Taylor:

No, I am not saying that. If we take the £144 million deficit, which I can see from page 206 of these tax accounts, consolidated statement of comprehensive expenditure for the year; that is always double what it was last year. What are the spoken factors contributing to that?

Treasurer of the States:

The £144 million ...

Mr. P. Taylor:

Operating net revenue expenditure.

Treasurer of the States:

Which page am I on, sorry?

Mr. P. Taylor:

206, through the highlights that were issued ...

Treasurer of the States:

Yes. I think I would rather focus upon what we have in the financial review, which is taken and analysed to where we are. Across the 3 different positions we have the balance between States income, general revenue income and departmental spend or net revenue expenditure. What we are trying to do there is compare that to what was agreed by the Assembly, in the broad packages to what is agreed by the Assembly; at that level is the roughly £2 million surplus.

Mr. P. Taylor:

That is the Government surplus, the amount that was voted by the States, yes.

Treasurer of the States:

Yes, in the way that it is.

Mr. P. Taylor:

In the way that it is determined, yes.

Treasurer of the States:

Where this gets complicated is that accounting standards will take some of the expenditure that we present as project and capital spend to be revenue spend and, therefore, that adds to, under accounting policies, what the deficit position is overall for the balance of tax on spend, if you like, the consolidated one. You then add the core States entities, so we have got departmental spend, we have got general revenue income. Those are the items that are, principally, outside of the capital

programme that are approved by the Assembly. The Assembly then approves estimates of States funds. The States funds plus the departmental spends become the core entities. It does not approve budgets, it approves estimates of those funds because what is spent from those funds and the income that comes into those funds, but in particular what is spent by those funds, is laid down in legislation. They are benefits principally - not entirely all - but they are principally benefiting the Social Security Fund, for example, and the Long-Term Care Fund, the Health Insurance Fund. They are estimates because what is spent is in accordance with what - my language - comes through the door; who applies for those pensions and benefits from those funds. Those are the core estimates. When you incorporate those you get to a deficit position and that deficit position is principally driven by the fact that during the COVID and period following the recovery from COVID, the last year which is 2023 in the way that I am describing it, the States grant to the Social Security Fund was suspended; it was not paid. What that meant was that the Social Security Fund had to draw on reserves, i.e. in a way most of it would otherwise be, it was running a deficit because it was not getting income into it. That causes largely the deficit at £114 million basis for the core entities before investment returns.

Mr. P. Taylor:

That explains the comment: "Deficits have continued primarily due to the ongoing suspension of the States grant from States revenues."

Treasurer of the States:

Yes.

Mr. P. Taylor:

Would that not mean the deficit was less than it would have been otherwise, as opposed to more?

Treasurer of the States:

No, more because what that allowed the Assembly and Government to do was to spend its available resources elsewhere, rather than running deficits in the Consolidated Fund. Either way it would have been the same. If they had not suspended the Social Security grant, everything else being equal, the Consolidated Fund would not have had a £2 million surplus; it would have had a circa £90 million deficit.

Mr. P. Taylor:

Okay.

Treasurer of the States:

The Social Security Fund would then not have had a deficit.

Deputy I. Gardiner:

So what was taken from one side was put in the other.

Treasurer of the States:

But overall the 2 things add up to the same; you suspend the grant, that group it becomes a deficit.

Mr. G. Phipps:

It is kind of which pot you put it in or take it out of.

Treasurer of the States:

Yes. In which, sorry?

Mr. G. Phipps:

Pot you take it in or put it out of.

Treasurer of the States:

Yes, that is deciding where the deficit lies.

Mr. G. Phipps:

Where do you want to put it?

Treasurer of the States:

Yes.

Mr. P. Taylor:

In that case I think I can understand why the public and I were confused by the way it is described.

Treasurer of the States:

Yes.

Mr. P. Taylor:

I can understand what you are saying but it is not that easy to understand in the way it is described here.

Treasurer of the States:

Right, okay.

Mr. G. Phipps:

I think the public will want to stand back and year over year has there been a significant change in what is happening.

Treasurer of the States:

Yes.

Mr. G. Phipps:

That is the kind of message they are looking for versus changing pots.

