



OFFICIAL REPORT

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STATES OF GUERNSEY

SCRUTINY MANAGEMENT

COMMITTEE

Policy & Resources Committee
Public Hearing

HANSARD

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Members Present:

Panel Chair: Deputy Chris Green

Deputy Peter Roffey

Deputy Laurie Queripel

Mrs Gill Morris – Non-States’ Member

Mr Mark Huntington – Principal Scrutiny Officer

Mr Alistair Doherty

Business transacted

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Scrutiny Management Committee

Policy & Resources Committee

The Committee met at 3.00 p.m.

[DEPUTY GREEN *in the Chair*]

Procedural – Remit of the Committee

The Chairman (Deputy Green): I would like to welcome everybody here today: elected representatives, senior public servants and members of the public.

Our session today focuses on the Policy & Resources Committee. This hearing will focus on the transformation process, the Government savings programme, the recent system of government changes and fiscal and economic policy.

Please can I ask anybody who has any mobile devices to put them on silent. It is essential during our session that the Committee is able to hear from our witnesses without any interruption from the public gallery.

I should also make it clear, for the avoidance of all doubt, that this is a Parliamentary Committee proceeding and members of the public are not permitted to speak during the hearing.

EVIDENCE OF Deputy Gavin St Pier, President, Policy & Resources Committee; Mr Paul Whitfield, Chief Executive; Ms Bethan Haines, States' Treasurer

The Chairman: I now to turn our witnesses. Could you please introduce yourselves, starting with Mr Whitfield.

Mr Whitfield: Paul Whitfield, Chief Executive of the States of Guernsey.

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The Chairman: Thank you.

Deputy St Pier: Gavin St Pier, President of Policy & Resources.

20 **The Chairman:** Thank you.

Ms Haines: Bethan Haines, States' Treasurer.

25 **The Chairman:** Thank you very much.
Right, okay, without further ado, let's crack on.

Deputy St Pier, the new system of Government was supposed to provide leadership by co-ordination of policy with resources. Has leadership actually improved since May 2016?

Deputy St Pier: Yes. (Laughter)

The Chairman: How?

Deputy St Pier: I figured that might be your next question!

Yes, I think the review of the system of Government through the States' Review Committee process and the changes that took place on 1st May have produced a more coherent as well as obviously a smaller system. The fact that it is smaller under the Committees, I think, clearly helps – and the smaller number of participants in it – but also with the Policy & Resources Committee, as clearly articulated as the senior committee. I think that, certainly as a participant in the previous system of Government, with sitting both on the Treasury & Resources board and also on Policy Council, the incoherence of that system was quite apparent to those who were participating in it.

The Chairman: Has leadership actually improved since May 2016?

Deputy St Pier: I think Policy & Resources is providing greater leadership than the Policy Council was ever able to provide. I think the challenge, of course, with the system of Government we have is it is all about soft leadership, soft power, rather than hard power, so there is no party whip, there is no patronage, so all the things that would be available in other systems are not available to us. It is all really about relationships and that aspect comes down to the way we choose to operate the system.

The Chairman: Can I ask you to give some examples of how you have provided effective leadership through better co-ordination, or whatever means, since May 2016?

Deputy St Pier: I think the construction of the Policy & Resources' Plan – which was of course voted last week – was a clear demonstration of Policy & Resources taking the lead and dealing with States' Members but also the States' Committees in order to construct that document that was then up before the States.

The Chairman: Can I remind you of one specific which has happened since May of this year? Did your Committee step in at all over the Education Committee's handling of the States' resolution from March on secondary education?

Deputy St Pier: I have a regular meeting once a month with the Presidents of Health and Education, which is something that really is a continuation of something that I was doing as the Treasury Minister in the last term with those two Departments. Certainly, clearly, during the early months of this new Government, the question of what was happening with secondary education was a matter that was discussed in those meetings.

The Chairman: Did you or anybody on your Committee actually step in to intervene to try to break the logjam that seemed to be apparent to everybody apart from those involved? Did P&R actually do anything to assist?

Deputy St Pier: Yes, I think in the dialogue that we were having with the President of that Committee at that time we pressed upon them our view that it was imperative that the logjam was broken and that the States was ... that there was clearly a policy direction given and implemented by the Committee. I think, again, both Bethan and Paul were participants in those meetings, and will you confirm that was the nature of the conversations we were having?

80 **Mr Whitfield:** Absolutely, I think that you used the word 'leadership' earlier on and President St Pier said about the soft leadership: it is definitely there – so not too heavy handed, but obviously there is a logjam and there were steps taken to try and encourage, help, mediate to get to a better position.

85 **Deputy Roffey:** What would see as your role...? If a Principal Committee was doing something that was bringing the whole Assembly into disrepute and you had used your soft leadership and it was still going on down that route, do you think you have any levers in those circumstances, or do you just have to say they are autonomous and there is nothing we can do?

90 **Deputy St Pier:** Yes, I think we are getting slightly into the realms of the hypothetical. So far in this term of Government – unless you are suggesting that was the case for Education, which you may be...

95 **Deputy Roffey:** I think it was in danger of going down that way, but it is not my place to give opinions today, but to ask questions.

Deputy St Pier: Yes. This system of Government, as we know, is untested, so we are all learning as we go along. Quite what we would do in those circumstances, how we would act, to be frank, I think, is fairly pointless speculation at this stage.

100 I can only emphasise again that any system of Government, but particularly our system of Government, is going to, at the end of the day, come down to relationships and the management of those relationships. In any given situation it would depend on how those are handled and that will vary from situation to situation if only because the people will be different.

105 **Deputy Roffey:** But demarcation lines are surely important too. We just passed a Policy & Resource Plan that said connectivity was crucial. Just taking Aurigny as an example, you have set up the review of Aurigny. Economic Development have clearly got a huge role in connectivity and yet we have also got the States' Trading Supervisory Board that are responsible both for the ports and for the shareholder responsibility for Aurigny. How do you explain to an outsider? It might seem a bit tangled and confused.

110 **Deputy St Pier:** I think having an expectation of very clear demarcation lines on every and any given issue I think is unrealistic. I think you have cited one example of where clearly there are interested parties. I think that, again, comes to the heart and essence of what Policy & Resources is there to do. It is there to co-ordinate. My expectation on that issue: it is our responsibility to be liaising with those other interested bodies – which is exactly what is happening.

115 I think Condor is another example where, again, clearly that sits within the mandate of the Economic Development Committee, but clearly it is also a matter of strategic interest to the Island as well, which takes it, if you like, out of that Committee in the sense to a plane where everybody has an interest in it.

120 Clearly, the approach which we have taken is maintaining close dialogue – and a joint meeting with two Committees last week to consider the draft Comprehensive Service Review Report that was published. I would expect ongoing dialogue with that Committee on that issue. Again, it will differ from issue to issue and I think that, to me, I would regard as being entirely normal.

125 **The Chairman:** There have been tensions already this term between Economic Development and Policy & Resources on the issue of transport connectivity. Are you absolutely confident that the structure is right? Really, who is it who provides leadership on transport connectivity issues in the States? Is it you or is it Economic Development or is it both?

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Deputy St Pier: I think it is quite clearly Economic Development, but we are there to assist, support and to provide parties being made to have a dialogue to the extent of a consideration of the resource implications of any options that need to be considered – all of those sorts of things. I would expect there to be close co-operation and working between the two Committees, but ultimately, no, I think it is quite clear that the ultimate responsibility lies there.

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Similarly, going back to the first example you cited of Education, the responsibility to bring secondary education before the States does not lie with Policy & Resources. All we can do is, as Paul said, seek to encourage, persuade, explain our perception, what others' perception is or has been, with a view to try and get to the right result.

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Again, as one of those who was involved in the States' Review Committee, this is operating in a way that I expected it probably would.

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The Chairman: Can I just ask one more question on the system of Government before we move on to something else? You mentioned the P&R Plan as an example of how the system is working; you mentioned how Members of P&R are dealing with being on the Education issue. Apart from those two examples, is there any other evidence that this system is actually working in terms of providing the leadership through co-ordination that the States' Review Committee intended all along? Apart from those two, where else is the evidence?

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Deputy St Pier: I think it is a little early to be honest, because in terms of the level of policy development that has been at committee level ...

