



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Thursday, 31st July 2014

*All published Official Reports can be found on the
official States of Guernsey website www.gov.gg*

Volume 3, No. 21

ISSN 2049-8284

Present:

Sir Richard J. Collas, Kt, Bailiff and Presiding Officer

Law Officers

Miss M. M. E. Pullum, Q.C. (H.M. Comptroller)

People's Deputies

St. Peter Port South

Deputies P. A. Harwood, J. Kuttelwascher, B. L. Brehaut,
R. Domaille, A. H. Langlois, R. A. Jones

St. Peter Port North

Deputies M. K. Le Clerc, J. A. B. Gollop, P. A. Sherbourne,
R. Conder, M. J. Storey, L. C. Queripel

St. Sampson

Deputies G. A. St Pier, K. A. Stewart, P. L. Gillson,
P. R. Le Pelley, S. J. Ogier, L. S. Trott

The Vale

Deputies L. B. Queripel, M. M. Lowe,
A. R. Le Lièvre, A. Spruce, G. M. Collins

The Castel

Deputies D. J. Duquemin, C. J. Green, M. H. Dorey,
B. J. E. Paint, J. P. Le Tocq, S. A. James, M. B. E., A. H. Adam

The West

Deputies R. A. Perrot, A. H. Brouard, A. M. Wilkie,
D. de G. De Lisle, Y. Burford, D. A. Inglis

The South-East

Deputies H. J. R. Soulsby, R. W. Sillars, P. A. Luxon,
F. W. Quin, M. P. J. Hadley

Representatives of the Island of Alderney

Alderney Representatives L. E. Jean and R. N. Harvey

The Clerk to the States of Deliberation

S. M. D. Ross, Esq. (H.M. Senior Deputy Greffier)

Absent at the Evocation

H. E. Roberts Esq., Q.C. (H.M. Procureur),
Deputy E. G. Bebb (*relevé à 10h 56*), Deputy M. J. Fallaize (*relevé à 9h 50*),
D. B. Jones (*indisposé*), M. G. O'Hara (*indisposé*)

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Senior Deputy Greffier

EVOCATION

Billet d'État XVIII

I. States of Guernsey Accounts 2013 – Debate continued – Propositions carried

The Greffier: Billet d'État XVIII, the States of Guernsey Accounts. Continuation of the debate.

The Bailiff: Members of States, just before we resume, can I just point out that it is a very large Billet before us with an awful lot still to be debated and I do not know whether we are going to finish by 5.30 p.m. tomorrow evening. If we do not the Rules provide that we come back in the middle of August, which will not suit some people. There is a suggestion we might sit on Saturday, which will not suit some people either. There is an alternative that maybe we come back in the middle of September, but that is not provided for in the Rules and I think that will not suit some of the business that really does need a decision earlier than then.

So can I please ask people to ensure that when they do speak they only speak if it really is necessary (**Several Members:** Hear, hear.) and that their speeches remain focused on what is before the Assembly. For example, in relation to the Accounts, all you are being asked to do is to approve the Accounts and to sanction a particular piece of overspending. It is not a Budget debate or anything else. (**Two Members:** Hear, hear.) The debate should be focused on the Propositions before us. We will see whether we finish by tomorrow evening, but if we do not there are going to be some very difficult decisions as to when we continue because, as I say, there is some urgent business that does need to be completed.

Having said that, we resume debate on the Propositions before you on the States' Budget... sorry, States' Accounts. (*Laughter*) Sorry, that is me slipping... a Freudian slip (*Laughter*) on my part.

Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

I have just got three questions for the T&R Minister. It seems that this is turning into my annual question, sir, and I have asked it before and Deputy St Pier has said it is something that is being worked on. Where are we in regard to being able to identify or put a figure on what revenues or tax receipts are being received from *each* employment sector, sir... so sector by sector?

It seems to me that will be an invaluable piece of information for several reasons. It could help to shape and inform States' policies in relation to revenue and in relation to taxation plans information in regard to the health of each business and employment sector, and that would help to reveal which sectors are doing well, sir, and which sectors are not doing so well.

That in turn would help to shape Commerce & Employment policies in regard to which industries or sectors might need some assistance or some stimulus or where there may be potential areas or opportunities for growth in particular sectors, sir, and of course it would help us to understand how much the public sector is contributing to tax receipts as well.

I have no bookkeeping or accountancy skills, but I have been told by those who know better than me that this is a piece of work that would simply involve a spreadsheet, sir. I am sure it is more complicated

than that, but if it is a matter of putting a spreadsheet together, sir, how far is that work progressing? I wonder if the Minister could advise me – and this is the third year I think I have asked about this... or the second or third meeting anyway – how far advanced that piece of work is so we can identify the tax receipts from *each* sector, sir, and that will be invaluable information I think for the States.

40 I have mentioned this before as well, sir – Deputy St Pier has once again assured me that it was a work in progress – an IT audit. I realise and accept, and I would say that being a senior member working electronically for Governments and particularly for the private sector will help to create efficiencies and will help to create, as I was saying, in the private sector employment opportunities. There will be potential for growth, economic growth, by working electronically for the private sector, but my concern is
45 Government's relationship with technology.

If we look beyond our shores, sir, to the UK, there are, for example, many examples within the UK Government in relation to the NHS, for example, of IT projects going over budget by several million pounds and not working quite the way they were meant to.

50 Closer to home in Jersey there is now a requirement for several million pounds more, sir, to help them complete a Health IT project system. Here, closer to home, sir, right here in Guernsey, HSSD now need another £600,000 to complete an IT project.

Then we look at the list in the next item on the Billet, sir, and there are several IT projects, upgrades and replacements of obsolete equipment. This is clearly going to be a regular occurrence in the future... perhaps new systems, as I say, new replacements, specialist staff etc, and of course the message in the long run is
55 this will lead to greater efficiencies, smarter working and to savings, sir, but that needs to be measured, monitored and proved. It must be shown that the benefits outweigh the costs, sir, and so I really would ask the Treasury & Resources Minister again for an update with regard to the IT audit.

The third thing, sir, is the voluntary severance scheme, which in my simple way I see as a spend-to-save initiative, but once again I struggle to understand how it can be that way when staff are leaving the States' employment, some close to retirement, with significant packages. So walking away with significant packages only to be replaced by, in some cases – and I know this is happening within some Departments – new staff. So staff who are close to retirement, and perhaps could just work out the last one or two years of their working life, are walking away with packages that amount to several thousands of pounds and yet they
60 are being replaced in some places by new staff. So that seems like a double spend to me: a package pay out in regard to the severance and new salaries being paid... and in some cases relocation packages. So I
65 struggle to understand where the savings will be there. I wonder if the Minister can explain to me how that all pans out and where those savings will be made when there are new staff being employed.

Thank you, sir. These are my questions.

70 **The Bailiff:** Deputy Gollop.

Deputy Gollop: Bearing in mind your warning, sir, about not waffling too much, I want to make two quick points.

75 The first is on page 60 of the main States' Accounts, and although it is a marginal issue to our overall finances, I find it interesting that under the Health & Social Services Department list they list for St Julian's homeless bed nights – I am in fact a friend of St Julian's and on the Committee – that there has been a 19% drop in bed nights over the past year, down to just 4,691. That would indicate an average usership per day of 11 or 12 people and I think perhaps HSSD might need to look at why that is and whether there might be other ways of resolving what is a serious social problem, as from a cost management point of view that is
80 not a great statistic.

The other more general point arises from what the Treasury & Resources Minister said yesterday about staff curtailment. It is indeed gratifying to hear that there has been a reduction in the established staff overall, but that may have come about as a combination of the FTP and the severance policies as well as natural wastage and management reforms, but it has to be said that 73 people only represent 1.5% of the
85 overall total. I think most management consultants or cost cutters would want to go somewhat higher than that if their goal was staff deductions.

I do suspect that whereas some areas of the States, such as Social Services and policymaking, are still under resourced, which affects our economic performance and operational efficiency, some other areas could, I think, benefit from being outsourced and reorganised more fundamentally and I do hope that that
90 will continue to be a goal of the Policy Council and Treasury & Resources team.

The Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir.

95 I spent about a month trying to think of a way to start this speech and whichever way I tried I just failed. (*Interjection and laughter*) Yes, it is that feeling you get when you go down the harbour steps and get into

your rowing boat. You push off and realise that the paddle is behind the garage door at home. But anyway, here goes.

100 We need to be consistent, realistic and fair in setting Departments' budgets. We cannot have a Department consistently coming under budget by £1 million. Either that budget has been set too high or they have got skills in that Department which need to be shared across the piste and I am talking about T&R here on that. I did not know whether to hint it is T&R. I did not know whether to... because they are going to set my budget for two Departments that I sit on.

105 Do I have to try and appease them? Do I have to be nice? It is a bit like when the wife says to me on the Friday night, 'It is going to rain on Sunday' and then she tells me that she cannot see the cat outside the kitchen window because the grass is so high. What she is really saying is 'Make sure you cut the grass on Saturday' (*Laughter*) and it is that sort of position that I am in.

110 I might as well just say it straight and I usually try and do so, but it is this... you know, you cannot have... there is £1 million there every year for the last five years that we could have used somewhere else and we have got a situation now where if you are overspent it becomes a big deal.

The setting of the budget is not by some fantastic scientific method where rigour has been put all the way through, it is a subjective... well, we think we can afford this and that is what the Department spent last year. It takes little account of some of the demands of actual Departments themselves.

115 Just to emphasise the point, I think Deputy Hadley did absolutely perfectly yesterday, as soon as the Minister was just on his way down, Deputy Hadley was up to defend his Department with regard to the overspend. The overspend was not a real overspend, it was because some projections of money that they were going to get in did not arrive because part of the economy was not booming quite as much, but it just shows the sensitivity that we have over budgets.

120 If you take another Department, HSSD, if we had been given a budget... let us just say it was the same percentage that T&R had over and it was 5% more than T&R's £1 million... £20 million. So we would be having a budget of, say, £115 million or £112 million, something like that, and we have had that over the last few years, then the rhetoric in the paper and you would have here around this room would be, 'God, they have come in at £106 million. They have done really well. Well, what a cracking team they have got there. They have come in at £109 million. Haven't they done really well against their budget of £115 million?' It is this dilemma... I do not know what it is that we need to sort out because you cannot...

125 I owe an apology here to Hunter Adam because I sat in a Policy Council meeting once and he was saying, 'We are not going to hit our target. We cannot work with this budget'. He came to the States and I was sitting there thinking, 'Well, let's give them a target. They can aim for it. I know they will probably miss it', but I did not realise the consequences of that. We should have been far more supportive.

130 It is not fair. It was not fair on his team to know before the year even starts that the team is not going to make it and it gets personal, because when you rub behind the T&R Board and you rub a little bit further you come to civil servants; but when you rub at HSSD beyond the Board you come to civil servants.

135 The civil servants at HSSD are not an alien species of civil servants, it is the same body. They all report into the same heads of profession. So we have the same cast underneath and we have these bizarre situations where our staff at HSSD are being pilloried for... 'Oh dear, they are losing money here' and that.

140 We have had every organisation you can think of over us like a rash to see where there are savings. If capital could not have found the saving, would they not be the first ones to say, 'Look, there is £10 million here. Let's make sure we grab it?' Of course they would. They are on a commission. They would be looking for it. We are looking – and I think Deputy Brehaut mentioned this – at the back of the sofa now to see if there is any loose change.

We need to be very careful when you set the budgets and that is really the main point that I was going to say, sir. I did not want to upset any sensitivity with T&R. I think they do a really good job, but please just be very careful on that budget setting. Do not set Departments up to fail.