Treasurer of the States:

Yes, 2024 is basically cut short. The Government Plan in respect of 2024 talks about a deficit of about £20 million after amendments but it includes the grant to the Social Security Fund. The Social Security Fund would no longer be in deficit. Having planned to be able to afford, as the COVID recovery funding reduced and as income improved post-COVID to accommodate the Social Security payment in the Consolidated Fund, that is broadly balanced and, therefore, you would expect it to be broadly balanced overall.

Mr. G. Phipps:

Was that an anomalous year that we did when you took it out of one and the other, and it is typically year over year more than you find in the Social Security Fund?

Treasurer of the States:

Sorry, again?

Mr. G. Phipps:

Was that an unusual year what we just went through? I know COVID was in ...

Treasurer of the States:

It was a less ...

Mr. G. Phipps:

But the fact that you changed which pot you are taking out of, was that an anomaly or do you do that every year to juggle which one?

Treasurer of the States:

No, the position was that the Assembly approved for the period - it was either 2019 or 2020 - through to 2023 from taxpayer fund there would not be a grant made into the Social Security Fund, originally

anticipated through the fact that income would be depressed and expenditure would increase during the COVID. Rather than borrowing that money ...

Mr. G. Phipps:

They reallocated.

Treasurer of the States:

... they did not pay the money into the Social Security Fund.

Mr. G. Phipps:

That was the anomaly and you will go back to the ...

Treasurer of the States:

It is anomalous, it has never happened previously in that regard. There may have been proposals to cap the amount paid into the Social Security Fund but not to cancel it, as arose out of the COVID pandemic, as part of the financial management of addressing the COVID pandemic.

Mr. P. Taylor:

I am just looking at the clock, so I might just move on, Chair. We have had good investment returns this last year which kind of went some way to correcting some poor returns in the previous year. But to what extent do you think the overall States finances can continue to depend upon good investment returns for the sustainability of the balance sheet, especially in light of the Fiscal Policy Panel's review report that said that the actual reserves were not big enough?

Treasurer of the States:

I think it is fair to say that the Strategic Reserve cannot get to that level recommended by the Fiscal Policy Panel through investment returns unless we were to take a very risky strategy, which in the long term would not get us to that value either. We might have a very good year followed by a very bad year. Overall the investment returns are growing the value but they are nowhere near sufficient to meet the recommendation of the F.P.P. (Fiscal Policy Panel) outwith extraordinary circumstances we are not anticipating. Therefore, that recommendation can only be achieved through further transfers into the reserve.

Mr. P. Taylor:

Sorry, through what?

Treasurer of the States:

Can only be met by further transfers into the reserve as opposed to from investment returns.

Mr. P. Taylor:

To what extent are discussions taking place within the Government around how that might be achieved?

Treasurer of the States:

Often and in some depth; often and in depth.

Mr. P. Taylor:

Yes, and have they come to any conclusions on that?

Treasurer of the States:

Yes, but that is probably more a question for politicians.

Mr. P. Taylor:

Okay.

Treasurer of the States:

Yes.

Mr. P. Taylor:

Thank you.

Treasurer of the States:

The latest position will be set out in the Government Plan that has already been committed to by Ministers.

Mr. P. Taylor:

I think we are coming close, so do you want me to ...

Deputy I. Gardiner:

Another 5 minutes?

Deputy R.S. Kovacs:

We have just about 3 more questions and I think we can make it in time, if not I am guessing you can stay another 5 minutes.

Treasurer of the States:

Make it 10.

Deputy I. Gardiner:

Thank you.

Deputy R.S. Kovacs:

Thank you.

Mr. P. Taylor:

We have taken, I think, some £60 million from the Strategic Reserve to the Consolidated Fund this year, of which a proportion was then used to fund the hospital.

Treasurer of the States:

Yes.

Mr. P. Taylor:

Is that practice likely to continue, do you think, based upon the projection as you may have on the future requirements of H.C.S. (Health and Community Services)?

Treasurer of the States:

Again, that is a matter for the Government Plan. The Government Plan will lay out a strategy for the funding of the hospital. It is not really my place to pre-announce that. The strategy that will come forward will be for the entire phase 1 of the new Healthcare Facilities Programme. That is already laid out in the Government Plan to be in the, say, £750 million of additional funding, and that is laid out in the last Government Plan as to what the strategy of the last Government was to deliver that. That was predominantly raising a debt but also included some financing from reserves, but that will come forward in terms of what the new government strategy is in the Government Plan, which we are finalising by the summer recess.