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I think also on the social policy issues, for example, the ongoing implementation of the Children and Young People's Plan, SLAWS and so on – and again Policy & Resources has played a role through Deputy Jane Stephens as the social policy lead, who has been maintaining a dialogue with relevant committees. But in terms of new policy development and therefore the co-ordination of that across Committees, no, but I think there is plenty heading down the tracks where Policy & Resources' role, I think, will be tested, but I don't know if Paul could cite other examples...

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Mr Whitfield: The only thing I would add which I have noticed – and obviously I am in a position where I see other Chief Ministers previous and now a President – is an absolute mind-set to link up some of the core strategies and pieces of work in terms of cross-Government work. Good examples of that is not to have standalone, but to link up, for example, public service reform and transformation is very much there to support the P&R Plan and they need to work in tandem. Certainly P&R have been very keen to show leadership and support to those areas as well as areas such as the capital prioritising programme linking up. So it is a suite of things that hopefully help drive that strategic direction, so it is not lost and they are not disconnected.

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The Chairman: Right, okay.

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Deputy Queripel.

Deputy Laurie Queripel: Thank you.

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Deputy St Pier, in regard to the new system of government and the new structure, are you happy with the lines of reporting and accountability? Can you give any examples of where they work well, where perhaps they have worked less well and they could do with improving?

Deputy St Pier: Are you talking about within the Committee or between the Committees?

Deputy Laurie Queripel: Within the Committee and between the Committees.

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Deputy St Pier: I should not have asked that question! *(Laughter)*

I think, again, obviously there is no guide book, there is no rule book in terms of how the Committee should organise itself. We have chosen to, effectively, allocate and agree areas of specialist responsibility – that is not a delegation, that is simply a specialist interest – and that, I think, is working very well. I am very pleased with that. I think everybody is very clear about what they should be doing.

In terms of between Committees, I think, again, formal structures have been put in place, so I have meetings with the Presidents informally. Every time there is a States' meeting we set aside time. That, again, was tested last week in terms of the value of that to the other Presidents. They find it useful; they want those meetings to continue. It provides a forum and a dialogue, which would not otherwise take place. I think the co-ordination roles of, for example, Jane Stephens on social policy: we have had some feedback – which I think I will treat as being constructive feedback – on how we need to ensure that there is clearer communication about her role and who is doing what. At this stage, I am satisfied that it is working in the way that was intended.

Deputy Laurie Queripel: What about lines of accountability and reporting in regard to what is happening within the Civil Service: the reform, the transformation? Do Policy & Resources feel fully informed at every moment in regard to that or are there times when you could do with some more information?

Deputy St Pier: I think, when it comes to the public service reform agenda, then I think we are quite clear that the accountability for that lies ultimately with Policy & Resources, and I am providing political leadership of that agenda. That is what we are doing as a Committee.

The Chairman: Can we move on from the system of Government *per se* and talk about the Savings Programme? (**Deputy St Pier:** Yes.) I think it was in June of this year that you first alluded to the planned three, five and five percentage cuts to the cash limits for 2017, 2018 and 2019. Can I ask what is P&R actually doing to help the five Principal Committees who will be affected by this? What are you actually doing to help them save money?

Deputy St Pier: Well, of course, let's be clear that the only thing that has been agreed so far is the 3%. That has now obviously been accepted by the States through the budget process, so those cash limits are now the responsibility of those Committees to deliver and the accountability clearly lies with those Committees now.

In leading up to that recommendation which the States accepted, there was close dialogue at both officer level and at political level. Either I or a member of my Committee met with each President to confirm that the cash limits being proposed were acceptable to them and therefore that they would take responsibility and accountability for delivering them.

Certainly, I think, in relation to Economic Development, Employment & Social Security, yourselves, Scrutiny Management, States' Trading Supervisory Committee, the Royal Court Law Officers and the States' of Alderney, in each of those cases the reduction has already been found, so each of those Committees know exactly how they are going to deliver that.

The Chairman: For 2017 only?

Deputy St Pier: For 2017 only.

In relation to the other Committees – the proportion of which are clear about how they are going to get there – there are some significant gaps, so the process from here is really, as soon as the Budget was approved by the States, certainly it is the States' Treasurer's number one priority to agree with each of the Principal Committees exactly how they are now going to deliver that 3%. That is the work that now needs to be done.

The Chairman: I will come back to the question which was - what are P&R actually doing to help the five Principal Committees who are affected by this to save money? What are you actually going to do now to help them find those targets – not so much 2017, but the subsequent savings targets for 2018, 2019?

Whilst I am on that, it is true the States' has voted for the 3% for 2017, but it is true that the States' have not formally endorsed the full programme for 2018 and 2019. Why? Why did you not choose to get the endorsement of the States' for the whole Programme, for the whole three, five and five, rather than just for the first 3%.

Deputy St Pier: Because we have got to be clear around its deliverability. I think at this point, it would be very hard for us to put it in front of the States and say, 'We want you to sign up to 5% and 5%', without being able to set out a level of detail which will be put to the test by you, or others who were scrutinising the process, and that it was clear about how it became part of that 5% to be accounted for.

Whilst at this stage, starting in June, we believe it is a reasonable target to set for the States as a whole, the deliverability of that and exactly how that is going to be delivered is work, frankly, that still has to be done and that relates to – in terms of how we are going to help, to answer your question – all around the transformation of public service delivery, so public service reform. That will take place at a number of different levels. If you are willing, I can share with you some of the schematics as to how we can most easily explain it – if that will help.

Deputy Roffey: We are certainly going to come onto that in a minute.

Can I ask, where did three, five and five percent come from? Was it a, 'That feels right. That is okay; we will put that forward' or was it scientifically based, that you worked out that is what was generally achievable without damage to vital services?

Deputy St Pier: I think it is probably, to be fair, more the former than the latter at this point and there has clearly been some information that would help to inform that, for example, the work around the benchmarking of Health during 2015, the BDO Report, which of course identified potentially that our health services were 17% more expensive – if that is the right term – than peer group. So that, I think, has helped inform us, the recognition, that actually the way we organise some of our services provides an opportunity for some savings, but I don't think that necessarily puts colour on the analysis of three, five, five.

Ms Haines: I think the 3% was largely driven by the initial planning in terms of what the gap would be in terms of the Budget in 2017 and what element can be a realistic contribution to that from expenditure reduction.

I think the President, when he announced the 3%, 5%, 5%, was very clear that the 2018 and 2019, the positive result... (*inaudible*)...is up to 5% and that further work would need to be undertaken in order to flesh out really how we are going to deliver that. That is from capital investment, so we begin with the disrank prioritisation of all of the projects that were working with benefits and public service reform.

We recognise that still a considerable amount of work needs to be done in firming up those 5%*s*, but that will be our next target after ensuring that the 3% is deliverable because, although everybody has signed up to the 3%, we do not have plans that could be put in place by 1st January next year that will ensure those savings are delivered. Of course, every week, month that we move into 2017 and they have not been delivered, increases the pressure in the year. So that is why we are spending the remainder of this year making sure that on 1st January we have got plans in place for all of those 3% savings that we can implement and then move on to really planning the 5%.

Mrs Morris: Can I just ask who holds who to account? So, the President has very kindly said that you are helping the various Committees to come up with these savings, but who do they answer to? Because the Chief Secretaries answer to the Chief Operating Officer (COO) not to the ... Let me get this right. You answer to the Chief Executive Officer (CEO), but the Chief Secretaries answer to the COO, so who calls them to account when those plans are not delivered?

Mr Whitfield: I think, going back to the original question will help answer that question (**Mrs Morris:** Okay.) which was, how was P&R going to help deliver, particularly the 5%, 5%? With the intention of avoiding managerial speak, it really does hang on to the agenda of transformation.

I think an awful lot has been done, actually, through the previous FTP progress – the Fundamental Transformation Programme – through to what you are doing within the 3% which is very much – if you look at your diagram – the bottom line: what can you do in-house within the Committee? Actually, on the present meetings that Gavin has mentioned, a reasonably strong commitment has been given that that can be achieved.

The 5% have always been seen as cross-organisational, so not actually saying, 'Every single functional area or Committee needs to deliver 5%' but actually that would need to be drawn across the organisation, which you then come into saying, 'Well, is it just change? It is just minor change, moving the chairs around on the deck, or is it actually true transformational change?' I would articulate that in saying we have got lots of opportunities with modern technology, for example, and different ways of working and yet we still occupy over 110 core sites on a 26 mile² Island – mainly administrative. If you take away the schools, the hospital, police stations, prison, you are then left with fundamentally a huge amount of administrative centres. If we can actually change some of the ways we work, and by that the way we deliver services, then that is providing true transformation opportunities.