145 And, while we are failing, I am sitting there smug in C&E and thinking actually we are okay this year. Housing has probably just about scraped through okay and at least while the focus is on HSSD it is not on Education.

150 So, please, it is just an art of setting the budget. I do not want to have to go to T&R and say that we are going to put a team in there to try and do the budget or help them with the budget – that is their job – but I would just ask that, because of the knock-on effect all the way through the organisation, just be very careful.

I have a lot more to say, sir, but I take your words. Just to add to the point, T&R when they are looking at the Island's budget with their other hat on and so they look at the whole island, well there –

Deputy Kuttelwascher: Sir, point of order.

155 In relation to what you said at the beginning, all the points Deputy Brouard has made relate to setting budgets. We are not having a Budget debate. We are debating the Accounts of 2013 and I have not heard one thing yet relating to that.

Thank you, sir

160 **The Bailiff:** Deputy Brouard.

Deputy Kuttelwascher: He should have thought on how he started I think. (*Interjections*)

The Bailiff: I think you did start with the Accounts –

165 **Deputy Brouard:** Thank you, sir.

The Bailiff: – because you did observe that there is some underspending, but I think maybe you have strayed beyond that now into next year's Budget.

170 **Deputy Brouard:** That is very helpful, thank you, sir, because I actually have got the book in front of me and on the Treasurer's Report it basically says that where they are trying to predict the overall economies, they end up with Income Tax down by 12%. Income Tax received from individuals, £5.9 million *below* original budget. So that budget from T&R is £7 million out anyway. We do not pillory T&R for that, but we would do if it was a separate Department in their own right.

175 So, please, all I ask with budget setting and how it is reported, can we be really fair, consistent and acknowledge the pressures that various Departments are under?
Thank you, sir.

180 **The Bailiff:** Thank you.
Deputy Fallaize, you wish to be *relevé*.

Deputy Fallaize: May I be *relevé*, please?

185 **The Bailiff:** Does anybody else wish to speak on the States' Accounts?
Deputy Duquemin.

Deputy Duquemin: Thank you, Mr Bailiff.

190 I will not take up much of your time or the Members' time, sir, because I, for one, would like to go to the Rocquaine Regatta on Saturday (**Several Members:** Hear, hear.) and not spend another day in the States' sauna. (*Laughter*) But I would like to make a couple of brief comments, with my two Departmental hats on, on PSD and Culture & Leisure.

195 Firstly, for Culture & Leisure, Deputy Le Clerc yesterday, sir, shone a light on the income derived for the Department from lottery tickets and asked whether we should rely on this revenue stream. Traditionally... it is something that will hopefully be reaffirmed by the States when we bring a policy letter on the lottery in the very near future – revenue from the lottery has been used to reduce the taxpayers' subsidy to Beau Sèjour. Can we rely on this income?

200 Well, as I discussed with Deputy Inglis earlier today, we have to budget and make a forecast based on historic trends, just in the same way that we will forecast how many sessions there will be in the swimming pool, squash court bookings or even tickets to Castle Cornet.

All of these incomes are material and all are important to calculate the appropriate cash limit. In keeping C&L's costs to general revenue to a minimum, it is correct to factor in the income that can be derived from *all* Departmental activity, and that, sir, does include the lottery.

205 Sir, moving on to PSD, the Treasury & Resources Minister in his opening speech alluded... well, perhaps it was more than alluded – he *stated* that T&R will be looking to benefit from the surpluses from the trading entities, including Guernsey Water and States' Works. I hope Deputy St Pier is talking about the investment opportunities of this money whilst holding it on account and not claiming it for use elsewhere and perhaps the T&R Minister will clarify in his summing up.

210 Mr Bailiff, let me make it clear that any year's surpluses are a future year's CAPEX expenditure, not profit. As the *de facto* Board of States' Works, we have recently been working with the senior management team looking at a 10-year cash flow with CAPEX factored in. Yes, there are peaks and troughs, but they will be carefully managed by us and future political boards and the money is necessary.

215 As the *de facto* Board of Guernsey Water, we have been looking at, analysing and sanity checking a 30-year-plus cash flow that is far beyond the end of this and many political terms of office, but it is necessary to ensure that Guernsey Water is able to afford the significant CAPEX responsibilities that the utility has now and in the future... the generation ahead of us. Sir, any surplus is future CAPEX expenditure; it is not a windfall to be reclaimed by the centre.

Thank you, sir.

The Bailiff: Deputy Harwood and the Deputy Dorey.

220

Deputy Harwood: Thank you, sir.

First of all I would like to congratulate the Minister of Treasury & Resources on a very sound set of Accounts – understandable and readable.

225

Deputy Le Clerc, yesterday I think, identified a number of expenditure issues, but I congratulate the States generally on having contained expenditure. Having said that, the one area of expenditure... and again, I acknowledge, as Deputy Langlois also acknowledged yesterday, the great gratitude we should express to the moderation shown by the employees of the States in pay restraints during the past 12 months. We should note – and I think this is important for future budgeting purposes – that even a 1% increase in pay across the States amounts to £2 million in absolute terms and the only way we can, I think, address the budget deficit going forward is by looking even more closely at the numbers of States' employees because that is the only way we can achieve any significant savings going forward.

230

Sir, I would also like to address the issue about the reduction of Income Tax receipts because that is serious, as Deputy St Pier has already acknowledged, but I do not think we should be surprised at this because this was predictable and could be predictable.

235

I would urge the Treasury & Resources Department, in preparing this year's Budget or the Budget for 2015, to dust off the earlier prognostications and examples of the demographic time bomb, because what we are seeing, sir, is the beginnings of that demographic change. We have seen over the last two years a significant increase in the number of people who were previously in high employment now moving into retirement and that is inevitably going to have a consequence on the amount of Income Tax that is generated. That is one side of the equation.

240

The flip side of that equation – and again I would refer the States' Members to the Miscellaneous Accounts and we can see this in the accounts for the Social Security Department – we see the increase in the number of pension claimants and we also see – again this is part of the demographic issue – an increase in expenditure for the long-term insurance fund.

245

We are beginning to see the inexorable consequences of the demographic time bomb that people have talked about for a number of years. People have assumed that it is a matter of something that will only appear in the future; it is happening *now*. It is happening now and in the present and so I would urge the Treasury & Resources Department when preparing their Budget to take closer account of the demographic changes that we are experiencing.

250

As a result of that, it is going to be increasingly difficult to predict any increase or to look for any increase in the level of tax taken from the individual, and I have every sympathy with Deputy St Pier and Deputy Langlois because we do have to broaden our tax base. We can no longer rely *solely* on the tax that we are taking from the individual.

Thank you, sir.

255

The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

260

Deputy Gollop asked a question about the number of homeless bed nights. I do not have the information to hand, but I believe it is to do with the maintenance work, which meant a number of rooms were closed, but I will confirm that back to him after the meeting.

265

HSSD spent £112.2 million delivering health and social care services in 2013. This meant an overspend of £300,000 against authorised budget, which is one of the Propositions in the Report. Also, Treasury & Resources approved under the delegated authority an in-year budget increase of £1.3 million which is reported in the Accounts, and £726,000 which was reported in the Budget.

270

The Department's 2013 financial position will come as no surprise. HSSD has communicated with States' Members throughout the past year and a half. I gave a detailed speech on HSSD's finances during the October 2013 Budget debate. At the March 2014 States' meeting, both I and Deputy St Pier updated the States on HSSD's 2013 outturn and 2014 forecast. All that information is freely available in the public domain and I do not propose to revisit it today.

275

I would just like to draw the Assembly's attention to a few brief but important points. I gave the details of each authorised in-year budget increase during my statement in March. Members will recall that there was around £800,000 linked to a small number of major care placements. One significant one which was referred to in the 2013 Budget, but at that time there was no date when it was needed and so that was uncertain, but it did happen during that year and the Budget was increased appropriately.

The unpredictable cost of complex care remains an ongoing challenge for HSSD, but the Department has put a process in place to improve controls on all final spending and that work is continuing. HSSD is committed to maximising efficiency within the Department without it affecting vital frontline services.

280 In 2013 we were able to achieve full FTP savings of £3.26 million, just £30,000 short of our target, which included £0.9 million from 2012. Although time differences meant that in-year cash savings were lower, which is the reason for £1.5 million of the overspend, a range of savings of different types were made, enabling HSSD to work more efficiently across the board while continuing to provide a good service to patients and service users.

285 In terms of actual expenditure, HSSD spent £111 million in 2012 and £112 million in 2013 – a difference of £1 million – and if HSSD spending had been keeping pace with inflation, the difference would be more than double. This demonstrates that HSSD has made real efforts to keep the impact of inflation under control and the added cost of medical inflation also under control. HSSD has done much to strengthen financial management and financial reporting within the Department. Throughout 2013, we were open with States' Members about our financial position and the challenges we were facing and we have worked closely with T&R to understand and resolve financial issues, and this continues in 2014.

290 Last year was a challenging year for the Department, but HSSD continues to deliver high quality health and social care services to the people of Guernsey and Alderney and to work towards achieving efficiency targets. This remains our biggest challenge for the year ahead.

295 I am not going to go into 2014 as this is about the Accounts for 2013, but we will continue to work together with T&R and with the rest of the States to provide good modern health and social care within tight financial constraints.

300 Finally, I wish to thank the T&R Board, and in particular the Minister. As you know, we have monthly meetings with staff present. The meetings are not always comfortable, but there is understanding of the challenges faced by HSSD and a positive atmosphere to find solutions to the problems which I hope, following on from Deputy Brouard's speech, will be reflected in the Budget for 2014 and the challenge of 2015. The challenge of meeting a £4.7 million-worth of FTP savings for 2014 was something that just could not be achieved and will not be achieved in this year. I think these meetings are an excellent example of how we do not work in silos, but Departments working *together* for the benefit of the Island.

305 Thank you.

The Bailiff: Deputy Trott and then Deputy Adam.

Deputy Trott: Sir, may I start by just briefly mentioning something that I have referred to in this Assembly before and that is the ratio of public sector employees to private sector employees.

310 It is directly in relation to the very sensible comments of Deputy Harwood earlier that, with more than 50% of the costs of the public sector going towards salaries and associated costs, it is clearly an area that has to be very closely and continuously looked at, as it is being so at the moment. But our ratio of public sector workers to private sector workers is the lowest of any comparable jurisdiction, considerably lower than the devolved Assemblies in Northern Ireland, Scotland, Wales and also considerably lower than both the Isle of Man and Jersey, and that needs to be borne in mind.

315 So the only reason for rising was to draw Members' attention to the fact that on page 84 of the States' Accounts, hidden away in the depths of this Report, sir, is a model of how to go about running your budget. I refer of course to the Royal Court. (*Laughter*) We are told, sir, in the overall summary that the Royal Court's net revenue expenditure for 2013 was £2.44 million, a *reduction* of 6.2%... a net reduction in expenditure of 6.2%.

320 We then move to the second line, sir. It tells us that operating income was £1.78 million – an *increase* of 8.9%. It just gets better, sir, when one goes to the third sentence – support service costs for 2013 were reduced by 19.5% – a very good effort, sir. (**A Member:** Hear, hear,)

325 Now, I think that is where the grovelling needs to stop (*Laughter*) because I am well known, sir, for my optimism. So I decided when I was reading these Accounts this time to adopt a glass half empty approach to their scrutiny – (**A Member:** Oh no!) (*Laughter*)

Deputy Fallaize: Is it contagious down there?

330 **Deputy Luxon:** Sir, please, may I pass this over to Deputy Trott? (*Laughter*)

Deputy Trott: So there I was, sir, determined to find something miserable and depressing and so I turned to page 28 and I saw the summary of changes in the superannuation fund, and imagine how depressed I was when I saw that in 2012 it only went up by *£75 million – only* £75 million.

