

STATES OF JERSEY

Health and Social Security Scrutiny Panel Medium Term Financial Plan Addition

WEDNESDAY, 20th JULY 2016

Panel:

Deputy R.J. Renouf of St. Ouen (Chairman)
Deputy G.P. Southern of St. Helier (Vice-Chairman)
Deputy T.A. McDonald of St. Saviour
Deputy J.A. Hilton of St. Helier

Witnesses:

The Minister for Social Security
Assistant Minister for Social Security
Chief Officer
Director, Policy and Strategy
Director, Finance and Governance

[14:32]

Deputy R.J. Renouf of St. Ouen (Chairman):

Good afternoon, everybody. It is nice to see the back rows filled as well. This is a public hearing of the Health and Social Security Scrutiny Panel, and we have with us the Minister for Social Security and her team. This meeting is being recorded so the practice is that we will announce who we are and then I will ask the Minister to announce herself and her team. So my name is Deputy Richard Renouf, and I am Chairman of the panel.

Deputy G.P. Southern of St. Helier (Vice-Chairman):

Deputy Geoff Southern, Deputy Chairman.

Deputy T.A. McDonald of St. Saviour:

Deputy Terry McDonald, member of the panel.

Deputy J.A. Hilton of St. Helier:

Deputy Jackie Hilton, panel member.

The Minister for Social Security:

Deputy Susie Pinel, Minister for Social Security.

Director, Policy and Strategy:

Sue Duhamel, Policy Director.

Director, Finance and Governance:

Andy Hacquoil, Finance and Governance Director.

Assistant Minister for Social Security:

Last, but not least, Deputy Graham Truscott, Assistant Minister for Social Security. Sorry ...

Chief Officer:

Chief Officer, Ian Burns.

The Deputy of St. Ouen:

Thank you, Chief Officer, it is very important. Certainly not least. Thank you for coming to see us today. We want to devote this entire session to dealing with proposals in the M.T.F.P. (Medium Term Financial Plan) affecting the Social Security Department. It is fair to say I have been somewhat confused in trying to find my way through the various charts and figures. But I want to look at page 121 of the annex, which is the department's net income and expenditure. If I can start there and we can come back to that. We note that the department has income coming in but those income lines are set to increase quite dramatically over the period of the M.T.F.P. So, Minister, could you explain to us what the duties, fees and fines are that you collect and why you are predicting such a large increase?

The Minister for Social Security:

Yes, thank you, Chairman. We anticipated you might be asking questions along those lines, which is why we asked our Financial Director to join us today who will be able to answer it.

Director, Finance and Governance:

So the line: "Duties, fees, fines and penalties" refers to the income that is collected by the department relating to the Population Office, so the administration of the Control of Housing and Work Law. So that is administered by the department on behalf of the Chief Minister. So the line there, you can see there is an increase between 2016 and 2017, which is referred to in the narrative. It is to do with instating fees which would enable cost recovery for the services that are provided, which was the original intention when the Control of Housing and Work Law was introduced, but through some amendments in the States was never quite realised in the initial schedule of fees.

The Deputy of St. Ouen:

So what exactly is proposed to increase the income?

Director, Finance and Governance:

So the proposals for changing the fees is being considered by the Chief Minister's Department because they retain the responsibility for policy. So what we have done is taken their proposal for policy and extrapolated that out through the volumes they were expecting to work out how much income is likely to come in if those were enacted. So that is within the responsibilities of the Chief Minister.

Deputy J.A. Hilton:

Can I just ask you: that figure at the top, you just spoke about the Population Office.

Director, Finance and Governance:

Indeed, yes.

Deputy J.A. Hilton:

Am I correct in saying that newcomers to the Island pay a registration fee when they apply for a registration card? Are you thinking of expanding that to Islanders having to pay a fee when they register?

The Minister for Social Security:

Not at the moment but we are having to look at that over the whole of the population policy and it may well be that that fees increase because at the moment if somebody is new to the Island they cannot necessarily afford the £75 registration card fee but most of the time the employers will pay it for them. So it is all being looked into as to whether that should be expanded or not.

Deputy J.A. Hilton:

So with regard to Islanders already here, that is potentially a source of new income, is that correct? Is that what you are saying?

The Minister for Social Security:

I do not think that has really been considered. It is whether that set fee at present is sufficient or whether that should be increased.

Deputy J.A. Hilton:

So currently employers or individuals registering for the first time with Social Security pay £75, you are saying?

Chief Officer:

The actual current laws are that if you are here already but have been here longer than 5 years then you get an entitled work card and you do not pay for an entitled work card.

Deputy J.A. Hilton:

Yes, I understand that.

Chief Officer:

Or any type of card. If you were here before 2013 then you pay a reduced fee if you have not been here 5 years; a reduced fee of £35. But if you arrived yesterday and you come to get your card then it will be £75.

Deputy J.A. Hilton:

But in some cases employers pay on behalf of their employees?

Chief Officer:

For licences.

Deputy J.A. Hilton:

For licences, okay.

Chief Officer:

For licensed permissions, yes.

The Deputy of St. Ouen:

That cannot have brought in £885,000 this year, not £75. You would need about 10,000 people at £75 to bring in £885,000.

Chief Officer:

No, licensed permissions there is an annual fee of, I think, £200.

The Deputy of St. Ouen:

Is this payable by businesses?

Chief Officer:

Yes.

The Deputy of St. Ouen:

When they apply to employ workers who have not been here for 5 years?

Chief Officer:

No, when they apply for a licence for, let us say, a hedge fund manager brings in a team of 5 people and a licensed permission allows them and to live in local accommodation as well as work they would pay a fee for that.

The Minister for Social Security:

It is what used to be termed the "J" category.

The Deputy of St. Ouen:

So that is likely to increase under your proposals, is it?

Chief Officer:

I think the Minister has said there are a number of things that are being considered by the Chief Minister's Department. Other fees included in that group, for example, will also be fees for - I cannot think of the right phrase - short-term contractors, people who arrive on the Island to trade, short-term traders.

The Deputy of St. Ouen:

Hawkers and non-resident traders.

Chief Officer:

Yes, non-resident traders, thank you.

The Minister for Social Security:

It's about £1,000 a day. It's quite a lot actually for a day or 2 days or whatever, but for a short term.

The Deputy of St. Ouen:

So that comes to your department, okay.

The Minister for Social Security:

No, it is the Chief Minister's Department who is in charge of the Control of Housing and Work Law.

The Deputy of St. Ouen:

But the income comes to your department?

Chief Officer:

To cover the cost of running the administration, yes.

The Deputy of St. Ouen:

Okay.

Chief Officer:

I think perhaps for clarity, that line does not include anything in terms of ourselves raising any duties, fees, fines or penalties.

Director, Finance and Governance:

No, it is just the Population Office.

Chief Officer:

This is for clarity, yes.

Director, Finance and Governance:

If I could draw your attention to page 119, there is a brief explanation of some of the things being considered by the Chief Minister's Department.

Deputy J.A. Hilton:

Could you just explain what fines and penalties are?

Director, Finance and Governance:

Absolutely. So the format that is used in the M.T.F.P. is a standardised format across each department, so every department will have a line that says: "Duties, fees, fines and penalties" which means that sometimes fines are applied, sometimes it will be duties. So in our case, for our department, these are fees. There are no fines or penalties going through that.

Deputy J.A. Hilton:

Thank you.

Deputy T.A. McDonald:

Can I just ask because obviously Social Security do cover health and safety; so it is nothing to do with any fines which would be imposed on anybody about health and safety inspectors or anything like that?

Chief Officer:

No.

Director, Finance and Governance:

The budget does not include any amounts.

Deputy T.A. McDonald:

That is fine. We were trying to work it out and that was the only thing that I could think fines might be applicable to. Thank you.

The Deputy of St. Ouen:

Then I note there is proposed to be a slight reduction in years 2018 and 2019 from 2017. Why would there be a reduction? Are we anticipating a surge in 2017 of people applying for licences?

Director, Finance and Governance:

Again, so the way that the fees have been forecast is based on what volume we expect of people who are taking up the different kinds of registration card or similar that would have a fee and then applying the fee to it. So the fees are changing and the structure is changing and we have said that. So the reduction would be because we are expecting lower of volumes. So for example, I think registration cards, there is an expectation there will be fewer people getting registration cards in those years.

Deputy G.P. Southern:

Reduced in immigration or ...?

Chief Officer:

No, because we have already had one. So I think that is the logic behind it. Everybody from 1st July 2013 if they have not got a card they need a card. Once they have that card, even a registered card, they have it; so they do not need to go and buy it again. So there is a peak and then it drops off.