There are four core Fundamental Transformational Programmes – sorry for the speak – but they are big programmes of work. Those charged: obviously, I have got the responsibility to P&R and a President to deliver against that and the Chief Secretaries, as you say, have got to contribute in working together.

Now, I think it goes probably to a former question of how things are working: we have now got six fundamental Principal Committees which means that we are automatically working far more closely together, particularly when it comes to me from an operating point with a smaller group of colleagues to drive some of this change.

So, yes, people are accountable because we have got a plan, we have made a commitment of what we need to deliver, and the line management responsibility goes through me, but the responsibility also is akin to whoever the President is of each Committee if the work lies within that specific area. Health transformation is a good point.

The Chairman: These kinds of savings obviously go well beyond the efficiency savings that you would have thought would have been picked up from the FTP process, so presumably what we are really talking about is actually cuts to services, cuts to the number of people working in the organisation and/or increases in fees and charges. That must be the reality, from what you are saying, if it goes well beyond the scope of what the FTP should have picked up in the first place.

Deputy St Pier: No, I disagree. I think it is very easy just to make that illogical leap between a 5% cash limit reduction and therefore that must trigger cuts in services. This is about seeking to deliver ... Well, first of all, it is challenging the way we deliver services, so actually who is the most effective party to provide them? Is it always Government? Should Government be providing some services? Could Government contract out, either to the private sector or to third sector, who are better able to provide some of those services? Certainly, an example of where that has happened in the last few years, of course, through the FTP process, was Government contracting out provision of the youth services to the Youth Commission as a third sector body.

The Chairman: It is a very good example. It is possibly the only example, though, isn't it?

Deputy St Pier: But that is an example ... Because it is a good example, I would be astounded if we could conclude from that that it is the only example available to us out of a £400 million budget.

Deputy Roffey: It does lead to an issue about where responsibility for achieving the three, five, five will lie. If it is the changes in IT and technology and changes of the number of buildings we upgrade, a lot of this really is going to be driven by the centre. Will you see it as a failure of P&R if we do not achieve this rather than a failure of the Principal Committees?

Deputy St Pier: Deputy Roffey, you are very good at asking hypothetical questions, looking for –

Deputy Roffey: Okay, I will put it another way: if it is successful, will you see it as a success for P&R rather than –

Deputy St Pier: Looking for future failure or indeed success... but I am pleased you turned the question around and you are anticipating future success because, of course, that is exactly what I am anticipating.

Yes, it is P&R's responsibility to co-ordinate the delivery of this. If we, as Government, through the priority and resource allocation process, which ultimately means the Budget next year ... If in the Budget next year, the States sign up to the delivery of further reductions in cash limits, then clearly to the extent that that requires co-ordination across Committees, that is a test of our mettle in terms of our ability to deliver that, absolutely.

Deputy Roffey: Does it worry you: I pick up yesterday's *Guernsey Press* and see three of the six Principal Committee Presidents who at least being lukewarm over their ability to actually deliver these savings and in one case – the Home Affairs Committee – not even the 3% for next year inside the timetable required?

Deputy St Pier: I think, certainly for next year, I am very clear from the conversations I have had with all the Presidents that they have committed – and their Committees have committed – to the delivery of living within the cash limit which has been set for them by the States as a whole in the Budget less than a month ago.

Deputy Roffey: But beyond next year it becomes less clear. To the outside Island, it looks like the three, five, five is a core States' policy, even though it has never been to the States. Your projections for a balanced budget are predicated on it. Isn't it a mistake not to have brought it to the States and had that debate to get political sign-off before giving the impression that this is the absolute core policy?

Deputy St Pier: I think we will be obtaining the States' agreement to that, I would suggest, through the Policy & Resource planning process; through the Phase 2, which will come to the States next June; through the medium-term fiscal plan, which will be part of our delivery of Phase 2, which will be dependent on the delivery of these kind of savings. So, at that stage, we will have to convince the States that it is deliverable and this is how we are going to do it. I think – if I go back to my earlier response – had we attempted to do that in June this year, we simply would not have had the level of detail to be able to convince the States that it was deliverable, so it would have been putting an awful lot of effort in to try to produce a policy letter that was not capable of delivering what we wanted.

I think the best you can say is the 3% has been accepted by the States. The five and the five is an indication of P&R's intent as part of the next phase of the planning for Government.

390 **Deputy Roffey:** Is there a plan B if you cannot achieve the first plan?

Deputy St Pier: That will clearly be part of the medium-term fiscal plan. If delivery of that plan is dependent on this, then if we are unable to deliver this either because of lack of political will or because we conclude that it is not achievable for whatever reason, then we will have to present a coherent alternative and that again is our responsibility as the Committee responsible for the resources.

The Chairman: There really is a disconnect though, isn't there, between the political reservations that my colleague was just talking about and the apparent confidence of the senior officers in those Committees? There is a real disconnect between what the politicians are saying in public and what the senior officers are presumably saying in private?

Deputy St Pier: Well, no. All I can go on is what the politicians are saying to me in private and what they have said in the States and what the States have concluded. What they are saying to the press is a matter for them. I was not there; I do not know what was said, so I am not going to comment on it.

The Chairman: How will you publicly support Committees when the going gets tough and the public is not happy with proposed changes – maybe cuts to certain services, maybe transformation, and people are not happy with that? You know what public opinion can be like in a very small community like Guernsey. How are you going to actively support Committee Presidents when the going gets tough?

Deputy St Pier: Well, again, with respect, I think you are looking for failure and you are asking a hypothetical question. I cannot comment on that without speculating about the circumstances that gave rise to that side.

Deputy Laurie Queripel: Bearing in mind that in States' expenditure over 50% is the pay bill, how much of this work will focus on the pay bill? I am asking are you prepared to consider the point or the view that we, the States, have or might have a top-heavy pay bill and that bill could be reduced?

Will there be a thorough, meaningful review or appraisal of positions, posts, numbers, salaries, functions, job descriptions, etc. in order to evidence that point or not to evidence that point? How much of the work is going to focus on the pay bill and in what way? Are we going to be looking particularly at the higher end of the pay bill?

Deputy St Pier: It is a fair enough question and it is a very valid question because clearly as the question quite rightly identifies, pay is a significant portion of the total cost of the public sector.

Over the last five years, the number of employees coming into the public service has reduced by 115 full-time equivalents. We also have the opportunity in the fact that 30% of the public service is due to retire in the next 10 years. We also have the fact that 14% of the public service turns over each year – 715 employees a year disappear. Of course, many of those must be replaced, whether they are nurses or teachers or whatever.

All of that provides opportunity and it is that opportunity which we must not lose in reconfiguring the shape of the public service. I have said elsewhere before I think we have to face the reality that in some places we probably have too little resource and in some places we probably have too much, and it is ensuring that shift.

440 An example where we may well have to face up to the fact that we have too little is dealing with the consequences of Brexit. We are only just now beginning to understand the scale of this, as indeed are most of the UK. If that has resource implications for us, we may well need to bring in people with the requisite skills to help us. What that is, how many, what the cost is, I do not know and I am not going to speculate here. I am merely citing it as an example of something where we may discover we are too light on resource.

445 On the other hand, on the other side, as the Chief Executive says, with the number of buildings we have, the duplication that brings in terms of the number of staff we have just to keep those buildings going is something again that we may have an opportunity to reconfigure as we change the shape of the estate that we use.

450 In terms of the upper end of the scale – which I think was under (b) in your question – again I think it is an over-simplification; I think at some levels we may find that actually some of our most senior people are not as competitively remunerated as they might be in other comparable jurisdictions or roles.

455 It is not simply a question of pay, but to ensure that our terms and conditions are reviewed – which of course we are determined to do – but recognising that that in itself is a significant project. That is one of the transformation projects that we regard as being part of this public service reform. Currently, we negotiate with 13 or so unions, so that is a significant change.

460 Dealing with increments is, again, something that of course I have flagged in the States. But, again, we have to keep in mind that out of all the public service bodies, actually only 28% of those receive increments, so in terms of the amount that is available in terms of savings, it is perhaps less than one might, or it might be popular.