335 **A Member:** What a shame.

Deputy Trott: I then looked at the movement in funds in 2013, sir, and I saw that it *only* went up by £96 million. So in the space of two years we have seen the value of that fund rise due to the very prudent

340 management of those assets by my friends at the Treasury & Resources Department from just under
£900 million to very nearly £1.1 billion. It is depressing stuff, sir (*Interjections*) but somebody has got to
mention it. (*Interjections*)

And then, sir, I carried on in my determination to find something to be miserable about and I got to page
12 and saw that in page 12 we have a net surplus before capital spending of a miserable £13 million, sir. I
345 mean things really are in a shocking state and so I shall sit down before I depress Members any more, sir.
(*Laughter*)

The Bailiff: Deputy Adam.

350 **Deputy Adam:** Thank you, sir.

I wonder how one can follow that? Maybe we can impress Deputy Trott.

First of all I think this Assembly should remember that Accounts are simply what various Departments
tell T&R. Now the Treasury & Resources Board is simply the messenger. We bring them so you know what
has been happening over the last year.

355 Deputy Brouard mentioned budgets and mentioned the fact that you might have to pull something out of
the air so you can have £2 million more or you can have £3 million more. I agree with him completely.
What is necessary is getting rid of all the budgets, start from a base line and build up from the base line –
(**Several Members:** Hear, hear.) serial-based budgeting.

Now that is going to cost a considerable amount and when you think of HSSD and how many parts to it,
360 you have to go to each award, assess how many beds, how many skilled nursing staff, how many cleaners,
how many auxiliaries etc, before you can build up to see what the costs are and if they are reasonable, and
then you can work out year-on-year how much it is going to increase.

But the other part of the Accounts mentioned this thing called 'Budget Reserve'. In other words, you are
given so much in Accounts and then you are told afterwards, 'If you have an emergency, you can come to
365 us and we can pay for it'. For example, this year in the Environment Department did not know the walls
were going to fall down in the storms and going to cost £2 million. They did not have it in their budget and
so they come to the Budget Reserve. It is for emergencies and T&R delegated authority to expend either
£250,000 or 2% of a Department.

My problem is this means that although the Budget is agreed by this Assembly for all different
370 Departments, the Budget Reserve has to be assessed by the T&R Board and the sums given out I suppose in
relation to the strength of case from each Department.

Therefore I think my personal viewpoint is that the T&R Board is going to have to scrutinise and assess
these requests much more carefully because Budget Reserve in actual fact has increased and when you look
at the Accounts you can see that there is a budget, there is an authorised budget and there is an actual spend.
375 In actual fact there are six Departments whose budget... the authorised budget is higher – of course one of
which is HSSD and the other one is the Education Department.

Deputy Dorey mentioned that one reason for the increase in HSSD was off-Island placements and that
the Department is trying to bring these under control. I personally think again that will be very difficult
because if you look at the previous Accounts from 2009, 2010 and 2011, these two areas of off-Island
380 placement and looked-after children were kept under control. In fact the spend in these three years by
HSSD was more or less flat; therefore, I do not think there is much leeway for HSSD to stop these extra
spends. I sympathise to a certain extent and would like to thank Deputy Brouard. Although he may be two
years late in his thoughts concerning HSSD Accounts, he realises that there have been big problems. I think
the only solution is zero-based budgeting.

385 The other point I would just like to make is Deputy Le Clerc, in his speech, highlighted... *her* speech,
sorry – the requirement of an increasing tendency with Departments to balance or rely on increasing
income. This is what I call stealth taxes.

The amount of potential increase of income varies depending on Departments – for example, HSSD
they spend their money formula-led. They really have not got any source of income to balance out the
390 budget... of significance, but as we heard from Deputy Luxon, his Department's general revenue
expenditure was decreasing significantly, yet services were being maintained.

Actually, if you look at the Accounts, what is really happening is that charges are gradually going up.
Water charges and waste water charges have all being lumped under the Water Board down at Best's
Quarry, and yes, it is very efficient. We make £2.83 million profit, which they need to make for the
395 infrastructure and therefore they get less from general revenue. I do not think we should applaud PSD for
that reduction in general revenue because that money is still coming from the taxpayers. Likewise, port
charges and marina charges, and the one that is coming along shortly in 2016 is refuse charges for
collection, kerbside collection, that is going to go up for the individual. We all know there is going to be a
parish rate, a PSD rate, a black bag rate and a recycling rate – four lots of possible charges in that lot from
400 2016.

So I think one must be very careful about saying that we are controlling spending because sometimes all we are doing is shifting the spending from the centre, T&R general revenue, to stealth taxes or whatever else, or charges for service or the consumer pays, and we must keep an eye on that because there are no definite checks and balances. The Water Board is a monopoly. We cannot get our water from anywhere else. The marinas are a monopoly. Well, if you want to move your boat offshore there is that possibility, but if you want that sort of facility...

So in effect we are going to have to be very careful to make sure these costs are examined and assessed to make sure they are realistic and not overcharging.

Thank you, sir.

The Bailiff: Deputy Soulsby will be next and then Deputy Sillars, then Deputy Le Lièvre and Deputy Fallaize.

Deputy Soulsby: Sir, three weeks ago we sat here having four extra days set aside to consider the future organisation of States' affairs and yet I find it concerning and disappointing that no specific time is ever put aside to debate the current organisation of the States' financial affairs, as presented in its annual Accounts.

That aside, on behalf of the Public Accounts Committee, I should like to start by saying that these Accounts will help the PAC to determine its priorities within its forward work programme, keeping in mind the limitations of its resources. However, I should like to focus attention, for the purpose of this debate, on three key points that have arisen from an initial assessment of the information contained, namely budgets, FTP and pay costs.

In terms of budgets – and this does relate to these Accounts – the Committee was pleased to hear the recent statement from the T&R Minister about the need to move towards zero-based budgeting. PAC has been calling for this for quite some time and considered this a matter of some urgency. Indeed, it is the Committee's view that this should have taken place before the FTP process began. This may have prevented the need for a 5% vacancy factor and reduced payments to capital, if nothing else.

At a time when consideration is being given to whether taxes need to go up, as mentioned by the Minister yesterday, we need to make sure we have a greater understanding of how we are spending taxpayers' money. As such, zero-based budgeting would be meaningless until such time as the States' Accounts are prepared under generally accepted accounting principles and are more transparent as a result.

I remind the T&R Minister – and Deputy Adam, given the point he made about costs today – that the States approved funding for this exercise in 2011. With that in mind, I refer Members to the columns within all the main Income and Expenditure Accounts, headed 'Original Budget and Total Authorised'. Nowhere in the Accounts is there a clear and definitive explanation as to why we start off with one budget and end up with another.

I believe, as does the Committee, that there should be a clear reconciliation between the original and the final authorised budget for each Department within the Accounts. This will provide a clear line of sight to each Department's uplift during the year, together with the rationale.

I will demonstrate using HSSD by way of an example, and apologies to Deputy Dorey – and this does not let the T&R Minister off the hook by the way – but what has happened in that Department serves to demonstrate how a fair amount of activity has occurred which is not fully referenced in the Accounts. This, despite the fact that the Assembly is being asked to approve a stated overspend of £306,000, not against the original budget of £108 million, but a total authorised budget of £112 million.

However, before I start I should like to state that the Committee is pleased with the improvements recommended in its Report on the financial management within HSSD have been made. We have seen ongoing communication between HSSD and T&R at ministerial and senior officer level addressing ongoing issues, such as a drawdown of £0.8 million from Budget Reserve for what is described as an acceptable circumstance.

In terms of the HSSD budget, with the exception of the uplift for staff, which is accepted practice across the States, together with the already mentioned drawdown for the exceptional circumstance, we note from Deputy Dorey's statement earlier in the year and today that there was an uplift in the HSSD budget of £0.8 million to support the cost of severance payments and then agreed uplift for T&R of £1.3 million.

Therefore together with the acknowledged £0.3 million overspend it could be considered that there is a £2.4 million variance from the 2013 budget to the eventual outturn. We have no further information as to why T&R have agreed an uplift of £1.3 million. In fact, none of this information appears in the Accounts. How can we Deputies approve the final overspend figure if we cannot be certain how that figure has been arrived at? By way of an aside, we are also questioning the inconsistency of treatment of the voluntary severance payments. Whereas those Departments who are able to absorb the costs of voluntary severance did so, HSSD have effectively been given a credit.

I would like now to discuss the FTP and at this point ask Members to turn to page 61, which shows the FTP targets and breakdown for HSSD. Members should be aware that the Public Accounts Committee has

serious reservations about the inclusion of an FTP product, referenced as 'Visiting Consultants Charge to Health Insurance Fund', totalling £650,000.

465 The Committee has spent several months trying to ascertain from the Policy Council why this item is included as a saving. To all intents and purposes, this is just a budget transfer, a bookkeeping entry, as there are no net savings within public expenditure.

470 From the information received by the Committee it would appear that the rationale for accepting the proposal was that the Guernsey Health Service Fund, which is being charged rather than the general revenue, could absorb the £650,000 whilst remaining in operational surplus and without any additional contributions. It was clear that there was a level of hesitation in supporting this proposal at the time and PAC requested that Policy Council revisit this particular proposal to ensure that the rationale for inclusion was valid in both the letter and spirit of the FTP criteria.

475 The PAC, whilst noting that due process has been followed, is disappointed that these savings have remained within the FTP portfolio of savings and attributed to HSSD. For the sake of clarity, the PAC does not query the rationale of the transfer, only that it is included in the FTP and that capital have received over £40,000 in fees as a result.

480 On a related point, we see that HSSD's outturn for last year was £112 million. The initial 2014 budget is £104 million. The FTP target was originally set at £6.1 million and then reduced to £4.7 million. It is evident that HSSD's 2014 budget and FTP's savings target remain a serious challenge and there is clearly a significant risk of a major overspend occurring in 2014, as already brought to the attention of the Assembly.

485 We do not acknowledge the recent efforts made to make savings, as Deputy Dorey has emphasised today, and thank Deputy Dorey for meeting with myself and Deputy Harwood last week, which gave us a useful insight into the approach being taken on a number of matters. However, it remains PAC's considered position that until a fundamental review of the overriding health and social care model is undertaken, the question of value for money from the overall health and social care spend across those Department's involved in its revision cannot be assured.

490 I should like to make it clear that the PAC is calling for an overall health and social care model review, not just a review of HSSD. This would include patient and financial pathways covered by HSSD, SSD, MSG, GPG, St John's and the third sector. The regulation of health and social care and the promotion of public health must also be included within this value for money review. As long as a modular review approach is being pursued, we find it hard to see how we will ever gain assurance that we will ever see a point where HSSD will meet its financial targets or know what those targets should be –

Deputy Bebb: I am sorry, but can I ask for a point of order?

495 I think that this is straying away from the debate on Accounts (*Interjection*) because I think that we are actually debating whether a modular review is appropriate against anything else.

I do believe that if we are actually talking about the Accounts and the finances, the debate as to the merits of a modular versus the comprehensive review is a different matter, of which the Member will be appraised at a later date.

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Deputy Soulsby: Sir, I disagree with Deputy Bebb, because we are looking at how the Health and Social Services Departments persistently overspend against budget.

Deputy Dorey: A point of order.

505 I would reinforce that. Deputy Soulsby is making a whole lot of points. I cannot even reply to them. They are not about the Accounts. They are not information that T&R would be able to reply on and I think it is not within the Rules to go completely off subject as Deputy Soulsby is doing.