Deputy G.P. Southern:

But 2017 is a very large increase followed by a small decrease, so the estimate for inward migrants in 2017 is that significantly higher than 2016, the net expenditure or expected to be?

Director, Finance and Governance:

The forecast is not necessarily based on ... immigration does not go to that level of detail. It is just the expected number of cards that we are expecting to be issued, so normally the way that we would project that would be looking at the past trends and what we are expecting to happen and then acknowledging the teams and the experience of their team, so it has been used with the best information that we have had on that basis of how many past ...

Deputy G.P. Southern:

Let us put some numbers on it. We are talking about £885,000 in 2016 compared to £1,236,000 in 2017. How do you account for that? What is that increase made up of?

Director, Finance and Governance:

So the change between those 2 years is to do with changing how much the fees are. So it is to do with the rated fee, not to do with the volumes that we are seeing. So you would expect the same number of cards to be issued or other licences to be issued but because the fee will be slightly higher that is why there is an increase in income. As you move through 2018 and 2019 the fees are not proposed to change again but the volumes are slightly lower, so that is why the budget is reduced.

Deputy G.P. Southern:

So what overall has the percentage changed in fees between 2016 and 2017?

Director, Finance and Governance:

The percentage change in fees? You can see there they are looking to raise about an extra £400,000 worth of fees.

Deputy G.P. Southern:

And how much of that is a rise in the cost? How much is it percentage wise?

Director, Finance and Governance:

I do not have the details with me so I cannot say exactly. It is made up of a package of changing a number of different fees, some of which we change by different amounts.

Chief Officer:

As the Finance and Governance Director said, on page 119 it refers to in addition to perhaps increasing the cost of a registration card there could also be increases for businesses employing licensed staff or businesses visiting the Island and also potentially new charges perhaps for employment agencies for having registered permissions, and so on. There is a mixture that the Chief Minister's Department are currently considering.

Deputy G.P. Southern:

So overall you have got something like if that increase is down to an increase in the cost of the cards, we are talking about at least something like the odd 35 per cent. Are you saying we have got 35 per cent increase overall on the price of these?

Chief Officer:

No, I do not think that is what we are saying. If you read that, it talks about increasing the cost of the registration card in line with inflation.

Deputy G.P. Southern:

Go to the numbers; you are saying this is largely due to a rise in the price of the cards or permits?

[14:45]

Chief Officer:

No, I think you will find that is not what we are saying. We are saying ...

Deputy G.P. Southern:

That is what we just said. Your Finance Officer just said that.

Chief Officer:

I do believe what has been said is there are considerations for new fees and that those will raise income and there may be a consideration to increase the cost of the registration card fee.

Deputy G.P. Southern:

But we do not know?

Chief Officer:

But we do not know.

Deputy G.P. Southern:

But the estimate is something like 35 per cent increase in income.

Chief Officer:

I think you can safely say that overall the amount of income raised by the Population Office is forecast to increase by roughly £400,000 ... £350,000.

The Deputy of St. Ouen:

If you talk about some of the fees in the narrative where: "The fees should be reinstated for companies acquiring land." What does that mean?

Chief Officer:

I am not totally familiar with that one myself.

Deputy G.P. Southern:

So we have to get the Minister for Treasury and Resources in here to say what is he planning ... no, the Chief Minister.

The Minister for Social Security:

Chief Minister's Department.

Deputy G.P. Southern:

Saying: "What are you planning for those?"

The Deputy of St. Ouen:

Can I ask Mr. Hacquoil if you know what that means, that: "Fees should be reinstated for companies acquiring land"?

Director, Finance and Governance:

I am afraid I do not. This wording was developed in conjunction with the Chief Minister's Department who are responsible for the policy regarding the fees charged.

The Deputy of St. Ouen:

I see. But there is another element: "Charging employment agencies for the registered permissions they hold."

Chief Officer:

Yes, I understand what that means. That would be where an employment agency has a number of registered permissions, which they currently allow companies to use on their behalf, that they would pay a fee for that.

The Deputy of St. Ouen:

In employing an agency worker.

Chief Officer:

So the agency itself. So an agency can obviously have as many local people on its books as it likes but if it has permissions for, let us say, 50 registered permissions. In effect it can put those licences to different companies and therefore it is a valuable asset so perhaps therefore the suggestion is maybe the agency should pay a fee for that privilege. So I understand that from the words. Obviously if we had known that was an area of discussion we could -- I mean we probably can get some clarity for you.

The Deputy of St. Ouen:

Will any of these changes need States approval?

The Minister for Social Security:

When we have addressed the population policy then that will come before the States because, as you know, there was an interim one which has expired and so that work is going on to address what we do going forward with the population policy.

Deputy G.P. Southern:

So these fees will not be introduced ... can I just sum up? You do not know what this particular fees package, the new package, is going to be. There may be some changes. You are saying you do not quite know what that is. You have been given an estimate of another £400,000 revenue will be brought in by them nonetheless and that is in there. You think that in terms of bringing anything to the States it would not happen until you have got a new population policy in line and these would be attached to it.

The Minister for Social Security:

Yes, essentially.

Deputy G.P. Southern:

Okay, when is it ...

The Minister for Social Security:

I knew you were going to say that.

Deputy G.P. Southern:

When is it scheduled the new population policy comes into force?

The Minister for Social Security:

I cannot answer that, that is the Chief Minister's Department again, but all I know is that being on what ... my Assistant Minister really is representing Social Security on H.A.W.A.G. (Housing And Work Advisory Group) but we are apprised of the work that is going on currently but I cannot give you a date.

Deputy G.P. Southern:

But we do not know when we will see a population policy?

The Minister for Social Security:

No.

The Deputy of St. Ouen:

Except that the Chief Minister's office seem to be suggesting they will get you income of £1,236,000 next year from these new charges.

The Minister for Social Security:

It is a forecast, is it not?

Deputy G.P. Southern:

It is a forecast.

The Deputy of St. Ouen:

Can we move on to the next one?

Deputy G.P. Southern:

Can I move down the line to £4 million worth of sales of goods and services in 2016 has risen to a remarkable, almost doubled, to £7.9 million in 2017 and thereon stays at that level for 2018 and 2019? What other sales of customer services are engaged in as a fund?

Director, Finance and Governance:

If I can answer this one. "Sales of goods and services" is the line. Again, these classifications are set by the Treasury to be standard across departments. So if you read "Sales of goods and services" that is the charge that we make to the Social Security Fund, the Health Insurance Fund and the Long-Term Care Fund, for the administration of those funds. Now up to 2016, the way that that has been administered, was through staff being charged for the department who we charged to the

funds, but other areas, other kinds of expenditure and so on, administration, et cetera, being charged directly to the funds through a fairly complicated administrative method. So to simplify that, to make the department more efficient, we have streamlined it and put most of the administration of the costs through the department itself. So if you scan down the lines to supplies of services as one of the expenses, [or] premises and maintenance, you can see a corresponding increase in all of those lines. So what has happened here is we effectively increase the income but also increase the expenditure. The overall net amount of income coming in or net expenditure going out has not substantially changed. It was purely an administrative thing to make the department more efficient, more transparent, and easier to make decisions for budget holders and other people making decisions in the department.

Chief Officer:

The last couple [of paragraphs] on page 118 and 119. If I can give perhaps a simple example.

Deputy G.P. Southern:

Please do.

Chief Officer:

Previously every piece of expenditure the department made potentially had 3 or maybe even 4 different ... it was allocated in 4 different ways, so you buy a pencil, the cost of the pencil is split across 3 different funds and the taxpayer, and what we have done is simplified the whole process so the pencil is paid for by tax but we charge the Social Security Fund one lump sum over the year for the administrative costs of running all the benefits and so on. That is pretty much in simple terms. It is a much simpler way of us being able to manage our finances and cope with administration efforts.

The Deputy of St. Ouen:

What is the benefit of making that change?

Chief Officer:

Less work.

The Deputy of St. Ouen:

Is it? It just seems very ...

Chief Officer:

Coding invoices in 4 different percentages so it is allocated across the 4 different accounting codes. Andy can probably better explain the benefits to his team but that is basically ... so rather than do that you do not have to do that anymore.

Deputy G.P. Southern:

If I can just ... in the second line, this apparent increase is not actually there because is it the case that the overall admin sum has stayed the same, it is just accounted for in 2 different places? Is that what you are saying?

Director, Finance and Governance:

Yes.

Chief Officer:

Yes.

Deputy G.P. Southern:

So you are not making additional income from administering other funds, they are staying the same? Okay.

The Deputy of St. Ouen:

I think Mrs. Duhamel is keen to say something.