465 **Deputy Laurie Queripel:** On top of that, I just wanted to ask you: bearing in mind your uncertainty in regard to circumstances, doesn't that just enforce the fact that we do need a thorough and proper comprehensive review in regard to posts and numbers of employees and salaries and job descriptions? If you need to find out that information, if you are not sure if some of the top people are being paid enough or paid too much or whatever, don't we need that kind of review, that kind of comprehensive, thorough review to find out exactly who is doing what and why they are doing it and if they are being paid appropriately?

470 **Deputy St Pier:** Can you talk a little bit more about where we are on that chart and more generally?

475 **Mr Whitfield:** Yes, I think we are setting a path through exactly that. Public service reform was announced, put together, and structured before the structural deficit was highlighted at that time, and was unanimously supported in the States last November, but it was a framework for transforming or reforming the public sector as a whole and we know the public sector is a very diverse organisation and employs in the tune of about 5,000 people – although that has gone down to less than 5,000 permanent staff for the first time in some time.

480 What you are suggesting: yes, a review of all the operational platforms in regard to human resources and what that means. What we have done, probably for the first time – and the ink is all but dry on this – is to do a complete deep-dive analysis of all the people issues: what it means in terms of terms and conditions, employment, grading, have we got too many grades across – which we probably have – etc? Then, how do we tackle that?

485 I do not think we need to employ a very expensive resource to come in and tell us what we probably know already. We are doing some excellent work. We have already completed a huge piece of work across Health in regard to BDO carrying out a baseline review. We are doing the same in Education; we are doing the same in Home Affairs to say what do we need to provide, who needs to provide it? From that, we can see at what grades we have got the right staff to do it.

The Chairman: Whilst you mentioned Health, can I just take it back to the three, five, five savings programme specifically? Obviously the Committee for Health & Social Care is not included in the three, five and five savings programme as such. You could take the view that that shows that maybe we think the States' collectively thinks that Health & Social Care is in the 'too difficult box'. Is that the case?

Deputy St Pier: No. (**The Chairman:** Why not?)

They are not included in the three, but I think we see them very much as being a big contributor to the 5% and the 5%. Indeed, they are now well placed – in fact they are better placed, probably, than any of my Committees to be cracking on towards the delivery of that because of the work that was done last year with BDO on benchmarking and the resources that have already been put in to get them on that journey to reconfiguring the delivering of the health and social care services.

The Chairman: Did I hear you right? You expect Health & Social Care to be able to reach the targets of 5% and 5% in 2018 and 2019?

Deputy St Pier: No, to be clear, going back to something the Chief Executive said: the 5% and the 5% is not and never was intended to be a salami-slicing of Committee's budgets. So our expectations of what any given Committee – Health or otherwise – have not yet been determined. However, given the work that had already been done on Health and the identification of the opportunities there, we would expect them to be a significant contributor to that overall target. I do not know how much it will be, but we expect it to be a significant contributor. That is why they have been given the resources to structure them to enable them to transform.

The Chairman: They have not been part of the Savings Programme to date. They have been treated as a special case – perhaps rightly, perhaps wrongly – but will you accept the proposition that you can make other special cases? You could say that the budget for schools is a special case; you could say that the budget for the Police Force is a special case. I think we understand the thinking which went behind making Health a special case, but do you not accept that that logic could apply to other areas, and perhaps other politicians in those Departments could be making that case?

Deputy St Pier: I have no doubt whatsoever that everybody can make a case for a particular area being special and so it is not necessarily unique to Health. I think we need to be clear, Health has been regarded as a special case by Treasury & Resources and Policy & Resources in the 2016 and 2017 budgets for a number of very clear, specific reasons. Yes, we have the general medical health inflation – a long-term problem; yes, we have increased demand on healthcare as a result of the aging demographic. Those are long-term systemic pressures on the system – we know that. But overlying that, we have also had substantial political and management change in there. We have also had the crisis management following the NMC review.

Those are short-term contributory factors as to why it was simply necessary to ensure that additional resources were put in last year and have been suspended this year to respond to those short-term pressures. But, let's be quite clear that Health themselves have identified that there are opportunities for the delivery of health and social care in a different way. That is not something that is going to happen overnight, but we would be expecting it to contribute to the targets of 2018 and 2019.

The Chairman: Deputy Roffey.

Deputy Roffey: Yes, I would be interested in knowing what your indicatives for the spending limits for Health & Social Care are for 2018 and 2019. I know you cannot be certain: things will

happen; events will come along, but you have frontloaded a lot of money in there to try and start transformation in the way they deliver services. Are you really seeing, in real terms, a reduction in 2018 and 2019?

545 **Deputy St Pier:** Will you be able to take a stab at that one?

Ms. Haines: Yes, just to clarify: we have excluded Health & Social Care from the calculations in terms of the 3% for 2017, and we have almost given them an additional year of planning and steadying the ship, if you like.

550 Members may recall that the BDO work showed that there was an opportunity set in terms of reducing the cost of the services we are providing today of between £5 million and £17 million. That is a big range obviously, but the £5 million is more of a tactical service improvement in the operational efficiencies. The £17 million is if we look at the whole system of healthcare on the Island, which is exactly what the Committee for Health & Social Care are now leading on.

555 What we intend to do is work closely with them to understand where on that range we think the savings can be made.

Deputy Roffey: But you are convinced it will be on that range somewhere? It will be between £5 million and £17 million savings?

560 **Ms Haines:** Yes, in terms of the services that are provided today. I think it is important to recognise part of the driver for public service reform was knowing that we have got additional demand coming down the track for those services. We will need additional social care in the future, and so forth, to deal with the aging demographic. It is trying to separate what we are
565 doing today from what we will need to do tomorrow, so we may have to plough in additional resources to deal with the demographic, but by transforming and reducing the cost of what we are doing today we will be better placed to do so.

The Chairman: Deputy St Pier, isn't part of the problem with this that really there is no
570 sanction for any of the Committees if they fail to achieve their 3% or their 5% or their 5%? There is no real sanction for non-compliance and therefore can you not say that, given that we do not live in an executive Government system, we live in the system we have, and with no sanction for non-compliance, it is entirely open to a Committee to view these savings targets as essentially voluntary rather than mandatory?

575 **Deputy St Pier:** Well it comes back to the accountability doesn't it? I think ultimately the accountability, of course, under our system of Government rests with the States', and do the other 35 Members of the Assembly accept the position of that Committee? I think that is ultimately where we can put pressure on them to deliver.

580 **The Chairman:** So the only sanction is the view that the States of Deliberation takes in turns?

Deputy St Pier: I think, under our system of Government, yes, that is the nature of the system that we have.

585 **The Chairman:** There are no specific sanctions?

Deputy St Pier: I cannot help but say that I think you are asking a rhetorical question that you know the answer to. *(Laughter)*

590 **The Chairman:** It is still a question!

If a Committee is thought to be dragging its feet on savings, is it the role of the Chief Secretary to force the issue, do you think?

595 **Deputy St Pier:** I think you are probably the best placed to explain the relationship between Chief Secretary and the Chief Operating Officers and also between the Chief Secretary and their Committees, because I think that is clearly a matter that is ...

600 **Mr Whitfield:** I think, if you look at the accountability and responsibility in terms of the reporting line for Chief Secretaries – so that is how they behave, how they achieve, how they perform – obviously it goes through the reporting line from me through the Chief Operating Officer. Clearly, whilst we understand the construct of Government and how that works, as has just been described, it is still necessary for those that are paid and are in place to perform a role and a responsibility to do that to the greatest level of performing, so they are set and agreeing targets to perform.

605 Obviously, you have always got a bit of a breakpoint if politically within a Committee then the achievement of a certain aspect of that drive, that piece of work, that efficiency, is not favoured by the political body. That is always going to be a rubbing point, but certainly driving the art of the possible and the performance of the individual, there is a clear line to do so within the make-up of the Civil Service.

610 **The Chairman:** So the Chief Secretary should force the issue in those circumstances?

Mr Whitfield: In the way that the constitution of the Civil Service is and its relationship with the body politic, yes, it should place as much sound and secure advice in front of that Committee that it can.

The Chairman: And your role as the Chief Executive would be to do what exactly? Hypothetical, I know, but if they have given the Chief Secretary had a particular issue persuading a certain Committee of a certain course of action, what would your role be *vis-à-vis* that Chief Secretary?