Deputy Soulsby: I am not going –

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The Bailiff: The Assembly is being asked to sanction overspending (**Deputy Soulsby:** Yes.) by the Health and Social Services Department and I think that does broaden the debate in respect of your Department beyond this year's that might be relevant in other Departments.

515 **Deputy Soulsby:** Absolutely.

Deputy Bebb: Could I therefore ask if the Minister for HSSD would be allowed a point of reply to those specific points?

520 **The Bailiff:** He has already spoken.

Deputy Bebb: I know, but the points are actually being raised later in debate and so I would ask that there is a –

525 **The Bailiff:** Do you wish to be *relevé* at some point, Deputy Bebb? (*Laughter and applause*)

Deputy Bebb: I am unsure. (*Laughter*)

The Bailiff: Deputy Soulsby.

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Deputy Fallaize: I think you should make him pay, sir.

The Bailiff: Deputy Soulsby, please continue.

535 **Deputy Soulsby:** I am coming to a conclusion at this point anyway.

So when the FTP draws to a conclusion at the end of this year, we would ask the T&R Minister to consider whether funding for any such a review could come from the very funds created specifically for this kind of purchase... fundamental spending review fund or the Strategic Development Fund?

540 I would now like to talk briefly about pay costs and more specifically the States of Guernsey Employees' Pension Scheme. With a growing pension liability, the PAC questions why the scheme has not been closed to new members. We believe that given such action was taken in the private sector 10 to 20 years ago and more recently to the States' Members Pension Scheme, there is little justification in keeping the door open. Whilst the horse may not have bolted yet, it is building up a sweat and I would argue that the door needs to be –

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The Bailiff: I think you are perhaps now extending and going beyond the States' Accounts and it seems to me that you are raising matters that might be relevant to future Budgets, rather than there be Accounts for last year.

550 **Deputy Soulsby:** It is just demonstrating the cost of the pension scheme, which is in the Accounts, sir. (**The Bailiff:** Yes.)

555 Finally I would like to finish with one question for the T&R Minister. The main Accounts of the States of Guernsey are not currently drawn up under generally accepted accounting principles – or, to give its abbreviation, GAP – but those of some of the other States' entities are. Members may be aware that these are exciting times in the accountancy world. (*Laughter*) From 1st January next year those Accounts produced under GAP will now need to conform to a new accounting standard known as FRS 102. I would therefore like the Minister to advise whether work has commenced to ensure that all entities will be in compliance for an FRS 102 by the time of reporting the 2014 Accounts.

560 **The Bailiff:** Deputy Sillars.

Deputy Sillars: Thank you, sir.

I want to bust a couple of myths about the finances of Education, which these Accounts will allow me to do. The first is rather straight forward.

565 To start, I am very pleased that Education for 2013 was directly in line with our budget; not an overspending Department, as had been claimed. The Education Department tries to be as open and transparent as possible. We produce an annual report which sets out key performance indicators, describes what each of our schools and services have been up to over the previous academic year and also includes some further information about how we spend public money – for instance, what does third party payments mean? Education spent some £30 million under this category, which could raise a few questions as to where these third parties are or who these third parties are. Of course, this relates to our higher education grants, grants to the colleges, libraries and other organisations, such as the Dyslexia Day Centre and our apprenticeship grants. Would you know that from reading our Accounts?

570 What about the Education Office budget line? This is the one I already want to go to town on. Again, this perpetuates the view of a huge headquarters staffed by hundreds of civil servants busy doing the wrong things. This title 'Education Office' is not our choice. So what does the £4.8 million include? Some central estate management costs, general repairs, maintenance and servicing, including the Priaulx Library, approximately £268,000; quality and assurance, various costs including the VSSE – they are the independent school inspections, the 11-plus papers and performance management primary school assessments etc, approximately £130,000; risk and compliance, including insurance, accidents at school, health and safety and training etc, about £39,000.

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585 So this leaves £4.3 million under Management and Administration. As well as established staff costs this includes: operating costs, such as postage, equipment, rent, leases, cleaning, caretaking, utility costs for the Department's offices at the Grange, plus a small number of teachers employed centrally; professional development managers; maths advisers; advisory teacher on ICT. So once you remove all these costs from the Education Office line that leaves an established staff or civil servant cost of the staff working for the Department's headquarters of approximately £3.6 million, only 6.8% of the Education's total pay costs.

590 But the majority of these HQ staff work directly supporting schools or students. These staff include: standards and learning effectiveness team of officers, who directly support, monitor and challenge what goes on in our schools; Estates team, who manage all works to repair, maintain and improve the buildings and facilities in schools... - we are responsible for £450 million of States assets; HR team, who support schools in all HR matters and assist the hub in recruiting all school and service-based staff; HE grants team, who administer grants to approximately 800 university students of between £5 million and £6 million a year; Policy and Strategy, a small team, who work very closely with the political Board to develop Education policy, strategy, guidance and deliver it; the BEST team, who review, develop and implement the Department's ICT strategy and support schools in planning for and optimising the use of ICT for learning and administering and contribute to school improvement through data management and reporting; Finance team, a small team, who pays the bills and monitor the budgets; Admin and Resources, who manage school transport, school admissions, the 11-plus process, school accidents, insurance, risk management and health and safety; Chief Officer and his senior management team. I want to be able to bust this myth of a huge corporate centre at Education. We are talking about 61 full-time equivalents who come under this Education Office budget line and not unreasonable, I would suggest, when we have over 20 schools to support, plus a range of special needs and pupil support services. More than 1,100 staff, £450 million of assets, and most importantly of all about 10,000 pupils and students.

600 What does not help in this view is that the Education staff budget line represents the cost of the Education Department's central office, but did you know that the majority of established staff actually work out in our schools and the College of Further Education? It is important to recognise that established staff covers a diverse range of professions and not just civil servants, so-called administrators and bureaucrats. Education's established staff include: educational psychologists; careers officers; school attendance officer; surveyors; premises managers in the schools; technicians in the schools; school librarians; school secretaries and more. There are, for instance, more than 30 established staff at the College of Further Education alone. The vast majority of established staff not actually working in the schools or the CFE are employed to directly support all our schools and pupils.

615 I would like to pay tribute to all our staff across the Education service, who I know have at the heart of everything they do our children and young people's best interests and those best interests are shared and championed by myself and my Board.

Thank you.

620 **The Bailiff:** I will call next Deputy Le Lièvre and then after Deputy Fallaize it will be Deputy Lester Queripel.

Deputy Le Lièvre: Thank you, sir.

625 I appreciate we are being asked to note the Accounts, sir, and I have and I note that they are not particularly informative. I do not blame T&R for that, but we really, I think, have to up our game in regard to the detail contained in the Accounts. In my mind, the publication of the annual Accounts should allow Members to scrutinise the expenditure of other Committees in order that they might get a better understanding of what is going on in those Committees as to some extent as well as helping to better understand or even judge what might be happening in their own neck of the woods. To enable Members in their broader scrutiny role, the Accounts should provide sufficient detail to enable the reader to drill down into a little bit of detail slightly beyond the big picture.

630 As Deputy Harwood has already demonstrated this morning, SSD's Accounts are an excellent example of being able to gain a broad understanding of what might be happening in the benefit world without having any specialist knowledge whatsoever. The same is true of all the accounts published in the Miscellaneous Accounts Billet. Unfortunately, in my mind that is not the case in the main Accounts Billet and especially in that part of the Billet related to the Corporate Housing Programme. I am not particularly having a pop at Housing in this speech because the only reason I mention it is I take a special interest in what is going on in Housing because in some ways it relates to the work of SWBIC and I like to understand what is happening, in particular in the Housing area. This lack of detail is particularly crucial in the case of the Corporate Housing Programme because most Members will not have the slightest clue of what happens, accounts wise, in the financial world of social housing because it rarely, if ever, is the subject of a detailed publication.

From the date that the Corporate Housing Programme commenced, policy letters with regard to rent increases, rebate changes or any other financial detail in relation to social housing does not come to this body, leastways not in a format that I easily understand. Whereas SSD comes to States each year with detailed Accounts and even more detail in the Committee's Annual Uprating Report, the Housing Department publishes virtually zero detail regarding its fiscal transactions and provides Members with similar levels of detail... that is not very much – regarding the beneficiaries of customers involved in those transactions.

For the 2013 Accounts, the Corporate Housing Programme in my mind display a shocking lack of detail and are far worse than previous years, which in itself is no recommendation because even a good year's CHP detail compares less than favourably when set alongside those of SSD and I find that surprising given the current balance that the Corporate Housing Programme is in excess of £64 million. Now, you might think I am being a little bit picky, but the value... one of the examples of a figure that is missing from these Accounts, leastways I could not find them, is the value of the annual rent rebate. It is in excess of £10 million and yet it does not appear in this Billet, and that is the same amount as running Commerce and Employment, but that figure of £10 million does not appear in the Billet. (A Member: Hear, hear.) There are no details and these have all been published previously.

There are the 2008 Accounts... I know it is a glossy leaflet which cost money, but there are two pages of narrative. In this one, there are eight lines and none of it very detailed. No details of tenant movements, new tenants, tenants transferred, tenants moved out, numbers on the waiting list, numbers of rebate cases, numbers of units, numbers of applicants looking for one or two bed units, numbers of people who have been given notices to quit. All of that detail has appeared regularly in the Accounts from about 2007 onwards, but this year nothing. I am not having a go at Housing, because I have spoken to their officers and they are quite happy to provide me with the information whenever I ask for it and they are very good at it, but we should not have to ask. It should be in these Accounts. It should be for every Member to look at them and know what is going on in exactly the same format as when they look at Social Security. They know that if there has been an increase in sickness benefit, there must be therefore more general sickness and unemployment, and as I said Deputy Harwood demonstrated this morning the effects of the demographic time bomb with regard to old age pension and such like.

As I have said, all of these areas were previously published in the Accounts, but no longer appear, and what is, however, the largest failing of this, as I have already said, is the lack of narrative and the lack of understanding of how things are changing within Housing. Housing does a tremendous job, a really fantastic job, and they do not tell us about it. As I said, I collect details. I make my own statistical analysis because I need to understand what is going on for the work of SWBIC, but Housing, as I said, do a fantastic job and they really are very busy. Over the last six years there have been 621 new tenants and that does not include 2013 because I do not have the details. In the same period there have been 713 internal transfers within social housing stock. I think Members should be reminded that annual reports are a thing of the past and that Housing does not need to come to the States, as I have already said, for rent increases or changes in the rebate scheme.

So a lot of this stuff is going on behind the scenes and it is all going on in a proper manner. Housing is doing a fantastic job, but we do not know about it. This Assembly does not have the detail to actually scrutinise what is going on or at leastways understand what is going on and I think that is a great omission. I do not blame T&R because they can only publish what they are given, but I think there should be a general move and it is along the theme that Deputy Domaille said. We need more detail in these Accounts to carry out the scrutiny as a general body and that is really my point. I think, sir, these matters should be addressed in respect of the Accounts of 2014 to give us a much better picture of what is going on.

Thank you, sir.

Deputy St Pier: Sir, just a quick point of correction, if I may.

I did not wish to interrupt Deputy Le Lièvre, but just to be clear, Members are being asked to approve the Accounts, unlike yesterday in relation to the Financial Services Commission, not to note them, with the exception of a number of the ancillaries in the miscellaneous booklet.

The Bailiff: Deputy Fallaize.

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Deputy Fallaize: Thank you, sir.

Actually that is a relevant point because yesterday, and indeed last year, we spent quite a long time debating a report regarding the GFSC accounts, which is an organisation which spends considerably less than the States. Today we are being asked to approve a set of Accounts which detail expenditure of well over £300 million. So, although I do take the point about the need to focus on the Propositions and the matters before us, I think it is worth taking the time to reflect on the record of expenditure because it does provide a snapshot in time of what is happening. One can establish trends and that is quite useful.