Mr. P. Taylor:

But based upon your understanding, more detailed knowledge than any of us have got around the estate's finances, can you see that that is a likelihood that that may be the case, that more funds have to be drawn from the Strategic Reserve or it is possible, let me put it that way?

[15:30]

Treasurer of the States:

Presuming that the budget is not going to be moved, to change significantly from that that is there, I can see that the only 2 ways of funding that project relate to debt with a plan to both service that debt and repay that debt and/or some elemental drawing from reserves. Those are the only 2 ways that I can envisage that that budget can be met. But the actual strategy of this Government and these Ministers will be in the Government Plan; it is a policy decision.

Mr. P. Taylor:

Finally, the social housing stock was written down by £31 million. This is the worst upheld by Andium. What caused that?

Treasurer of the States:

Largely the financial environment and its impact upon financial factors by which you value housing stock because it is more of a valuation technique matter. It does not relate or is not driven by a deterioration or a physical deterioration in the quality of that stock. As you are doing your discount future rental stream, so the value of that rent and then the discount rents you would apply broadly come to the valuation of the ... broadly in simple terms.

Mr. P. Taylor:

In that respect it is not something of which you have any influence.

Treasurer of the States:

It is a value technique issue, it is not related to the quality of that stock. It is absolutely not the case and we have got work in progress that we need to add to that stock as well. But it is driven - so let us be clear - by those 2 factors; market factors and levels of rent. When decisions are made in respect of limits to rental increases relative to market that can have an effect going forward. But it is a valuation matter, not an assessment of the quality of the stock.

Mr. P. Taylor:

Thank you.

Deputy R.S. Kovacs:

Thank you. I will conclude with a question around we had a good investment return which made up for the deficit. How do you ensure the sustainability of public finances does not rely on investment gains? How do we take the return to the States to a situation of sustainable public finances?

Treasurer of the States:

If you go back to the risk page that would address the number of actions or steps that need to be taken in order to preserve the sustainability of finances, we have covered off the size of reserves

and how big they may need to be should Jersey ever need to utilise those reserves. But it is not just related to the Strategic Reserve, we have a significant balance in place that protects Jersey to a degree from some of the challenges that arise from the ageing population and namely pension costs. That is a fund that most jurisdictions do not have to the same degree in proportion to the finances of us. We have measures in place, not necessarily the balances in place but measures in place to fund long-term care, for example. The further challenges relate largely, along with most of the jurisdictions, to the long-term impacts of ageing population and what that does to your income and what that does to your cost base. There are obviously lots of technology advantages into the future that would help with that. But some of those consequences arising from the ageing population do relate to intense people costs, if I can describe it that way; that is one of the key risks. There is lots of work being done by the Economics Unit looking at the future with regards to those threats. Also, therefore, putting in place strategies relating to the future economy, improving productivity and such like, so there is that. There is also a whole workstream that goes around ensuring that we remain a well-respected and well-regulated financial services entity because that is critical to the ongoing success to the Island and its finances and well-being of its people in that regard. Those elements are there. In the shorter term, there are obviously the rules in place within the Public Finances Law that prevent the Council of Ministers putting in place a budget that it cannot afford over the medium term. Some of those longer-term issues, such as ageing population, of course rest outside of that. There is also the requirement to deliver value for money in the services delivered; that is probably one of the biggest challenges to get through this. The Council of Ministers has laid out how it wishes to curb the growth, the growth that we have seen across a number of years and decades of public services, driven by often demography, driven by increased need and driven by in respect of health ever-changing technologies and practices in health, as well as the number of people who need them. I thought that was my colleagues leaving to my left and right. There are a number of workstreams in place, which is why long-term financial sustainability is one of the top 4 risks laid out in the plan. I think Jersey is in a good place, it has a strong balance sheet. It has a strong reputation, while it may have challenges from time to time of addressing those challenges head on and putting in place balanced budgets across the medium term while looking to the long-term risks.

Deputy R.S. Kovacs:

Thank you and thank you for staying the few minutes extra. Thank you, Richard, and officers for attending our hearing today, for addressing our questions. Thank you to all the support officers and to the public for watching online. Our officers will be in touch to follow up on the few points that you said they are still having work to see where they are and besides the written questions that we already sent and we are waiting for responses, in case we do have a few points which we did not touch on, we possibly could still send some further ones. I will now draw the hearing to a close and thank you to everyone.

[15:36]