620 **Mr Whitfield:** Well, ultimately it has to be really clear: if it is a political decision, then it lies with the body politic – and that is absolutely right; if it is a performance issue ... I think what is worth noting – and through the policy letter to the SRC – is that I have a duty of responsibility to receive from the President of a particular Committee the performance of the Chief Secretary and the staff therein in achieving the ambitions and objectives of that particular Committee. So there is also a means that if, for example, the officers were dragging their heels, for that to be addressed through that relationship.

630 **Mrs Morris:** You have got an 'opportunity', as Deputy St Pier said, with the numbers of people who are coming up to retirement age. Are the Committees as aware of that opportunity as you guys are?

635 **Mr Whitfield:** I think so. It has been well presented on numerous occasions. There is often a naïve pitch saying, 'Well, we need a smaller Government; we need a smaller public service', but as I think was well described, well over 50% of the workforce is made up of nurses, teachers, social workers, police officers, fire fighters, so it is not a simple draw-a-line-through who you want and who you do not want. But, clearly there is an opportunity, because actually just reducing the workforce ... If we went into the numbers' game and said, 'Tomorrow, we want 1,000 less operatives, white collar civil servants', whatever, then it comes at a huge cost because you are actually making someone redundant.

Where the opportunity is presented, as you have quite well worked out, is actually if you have got a retirement curve and you change the way you deliver your services, not for the worse – and I think that the point I was going to mention earlier on: the whole drive in transformation is to consider those we deliver the service to as the first point.

Mrs Morris: The customer at the heart.

Mr Whitfield: That is our community, our customers and indeed Government.

Therefore, we make sure we are improving the delivery of the service and cutting out the waste in the system, and I can give you examples of that. By doing that, hopefully, then through a balance of vacancies that are created through retirement and people moving on ... Of course, we have got to off-set that by, in the future, Government has increased the pension age as well, so there is a factor to put into that as well. But there is an opportunity, if it is well orchestrated and overseen, that we can achieve exactly what Gavin is aspiring to.

The Chairman: Is the purpose of this, from a high-level, to bring about a smaller Government or is it to bring about more or less the same Government but run more efficiently? A very political question: Deputy St Pier.

Deputy St Pier: It is about delivering a Government which is fit for purpose in terms of delivering the public services that we need, recognising that those public services that we need are changing as our society changes.

I am not sure it is politically inspired in the way the question is posed; in other words, a political dogma that we must have smaller Government. It is more about ensuring that we have the most efficient construct we can possibly have to deliver the services that Government really needs to be providing. That would be the way I would characterise it.

Deputy Roffey: How is it working? I know you have got a £25 million allocation for transformation. As somebody who was not in the last States and hearing all the debate about this 'T' word, who is driving that? Who has got access to that money and how are they rolling it out across the Committees?

Deputy St Pier: Can you just explain the access to them for that, please?

Ms Haines: Yes.

Well, what the last States did, once the Transformation Fund was established, was to prioritise areas to invest in. The first one was around development of social policy – because, of course, it is not just about the transformation of services, it is about the development of the policy as well.

So, social policy development, then there was the programmes of service transformation, which are transforming Health & Social Care, transforming education and training services, transforming justice and equality and transforming other Government services. Then we have got Civil Service reform as well. All of those programmes were prioritised for funding.

To date, the way it has worked is that, as those programmes are being established, then there will be a request for resources to help develop the Transformation Programme. What the States were very clear about when they established the fund and prioritised these was that any fundamental changes to the way that we deliver services that will happen through transformation should be decisions of the States. These monies are really the initial prioritisation to develop the programmes for service change, the service transformation at the top of our triangle.

Deputy Roffey: Is there a transformation team? Are there two or three people who get up in the morning and the second they wake up think, 'Government transformation: that is what I am all

about; that is what I am trying to deliver with this £25 million? Or is just like the civil servants from the various Departments tapping in as and when they see an opportunity?

Ms Haines: If I can continue ... The people who get up in the morning worried about transformation largely are Paul's Chief Executive's Management Team, which is a group of five leaders in the organisation. In addition, we have a Director of Transformation whose role it is to support Paul in the delivery of transformation.

We are starting to develop small teams in other areas, particularly in Health & Social Care who now have a dedicated resource, who are focusing entirely on transformation and how they make that work.

Deputy Laurie Queripel: Bearing in mind the fund is £25 million, I think about £8 million has been allocated already, so that is about a quarter of the fund. Can you give any examples of where some really tangible benefits and results have been realised? Can you demonstrate that to us – with that £8 million? What have we got for £8 million, in other words?

Ms Haines: Actually, the States have prioritised £8 million but only £2.5 million has been allocated to date and not all of that has been spent. As I said (*Interjection by Deputy Laurie Queripel*) the majority of that is in planning the major transformation to date.

Deputy Roffey: Will it be fair to charge P&R at the end of this four years about how successful the Government transformation has been? (**Deputy St Pier:** Yes.) You will take credit if it has gone well and you will take the blame if it has gone badly? (**Deputy St Pier:** Yes.) Okay.

Deputy St Pier: To answer your question in terms of who gets up and thinks about transformation, it is *one* of the things I think about. (*Laughter*)

Deputy Laurie Queripel: Can I just ask: how close are we to getting beyond the planning stage and getting to the implementation stage? What benefits will result from that?

Mr Whitfield: What I would say is work is not just about to start, we have started. In the 12 months to date, there has been 180 different service improvements in less than 12 months. If you look at your structural transformation piece, there is a lot of stuff which might appear to be low grade but its combination effect is considerable across the piece.

Some of the more visual things that you will see ... For example, in 2017 we made strong direction that we will vacate two key administrative assets from the States. From doing that, we will transform some of the service deliveries as we move. So you will be seeing an escalation of the way we deliver services and some major IT improvements in the world of Health, which is in – in terms of IT speak – not the healthiest position, but if they have the good technology base they can actually do some of the transformational pieces they have been talking about in Health.

Telemedicine is a good example, which we have already put in across to Alderney in the first instance, so 2,700 people movements a year from Alderney just to see consultative appointments – some of them not lasting more than 10 minutes – can now be carried out from Alderney. We think that has actually reduced by half. Those are the significant pieces.

I noticed you smiled, Laurie, when we said, 'Well, the first part of that has been on planning.' Well, clearly, not to plan is to plan to fail, and you need, as articulated by Bethan, those core things of health transformation, health transformation with Civil Service reform, and what are we going to do and how are we going to do it?

I would link back to your initial question about leadership as then saying, 'Well, where is the money? Does the money link up with the P&R Plan? Does it link up with P&R? Will it provide some of the transformation change – not only within this term of Government, because it would be totally naïve to think this is all going to be achieved in four and a half years. Things like the

terms and conditions pieces that people want to see on aspects of the workforce – 13 unions – will not be achieved in that sort of parameter, but things like building moves, channel shifting, so more people can access public services – because they have told us in the community survey ... Our community has said they want to do more online when they want to do it, not actually being dragged down to an office during their working day. That sort of thing can be achieved far quicker.

The Chairman: Just on that, I think the total of the savings that you are trying to achieve is somewhere in the region of £25 million. Do we know what kind of percentage of those overall savings of £25 million will be achieved by the 'centre' in terms of the cross-cutting initiatives, the property rationalisation, the technology-driven savings, those kind of things? Do we know what kind of percentage we can expect from the 'centre' – horrible phrase, but you know what I mean by that. Who wants to have a go at that?

Mr Whitfield: Well, I am not sure if I would put a percentage on it, but my response to that would be we need to get out of the position of talking about 'the centre' because this is about the public service and Government working cohesively together to provide efficient and effective services for its community, because we represent the community and we are paid for by the community.

The Chairman: You understand the thrust of my question then?

Mr Whitfield: Yes, I do.

The Chairman: We cannot say at this stage what the percentage would be ... the contribution from what we would describe as 'the centre', at this stage?
Ms Haines.

Ms Haines: I would just reinforce what Paul said, because if you take property rationalisation as an example, that is being co-ordinated and led centrally, but requires the teamwork from across the organisation. It will be the same with technology. Technology can be implemented, yes, but actually what drives the service improvement and service change and the benefits is the technology and the IT and the services working together to make that happen.

I do not think we can compartmentalise, and we will not be seeking to compartmentalise, our savings into centrally driven and –

Mrs Morris: So very different from the last time round?