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I agree with Deputy Domaille and Deputy Le Lièvre about the absence of information. I am not fixated on the information actually being in the Accounts. What is *lacking*, for want of a better term, is an annual report from the major States' Departments which sets out their progress against policy objectives and their levels of expenditure, and provides the States with sufficient detail, as Deputy Le Lièvre says, to scrutinise what is happening in Committees, to hold them to account, and for all Members to obtain a better understanding about what is happening across the organisation.

The major States' Committees used to provide as policy letters annual reports, I think, and the Education Department indeed is trying to get back to that. I think the major States' Departments should get back to providing annual reports which can be laid before the States. Anyway, we spent quite some time congratulating the GFSC because although their expenditure is increasing, it is not increasing by quite the same rate of acceleration that it was. Having done that, I want to go through a similar exercise with States' expenditure, which gives us even more cause for celebration.

In the States before the last one, when my friend Deputy Trott was the Treasury Minister, net revenue expenditure in the full years of that States term increased by 6.5%. In the full years of the last States, net revenue expenditure increased by 12.1%. Last year, the difference between 2012 and 2013 – so the financial record that we know of for this Assembly so far – net revenue expenditure increased by 1.2%. If that is extrapolated in the remaining years of this term, then our expenditure restraint will be back to what it was in the period of the States before the last States. I think that is quite significant and it is significant for two reasons. First of all, and this is said only slightly tongue in cheek, the last States when our expenditure restraint was less impressive, we developed... in fact people within the Treasury spent inordinate amounts of time developing grand complex strategic planning processes and we had this States' Strategic Plan, which was meant to be the States' bible. That was during the States' term when our expenditure restraint was rather less impressive. We have effectively ditched it. We do not have that kind of complex planning process in place at the moment, as the States did not in the term before the last one and our expenditure restraint is now as impressive as it was in the period 2004 to 2008. I am not suggesting that we do not need a strategic planning process, but we do need to understand that the Treasury's time is not best spent by trying to micromanage very small items of other Department's expenditure and that is what, in my view, the previous T&R did to some extent.

The more important point, which follows from that first point, and I want to commend T&R and the leadership of T&R through Deputy St Pier and the members of the Committee, and Deputy Dorey I think implied this when he spoke... I get the sense that this is a Committee which is working hard to work with all other States Committees in a very collegiate and collaborative way and clearly the relationship between HSSD and T&R, which had more or less broken down in the last States, is now much better. The relationship between Social Security and T&R was at best strained in the last States; clearly that is now working much better. I think it demonstrates that T&R can be led in a collegiate, consensual and collaborative way and still deliver expenditure restraint... in fact more expenditure restraint than was delivered under the previous model which I think often, from where I was sitting, tended to come across as the headmaster calling in the naughty school children.

We started the FTP process... Deputy Trott. I will give way to Deputy Trott.

Deputy Trott: Sir, I am grateful to my friend Deputy Fallaize for doing that.

I just wanted to make one point. He is absolute spot on with his analysis of fiscal affairs during that period, but I think for good order it should be mentioned that in those days there was a lot more fat and the States were regularly underspending on their budget allocations by between £17 million and £20 million per annum, and so it was obviously an easier task then than it has been more recently.

Deputy Fallaize: Yes, that is a fair point, sir, and of course it makes the present expenditure restraint even more commendable.

When the Financial Transformation Programme started, and it took some time to get going because a very odd model was proposed, linking back to the last point, where basically the Treasury and Policy Council would control everything, but that completely failed. So we went to the model we should have adopted from day one, which was that Committees took proper responsibility for their own expenditure restraint, and that has worked. Public expenditure since 2009 has been cut by 6% in real terms, which is a £20 million cut after taking account of inflation. Even Professor Wood, who must be about the most right wing economist the Policy Council could have found (*Interjections*) acknowledged in his most recent annual fiscal review that the States of Guernsey has achieved something quite unusual in public sectors around the world in being able to constrain revenue expenditure without making material cuts in services in the way that we have and I think that that needs to be recorded.

When one compares Guernsey with the other Crown Dependencies it is very instructive because in the Isle of Man – this is based upon last year's Accounts – their population is a third greater than ours, but their net revenue expenditure in 2013 was more than 50% greater than Guernsey's. In Jersey, if spending per

765 capita was the same in Jersey as it is in Guernsey, their net revenue expenditure would be just over £500 million. Actually, during 2013 it was £636 million. Whereas between 2012 and 2013 revenue expenditure in Guernsey increased by £4 million, in Jersey it increased by £35 million. Jersey's deficit is forecast now to be double what ours is, even after they have introduced GST and raised it from 3% to 5%. So I think that gives an indication of the extent of expenditure restraint in Guernsey. (**A Member:** Hear, hear.)

770 However, every silver lining has a cloud, if that is a phrase. Deputy Harwood is right and Deputy Domaille has been right to draw the attention of the States to pay costs, which tell a somewhat different and not altogether positive story. The Accounts confirm that – and this is a trend this is not a one-off – pay costs in the States are growing as a proportion of overall States' expenditure. It was not many years ago when pay costs were under 50% of revenue expenditure and as recently as 2009 they were at exactly 50% of revenue expenditure. Last year pay costs accounted for 54% of States' expenditure. By my calculations – I
775 will be interested to understand if the Minister agrees with this – if the proportion of pay costs had remained at 50% between 2009 and 2013, then the deficit of the States today would be around £10 million lower than it actually is.

It is certainly true to say that much of the good work that is being done by Departments, and in some ways quite spectacular work that is being done by Departments to restrain non-staff costs is being cancelled
780 out by the increasing proportion that staff costs are consuming, and yet the number of full-time equivalents is down and Deputy Langlois quite rightly has praised staff groups for their moderation in accepting pay settlements. I think there can only be two likely explanations. One is that the proportion of staff at the high pay grades is increasing or the second is that this tells us a story about incremental drift in the States. I would be interested to hear the Minister's analysis, but it is not sustainable. It is clearly not sustainable for
785 pay costs to rise as a proportion of overall States' expenditure.

I know that because public expenditure is reducing generally, it was always quite likely that the proportion of pay costs would increase, but there does need to be restraint in pay costs to the same extent that there is restraint in non-pay costs. If pay costs some years in the future consume 60% or 65% of public expenditure that will be an entirely unsustainable situation.

790 Finally on the point of staff related costs, I would like to know from somebody, either the Minister of T&R... presumably the Minister of T&R, because he is a Member of the Policy Council as well, when will us lot down here as it were receive a further update about progress in relation to reform of the public sector pension scheme? I remember being called to a meeting at Beau Séjour many months ago when a deadline was provided. We have now passed that deadline. I understand that things have moved on and that we may
795 be in a different stage of negotiation, but the rest of the States have not been briefed about where we are with public sector pension reform. I think we should be and I would like to know when we will be next.

Thank you, sir.

The Bailiff: Deputy Lester Queripel and then Deputy Storey.

800 **Deputy Lester Queripel:** Sir, I will be brief. I have one question to ask the Minister. It is a minor point, but I am curious to know the answer.

I want to give credit to T&R for producing the Accounts in black and white this year, instead of this glossy colour magazine-style publication that was produced last year. So my question to the Minister, sir, is
805 can you please tell me how much taxpayers' money has been saved by printing the Accounts in black and white this year?

The Bailiff: Deputy Storey.

810 **Deputy Storey:** Thank you, sir.

I was originally only planning to make a really short speech, but after Deputy Soulsby made comments about HSSD following the HSSD Minister's speech to this Assembly, I felt that I needed to respond in some degree to the points that she made.

815 Basically I think her suggestion is that financial control in HSSD is inadequate and what I can say to her is, yes, it was, but we are making improvements with the help of T&R. One of the first things that the current Board did when they took office was to request additional resources.

Deputy Soulsby: Sir, a point of correction.

820 I did not say that the finances were out of control and that they were not controlling them. I actually did make the point that improvements have been made and that HSSD were talking to T&R.

Deputy Storey: Thank you for agreeing with me.

I think the point that I wanted to make basically was that we have now managed an improved financial reporting so Departmental heads actually get accurate and timely reporting which enables the Board to have regular reviews of Departmental performance, which was not possible before.

Over the period to 2013, the Department has actually banked £6 million worth of savings and during 2013 we had the target of £2.36 million and £0.9 million left over from 2012, and so we had a combined target to achieve of £3.26 million and we managed to bank £3.23 million. That does not mean to say... That was pretty difficult, but I think it is going to be even more difficult to continue with the FTP saving targets in future years. The point about that is that doing things differently saves money; not cutting resources. I, for one, am not prepared to remove resources which are going to reduce the competence of the services which we supply to the population of this Island. So if we cannot do things differently then it is going to cost more. If we can do things differently, then maybe we can provide even an improved service at a lower cost.

We have had some problems with HR as well and also with SAP system, which has caused some problems, but we are getting on with our Health system review and if you care to look in our business operation plan, which is public knowledge, you can see that we are getting on with reviews of particular areas of the operations of HSSD. For me, anyway, the reason why we did not embark on one single all-embracing review was the resources that were available within HSSD to support such a review. We have already had several reviews, external reviews, of the way that HSSD operates and that has taken a lot of time of senior people away from their day jobs. I do not want to have a situation where we take people away from their day jobs for such a period of time that the level of service declines in order for us to conduct a review.

If PAC have got some resources that they are happy to provide to assist us with this, I personally would be very grateful for any assistance that they can give because it is identifying new ways of doing things that is actually going to hopefully improve things in the long term. So, please, PAC, if you have got some spare resources, I am sure that we could put them to good use. So thank you very much. That is that bit.

The other piece that I had originally wanted to talk about, sir, is starkly set out on page two of the Accounts and for me the bit that stands out is the transfer to Capital Reserve. I am pleased to see that this year it has been increased to £34½ million, but last year it was £25 million and if my memory serves me correctly, the previous two, three, maybe four years, the transfer was only in the region of £20 million. Now, that is grossly inadequate and the pigeons are coming home to roost now, because we have already been told that there is a problem with the list of capital projects that are essential for this Island to proceed and there is not enough money in the Capital Reserve to fund them all. So we are going to have to reduce our expenditure or delay expenditure on some vital infrastructure requirements into the future.

I do not want to play down or deride the efforts and the achievements that we have made over the last few years in terms of reducing our revenue expenditures, but I think we should be well aware that unless we are transferring something close to £50 million a year into Capital Reserve, we will not be able to afford to fund all the essential capital infrastructure projects that are needed from the Capital Reserve. Perhaps the Minister of T&R could respond to that point when he replies to the debate and how he thinks that we might be able to improve the situation with regard to the Capital Reserve and funding capital expenditures.

Thank you, sir.

The Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, sir.

I think I should start by apologising for my evident foul mood this morning. I think that my frustration arises from the means of actually debating the Accounts. I do think that this –

The Bailiff: So we will take it that you are *relevé* now?

Deputy Bebb: Sorry, I thought that I was.

The Bailiff: Yes, you are now. *(Laughter)*

Deputy Bebb: My apologies.

My frustration comes from the needs of debating the Accounts. I also have a frustration with relation to debating the Budget. I do believe that this forum is not really adequate and I was going to suggest in my speech that we review that question at SACC but I note that Deputy Fallaize also made the observation and there may be something from history that we could learn in order to actually improve the situation in future.