Director, Policy and Strategy:

No, I was going to say if you think about the jobs of the people sitting here, because we work across all the areas of the department our salaries have been split into 4 different things. So you had a long list of percentages of split the Chief Officer up 30 per cent is tax funded, 20 per cent Social Security Fund, 20 per cent Health Insurance Fund, 10 per cent Long-Term Care Fund. It was a horrendous amount of administration to do that. What the new Finance Director has done is to introduce a single sum that has been done once to kind of do all their sums once and for all and then say: "That is what we will charge out for different funds." It is a much, much easier way of doing it. It is not supposed to save money or spend money. It is supposed to just make it much ... the department will save money on the physical kind of doing of all the accounts because the accounts are much simpler to understand.

The Deputy of St. Ouen:

Has the percentage of the charges changed to the funds?

Director, Finance and Governance:

So as part of putting together the management charge, we did do an exercise to go and speak to all of the sections across the department to investigate how much effort and how much time they put in to administering each of the funds have brought those percentages back in building the management charge. So while it has been simplified in terms of administration, once it is done, there was that work done upfront to make sure that we were charging the right amount of funds, to make sure that they are fairly ...

The Deputy of St. Ouen:

So will the funds have any additional financial cost in admin charges?

Director, Finance and Governance:

That is certainly not the intention. The intention is the management charge is a fair reflection of how much administrative effort goes to each of the ...

The Deputy of St. Ouen:

But you may have changed the proportions.

Director, Finance and Governance:

The proportions might have changed because, for example, the Long-Term Care Fund has been introduced within the last few years. That means that the effort put in by teams like Sue's policy team or Ian as a Chief Officer might have shifted slightly as a result of that. It is important that we would do that anyway, to look at how much effort each team is putting in. So that is just part of a standard keeping and making sure that the administrative costs are being applied effectively and fairly.

Deputy G.P. Southern:

Has that had an impact on the head count? Has there been an administrator lost for that?

Director, Finance and Governance:

No. The honest answer to that is what we have done is we have reinvested the capacity that it has freed up within the team to do more value-adding activities. So helping the business make better decisions in terms of finance, improving financial controls, and that kind of thing.

Deputy G.P. Southern:

When I hear so many management words in a string I think I will have to go back to the recorded version of that and see what that means, but never mind. I accept what you are saying, although I do not know what it means.

The Deputy of St. Ouen:

Have we asked our questions with regard to income? Jackie, anymore questions on income?

Deputy J.A. Hilton:

Just the finance cost: can you just give an explanation around there? Why that is such a big jump.

Director, Finance and Governance:

Why it has gone up so much? Similarly, that is to do with the management charge. So where the fees used to be charged to the funds so that would include the cost of funding the bank accounts and that kind of thing. Those are now moved back into a tax-funded department rather than being recorded in the funds directly. So it is all part of the same answer.

The Deputy of St. Ouen:

Perhaps if I can move on to a different subject of efficiencies and we note that under efficiencies that you intend to review Back to Work services and make a saving of over £2 million and 10 full-time staff members by 2019, Minister. So can you explain how you would achieve that saving relative to the net expenditure on this chart? £2 million is a lot of money.

The Minister for Social Security:

Yes. I have not got the chart in front of me but it is largely due to the fact that the Back to Work team have been, as everyone knows, incredibly efficient and the number of unemployed has gone down. We can divert now some of our activities to more bespoke things like we do with the hospitality sector and the construction sector. The Assistant Minister has got delegated responsibility for Back to Work.

Assistant Minister for Social Security:

I will hand you very shortly to Ian who will explain more but I do believe that the assumption is that the economy will possibly get better. Obviously with Brexit, the I.M.F. (International Monetary Fund) have given us recent warnings that the world economy might go into decline, so we have got to be cautious, careful, prudent with our cuts, but certainly the way things are going we feel that that reduction is measured, I think would be a good way of putting it. I will hand it over to the Chief Officer to answer.

Deputy G.P. Southern:

Before you do, you think it is measured and prudent. On what basis are you expecting the recession to ... the recovery from recession and employment to keep going up or unemployment to go down? What is the evidence you have of that?

Assistant Minister for Social Security:

Currently this is ... as I say, business is tough and I am a businessman. I own a company locally; retail is tough. I think margins are very hard to come by these days and profits are hard to come by, but nevertheless I think the local economy is doing quite well, as it stands. I think most sectors are doing well, right across all platforms, including finance, tourism, hospitality, so everything currently is going according to plan. So I think if that continues then we should be able to reduce our head count and the amount that we spend on getting people back to work.

The Deputy of St. Ouen:

Assistant Minister, is what you are saying aspirational or do you have a business plan in which you have carefully worked this out?

Assistant Minister for Social Security:

That is why I was going to hand you to the Chief Officer who will have a better handle on the actual ...

The Deputy of St. Ouen:

Okay, Chief Officer, can you show us how those savings are going to be made?

Chief Officer:

Yes, so we have a balancing act. We need to help support ongoing mainstream unemployment, people who are unemployed through the natural churn of unemployment and businesses opening and closing and lay-offs and recruitment and so on. So our efforts have been to try and reduce that level of mainstream unemployment. We also have an aim to help and support more and more groups of people who are on income support into employment. We started on that work, as I am sure you are aware last year we were helping supporting parents earlier, to help them get back into employment.

[15:00]

Those under 35 per cent L.T.I.A. (Long-Term Incapacity Allowance) we also help to support some of those. We have ambitions in our business plan to continue that work and help more groups into employment. We believe that we can do that in the next 3 and a half years as well as support mainstream unemployment. There are a number of variables of course and an extra one is now Brexit, economic circumstances, the States own activity in terms of what finally gets approved in terms of the Medium Term Financial Plan and staff numbers and so on. So we will be able to balance the 2 things as we have done really since 2008. Balancing our efforts to help mainstream employment as well as bringing in new groups. So we are confident that we have that flexibility over

the next 3 and half years to achieve both, but if we find perhaps the labour market worsens for some reason or if the labour market picks up, as it is quite good at the moment, for example, then we can ebb and flow and balance that. We do believe that the number of people we will be supporting by 2019 will be lower than it is now and also some of the support we provide employers, and as well as some of the individuals we support, we can reduce the amount of expenditure there. So we do have a pool of money for grants, for example. We do have a pool of money for grants or incentives for employers. We have a pool of money for Back to Work training for customers. Also we have our Foundation scheme, helping groups of people by employing them. So we can adjust all those things, depending upon circumstances.

The Deputy of St. Ouen:

Can we identify those adjustments? So the £2 million savings, where do they occur in your expenditure? So we see staff costs over the period from this year to 2019 are going to reduce by about £800,000.

Chief Officer:

Yes. Andy may have a better page to have a look at. That is obviously the official accounting-type page which has all the accounting headings on it. We are saving overall £3.5 million and we will be reducing overall our staff numbers by 22.5 from 2015 to 2019. So there is also a degree of flexibility within that but our costs go down by £3.5 million and our staff headcount goes down by 22.5 over this period.

Deputy G.P. Southern:

Of course can we stick with review Back to Work services with a saving of something like £2 million and laying off 10 full-time equivalent? You seem to have been saying to me: "It is not really cutting a service, we are doing things differently. We are doing different services. We are going to do this, this and this. We will continue to do this." Where is that saving coming from? Where is that £2 million? Where are those 10 people coming from?

Chief Officer:

Okay. Firstly, just to give reassurance, we do not believe that we will need to have any redundancies to lower the Back to Work account by 10 people.

Deputy G.P. Southern:

Not going to be 10 or 8 then.

Chief Officer:

Yes. We will manage that through natural turnover over this period. We will have the options to make savings. So if you think Back to Work started about 3 and a half years ago, it is very different today than it was when we started and will be very different again, I am sure, in 3 and a half years, as we will respond to the labourmarket, respond to employers and we would be trying out new ideas and trying to be more successful in helping our clients find work and find work quicker and then stay in work. So we have an overarching aim to help more people into employment. We will balance the 2 between mainstream unemployment and that is our ...

Deputy G.P. Southern:

You will balance the 2 between mainstream unemployment and ...

Chief Officer:

Moving more people who are on income support, who currently do not have to look for work, to help them into employment.

Deputy G.P. Southern:

So you will either do one or the other? Is that so maybe ...

Chief Officer:

No. We will be doing both but if we ...

Deputy G.P. Southern:

We are doing both on less. Tell me how that works.

Chief Officer:

Because we expect mainstream unemployment to reduce.

Deputy G.P. Southern:

Right.

Chief Officer:

Okay. As we have been doing.

Deputy G.P. Southern:

So it is predicated on a continuing reduction in mainstream unemployment?