Ms Haines: Yes.

The Chairman: It is fair to say that under the FTP the savings dividend from the cross-cutting initiatives was less than expected certainly.

I think I just want to move onto another question and then we will have a short break. Deputy St Pier, it is a budget-related matter, if you put your budget head on. Deputy Mark Dorey recently pressed you in the States on the lack of progress that had been made in clamping down on the avoidance of Document Duty for transactions by way of share transfer agreements.

Are you in a position now to confirm the total amount of Document Duty that the States will have forgone from, say, 2012, or a best estimate?

Deputy St Pier: No. I do not recall saying in the States that that was what I was going to be able to do. I think what I have said in the States is that it is very difficult for us to know what the revenue effect of this Document Duty anti-avoidance duty coming in will be in terms of the

number of transactions that will be caught and therefore revenue will be raised, versus the loss of revenue, particularly to the Companies Registry, in terms of the structures that will no longer be retained.

None of that has really been a feature, certainly for the last Treasury & Resources board's work, because the policy decision was made in the term before last. Our job is simply to consider getting on and trying to implement the concept which in outline seems very straightforward. It has proved considerably more complicated in legislative terms to deal with, but we will be doing that to seek to implement the previously made policy.

The Chairman: I take the point that it is a complicated business. I take the point that obviously the States' has derived some income from people setting up company structures to effect their share transfers rather than paying Document Duty. I take that on board.

I think many people will still find it difficult that we cannot put a figure on the amount of Document Duty that will have been forgone in that time. I think a lot of people would find it very difficult to understand quite why it has taken the time it has taken, notwithstanding the complexities.

Deputy St Pier: I am sure you are better placed to come in on this than I am, Deputy Green. The nature of the transactions are such that we would not necessarily know they have taken place. If shares have been sold from party A to party B, that is not something that is a matter of public record or would necessarily pass through the Greffe – which is precisely the point and is why the Document Duty is avoided.

I would say it is a nigh-on-impossible task for us to ascertain the amount of revenue that might have been gained had it been implemented on a given date. I am not sure that it would necessarily be the best use of anyone's time to go through that exercise. Our priority is to get the duty implemented as quickly as possible. *(Interjection by Deputy Roffey)*

We will bring the policy letter to the States no later than the end of the first quarter next year with the legislation.

The Chairman: Okay, thank you very much.
We will rise for five minutes.

*The Committee adjourned at 4.05 p.m.
and resumed its sitting at 4.15 p.m.*

EVIDENCE OF
Deputy Gavin St Pier, President, Policy & Resources Committee;
Mr Paul Whitfield, Chief Executive;
Ms Bethan Haines, States' Treasurer continued

The Chairman: We recommence with Deputy Roffey.

Deputy Roffey: Okay, I think we are running a bit behind time, so I will try and speed up a bit.

I am a new boy back in the States', trying to understand this keyword 'transformation', before we move on from that. So, I really wanted to know, in layman's terms, what it meant. I can think of two big things: ICT is going to transform the way it provides services, and property rationalisation is going also to be a key to releasing money. Are there any other big things that I should know about? That is two threads of transformation. Are there any more?

Deputy St Pier: I think, probably, we have talked about Health as well. Then within justice and equality, that is really the hosts programme, isn't it?

Ms Haines: Well, broader really...it includes justice and equality services: we will look at all services related to that, including court services and so forth. We have just initiated a piece of work to really understand what the opportunity is there. Then we have got education and training services. Then within transforming other Government services, we have got things like what we call the CATS Programme, which is about contributions and the tax services, and pulling those two services together – which will be supported by technology obviously but – with the aim of providing best customer service and streamlining collection of those contributions.

Mrs Morris: How is that going – might as well tick the question off as we go? How is that alignment going and what benefits do we expect, both from the customers and from savings?

Ms Haines: It is going well at the moment. We have been doing a lot of work in the bottom tier...people keep referring to our triangle. We have been doing quite a lot of work in the bottom two tiers of the triangle, particularly in Income Tax, in improving services which we are providing today and continually reviewing things like how we communicate with our customers: tone of voice in letters and so forth; how we respond to people. We have established a Customer Advisory Board which is designed to get the views of our customers.

Mrs Morris: I think that might be in the doldrums at the moment. I have not been to one for a while.

Ms Haines: I think the team are focusing on particular issues. We are opening on a Thursday again, (**Mrs Morris:** Yeah!) to get a better service to customers. So we have been doing quite a lot in the bottom part of the triangle while we are trying to focus on what do we mean by providing contributions and tax services? How far do we go with that? Is it just buying a new computer system and then leaving the collection functions as they are? Or is it really about integrating the two, merging the teams, so that you and I as taxpayers only have to deal with the States once when you are talking about a collection?

Mr Whitfield: Of course, that also melts into the property move, because the intention by the end of next year is it will have moved out of Cornet Street. The customer, the community-facing elements, will most likely be out of Wheadon House; compliance issues from Frossard and obviously the collections and tax regime actually can serve both functions: both benefits and tax. That is the kind of transform journey we are on.

Deputy Roffey: If Income Tax move out and Education move out of theirs, that is two less than 110. How much further do you think we can go there?

Mr Whitfield: I am a great believer of under-promising and over-delivery.

Deputy Roffey: Ah, but you have just promised to over-deliver! (*Laughter*)

Mr Whitfield: Certainly, if I can call it our 'hard target' for next year is to vacate those two substantial ... Someone mentioned the FTP. I honestly believe if you look at the culture of a very large ... Government is an iconic sector; by nature, a very old institution, so they have bags of culture and all that sort of thing with them. I think if you look at the one thing people miss when they talk about FTP was actually it was a way of starting to get people to think in a different way and start to think actually they need to work thinking about the efficiency and cost-effectiveness of the way they deliver things.

890 The true bit that I think Chris touched on, that there was not a large amount of transformational – sorry to keep using that word – pieces. Really, when you say, ‘That is really different to what was here before.’ Therefore, much of public service reform is about transforming the way that we deliver and to use our limited resources in a more cost-effective way because we know the demand curve, for example – which is why I tend to steer away from the number of public servants, because it is about our bottom line cost, not the numbers of staff. We might need more nurses in the community. We might need more dementia care. We might need more people having operations in the hospital.

895 It is not about numbers, it is about actually where do we need the right staff in the right place and where are we spending unnecessary resources on waste through lots of transactional tasks across areas such as benefits and taxes, where we have a lot of transactional tasks that we can reduce by updating our technology and hopefully then have that as a benefit and then put it at a point where we need it, which could be nursing, teaching or whatever.

Deputy Roffey: I think we have got a clear idea of what your target is over the next couple of years. It is something for us to revisit, perhaps, and measure progress in future.

900 But we are running out of time, so a couple of other issues. The independent review, the financial review that you have done every year: isn’t it time to refresh it? I mean Professor Wood is a charming man and he is obviously a very intelligent man, but would it be useful to actually get a few different views from different people i.e. bringing a balance.

910 **Deputy St Pier:** Well, to be fair, we have refreshed it with the additional voice of Andrew McLaughlin who was brought in and this is his second year.

915 It was originally our intention ... If you track back to its origin, originally it began as a panel and it just reported as a panel for the first year. Then it became Professor Wood on his own for a number of years. Again, thinking about the succession and getting a wider voice was the reason for bringing Andrew McLaughlin in.

920 Our hope originally was to have a third voice at the table; that did not prove possible – and Tony (*inaudible*) was the individual – but I would not rule that out again as being a further development. I think it certainly has helped, actually, having had Andrew in as an addition. It has changed the nature and the focus and the commentary.

The Chairman: Do you think our Government gets enough economic advice? We get the independent fiscal report once a year. We used to employ a States’ economist; we do not any more, as I understand it. Do you think it would be better if we had a permanent source of economic advice in the States? Mr Whitfield.

930 **Mr Whitfield:** To answer that point, yes, and although I cannot give you the details of that – because we are going through employment, ticking the boxes on contracts, etc. – the idea is we have made an appointment that has been accepted – quite a substantial level. It is an economist who will be heading up, as the Chief Secretary, the Economic Development Committee, in terms of its staffing, but also linking in, importantly, across Government with the policy teams – I hate that word, ‘the centre’. So, yes, we will be having an economic adviser in the very near future.

The Chairman: I am very glad to hear it. Thank you.