I have consistently said around the SACC table that I believe the Budget at the very least should be set as a separate States' meeting, preferably mid-month, given that we do have that, as I say, time allocated. Not that I am asking the Treasury Minister to respond, but I suppose to request of the Department to

885 consider over coming weeks how they view a better forum for debating the Accounts and the Budget could be achieved and to hear their opinions in advance of having that same discussion around the SACC table would be worthwhile. It is also worthwhile asking PAC if they would also consider how they believe an improvement could be in the forum of debating Accounts and Budgets.

I believe that some of the questions with regard to the modular system of review against a fundamental, I do not think that it is any big secret that I was initially very much of the same mind that it should be a
890 fundamental review, but I do think it is important that States' Members understand more with regard to what is the difference between a fundamental review and a modular review, and that information will be forthcoming within the coming months. There are a few issues that HSSD need to resolve before giving full details as it would be inappropriate to give a half-baked story. We need to resolve a few questions in advance of inviting Members to such a presentation, but I would like to stress at this point in time that any
895 such modular review will include a full patient pathway audit and review of the means that it works. It is essential that that happens and that will definitely be at the heart of any review because as we know from unfortunate circumstances in the UK, the important thing in relation to health is that the patient is at the centre of any review, not the finances, not the clinicians, but the patients. By losing sight of patients is how we hear of fairly dreadful stories in the UK – I do not want to shroud-wave. I do not believe that we are in
900 that position here in Guernsey and therefore I do not want to mention a certain Trust.

One thing that I did hear in relation to Deputy Adam's point and others... Deputy Dorey also made a point in relation to the control of off-Island expenditure and I would like to highlight a few concerns that I have. I think it is important to highlight the problems that HSSD have with off-Island acute expenditure. Members will note from page 63 of the Accounts that off-Island acute expenditure for HSSD came to a
905 total of £7½ million. Not all of that is spent with Southampton, the University Health Southampton Trust, but the vast majority is. It is also important that Members understand that an HS Trust in Southampton has a turnover of £581 million. We are very, very, very small in their accounts because obviously of our £7.5 million or a smaller portion of that, so an estimate in the region of £5 million makes little difference in their accounts and that is spread across the whole of their services; therefore our ability to deal with Southampton as a meaningful commissioner is somewhat diminished by the sheer question of size.

A few other problems that arose last year, there was a change in law in the UK, which gives Members an understanding that of course not all things are within the gift of HSSD. There was a change of law in the UK in relation to the nature of information that could be exchanged between providers and commissioners. It was not just Guernsey that was affected, every single Health Commission in the UK was affected and that
915 meant that insufficient information was being put forward to HSSD as with any care commissioner. That situation is now improving and it will continue to improve, but just in order to increase the problem, as Members will know, last year Southampton Hospital were put on a black list. That situation has once again improved since that time, but when a hospital trust in the UK is on a blacklist their concern is not centred around a £5 million commissioner; that shows a measure as to how small we are.

There are things that we can do to improve our position and discussions are ongoing with Jersey as to how we could maybe enter into the form of commissioning together. That could happen, maybe not. There are serious difficulties with it, but I think it is important for Members to understand that not all those things that happen are necessary within the gift of HSSD and that the off-Island expenditure is a particularly difficult one, especially since it faces so much scrutiny. We are once again looking to improve the situation,
925 but I think that it is important from the onset to understand that improving that may not necessarily mean that it will be a great improvement. It really does require other operators to work with us.

Thank you.

The Bailiff: Does anyone else wish to speak on the States' Accounts? No?
930 Deputy St Pier then will reply to the debate.

Deputy St Pier: Thank you, sir, and thank you to all Members who have contributed to the debate. There are clearly a number of significant points that have been raised which I will attempt to respond to, certainly to the key ones.

Deputies Hadley and Luxon began by providing some further commentary on their Department Accounts and I would like to thank both them and indeed all other Members who have provided some further colour and commentary on the Committee's Accounts for which they are responsible, as I said in my opening speech, and indeed has been noted by others. I think a number of people have commented on the information in the Accounts and perhaps seeking more information in particular in relation to particular
940 Departments. Deputy Le Lièvre, I think, commented in relation to Housing. Deputy Fallaize made a similar point in relation to information in the Accounts.

As I said at the beginning, the information which is provided in relation to Department Accounts comes from the Departments and they are responsible for that. So I would urge Members who would like to see more information in particular areas, and Deputy Le Lièvre certainly had some specific issues in relation to

945 Housing, to take the opportunity to raise that with the Committee in order that that is addressed when they present information for next year.

Deputy Luxon made the point that we absolutely must be striving for economic growth and I completely agree with him. (A Member: Hear, hear.) Whilst we have talked much about the need to broaden and diversify the tax base, clearly a significant issue must also be our attempts to grow the tax place as well and
950 that means delivering on the economic development framework, delivering on the financial services strategy, and I know that the Commerce & Employment Department do have a number of bids into the Strategic Development Fund to help them deliver on those strategies which Treasury & Resources will consider shortly. I think we will also, as a States, need to be considering as part of the Budget whether there is any role for an economic development fund possibly.

955 We need to be sweating all our assets and I think typically when that phrase is used people think of financial assets, and we have talked about how we have done that through the investment of our reserves and done that very successfully in the last few years. (A Member: Hear, hear.) There is more to do there. There is certainly a lot more to do, as I said in my opening speech, in relation to our trading assets, but importantly we also have significant assets, which people do not necessarily think of in relation to sweating
960 assets, and that of course is our huge, huge property portfolio, and that is of course precisely what the Strategic Asset Management Plan was designed to start to unlock. I think again the current position we find ourselves in means that we should be injecting new energy into that kind of initiative.

The Ports Master Plan is another example. We have a huge quantity of real estate down on the ports, which potentially may be right for some kind of regeneration project to generate ongoing revenues for the States. So when we talk about sweating our assets, we need to think much more creatively than perhaps we have done in the past. I should emphasise that of course all of those initiatives will need us to invest, whether it is the Government Service Plan, the Strategic Asset Management Plan or the Economic Development Framework, and one of the challenges for Treasury & Resources is going to be how on earth we can find the funds and resources to enable us to invest where we truly need to. I will return to that
970 question later in my summing up, sir.

Deputy Luxon also asked, as I think did Deputy Le Clerc, about our experience in the year to date. I would just remind both Deputies that it is my intention to provide an update to the September sitting of the States, by which time we will have the first half information in a reliable form in which I can report to the States in relation to our income in the first half of this year. But I would certainly provide some anecdotal
975 experience to Deputy Luxon in relation to the Department's experience of receiving more applications to the Budget Reserve this year, which of course is exactly what we would have expected. It does show that we are running Departments... Departments are running leaner now, which is good and which is precisely why we had a larger Budget Reserve this year. So I think that perhaps does support some of the decisions that we made last year.

980 Deputy Luxon also referred to his own Department needing to request an additional roads budget and again I cannot provide any particular comment on that other than to say that I know that those sorts of requests are likely to be replicated in other Departments this year, again just emphasising the significant challenge which we will have when we return to discuss the Budget later in the year.

In relation to Deputy Domaille's comments, I think it is just worth noting and I think a number of
985 people have commented on the content and the quality of the Accounts, and I know Deputy Domaille was not intending to be particularly critical and he made that point very clear in his opening comments, but I think it is worth taking this opportunity in a public forum to thank all those who have been involved in preparing this document and providing this information. It is a significant exercise. I do hope that each year the quality does improve. It is always of course, as in these sorts of situations, capable of further
990 improvement and again I would urge Members who have particular comments to provide those now, whilst it is fresh in people's minds, so those kind of issues can be taken into account in preparing next year's. A good example of that was Deputy Soulsby's point on the original verses authorised Budget columns in each of the Department Accounts and certainly we can consider including a clearer explanation for next year, and so thank you to her for raising that particular point.

995 Just to be clear in relation to Deputy Domaille's calculation... he got his calculator out on the average value of the voluntary severance scheme and I think he mentioned the figure of £160,000. I would not wish that to stay on the record as being accurate. He got to that by using the figures that were in note five. Actually of course the number of staff that would benefit from voluntary severance is far greater than that because they did not fall into the disclosure of note five. The total that benefitted from the scheme was
1000 68 staff, 65 of whom were in the General Revenue account and the average was therefore £63,000 and not the £160,000 that he referred to.

Deputy Le Clerc, just to return to this issue about the levels of income which were of concern to Deputy Le Clerc and she specifically mentioned the Guernsey Registry and housing control application fees. I think she is right to have that concern; it is clearly one that I have expressed myself. We do need to be very
1005 prudent in our Budget forecast, certainly for 2015. We will need to take into account not only the 2013

experience, but the 2014 experience as well to ensure that we are not being over optimistic, which I think was the concern which she had.

1010 In relation to pay awards, which was an issue Deputy Le Clerc mentioned and also Deputy Langlois. I think, as Deputy Langlois very clearly made the point, that we have had several years now of significantly beneficial pay awards for taxpayers below our PI and of course this is again one of the ironies of our reliance on income tax as a significant source of our revenue. In our forecast for 2013, we assumed in our income tax budget receipts that incomes would grow by 1%. Now, sir, of course actually when we have below RPI settlements in the private sector as well as in the public sector, of course that feeds directly through to lower tax revenues that we anticipated. That is precisely the dilemma we have, in addition to some of the demographic pressures which Deputy Harwood referred to and that I will come back to later.

1015 Deputy De Lisle... I will give way to Deputy Trott, sir.

Deputy Trott: Sir, I am grateful to the Treasury Minister.

1020 A thought has crossed my mind and that is whether there has been any distortion to the ETI figures as a result of the difficulties that the Income Tax Department has been having with regard to the backlog of assessments. I have asked him a similar question on a previous occasion, but I wondered if he could confirm that that is not the case and therefore the figures are reliable. I note as well within the report that the extension of zero tend to capture other corporate activity has been less productive this year than expected, but we are told that that is a one off and that that situation will normalise with effect this financial year.

1025 **Deputy St Pier:** Yes, I will happily address that question.

1030 Over 70% of our Income Tax receipts come through the ETI scheme and therefore that is in essence unaffected by any processing issue, or largely unaffected by any processing issue at the Income Tax office itself, because of course those are real time deductions operated by employers weekly or monthly as they run their payrolls. Of course most of the balance of Income Tax receipts are based on assessments, so there will be an element of adjustment there as those assessments are finalised, but much of the tax will have been paid on account and so it is not anticipated that that is a significant issue.

1035 In relation to the timing difference, and it is anticipated mainly to be a timing difference on the extension of the 10, as we say our expectation is that we will receive more from the insurance and fiduciary sector in 2014 than we had anticipated for 2013, as a result of those timing differences, and we have no reason at this stage to change our view of that issue.

1040 Deputy De Lisle raised a question, as did Deputy Storey, albeit speaking on opposite sides of this particular issue about the level of capital appropriations. I would certainly I think agree with Deputy Storey, and we will return to this no doubt in the next debate, that the level of appropriations has to be what is required in order to deliver our capital programme. We need to satisfy ourselves that the capital programme is the right capital programme and that is the way to control that issue. We cannot simply keep paring back our appropriations and then expect to deliver essential projects, many of which – again I will touch on in the next debate – are simply replacement of assets rather than investments in new. Certainly the investment, for example, in a new sewage treatment plant, which I know is an issue which is dear to Deputy De Lisle's heart, would simply put more pressure on that particular budget.

1045 In relation to his second point, which Deputy De Lisle raised, which is the possibility of further extensions of the 10 to be consistent with Jersey, again, as I have said on a number of occasions in various second public fora, the opportunity to extend to the fund administrator sector is one that has been explored and continues to be explored. It is the most obvious lacuna in our system verses the Jersey system and there is no more to be said on that in this particular debate.