Chief Officer:

Yes.

Deputy G.P. Southern:

Okay. Despite the fact that the most stubborn group is long-term unemployed and that has stayed fairly constant for the past year, is that going to stay fairly constant in the future?

Chief Officer:

Well, the encouraging thing about the number of people who are long-term unemployed is the number of them who have got part time work. So if you have a look on the under-employed then we have an increasing percentage ... in fact overall, the number people who are unemployed who are registered as unemployed, have got part-time work is now, I think, nearly 500 out of the 1,400 people who are out of work. So we are supporting people to get a part-time job and then build their hours and take opportunities as they arrive and end up with a full-time job and hopefully, maybe, move off income support in good order.

Deputy G.P. Southern:

What sorts of jobs are we talking about when technically it is called under-employed? Are they zero hour type contracts?

Chief Officer:

They could be any number of positions, yes. As I think we said before, our approach to helping people into employment is based upon work first approach, which is any job is better than no job and even volunteering work is better than no job, we would say, in terms of moving yourself back into the labour market. So, yes, we would say somebody who was offered a zero hour contract, what a great opportunity. If someone was offered a part-time job, full-time hours, permanent contract in a different role then they should take it because they are much easier to be re-employed when they are in a job and move jobs than when you are out of work and that is proven.

Deputy G.P. Southern:

I see the argument. Have you done any work on assessing how many of these jobs in which you are saying people are under-employed are zero hours?

Chief Officer:

I think we may have a breakdown of those jobs that are permanent and those jobs which are temporary. I do not have ...

Deputy G.P. Southern:

That is a different issue. You can have a short-term contract, a temporary contract, and it is perfectly valid; it is a proper contract. Zero hours contracts are not a proper contract at all.

Chief Officer:

Yes. But likewise you can have a zero hour contract and not work any hours and therefore we would encourage somebody who had a zero hour contract but was not receiving any hours to go and get some more work. So ...

Deputy G.P. Southern:

But if they left them themselves you would sanction them. Okay.

The Deputy of St. Ouen:

Okay. Can I come back to the figures? I am trying to find out where the savings of £2 million in the Back to Work Scheme will be achieved because I look at your staff cost figures and I see a reduction of £800,000 over the M.T.F.P. period and you say that is for 22 staff.

Chief Officer:

Well, the figures you are looking at there are for 2017, 2018 and 2019. So the 22.5 F.T.E. (full-time equivalent) covers the period 2015, 2016, 2017, 2018 and 2019.

The Deputy of St. Ouen:

Yes. I am looking ...

Chief Officer:

So over the period you are looking at, which is 2017, 2018, 2019, it is 15 F.T.E. overall the department will reduce to.

The Deputy of St. Ouen:

Okay, that is 15. So what will be the saving by 10 people leaving Back to Work services?

Chief Officer:

So very roughly, we tend to work on the basis of about £50,000 a head with all the add-on costs, et cetera. It would depend upon the roles that we do not replace but that is roughly £500,000.

The Deputy of St. Ouen:

So that is £500,000. Between £50,000 a head, is it, for employees?

Chief Officer:

Well, when you add on the cost of their pension and social security contributions.

The Deputy of St. Ouen:

Yes, okay. That is £500,000. That still leaves £1.5 million to come off the Back to Work services budgets.

Chief Officer:

Yes, that is right.

The Deputy of St. Ouen:

So where is that coming from?

Chief Officer:

So this will come from a reduction in the number of employment incentives. It will come from a reduction in the amount of training we would use for Back to Work customers. It will come from a reduction in our Foundations programme but we retain the flexibility to make the savings across the Back to Work areas depending upon the schemes and the current climate and the initiatives that we develop.

The Deputy of St. Ouen:

Okay. What percentage? What is the present budget for training, foundations and incentives?

Chief Officer:

So overall the savings we are talking about here of £2 million is roughly about 25 per cent of the overall Back to Work budget. So £2 million savings are about 25 per cent.

The Deputy of St. Ouen:

Twenty five per cent.

Deputy G.P. Southern:

That is a big saving. Now, that is a big saving. Over 3 years, 5 years?

Chief Officer:

Well, probably over 4.

The Deputy of St. Ouen:

Is that not bound to mean a reduction in the service you can deliver?

Chief Officer:

As I say, if you work on the basis of the underlying level of unemployment we will be successful reducing it, then no. You would have less people we would need to support in the way we are supporting people at the moment.

Deputy G.P. Southern:

Suppose in some miraculous way we ... Brexit is no problem. The world economy recovers, our economy recovers with it and let us suppose you do not make those savings, what happens next?

Chief Officer:

So you are saying, the scenario you are ...

Deputy G.P. Southern:

No, I have changed the scenario. Abandon it. It did not work.

Chief Officer:

Okay.

The Deputy of St. Ouen:

Let us move on.

Chief Officer:

So we will be able to flex between the 2. As I said, there is underlying unemployment and they are helping and supporting more people who are on income support. We would be intending to add more people on and we can control that, depending on economic service data between the 2.

Deputy G.P. Southern:

You are calling them 2 different groups. They both have a demand for help, whether it is a Back to Work service or it is ... what is the balance?

Chief Officer:

Well, at the moment you understand that there are groups of customers who are claiming income support who are not required to look for work and we can control over the next few years how many of those we ask to look for work. That is what we are referring to when we talk about helping people who are on income support look for work. It is no different really to how we have been operating since 2008.

Deputy G.P. Southern:

You have just changed the entire philosophy of the department in terms of work counts. You are saying we are not going to ... it will not be making sure that these people are seeking work.

The Minister for Social Security:

Well, there are categories that are not asked to seek work. If you have got a child under 4, for instance, or for those a certain percentage of L.T.I.A. so those people are not required to seek work.

Deputy G.P. Southern:

Exactly. So what are you going to do different to make their lives easier because you are going to spend less on them?

Chief Officer:

At the moment individuals who are on income support but who are not required to look for work can still benefit from the support. They do so by opting into that support.

Deputy G.P. Southern:

What does that mean, "opting in"?

Chief Officer:

So somebody who has an L.T.I.A. award of say 55 per cent, we do not ask them to look ...

Deputy G.P. Southern:

Can actively seek work.

Chief Officer:

We do not make them look for work as part of their income support claim but they can, of course, work and they can, of course, benefit from support and Back to Work to secure work. Our aim, we would like as many people as possible who are on income support to have the opportunity to find work and we would want to be able to continue the work we started in helping move them into employment and that, we believe ...

Deputy G.P. Southern:

So in order to spend to less you are going to say to people who have over 35 per cent incapacity, on long-term incapacity, who come to your door saying: "I want to get back to work, can you give us a hand?" you will say no, because we cannot afford it.

Chief Officer:

No, we will say, yes. We will welcome with open arms but ...

Deputy G.P. Southern:

That saving that you make in ... no, the spend that you make, where is that coming from, because ...

Chief Officer:

So by flexing these 2 workstreams and if, as we believe, we are successful in reducing mainstream unemployment we will be able to make a saving.

Deputy G.P. Southern:

I will go back then. Flexing these 2 workstreams; both of which require or demand help from your departments, are going to be flexed, balanced, in some way even though they are both a demand, and you are going to not spend £2 million and lay off 10 people in doing so. That does not make sense. The 2 halves of that argument do not make sense, surely?

Chief Officer:

So the question I have been attempting to answer and provide reassurance around is: how can we ensure we can deliver that, those savings, if we do not know what the economic circumstances are going to be? That is where the flexibility and the balancing comes in. We believe, given what the economic assumptions currently are, and given the success we have had so far to date we will be able to do both. We will be able to (a) reduce mainstream unemployment, and (b) help support more people who currently are not looking for work into employment over this period and still reduce by £2 million the amount of money being spent. So, for example, if economic circumstances are such the labour market continues to improve, which would go alongside ...

Deputy G.P. Southern:

So your entire plan is dependent on improving markets?

Chief Officer:

All our forecasts are based upon the current economic assumptions and that is the core of the M.T.F.P. in terms of the income forecasts, benefit forecasts and so on. So I think it is a fair assumption to base the M.T.F.P. assumptions and for us to use those in terms of working out what our plans are. I think it is quite realistic to do that.

The Deputy of St. Ouen:

Yes. I think I have that here in the papers we have been given that during 2016 to 2018 the economic assumptions are for employment to grow by approximately 1 per cent. Is that the figure you have worked to in assessing these changes?

Chief Officer:

That the F.P.P. (Fiscal Policy Panel) figures, which I think you quote there, there are a number of figures and that 1 per cent increase per year, I think, in employment or is that earnings?

The Deputy of St. Ouen:

Well, that is during the 3 years in the employment, yes.