935 **Deputy Roffey:** Can we move on to capital expenditure briefly? We have a target of 3% GDP in the medium-term, and we have quite a lot of money actually in the Capital Reserve at the moment and yet there has been very little major capital works going on and we have got a construction industry screaming that they have not got enough work to do and that they are under stress. To the outsider, that is a strange set of circumstances. Can you explain it?

Deputy St Pier: Well, certainly the last couple of capital projects that have come before the States have not progressed. By the time they got to the States, of course, the largest of those is La Mare, and of course, the other one was the replacement of the fisheries protection vessel. The work had been done by the Committees to progress a capital programme that ultimately the States have chosen to put the brakes on for varying and differing reasons in both cases.

I think the challenge is, if we accept that it is not Government's role to act as a forum of last resort to create work somehow, then it is really our Government's job to ensure that we get the right projects, at the right time, at the right price. That, I think, has been our constant challenge with capital over a number of years in terms of being able to progress things sufficiently quickly to get them through the system so that when they are ready –

Deputy Roffey: So it is the system that is wrong then?

Deputy St Pier: No, I think it is again a symptom of us wanting to be sure that we have the right processes and controls in place. I think given the problems that were experienced in the past on the systemic delivery of project (*inaudible*) at great additional capital cost. I think, quite rightly, we have put much more process in and much more discipline in to ensure that what is delivered is the right project at the right prices.

I think it is a process of constant review. Certainly we have received feedback from those that are using the system, and to reflect those changes in the way we operate, but fundamentally it is very clear we have got a long list of things to get on with and in the Budget debate the problem this time round is not so much the lack of projects; it will really be the lack of funding at this particular round because clearly need is greater than our finances.....

Deputy Roffey: I think that answer is enough. I have got lots more questions likewise, but I just ask one because I know colleagues are trying to come in.

Our financial situation has gone up the strata. I know your Vice President thinks you will stay very robust, but it looks fragile, so one looks out for pitfalls along the way, obviously. In your policy co-ordination role as P&R, what involvement have you had with the renegotiation of the specialist care contract, because that to me is potentially ... I do not know what is going on with Employment & Social Security or Health & Social Care, but one could potentially have huge cost implications. Are you taking an overview of that or not?

Deputy St Pier: Yes, first of all, I just wish to challenge your description of our finances as 'fragile'. I am not sure I would accept that analysis either. I think we clearly have some significant challenges, particularly in the medium-term, but I think, again, we have to keep an eye that our ... The challenges around us are around sustainability, but actually, fundamentally, we have strong public finances which would be the envy of nearly any other Government jurisdiction around us. I would not want to go on record as agreeing with you that our public finances are 'fragile'.

In terms of the secondary health contract, the States' Treasurer has been playing a leading role in that process. In terms of P&R itself, again in terms of the mandates ... The mandates: quite clearly the responsibility sits with the Committee for Employment & Social Security and the Committee for Health & Social Care, so it has been much more a watching brief to ensure that we have an awareness of what is going on. Yes, so it has been about level: standing by, ready to assist – going back to the original line of questioning on what our role is on some of these issues.

Deputy Roffey: Bearing in mind it was certainly expected - perhaps significant reductions in the social care expenditure in the next two or three years - nothing in your watching brief over this negotiation has brought this into doubt?

Deputy St Pier: Sorry – in relation to the contract (**Deputy Roffey:** Yes.) ... brings that into doubt? No.

Deputy Roffey: Okay, that is fine; that is good.

995 Thank you.

The Chairman: Just before I hand over to Mrs Morris, you touched on the public finances, and I think you have gone on record, Deputy St Pier, this political term, in effect, ruling out GST for this political term. Is it not the reality that, as a Government, we are really boxing ourselves in by saying we are not going to change Zero-10, we are not going to have GST, we are not going to have Inheritance Tax, we are not going to have any Income Tax changes? Are we not basically boxing ourselves in too tightly in a fiscal sense?

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Deputy St Pier: Well, I think I have to, in responding to that question, set it in the political context of the last term, I am afraid, because of course that was the purpose of the Personal Tax, Pensions and Benefits Review, and some very clear decisions and directions were given by the States. My view remains that that was a decision we now have to deal with, and in the context of GST, it was a very clear majority – 28/18 – that GST should not be looked at, so we have not spent any further time looking at it. So, yes, we have to work with the levers that are available to us. That is our responsibility as P&R and constructing the medium-term fiscal strategy is part of the Phase 2 of the Policy & Resource Plan. We will be doing that in the context of the parameters that have been set by the States.

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Mrs Morris: Shall I carry on?

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The Chairman: Mrs Morris, yes.

Mrs Morris: Does that mean we are going to expect death by a thousand cuts in terms of increased taxes, or are we looking at something a little bit more – I would not say 'revolutionary' but – different, like a payroll tax, something like that?

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Deputy St Pier: I do not think it would be wise to necessarily, again, speculate in a forum like this, setting all sorts of hares running. All I will say is to repeat the answer to the previous question that it is P&R's responsibility to present a credible medium-term fiscal strategy and parliament agreed plan and that is what we intend to do.

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Deputy Laurie Queripel: Can I just ask – sorry.

Bearing in mind that there is a clear direction from the last Assembly to move towards more progressive tax revenue raising measures, what measures have you got in mind in regard to progressive taxation? Will there be further tweaks of personal tax allowances and things like that?

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Deputy St Pier: Well, again, all I can do is reiterate what I said in the Budget: that which is in the Budget before, which is the recommendations we put in front of the States in relation to the withdrawal of tax allowances at the upper end was a first phase of review.

In the context of the Personal Tax, Pensions and Benefits Review, there are at least two clear resolutions directing Treasury & Resources and now Policy & Resources' work in Social Security to look at this whole area. Policy & Resources met with the Employment & Social Security Committee on Monday to progress that work. That involves looking at contributions, contribution rates, the upper earnings limit. None of this is news; it is all in the public domain. We will continue that work. Again, it comes back to the previous question about CATS and how that interacts with combined –

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Deputy Laurie Queripel: So we are going to see some of those measures in the next Budget, then: progressive tax measures? Or is it going to be a long way down the line?

1045 **Deputy St Pier:** Again, I think we have only just put one Budget to bed a few weeks ago. I do not think it would necessarily be helpful to speculate at this stage, but I reiterate my response which is we are very clear about the directions we have been given by the States and we are committed to working particularly with the ESS to deliver that during the States' term.

1050 **The Chairman:** Mrs Morris.

Mrs Morris: If President-elect Trump follows through on his threat to introduce 15% Corporate Tax, where do you think that leaves us?

1055 **Deputy St Pier:** Sorry, to introduce ...? (**Mrs Morris:** Fifteen.) Fifteen percent. Again, I am not sure I can add a great deal to what I have said already on the whole subject of Corporate Tax in the last 18 months since the Personal Tax, Pensions and Benefits Review, which is to acknowledge, as I have done, that this whole area of international corporate tax – and again you are far more familiar with this than I am in your day job – has been and is the subject of significant change.

1060 We have seen it not only with possibly President Elect Trump; we are seeing it in the UK with the transition down to 17% and possibly lower. Who knows what Philip Hammond will announce in the House of Commons this week. We have the Base Arrangement Profit Shifting Initiative from the OECD and we have the EU's Anti-Tax Abuse Avoidance Directive. All of that is playing out. All of that has an impact on us and we are watching those developments and will bring the recommendations to the States as we see fit.

1065 Again, I do not think I can say much more than that other than recognising that it is probably a far faster evolving scene than perhaps corporate tax has been forever.

1070 **Mrs Morris:** I would agree. I have never seen anything in tax move quite so fast. Would you be more concerned about Brexit or President Elect Trump?

1075 **Deputy St Pier:** I think the reality is ... Again, I think we can probably all speculate about what a President Trump administration may look like and I think we are probably all struggling to really understand what that might look like because his policy visions are not particularly clear, so again it is probably not terribly useful to speculate about that.

1080 I think the reality is that Brexit is a more immediate challenge, not least because of our trading relationships across the United Kingdom and the EU. So, it is much more proximate. It is probably much more immediate in terms of timeframes and in terms of the changes that are required, potentially, to legislation and so on. It is going to have a very significant and direct impact.

Mrs Morris: How do you feel our relationship with both the EU and the UK are at the moment in relation to Brexit, or are we just in a holding pattern?