1050 Deputy Laurie Queripel raised the question of whether revenues can be analysed by sector and I am pleased to be able to advise him that we can do it for the ETI scheme. It is not as simple as a spreadsheet unfortunately, unless of course we did it entirely manually. It is only in relation to the ETI part, but of course significantly that is perhaps the most important information, given its importance to our revenue base.

1060 In relation to an IT audit, again that extends well beyond, I would suggest, this debate, sir, but the work of the Chief Executive and the e-Government is clearly an ongoing and pressing issue for Government. In relation to my Department particularly and the application of IT, the contributions and tax system, which is the work programme that flows from the Income Tax Office improvement plan, which is a significant programme of work which has begun, as I announced to the Assembly in February, will have significant IT implications and in terms of the adequacy and replacement of what we need in order to raise and collect the revenue that is due to us.

1065 In relation to the voluntary severance scheme, just to give Deputy Laurie Queripel some reassurance, in order to be... again just to remind him of the rules of that scheme – in order to be eligible the rules themselves have been removed. So the budget was removed from those Departments when those rules were

removed. It is possible that in some cases individuals will have been replaced in different roles that are lower or different rates. That is a different issue, but the budgets for those people who went under the voluntary severance have been taken from Departments, sir.

1070 Deputy Brouard, well, I guess I am delighted to put on my Departmental hat on to have been criticised for the under delivery of a Budget, but more seriously just to explain the reasons for that is actually the opposite problem that Housing have in that clearly a big part of T&R's budget is receipted income and, in particular, property income. There is some volatility around that and clearly as we take every opportunity to revise the rents up, as of course we should do in our management of our property portfolio, the positive

1075 delivery of upward increases in rents has helped deliver our underspend.
However, the other point that he made in opening on that question was the need to be consistent, realistic and fair... I think was the phrase that he used in relation to setting Departmental budgets – and not setting Departments up to fail. Of course he was referring particularly to one of his own Departments, the Health and Social Services Department. I absolutely agree with Deputy Brouard that it is not T&R's policy

1080 to seek to set up other Departments to fail and that we should have consistent, realistic and fair budgets for all Departments. That will require us to have zero-based budgeting, which again has been referred to by Deputy Soulsby and others. The funding to help deliver that of course was part of the Government Service Plan programme and again re-emphasises our need to be cracking on with that particular project. Again, I will return to resource constraint later in addressing another point that was raised.

1085 Deputy Duquemin raised a question of the use of surpluses within the trading entities. To be clear, what I said in my opening speech, sir, was that we should be reviewing the working capital needs of all our trading entities, whatever their structure, and really ensuring that the capital is sitting in the right place. We need to be looking at the cost of capital for all of these businesses and determining how that is best funded. So we certainly recognise that Guernsey Water, for example, has a significant and ongoing capital

1090 expenditure need, but as I say rather than each individual entity seeking to make its own decisions, we should be having a more holistic approach to the States needs as a whole and determining where funding is best sourced in order to fund some of those capital expenditure projects. So it is not a question of Treasury making a grab for surpluses to fund other general revenue projects, it is all about where the funds best reside and ensuring that we do achieve the lowest cost of capital across the States as a whole, rather than at

1095 individual entity level.
Deputy Harwood I think perfectly described the challenges faced by the Personal Tax and Benefits Review. I could not have said it better myself and there is not a lot further to say in fact in relation to that.

Deputy Trott, I think it was a new experience for me, sir, because I was waiting for the *but* – (*Laughter*) and the *but* never came. So I was delighted to receive Deputy Trott's comments.

1100 However, I too, sir, am largely a glass half full person, but I do think it is appropriate to respond to some of Deputy Trott's comments with a slight hint of a cloud with a silver lining, as Deputy Fallaize put it. The number of employees point, that Deputy Trott referred to, is a very valid one. We are lean in many areas and in many areas we are too lean, and again this is one of the resource challenges we have, to ensure that we have the right people in the right place.

1105 In relation to the superannuation fund, there are...he quite rightly pointed to the significant increase in the value of the assets in that fund, but of course there are historic...or there are reliabilities in respect of past service and of course with the ongoing future liabilities as well. The FRS 17 position is of course disclosed in the Accounts on page 32 and that shows a FRS 17 deficit of over £500 million. I have previously counselled the Members of the Assembly on being wary of the FRS 17. It is there to ensure consistency reading between sets of accounts, between organisations, and does not necessarily reflect the actual liabilities which will be incurred by the States as employer; that is determined by the actuarial evaluation. We are expecting to receive that evaluation later this year, but the point is that although our assets have increased significantly in value, we do have liabilities to meet and therefore the picture in the garden is not entirely rosy, but it would of course have been worse had we not achieved that increase in the

1115 value of the fund.
In relation to the net surplus of £30 million, this is a familiar point which Deputy Trott does make regularly, that it is before the capital appropriation, and the response of course is that that is absolutely correct, but of course we do need to make appropriations to capital and we have to find a way to fund those.

In relation to Deputy Soulsby's points on the increases to Budget, of course there is further information in Appendix 1, which details all the increases to budgets, other than the pay awards, and of course the £1.3 million in relation to HSSD is referred to there.

1120 In relation to funding for a Healthcare review, whether that would come from the fundamental spending review fund or the Strategic Development Fund, clearly there are drivers for a review of the Healthcare system, whether that is a renewal of the MSG or the specialist care contracts, that is largely a matter that resides within the HSSD Department, rather than within T&R. But certainly it comes back to the point that has been made by a number of people: we do need to understand what our base line needs to be within that Department as well as others.

1130 In relation to FRS 102, the work has indeed commenced on that, in particular for the entities that need to comply with the UK Gap, so that is Guernsey Water, States' Works and so on. It is our expectation that they will be FRS 102 compliant for the next year.

In relation to the States' Accounts themselves, again it is this issue that our speed of development in that area is very much resource constrained, which goes back to the point that Deputy Trott was making. So we are moving in the right direction on that particular issue, but we will be starting with those Accounts which are currently subject to UK accounting disclosure rules.

1135 Sorry, one further point I omitted in response to Deputy Brouard's point about T&R's underspend, again one of the reasons for that last year was the vacancies that were carried in the Department, which of course was part of the justification for the vacancy factor that was introduced in all the Departments for 2014. So again, that is just to give further colour to that particular underspend.

1140 I think in relation to Deputy...forgive me. One of Deputy Le Lièvre's points in relation to the absence of detail on the rent rebate, clearly that is a significant and important issue that needs to be considered in relation to the overall cost of the benefit system and so I think it is a point that is well made.

Deputy Fallaize, I think there were two... well, three significant points that he made. In relation to the increase in the pay bill as a proportion of total costs, several reasons for that, I suggest.

1145 First of all the FTP has been more focused on the non-pay part of the total cost of Government, rather than the pay part. So that will be one explanation as to why the proportion has gone up for the pay element and of course that is precisely why the voluntary severance programme was introduced last year to perhaps start to address the balance there.

1150 The second reason would be there will be some elements of staff who were in general revenue. So, for example, those waste water workers in public services, who are now part of Guernsey Water, they may be relatively lower paid. Again as they come out and move into the Guernsey Water accounts it will shift the balance in those that remain.

1155 In relation to the information that was provided to Deputy Domaille, which again I think was copied to all Deputies including Deputy Fallaize, that provides a breakdown of the number of established staff at different grades. Just by way of example, between 2009 and 2014, the number of those at a typist PA grade fell just over 30% from 103 to 70, and again that...so effectively we have reduced the number of lower pay graded staff in proportion to the whole. Again, you would expect that as technology means that some of those grades are no longer required in the same numbers.

1160 The final factor that would be particularly significant to 2013 of course would have been the voluntary severance programme, that additional £4.5 million of cost which would have been reflected in the overall pay costs for 2013. So there are a number of factors in there which helps explain why the proportion has shifted up a little.

The other significant point that Deputy Fallaize raised, which I think is largely outside my remit, is the position in relation to the public sector pension...

I will give way to Deputy Langlois.

1165

Deputy Langlois: I rise, sir, to help out the Minister on that matter.

1170 There has been an update within the deadline, which I think is the one you were thinking of. A public announcement was made about the superannuation, the pension scheme, and an announcement to States Members, you will recall of course, on 13th May and that was simply saying that we and the employee associations were entering a process of mediation. This involves setting up meetings between groups of people with very busy diaries through a holiday period. Just for the purpose of clarity, mediation is a process which involves confidentiality and privilege exchanges and I am bound by those legal undertakings today. However, I can briefly report on the state of play for Members.

1175 The process is still active... that is the mediation process is still open and I can simply say that positive progress has been made, otherwise it would have been ended. One condition of mediation is that it remains between the parties represented until the process is agreed to have finished. The Policy Council will provide a further update to States' Members and most importantly to scheme members themselves at the earliest possible opportunity.

1180 **The Bailiff:** Deputy St Pier.

Deputy St Pier: Thank you for assisting –

The Bailiff: I think your microphone is off.

1185

Deputy St Pier: I am sorry. Thank you for assisting Deputy Langlois.

The final point is Deputy Lester Queripel's. I am afraid I do not know how much was saved by printing in black and white. We did not ask how much it was going to cost to print in colour this year, therefore we do not know what the saving was other than that it would have been several thousand pounds.

1190 On that note, sir, I would urge all Members to support all the Propositions.

The Bailiff: Members, the Propositions, there are four in all, are to be found on page 102 of Billet XVIII.

1195 The first Proposition is to approve the States of Guernsey Accounts 2013. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare them approved.

1200 The second Proposition is to sanction an overspend by the Health and Social Services Department. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

1205 And then, thirdly, to approve the Ports, Guernsey Water, States' Dairy and States' Works 2013 Accounts. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare them approved.

1210 And to note the Accounts of the Social Security Department Consolidated Contributory Funds, Elizabeth College, Ladies' College and the States of Alderney. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare them duly noted.

Billet d'État XVI

TREASURY AND RESOURCES DEPARTMENT

VIII. States Capital Investment Portfolio – Debate commenced

Article VIII.

The States are asked to decide:

Whether, after consideration of the Report dated 3rd June, 2014, of the Treasury and Resources Department, they are of the opinion:

1. To approve that the process contained within paragraphs 31 to 56 of that Report is adopted by the States as the Project Development and Approval Process and direct the Treasury and Resources Department to amend the Rules for Financial and Resource Management accordingly.

2. To approve the projects listed in Paragraph 168 Table 2 of that Report as the Capital Investment Portfolio, subject to costs being brought within available funding.

3. To delegate authority to the Treasury and Resources Department to open capital votes in relation to the Environment Department's Storm Damage Repairs projects, the Treasury and Resources Department's – Sir Charles Frossard House Roof and Longue Hougue Rock Armour projects and the Home Department's Prison Fencing project, all charged to the Capital Reserve.

4. To delegate authority to the Treasury and Resources Department to approve a capital vote of up to £1.65 million, charged to the Capital Reserve to fund the relocation of the Pathology Department to Sherwill Ward and the purchase, installation and commissioning of a temporary (modular) ward and the relocation of Giffard Ward thereto as Phase 7a of the Health and Social Services Department's Site Development Plan – Phase 7.

5. To delegate authority to the Treasury and Resources Department to increase the capital vote in respect of the Health and Social Services Department's Electronic Health and Social Care Record project by a maximum of £650,000, charged to the Capital Reserve.

6. To note the intention of the Treasury and Resources Department to report back on the costs and funding of the Environment Department's Bus Depot project as part of the next States Capital Investment Portfolio Report.

7. To approve in principle expenditure on portfolio resource as set out in Paragraphs 106 to 116 of that Report, such expenditure to be capped at 0.4% of the portfolio value per annum charged to the Capital Reserve; and direct the Treasury and Resources Department to recommend a detailed budget and associated benefits annually as part of its Budget Report.