[15:15]

No, I am told it is employment during 2016 to 2018 but there are complicated charts in the appendix which have zero figures but I am looking at the narrative. But employment going up does not necessarily mean that unemployment will go down because, of course, there are people arriving in the Island at quite a rate who are gaining employment. That does not necessarily mean that the unemployment figures are going down, are they?

Chief Officer:

No. It depends upon the success of our efforts to reduce and support mainstream unemployment but we have a track record, a good track record, in this sense. We believe we can continue to do that. There is no reason why we should not have that belief in our ability to help more people into employment over the next few years.

The Deputy of St. Ouen:

Yes, but the budget is being cut by 25 per cent.

Chief Officer:

But that is based upon our estimates, that suggests we will be able to have a reducing mainstream unemployment and also helping groups into employment so we have ...

The Deputy of St. Ouen:

Have you worked a full business case for this to show detailed line-by-line savings?

Chief Officer:

We have a broad understanding of how we can achieve these savings, yes. Over this period I am sure that we will flex and change, as we have done for the first 3 years of Back to Work. But also I just want to go back to saying we are looking at the £3.5 million of savings overall and we may have an improved way of operating by 2018, 2017, 2019 that may mean that perhaps we can make great savings somewhere else which means we can reinvest that money into a new programme in Back

to Work, for example. So the department is the department and £3.5 million is £3.5 million and we will be making that savings overall and if we end up making more savings in Back to Work or less savings in Back to Work we will still deliver £3.5 million overall, and that is quite right; we should retain that flexibility to ensure we can deliver our savings ...

The Deputy of St. Ouen:

Could it work the other way that if you cannot achieve the savings in other areas that Back to Work would be affected to a greater extent than the 25 per cent?

Chief Officer:

That is a fair challenge and we would seek, effectively both ways, yes, but we could have ... our staff are knowledgeable, our staff are flexible and they can work across different areas. They are not just pencilled in one specific area. They have skills that are transportable across the department, so yes. But that is how myself and my management team have looked at the challenge of £3.5 million overall and likewise the number of F.T.E. reduction is also overall.

The Deputy of St. Ouen:

Yes. Have you got some questions on Back to Work?

Deputy J.A. Hilton:

Not on Back to Work, no. I think we have covered everything there. Can we go to the top line?

Deputy G.P. Southern:

Can I just get back to your optimistic scenario; that the old assumption on employment in 2015 was that it would go up by 1.5 per cent. The latest says employment is going up by 2 per cent but thereafter employment goes down ... but increasing ... improvement in employment goes; 2016, 0.5 per cent; 2017 0.5 per cent, return to trend in 2018 at 0 growth and 0 per cent growth in 2019; those are the estimates. Are you still confident that by 2018, 2019 the economy will be growing and unemployment will come down?

Chief Officer:

So I am not an economic expert. The panel have given those figures with the economic adviser and we have spoken with the economic adviser and we can use those figures with our own benefit forecast and so on, and on that basis, yes, we do. If they obviously change, better or worse, then that will affect how we might approach the challenge to make the savings.

Deputy G.P. Southern:

If it is worse than you expect?

Chief Officer:

So there are benefit contingencies in place, that if we have an upsurge in benefit claims, for example. If there was a shock to the economy in some way and we needed to provide more support then the Council of Ministers would need to consider how they respond to that. One of the things we would be saying would need to be considered would be the support we would need to give to companies or unemployed individuals.

Deputy G.P. Southern:

So that will be additional funding?

Chief Officer:

So Back to Work itself came out of the shock of the various crises and eventually L.V.C.R. (Low Value Consignment Relief) so it is a good example that funding was produced and supported and obviously we have gone far beyond the remit we perhaps had in terms of helping the shock of L.V.C.R.

Deputy G.P. Southern:

So if you cannot make those savings you will be going back to the central pot saying: "Can we have some additional funding?"

Chief Officer:

If we could make those savings because of a significant shift in economic circumstances then I think that would be a sensible route and one for the Council of Ministers to consider but of course if we had a shock in economic circumstances that would be one of many things to be considered. If the economic circumstances pan out but we cannot deliver the savings, that is slightly different because we are not very good at delivering improved services and reducing services then ...

Deputy G.P. Southern:

No. I am not talking about you are not very good. I am quite sure you are very good.

Chief Officer:

No. But there are 2 different questions there, is there not? One is, if we cannot make the savings ...

Deputy G.P. Southern:

But you are now talking about a significant shock to the economy which is a sort of disaster scenario. I am talking about a continuation of slow grinding lack of recovery. That is what I am talking about.

Not a major shock. Obviously a major shock, you would be asking for some funds pretty pronto in terms of benefit levels would be going up.

The Deputy of St. Ouen:

Okay. So perhaps we can ask how you are managing the cuts at present because you have been required to make savings in the current financial year, and I understand that that is £699,000. Are you on target to meet those savings?

Chief Officer:

Yes, we are. To explain our approach. It has got a number of elements to it. But the first one broadly is that good service costs less. So the better we get at improving our service to the public the less errors we make, the less letters we have that perhaps are not clear, the easier when we make applications and so on, the less rework we have and therefore it makes it easier for us to create capacity and we can use that capacity then to make further improvements and so on. So, as you know, from previous Scrutiny Panels we have been working hard with our staff to look at how we can work. We have been improving service with their support and enthusiasm to the public. We also have been generating ideas from staff and looking to see how we can make improvements from ideas and we have also been investing in Lean. Lean is a tool which helps us remove the things that do not have any value to customers and that has been helping us make sensible improvements to our processes and therefore freeing up capacity. So we already managed to make savings in administrative savings and in the first wave of the voluntary redundancy programme again, as I think we have already stated here, we had some applications under voluntary redundancy which, through creating capacity and reorganising ourselves, we were able to make and accept a number of voluntary redundancy applications. So we had 7.5 F.T.E. agreed and departed the organisation at the end of last year and they were predominantly in back office roles or management roles. We were able to find different ways of working or stop doing various things.

Deputy G.P. Southern:

In terms of giving a better service to the customer have you got any measurable ways that you can assess your success over the past 6 months in improving the service? Like the number of returns over the same issue from people coming back or other measures. I do not know. What do you measure?

Chief Officer:

So there are a number of examples I can give you. The first, and the department is very proud of this, is that the public have voted us the best public service, public sector, customer service awards in Jersey for the last 3 years, nominations from the public directly to an independent organisation who selected us as the winner. So that is firstly a positive marker of the department's efforts to

increase service. We do look at our service quality. We have a member of staff who helps aid partly a queue bust but also seeks out feedback from the customer's visits to the department so we can understand how that experience was for them but also helps identify where, perhaps, they have come in and it has not worked so well or they have come in maybe unnecessarily. So we look at, for example, what we would describe as waste. We have done some analysis of the people who call us, one of the first things we did under Lean, to establish were customers calling us up for effectively a value-added reason. So were they calling us up because they had a letter that was well-written, well-intended and their response to that letter, or were they calling us because the letter they received they perhaps did not understand which we would describe as perhaps being an unnecessary waste of their time and ours in having to deal with their call because if we had it right first time they would not have needed to call us. So we have been looking and identifying those types of waste and seeking ways to improve it. So, for example, we have recently, again, been looking at the types of waste we get. We know we have customers come in because they have a claim, a medical certificate, they have been signed off work, they have a short-term incapacity certificate, and they have come in because they do not understand how to fill it in or they do not understand where to give it or to hand in or they filled it out incorrectly and so on, it has been sent back to them. All different reasons. So we had a workshop with staff to take that voice of a customer, saying customers are coming in because they do not understand, what can we do about this, how can we improve it. So we had a workshop to facilitated by one of our green belts. This happened in the last 2 months, for example, and straight out of that workshop we identified things that we can make changes immediately, internal changes, but changes all the same that would free up 2 hours of someone's day. Somebody was doing something that the team have then come up with a plan to avoid a member of staff doing that which means they are freed up to do something else. We identified other changes to the S.T.I.A. (Short-Term Incapacity Allowance) claim form which perhaps need more technical solutions but we now have some investigative work going on there where we can make changes to the form, the wording on the form ...

Deputy G.P. Southern:

Have you changed the letter yet? Have you changed the letter or the form?