1085 **Deputy St Pier:** I think the relationship with the UK is very good. I think we have had a significant level of engagement and commitment from Cabinet Office at official level; we have meetings with the Department for Exiting the EU. The Minister responsible, Robin Walker, who has been assigned to the Crown Dependencies: I have now met with him twice; I am seeing him at the British-Irish Council this week. There is a commitment to meet quarterly with the Crown Dependencies, so I think we have probably got a far greater level of engagement and commitment to understand our interests and concerns than ever existed 43 years ago, at the time that we went into the Common Market, as it then was.

1090 In relation to the EU, again we are working directly through the Channel Island's Brussels' Office to build direct relationships with as many parties and partners as we can in the States, both directly and the Commission officials. I am actually there next week with Ian Gorst.

We will probably need to consider whether we actually need to have more regular visits, but in essence this links back to the Policy & Resource Plan and our recognition that we need to have what we have termed 'a more mature international identity' and at least part of it is we need to be standing up and speaking for ourselves, not necessarily allowing others to do it for us.

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Mrs Morris: Going back to tax – because, as you say, it is my day job – you said earlier – in fact we were talking about the amalgamation of Social Insurance and Tax. Do you still need to clear a tax return backlog before that can actually happen? Are we making progress there?

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Deputy St Pier: Again, I will leave Bethan to comment on the more current position, but certainly the backlog has been reducing. There is still, I believe, a backlog of processing that needs to be done. I do not see that that necessarily brings a barrier to introducing any new system.

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Ms Haines: We are steadily reducing the backlog and steadily working through that. We have, obviously, peaks and troughs. This is bound to be a very busy time of year. This month has been very busy and it will be again in January. Obviously that increases, then, the backlog, but it is gradually reducing.

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Just the mechanics of working through – because quite often in dealing with a complex tax return, you might clear half a dozen different backlog items, so it can make quite significant inroads quickly.

Mrs Morris: Was that any part of the reason that there was a material difference in the estimate of tax income for 2015 and the actual outturn in terms of the Corporate Tax?

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Ms Haines: No, the way that we deal with Corporate Tax is that we make interim assessments and tax is paid as we go. Therefore, we generally know where we are. If people are unhappy with their interim assessment, then they can appeal that and they can challenge it. So we do have a reasonable picture of where we are year-on-year.

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The difficulty that we had last year – the reason for the difference – was because it was a previous year's assessment that we were working through and for whatever reason in that particular instance in terms of banks, we had not noted down an estimate of the interim assessment, so we were having to repay taxes in relation to previous years and at the same time reduce our estimate of the current year, so it was almost a double whammy impact that we had last year.

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Mrs Morris: So you believe that to be a one-off, not that the basis for estimating our income, as it were, is in anyway compromised?

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Ms Haines: No. Absolutely, I agree that was a one-off.

Mrs Morris: Okay.

These are much smaller questions, I hope.

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I was really pleased to see that we are going to be doing consolidating of health costs in next year – is it next year? (**Ms Haines:** This year's) – this year's accounts. Have we got any other ideas for improving the presentation and the accessibility of the accounts for the taxpayer?

Ms Haines: We continually try to make small improvements. I understand that actually you have done a review of the presentation of the accounts –

Mrs Morris: Yes, we have.

Ms Haines: – which obviously we will look to with interest and try to incorporate any changes that are recommended. We do try to incrementally improve and we do take on board any feedback that we receive.

We are, as you know, about to embark on the process of transition to IPSAS, but that we intend to do incrementally. The major focus for us over the next couple of years will be on asset accounting. That will have the most significant impact.

Mrs Morris: Okay, excellent.

I think my final question: I noticed in your statement, President, that you said that the return on the bond is much better this year – hallelujah! How are we progressing in actually using those funds for the purpose for which they were originally borrowed?

Deputy St Pier: I am sure this will be the subject of another piece of work which (Mrs Morris: Possibly!) the Scrutiny Management Committee has embarked on and in much greater depth, but of course there have been further loan advances this year during 2016, bringing us up to around about £130 million, as of today, and there are more in the pipeline.

I think where we are up to is very clearly presented in the Budget Report and nothing has changed of any substance since that Budget Report was printed, so I will refer you to that.

Mrs Morris: Thank you.

The Chairman: Thank you very much.

Can I just bring you back to the overall level of the savings that are intended to be achieved in the three, five and five Savings Programme? Just so we are absolutely clear, I think before I refer to a figure of £25 million, are you able to clarify what the working understanding is for the total figure for the savings in the three, five, five programme?

Deputy St Pier: (Interjections) Based on the ... Yes, because really the calculation used is excluding Health, but that was just for the purposes of...

Ms Haines: Yes, it excluded Health in the calculation and it is to do with the formula-led costs. Once you take into account the 3% reduction in the 5% calculation then that is approximately £25 million. In addition to that, of course, there will be the end contribution that is made by Health & Social Care.

The Chairman: Right, yes. That was the point that provoked the thought really. There is a possibility that Health & Social Care could make a contribution themselves, hopefully, in 2018, 2019 and that would be over and above, potentially, the £25 million that we have just been talking about?

Ms Haines: Correct. In terms of the assumptions that we have made in our longer term planning, that is what we have assumed. We have assumed that Health will make a contribution and we have assumed it at the lower end of the BDO numbers.

The Chairman: Yes, thank you.

I think we have definitely learned something.

Deputy Laurie Queripel: Just a final question in regard to the three, five, five programme. If that programme does not work out in the way you are envisioning – perhaps some Committees may not play ball or whatever – will there be a temptation then to revert back to the salami-slicing

approach? What I mean is will there be a reduction in budget allocations if you feel you are not going to get anywhere near the savings you are envisaging, in order to save the Programme rather than deem it a failure?

1200 **Deputy St Pier:** Again, with respect, I think it is a hypothetical question.

Deputy Laurie Queripel: You must have some idea, though. If it does not –

1205 **Deputy St Pier:** I think we are too early in the process to be contemplating what we would do under those circumstances. Our priority now is to ensure that we work with Committees and enable them to get comfortable with delivering their 3% for 2017, so those Committees that have not yet identified where all that is going to come from – that is step one. Step two is then to move onto the identification of how we can deliver the five and the five. I think it is at that point we can then perhaps have a more meaningful conversation about, 'Okay, what happens next?'

1210 **Deputy Laurie Queripel:** In regard to the three, five, five programme, have you factored inflation into that as well? I know there is a prediction of 3% inflation next year. Has that been factored into the figures?

1215 **Deputy St Pier:** We are working with – sorry.

Deputy Roffey: Sorry, I was just musing aloud, that I think it was in real terms. (**Deputy St Pier:** Yes)

Sorry, I did not mean to answer the question! (*Laughter*)

1220 **The Chairman:** Just, finally: we have spoken about the fact that the States has not endorsed the full Programme. You dealt with that very eloquently. Would you give any consideration to the States potentially endorsing 2018 and 2019 at the next Budget?

1225 **Deputy St Pier:** Possibly. I only hesitate because I do not necessarily want to be committed to that. I think by the summer of next year we will have a much greater clarity about where and how this can be moved. That is really where we see the next six months taking us, through the P&R Plan process, through the medium-term fiscal strategy. I think, hopefully by the Budget next June, we will have much greater clarity, so it might be appropriate to seek it at that stage, but I do not
1230 know.

The Chairman: All right. Well, I think – oh sorry, Deputy Roffey.

1235 **Deputy Roffey:** It is a very generic one. As Guernsey's *de facto* political leader, other than Storm Angus, what keeps you awake at night? (*Laughter*)

Deputy St Pier: Ah, so much!

Deputy Roffey: Perhaps you would like to give us an example.

1240 **Deputy St Pier:** Yes, I do not think there is any single thing really that is nagging away. For me, it almost comes back to your original question, really: actually making this new system of Government work. I think that is the biggest test over the next few years: can we identify it through the P&R Plan? Can we make this beast, which is so unique, without – you use the term *de facto* which is probably right ... How can we use the levers available to us to best effect? That is
1245 probably what keeps me up at night.

The Chairman: Thank you very much.

Can I just take this opportunity to thank you all, Mr Whitfield, Deputy St Pier, Ms Haines -

1250 Thank you very much for engaging in this process and for being witnesses this afternoon.

Thank you very much.

The Committee adjourned at 4.45 p.m.