Chief Officer:

So we have changed lots of letters. This particular example, the form is embedded in our I.T. (information technology) software so it is slightly more difficult to change but there are other examples we have of letters being changed. So another example, we have people who pay us their contributions by direct debit, for which we are very grateful, but for historic reasons we would still write to them telling them that they owe us money and they need to pay us every quarter. So when we looked at it that did not make sense so we have stopped writing to people who pay us by direct debit for example and that is another ... these are little steps along the way. Overall the department

needs to save £3.5 million. It is roughly 20 per cent of the department's activities. This is based upon 5 years, 2015, 2016, 2017, 2018 and 2019, and we can achieve this best by utilising continuous improvement to make those changes while delivering an improved service, a better service, which is also more effective for our customers, and that is our strategy to make those changes broadly across the department. Staff are involved. We are also utilising, of course, online access, online services and we have in our business plan, I am sure you are aware, to improve our online access for customers which also strips out waste from the process.

The Deputy of St. Ouen:

But how can it be a continual process over the next 3 years, all the time making efficiency savings, so that you have to achieve further savings of £772,000 by 2019? If you have been working so hard over this period to try and get it right how can you just continue? What plan is there to achieve those savings by 2019?

Chief Officer:

I have just described to you the plan. We can work ...

The Deputy of St. Ouen:

But your plan is basically when you see something you try and put it right so you have a ...

Chief Officer:

No. So we have systems in place, structures in place, to help us manage our resources and generate improvements across the department and that is how we have been building up in the last few years. We have been investing in the right areas, investing in staff, training staff in Lean, training staff in customer service, focusing on the things that are important and making those refinements.

The Deputy of St. Ouen:

I do understand that, a continual improvement in services, but are you able to tell us what savings will be achieved in 2018 and what will be achieved in 2019 in terms of service improvements?

Chief Officer:

In terms of service improvements?

The Deputy of St. Ouen:

To achieve those savings that need ...

Chief Officer:

So generally we will be moving more of our activity online to allow customers to transact with us partially online so we can make sure our staff are freed up to do what they are good at, which is the face-to-face communication because after all we are a people organisation ...

The Deputy of St. Ouen:

So is this set out in any detailed written plan with the savings identified against each measure?

[15:30]

The Deputy of St. Ouen:

Okay. So how have you arrived at £772,000 savings in efficiencies by 2019?

Chief Officer:

These were developed throughout the Medium Term Plan, so savings targets were built upon, in discussions from last year, this year and so on. So we felt comfortable that we can deliver the savings we have. So just in context, this is not an unusual way of making improvement across an organisation over a long period. If you were being asked to save 60 per cent in one year, for example, you would have to employ a different technique and tactic to make those savings while protecting service and potentially service would be very different during that process. If we have the time to make these changes then this is a good proven way of making ongoing changes to an organisation while trying to improve and maintain service. My experience is that this is very possible and doable and I am confident, as are my team, that we can deliver it.

Deputy G.P. Southern:

I am sure you are but can I ask you 2 things, specific questions first. The first one which has come straight out of my mind, as I said it, so I will ask the second one, okay? One of the inefficiencies that I know of your service is attached to income support and it is the fact that you produce something like 7,000 overpayments a year and 6,000-plus underpayments a year. Each time you do that, and these are paid 4-weekly in advance, a second letter has to go out to say: "We have overpaid you, we are going to claim this back at the rate of X, you will therefore receive the following for this period and then that period and that period." It is an incredibly complex bit of stuff where ... and I know, I sometimes read them and I have been handling income support letters for the last 5 years and I cannot understand them. "Why have they done that?" Sorry, mate, I do not." Certainly the client cannot understand them. It is a simpler effect when it is an underpayment because you say: "We are going to give you some more money. We are going to pay you back." But both processes require a second letter and I will bet generate no people coming in saying: "What does this mean?"

Have you targeted the overpayment and underpayment? Are you making any progress on reducing the vast number of overpayments in particular that you make every year?

Chief Officer:

So there are multiple parts to your question. First, income support is paid in advance. So it will, by its very nature, generate overpayments. As people's circumstances change in-between them having the money and in-between them notifying us of changes. So that is an issue with the system. Switching to paying in arrears would require significant I.T. infrastructure costs for example.

Deputy G.P. Southern:

Could it be done?

Chief Officer:

Paying people in arrears. It could be. There are also potential ...

Deputy G.P. Southern:

You pay short-term incapacity in arrears, do you not?

Chief Officer:

Yes.

Deputy G.P. Southern:

Which is the reason that people call in first and complete the form later.

Chief Officer:

So it would be done. Universal credit, in the U.K. (United Kingdom) is an interesting example for lots of different reasons. They pay that in arrears in a very different way but they have developed that from scratch. We have our system at the moment. We pay in advance. There are lots of social, probably, welfare reasons for paying people in advance but that can be overcome as well. In terms of when it will be a right time to consider that we have an I.T. system that is robust and works but all these things need to be replenished from time to time. We will start some work next year in 2017 looking at what we require for an I.T. system, benefits payments system, and depending on what we come up with there, that could be an opportune moment when we redesign the new system to consider whether or not we could design out payment in advance for example, but that would probably need quite a lot of discussion and it is not currently planned. We do not need to do that to make the savings we are talking about today. But we have, as I am sure the Deputy will appreciate, made lots of different changes to the way we administer income support. Our letters have been improved. Our face-to-face service for change of circumstances has improved the service for

customers so people can get their change processed straightaway. This week we have launched an online form for people to tell us about changes to employment, to make it easier for people to notify us of that. So we are making improvements in that area across income support and if we can we will continue to do that. Obviously, when we prioritise the areas we look at we look at the voice for the customer, where we have customers coming in for reasons that don't add value for them, we are looking to address those first. What we also look at are higher volume areas as well to see if we can also make improvements. So it is a combined effort. We are not just picking up whatever stone we like. It is doing things in a sensible way but we are also empowering staff to make changes. So just the other day an income support member of staff realised that this form for change of addresses was being completed when we did not really need to complete it. It did not add any value to the process. That was a suggestion from a member of staff on the frontline who said: "This form adds no value. I have asked why a number of times. I cannot work out why." We looked at it and said: "Yes, absolutely. We support your suggestion and we will stop filling that in." That would have been time spent with a customer filling a form in which we do not need anymore.

Deputy G.P. Southern:

Have you made any progress with overpayments and underpayments in income support? Is this year's annual report likely to contain numbers that are similar to last year's or have you made any progress in reducing the number of overpayments and underpayments made in the income support scheme?

Chief Officer:

That is not a number I have in my head. It is not in my head and I will see whether there is any better inclination. We will ...

Deputy G.P. Southern:

You do not know?

Chief Officer:

Not off the top of my head, no.

Deputy G.P. Southern:

Okay.

The Deputy of St. Ouen:

Have any other members got questions on efficiencies? No, okay. Can we ask you about the reduction in grants and subsidies payments from the present figure of £3.4 million to £3.1 million? Who is going to be affected by the reduction in grants, Minister?

The Minister for Social Security:

The grant funded bodies, J.E.T. (Jersey Employment Trust) and J.A.C.S. (Jersey Advisory and Conciliatory Service), will have a freeze at the moment on the amount that their funding is and J.E.T. have been asked to make cuts over the next 4 years.

Deputy G.P. Southern:

To the services that they deliver to the disabled in our community?

The Minister for Social Security:

No, in the administration side of the organisation. So they will do, as the Chief Officer has described as we do in the department, provide ... it is not a change in the service. It is just more efficient service.

Deputy G.P. Southern:

What impact assessment have you done to ensure that there will not be a reduction or a loss of services?

The Minister for Social Security:

It is very difficult to do an impact assessment until something has occurred but both J.A.C.S. and J.E.T. have taken this on board and said, yes, they can produce these savings by being leaner and more efficient. I do not know if you want to expand on that.

Chief Officer:

The Minister is correct. So just for completeness we have 3 grant bodies. They are the Jersey Employment Trust, we have J.A.C.S. and the Health and Safety Council, albeit they have a greatly smaller budget. All 3 have agreed to make reductions over the 2016, 2017, 2018 and 2019 period at a total of roughly 80 per cent of their budget.

The Deputy of St. Ouen:

The reduction is 80 per cent of their budget?

Chief Officer:

Sorry, 8 per cent of their budget.

The Deputy of St. Ouen:

Eight per cent of their budget.

Chief Officer:

We have had discussions with them over that and they have committed to make those changes and obviously we are here to support them if they need support in terms of resources to help make those changes. All 3 grant bodies have professional people in them and they have the confidence they can make the changes.

The Deputy of St. Ouen:

I think in real terms it is more than 8 per cent because they have to bear the impact of inflation over the next 4 years, do they not?

The Minister for Social Security:

Well, inflation is very little at the present ...

Deputy G.P. Southern:

It is going up again in the forecast.

The Minister for Social Security:

Who says? But it is against all forecasts, is it not?

Chief Officer:

Yes, but most organisations should be able to make improvements in the way they work year on year and our granting bodies are organisations that can make those changes.

The Minister for Social Security:

It is no more than is being asked of every department or body across the Island. Everybody has been asked to make efficiency savings.

The Deputy of St. Ouen:

Yes, indeed. Does this result in any loss of workforce by J.A.C.S. or J.E.T.?

The Minister for Social Security:

No.

The Deputy of St. Ouen:

They are not losing any staff as a result?

Chief Officer:

Obviously we have asked them to maintain a level of services and that is the aim. So if they can maintain the same level of services with less people then that is okay. As long as they can maintain the services, that is what we have asked.

The Deputy of St. Ouen:

But have you assessed whether they can maintain their services?

Chief Officer:

Yes, we have had those discussions with J.A.C.S. and J.E.T. and the Health and Safety Council and they believe they can.

The Deputy of St. Ouen:

Very well. Any questions?

Deputy J.A. Hilton:

Yes, I am little bit concerned about that to be honest because J.E.T. obviously are working with the most vulnerable people in society and so that is a real concern of me that they may be neglected and pushed to the side. I am not convinced by the arguments, how you can make a reduction of 5 in staff because I thought J.E.T. provided mentoring support for workers in the workplace.

Chief Officer:

So I am not saying they are going to make any current reductions. I am saying we have asked them to maintain the service that they provide but if they can do that and it happened to be with less people or people reprioritised then they can. I mean we, as a department, ask them to deliver various outcomes in services for which we pay the grant. So that is what they would achieve. We do not specify ...

Deputy J.A. Hilton:

But they have put forward 5 less staff, have they not?

Chief Officer:

No.

The Deputy of St. Ouen:

Five is within the department.

Chief Officer:

Yes. So there is no ...

Deputy J.A. Hilton:

It is the whole department, okay, all right. So you are expecting them to deliver those savings or efficiencies through operating a leaner operation base.

The Minister for Social Security:

Yes, the same as everybody else is being asked to do.

Deputy J.A. Hilton:

Okay, all right.

Deputy G.P. Southern:

I think J.E.T. have reduced spending but I have not got the evidence at the minute so I will not refer to that again.

Chief Officer:

No, but they have a number of different parts of their organisation. It is not just the grants that we pay.

The Minister for Social Security:

But commercially J.E.T, in the way of their own business, are going from strength to strength. They have got Acorn. They have now got the wood recycling business. They have got the café up there. So they are very enterprising. So I do not see, or we do not see, that there is a problem that they cannot be as enterprising with efficiencies.

Deputy G.P. Southern:

We will save the issue of J.E.T. for another day.

Deputy T.A. McDonald:

No, exactly. Yes, I am exactly the same as Deputy Hilton, they are dealing with the most vulnerable people, or a lot of the most vulnerable in society, and it would be extremely worrying if there were any cuts made to them or sections, departments or otherwise, because that service is so important.

Chief Officer:

Yes, we have asked them to maintain the same service and that is, I think, key. What you are perhaps concerned about and what we have asked is aligned in fact but J.E.T. are a professional organisation and we have had dialogue with them and I am absolutely confident they will be able to maintain services while making improvements to the way they work and that is exactly the same as

the Social Security Department is doing, exactly the same as the Health Department is being asked to do and so on.

The Deputy of St. Ouen:

That is important because if you are going to achieve what you want with the Back to Work scheme and reducing unemployment levels they play a great part in helping the vulnerable in our society, do they not?

The Minister for Social Security:

It is across the board, especially as Graham could elaborate on, with the foundations part of Back to Work. I mean that really deals with the people who I think in the sort of Social Security speak have great barriers getting back into work. They have either been unemployed for a long time. They may have just been released from La Moye, all sorts of problems, and the Foundations team works very closely with people.

Deputy J.A. Hilton:

How did they receive you when you suggested that these efficiencies had to be made? What was the sort of dialogue between the departments and J.E.T.?

[15:45]

Chief Officer:

I think grant-aided bodies across the States, as well as other groups who may receive funding sources from the States, were being kept informed with the progress of the Medium Term Financial Plan. So they have certainly been called to at least 2 sort of collective presentations and meetings of that plus also I have been having conversations with J.E.T. and contacts with J.A.C.S. and the Health and Safety Council. So we have a dialogue with our grant-aided bodies because they will appreciate that the department is reducing its expenditure by 20 per cent and so they also feel that perhaps the 8 per cent reduction over the period is ...

Deputy G.P. Southern:

Not unreasonable.

Chief Officer:

Not as bad as it could have been.

The Deputy of St. Ouen:

Perhaps changing the subject a bit. Minister, the last time we met in a public hearing I think you expressed concern that you had not yet been consulted about a health charge and we have learnt since that in order to mitigate the cost of a health charge payments are going to be drawn from the Health Insurance Fund. So can I ask you when you knew about that proposal to use the Health Insurance Funds?

The Minister for Social Security:

Goodness me, I cannot give you a date but a long time ago, and when the proposal was to make £35 million worth of a health charge then there was going to be about £30 million transferred from the Health Insurance Fund which did not make anybody very happy, least of all myself, because, as you all know, it is very difficult politically making transfers from that. But it was largely to help with primary care, which is what the Health Insurance Fund is for, and also to ease the introduction of whatever the health charge form might take. That is the historical side of it. What has happened now is that it has been reduced because of the change in the expected income so now the charge is going to be set at £15 million and equally the transfer from the Health Insurance Fund will be £15 million in 3 sets of £5 million transfers to help with the Primary Care Strategy and also to lower the projected introduction of the health charge. So where it was thought at one stage to be coming in at one per cent it is now going to be at 0.5 per cent for the first year in 2018.

The Deputy of St. Ouen:

Do you have any concerns about the effect that would have on the Health Insurance Fund?

The Minister for Social Security:

Well, the Health Insurance Fund, as we speak, is in deficit inasmuch as there is not enough or as much coming in - I think it stands at about £75 million, off the top of my head - as is going out and of course that is a concern. The cost of medicines are increasing by the minute and, of course, that is what the fund pays for. Doctors' fees are going up by the minute, not that the subsidy that the Health Insurance Fund pays, which is £20.28 per visit, has gone up, but everything is increasing and there are just not enough contributions coming into it. As part of the big social security review that we have already started, it will look at all contributions in real terms as to what goes into the Health Insurance Fund and contributions across the board to address the situation.

The Deputy of St. Ouen:

The contributions are going to have to be all the greater because £15 million is being moved out of the fund.

The Minister for Social Security:

Over 3 years, but the fund has, of course, done very well as part of the Common Investment Fund, so has made quite a considerable amount of money, especially in 2013. The whole fund also depends on investments, so overnight it could increase but, equally, it could go down.

Deputy G.P. Southern:

But we are spending the capital, if you use that analogy.

The Minister for Social Security:

The capital is going down, which consequently has an effect on the interest that it will receive.

The Deputy of St. Ouen:

The intention is that this £5 million a year will be used for primary care measures, to improve our primary care service as part of the P.82 proposals?

The Minister for Social Security:

Yes. It is an investment in the health strategy, which is one of the points in the strategic plan.

The Deputy of St. Ouen:

Do you, Minister, have any control over how that is delivered?

The Minister for Social Security:

We have done inasmuch as we wanted a breakdown for the previous transfers, which we have had. So, from the point of view of Health then telling us how it is being spent, yes, but control over it is debateable.

Director, Policy and Strategy:

Just to explain, because of the way the Health Insurance Fund has been set up, it is limited in the amount of areas it can fund. The Health Department, over the last probably 2 or 3 decades, has taken on the direct funding of areas of primary care that in another place would be seen to be totally primary care services. Therefore, this overlap of funding primary care in our system has been there for a long time and so giving the Health Department some money towards the primary care services they already provide is ... £5 million is only a fraction of the total amount of primary services that are provided through Health directly. As the Minister said, this is a kind of theoretical exercise because there is way more spending being done every day of the week than would be covered by the £5 million. That is how that is going to work.

Deputy J.A. Hilton:

It is worrying that the Health Insurance Fund has now dipped to a point that you are paying out more, I think you said, than you are receiving, for the first time.

Director, Policy and Strategy:

That has been the case. The fund itself is not in deficit. There is lots of money in the fund, but the deficit refers to the fact that in a year we collect a little bit less than the money we spend out. In recent years when the investment had come in it used to make a small profit while it has started to get to the position where we are starting to get small losses overall. But the fund has got, as the Minister said, £75 million in it so there are substantial reserves in terms of the number of years of money it could afford to pay out. So it is not in any kind of danger at all and reducing the capital will have very little impact on the future contribution rate. I think the Minister referred to the social security review and the principal aim of that is to look at the Social Security Fund and the old age pension, which is the key area there. I think it is probably more that the way that the Health Insurance Fund will move forward in the future is in terms of the development of P.82, the development of the primary care strategy, the development of the long-term funding for health. All those things are still in progress. The introduction of the health charge is not the end result. It is a means towards the end and there will be another step which will probably come through in the next M.T.F.P., so there is still a substantial amount to do there and it is early days yet.

Deputy G.P. Southern:

Is the plan to run down the Health Insurance Fund or is that just an option within the whole review of all contributory funds?

Director, Policy and Strategy:

It is not planned to run it down but it is not planned ... it is work in progress and there are a number of ways we can go. The Treasury Department, I do not think have quite ... they will come forward with the details around the legalities of the health charge and once that becomes more clear we will see what the next steps are going to be. We know how much money the health charge is going to raise but where it is going to go when you have raised it ... it is going to be used for health, obviously, but there is more than one way in which you could do that. You could pay it into the Health Insurance Fund. There are all sorts of things you could do and obviously they are going to do that, but you will have 2 different pots of money to go round and, therefore, you will want to bring them together. The whole aim of P.82 was to create this concept of a holistic health system with a sustainable funding mechanism for it. We are not quite there yet. We are making good steps towards it and the introduction of the health charge is another step on that way but there is a bit more work to do.

Deputy J.A. Hilton:

Are we moving on?

The Deputy of St. Ouen:

Yes, please.

Deputy J.A. Hilton:

Page 120, net revenue expenditure, in the States grant to the Social Security Fund I see that that is sort of stable over the period of the plan. Was that agreed by the States?

Director, Policy and Strategy:

Yes, that was agreed last year. That was agreed by the States last year.

Deputy J.A. Hilton:

This is supplementation presumably, is it?

Deputy G.P. Southern:

Was it not frozen for a year?

Director, Policy and Strategy:

Last year. Although much of the M.T.F.P. only referred to the first year, that particular agreement was made for the full length of the M.T.F.P. The reason for that is there is a formula in the social security law which tells you how to calculate the States grant from year to year and it runs an M.T.F.P. period and, therefore, the whole formula was set to be a set number for the whole length of this M.T.F.P. It will reset itself automatically for the next M.T.F.P. There is no long-term impact on the level of the grant. That said, the social security review will be looking at that, among many other things, but it is set. It is set in law and you can read the regulation that sets the amount of money and it is the same amount of money each year.

Deputy J.A. Hilton:

It was basically frozen, was it not, last year?

Director, Policy and Strategy:

It is frozen, yes.

Deputy J.A. Hilton:

In real terms, how much is that going to cost the fund, have you any idea, over 3 years?

Director, Policy and Strategy:

£20 million a year for the M.T.F.P.

Deputy J.A. Hilton:

£20 million a year?

Director, Policy and Strategy:

No, £20 million altogether, so it is more than ...

Deputy J.A. Hilton:

So, that was that. Also, about the States grant to the Long-Term Care Fund as well, that does increase slightly over the plan.

Director, Policy and Strategy:

That was set in 2016, so that was set at the beginning of this M.T.F.P. That has a different mechanism and there is an R.P.I. (Retail Price Index) increase in that each year. Therefore, that is using the assumptions in the M.T.F.P. to say that the R.P.I. may not be there, how you set it.

Deputy J.A. Hilton:

At the moment, with regard to the Long-Term Care Fund, because I know it has only been operational since 2014, how is that playing out financially? Are the predictions for payments going out what you expected or ...

Director, Policy and Strategy:

The cost has been ... it was very hard to ... the predictions had to be made on a theoretical model. So a very detailed theoretical model was built up and it had to be built up using assumptions because there was not sufficient local data to know all the things that you would need to know. The expenditure is okay. The one thing that happened was that the fund was not set up with the full amount of capital in it to start with, that we anticipated to start with, and we have been able to put some extra capital into the fund over the last couple years. So that brings us back closer to where we had hoped to be.

Deputy J.A. Hilton:

Where did that capital come from?

Director, Finance and Governance:

For example, this year as part of the carry-forward process, there were underspends in tax-funded benefits and the Minister for Treasury and Resources agreed that that could be transferred into the Long-Term Care Fund, which happened early in 2016. So, just over £6 million has been transferred in to help build the capital of that fund.

The Minister for Social Security:

That was agreed with Treasury before it came into being on the basis that we had no idea what the demand was going to be and, if it was not sufficient, that caveat was agreed.

Deputy J.A. Hilton:

But the fund was operating as you would have expected it to be?

The Minister for Social Security:

Much better now because the waiting times have come down considerably than what they were.

Deputy J.A. Hilton:

What, for the assessments?

The Minister for Social Security:

There are 2 assessments, of course. There is Health and Social Services and then ours is more the financial assessment. The delay was not in any income support system because we do not need to assess that. We have already done it, we know it, but now they are able to be ... the timeframe is now days as opposed to it being ...

Deputy G.P. Southern:

I have just remembered the question I wanted to ask before. You said quite confidently to are you on track with your savings for this year, yes, and the question should have been, I should have followed up with: can we have a look at your last quarterly check on the finances to make sure you are on track for meeting your budgets?

Chief Officer:

This year's savings basically came from the voluntary redundancies that were accepted last year. The staff savings from those 7.5 people effectively have delivered us our required saving for 2016 because those individuals have left, so they no longer work in the department.

The Deputy of St. Ouen:

Can I query that? You said before it was £50,000 on average per staff member and therefore 7 would be £350,000, would it not?

Chief Officer:

Yes.

The Deputy of St. Ouen:

Yet it is £700,000 you need.

Chief Officer:

The £699,000 refers to 2015 and 2016, so it is roughly £350,000 a year on those 2 years equals £700,000. So the savings we made in 2015 were mainly administrative savings. The savings we made in 2016 were from the voluntary redundancies so you see the logic flow through.

[16:00]

The Deputy of St. Ouen:

Deputy Southern's question was: can you let us see your financial management accounts for the last quarter?

Deputy G.P. Southern:

So that we can check that you are on track with your savings, because we said are you on track with your savings.

Chief Officer:

We are.

Deputy G.P. Southern:

If we got to a quarter and you have made a quarter of the necessary savings or half the necessary savings you would say: "Bingo, we are on track." Do you not check your monthly financial targets?

Chief Officer:

Yes, of course.

Deputy G.P. Southern:

You do?

Chief Officer:

Of course.

Deputy G.P. Southern:

So, what is the problem with letting us have them, apart from the fact I would not understand them?

Chief Officer:

We will consider what we can release, if that is okay. It is just in terms of the role of what we can produce.

Deputy G.P. Southern:

So you are saying there are no fresh savings for this year? There is just a carry-on?

Chief Officer:

Yes. So we have delivered the savings ... so the savings we made are from voluntary redundancies and of course we are making savings this year, because the next year the savings need to be for the full year. So, in the way I have described, through continuous improvement and good service and so on, we make savings in advance. That is how one should do it rather than getting to the start of the year and trying to make full year savings before the start of the year. We, of course, are proactive in making savings and planning ahead.

Deputy G.P. Southern:

My Chairman confidently nodded his head and said, yes, so he will understand the figures that you give him and I will not.

The Deputy of St. Ouen:

Can you consider it and respond to Deputy Southern's request?

Chief Officer:

Yes.

The Deputy of St. Ouen:

Any other questions?

Deputy J.A. Hilton:

Just a point of clarification. I think in my question to you about the Long-Term Care Fund, I think you mentioned an underspend going on. Did you mention an underspend going in? Was that the AME (Annually Managed Expenditure) contingency that you underspent this year? Is that something different?

Director, Finance and Governance:

No, the amount that was transferred was underspent within the department's benefit budget, so not the AME (Annually Managed Expenditure) contingency which is held centrally by the Treasury...

Deputy J.A. Hilton:

So that just returned to the centre then, the underspend?

Director, Finance and Governance:

I am very sorry, I cannot remember off the top of my head but I believe so. We can confirm that to you.

Deputy J.A. Hilton:

That would be good, thanks.

The Deputy of St. Ouen:

Minister, thank you very much for meeting with us today and to your team. That brings our hearing to an end, unless you want to add something. I do apologise, Minister. I should have asked is there anything you want to say.

The Minister for Social Security:

Only the positive aspects of the Christmas bonus and the food costs bonus, that was all.

Deputy J.A. Hilton:

That is a good news story.

The Minister for Social Security:

It is a good news story. That is why I wanted to get it in.

The Deputy of St. Ouen:

We had no particular questions over that, except to note them and are pleased that they are coming in. Thank you and that is the end of our hearing.

[16:03]