8. To delegate authority to the Treasury and Resources Department to approve expenditure of £250,000 in 2014, to be charged to the Capital Reserve, to provide financial, benefits and procurement resource to projects, administrative support to the portfolio and further training to project teams.

9. To note the intention of the Treasury and Resources Department to work with the Education and Public Services Departments to explore in more depth the possibility of treating the funding of the Belle Greve Outfall and College of Further Education projects differently in order to deliver a balanced, manageable and affordable portfolio and direct the Treasury and Resources Department to report back with conclusions as part of its 2015 Budget Report.

10. To approve the principles regarding Emergency, Urgent and Unplanned projects contained in paragraphs 174 to 186 of that Report and direct the Treasury and Resources Department to update the Rules for Financial and Resource Management accordingly.

11. To delegate authority for the Treasury and Resources Department to approve expenditure on any Urgent Project to a maximum value of £2 million, charged to the Capital Reserve.

1215 **The Senior Deputy Greffier:** Billet D'État XVI, Article VIII.

The Bailiff: Deputy St Pier will open the debate on the States Capital Investment Portfolio.

Deputy St Pier: Sir, thank you.

1220 This is clearly a long Report and there is much in it. I do not intend to repeat that today; I will take that as read. However, it is worth noting the significant amount of work undertaken since last September by all project-sponsoring Departments in developing their business cases and I commend the commitment shown by all to delivering within necessarily tight time frames.

1225 My Department has supported that process by developing templates and guidance for project teams and planning and co-ordinating and delivering project assurance reviews, which of course we will return to with Deputy Soulsby's amendment.

1230 What I really want to focus on is the position that we do have with portfolio projects, which is unaffordable unless something changes. The fact is that we have 19 approved pipeline projects, plus a further five that must be added through necessity, that are likely to cost some £57 million – based on current estimates – more than the funding we estimate to be available through the Capital Reserve.

My Department has set out our recommended approach to dealing with this in the Report, which of course we did not come to lightly. The options considered and rejected are in the Billet, but I would just like to take a minute to run through those.

1235 In essence, of course, they boil down to two. We can either deliver fewer projects or we must find more money and, sir, ultimately, I believe we will need to do the latter. The fact is that we have – and again, as referred to in the closing debate of the accounts – historically underinvested in our capital infrastructure. If you look at the projects we have, nearly all those in the current portfolio are not actually investment in growing our capital stock but are rather effectively a replacement of existing assets which are worn out or will shortly do so. These are things that we must do and when we have done them we will know that there

1240 are going to be many other projects that will need to be delivered.
The 11 projects that were not prioritised in the exercise undertaken last year, for example, are all projects that will need tackling at some point. We also know, of course, that there are many others on the drawing board and I understand that the work undertaken on the Island Infrastructure Plan has, in fact, prudently identified that investment totalling almost £2 billion will be required in our infrastructure assets over the next 20 years.

1245 Now, of course, while not all of this will need to be funded through General Revenue, a significant proportion of it will be and we therefore need to be prepared to recognise the reality of the levels of investment required if we are to maintain our Island infrastructure, regardless of how it is funded.

1250 The need for increased funding is why my Department recommended that the annual appropriation to the Capital Reserve be increased by £10 million in last year's Budget report and it is also why we intend to

make recommendations in this year's Budget regarding the future use of the Contingency Reserve, which would make that reserve work harder for us.

1255 All of this will see, we believe, at this stage, an estimated £218 million available to fund this portfolio. Unfortunately, £218 million is not sufficient to tackle all the important projects in this period, which currently total £275 million. Therefore we have had to look at the possibility of deferring some initiatives.

Now, we believe that there was no appetite to rerun a prioritisation exercise – certainly not if this would involve delay in progressing projects – so, instead, my Department used the outputs from the project assurance reviews, undertaking all projects to identify those which might possibly be treated differently.

1260 As set out in the Report, we now intend to work closely with the Public Services and Education Departments over the coming months to seek a solution to the funding of the Belle Greve long sea outfall and the consolidation of the College of Further Education ultimately on to one site.

1265 Of course, my Department understands the reluctance of the Public Services Department to increase water charges to fund the investment required in that vital piece of waste water on infrastructure. We also acknowledge that the other infrastructure in the Belle Greve project has been funded by the taxpayer, from General Revenue, rather than by the user and therefore there may be a reasonable expectation by Guernsey Water Management and the Public Services Department that this final piece of the Belle Greve jigsaw should be funded in the same way.

1270 We also acknowledge the other significant investment, particularly in waste water infrastructure, that is being planned by Guernsey Water in the near future and that again was referred to in the previous debate, sir.

However, my Department considers that we must now explore a different funding mechanism, especially having clearly established the user pays principle for both clean and waste water on the Island and, in reporting back in the Budget report, we commit to clearly setting out the full implications of any such move. My Department will not narrowly focus on what is right for General Revenue, but will examine the overall consumer impact in conjunction with the Public Services Department.

1275 With regards to the College of Further Education, again, I do understand the unease of the Education Department and the newly-established Board of the College to any delay in this investment. The need to invest in this facility was recognised back in 2002 when the States debated the Education Development Plan and of course my Department is not suggesting that there is not a need to invest in the College. 1280 However, there are many factors that need to be considered before making this significant investment. Amongst those are what the face of tertiary education is likely to look like in Guernsey in the future and therefore what physical facilities will be required. The other key decision is whether a phased approach to consolidation is in the best interest of the States or whether a single move would represent better overall value for money.

1285 We are also conscious that the new principal and new Board of the College may have new ideas to inject into the consolidation project and it is important that we do not commit to any particular project before properly examining all options. It is essential that the project remains a part of the portfolio so that this options analysis can be properly funded and undertaken; and again it is our intention to work closely with the Education Department before making final recommendations to the States.

1290 Before I sit down, sir, I would just like to touch on the matter raised in section 8 of the Report, regarding the States' existing debt and contingent liabilities. The Report outlines that, between existing and pipeline debt, the States already has contingent liabilities totally almost £250 million. This is a significant amount of debt for a Government that does not borrow. The interest paid on this debt, which is all backed by reliable income streams, of course, is significant and varied. Different arrangements have been secured at different times by the relevant entities. However, the work undertaken by my Department so far suggests that significant savings could be made to the Island by consolidating this debt and using the credit standing of the States to secure a better deal all around.

1295 My Department recognises that the current low interest rates may not be available in the medium term. Therefore we consider that, should the States endorse the proposals which will form part of the 2015 Budget report, very rapid action will be necessary if we are to secure the best deal for the States of Guernsey. My Department is actively working on this project, including re-examining the credit rating in advance of the Budget report in October.

1300 In closing, sir, I would like to remind Members that the reason my Department has pushed this enhancement in our approach to the development of the capital investment projects is to ensure that we can demonstrate value for money. With the limited resources available, it is more important than ever that we are able to justify the investments we are making and the benefits that will be derived from doing so. We need to be sure that we are doing the right things as well as that we are doing things right and that we are not spending a penny more than we need to do so.

1310 I therefore urge Members to support this approach and Report, and to note the further significant work required by my, and indeed all other project sponsoring Departments, to deliver that aim, sir.

Thank you.

The Bailiff: I have been advised of two amendments. The first proposed by Deputy Soulsby and seconded by Deputy Le Clerc. I hope that both amendments have been circulated. The other one is proposed by Deputy Brouard and seconded by Deputy Soulsby.

1315 We will start with the Deputy Soulsby/Deputy Le Clerc amendment which relates to Proposition 5.
Deputy Soulsby.

Amendment:

To add to the end of the words in Proposition 5:

‘, but subject to a detailed project assurance review along the lines set out in paragraph 76 of that Report, with terms of reference agreed by the Public Accounts Committee, and a report compiled following such review being provided to that Committee for its consideration.’

1320 **Deputy Soulsby:** Sir, this amendment seeks to amend Proposition 5, such that the States still are asked to delegate authority to T&R to increase the capital vote for HSSD’s Electronic Health and Social Care Records project, but subject to a detailed project assurance review along the lines set out in paragraph 76 of that report; the terms of reference agreed by the Public Accounts Committee in a report compiled following such review, being provided to that Committee for its consideration.

1325 Sir, the Electronic Health and Social Care Records project began in 2006 and since that time there has been no update provided to Members, by way of a States’ report, as to how it has been progressing. The original Billet d’État of December 2006 stated that the cost of purchasing a full electronic health and social care record would be £9.7 million over the 10-year life of the contract and that capital costs would be £3.9 million with the balance in terms of maintenance and Department’s implementation costs funded from revenue.

1330 Members were advised that the revenue costs would be derived from the savings, which were estimated to be around £9.65 million. The Project Board was to be supported by an implementation team drawn from health and social care professionals under the direction of a project manager and supported by the States’ ICT Director. The design and implementation stages were due to be completed by 2009, after which the number of staff involved would be reduced to provide ongoing support for the remainder of the contract term.

1335 The project was sold on the basis that it would improve the way clinical care is delivered in Guernsey, whilst also yielding much improved health and social care information to support operational management, the quality of clinical services and strategic planning of future health and social care delivery.

1340 It was evident at the time that the systems in place were inadequate and out of date and Members were advised that there would be financial and non-financial benefits of them implementing the system.

HSSD are now requesting a maximum of £650,000 – or, to be more accurate, £600,000 per paragraph 76 and £650,000 per the Proposition – in order to implement the e-prescribing and children’s information database. I suspect there are few here who would question why these modules are needed. Indeed, these could be key to releasing benefits both of a financial and non-financial nature. However, the Committee is very concerned that this Assembly is being asked to delegate authority to T&R to undertake a project assurance review without any independent scrutiny.

1345 Indeed, we have issues in terms of the proposals generally in relation to the role of T&R so far as overall scrutiny is concerned and I will highlight these in general debate. For now, I will focus on this particular bit.

1350 Firstly, I would like to thank HSSD Members and staff for the presentation they gave the other week, which was very informative even if it did raise more questions for me, that have resulted in this amendment.

1355 So what are the concerns? Well, three are of a nature relating to the funding itself. The first is that at the presentation we were advised that GPs’ records, a stated benefit in the 2006 report, would not happen as the GPs did not want to be part of it. Not only does that mean a key deliverable will not be achieved, but that should in theory have been some savings in project implementation costs.

Secondly, the 2006 report stated that the project implementation cost would be derived from revenue, whereas we are now being asked to give delegated authority to T&R to take the funds from capital.

1360 Thirdly, the project according to the 2006 report allowed for a contingency which was included in the figure of around £1.2 million, including – confusingly – hardware costs.

Such concerns prompted my email to the T&R Minister recently and I would like to thank his Department for their detailed response. However, the comments made did not allay our concerns – in particular, the fact that it is made clear that the project has clearly gone over budget.

1365 Those more seasoned Members of the Assembly will recall the implementation of the Social Security Benefits System which took eight years to complete, from 1998 to 2006. It too resulted in a key deliverable not coming to fruition i.e. it only delivered the benefit system, not the contribution system. The total cost of the project was calculated at £9.232 million against the budget of £6.187 million.

1370 PwC were commissioned by the then PAC to report on the project and they provided 30 recommendations for similar IT projects – the vast majority being applicable States-wide. One search recommendation related to the fact that all costs of particular projects should be identified at the start and specifically ring-fenced.

1375 Now, this project commenced before that report was published and before significant improvements were made to the project management process and which are set out in the Report we are debating today, together with the latest proposals to improve it further. It is already evident for the T&R's Department's response that all costs had not been identified or ring-fenced.

In addition, Members may well be aware of the news from Jersey about a similar project that has gone horribly wrong. My counterpart there is quoted as stating,

'Its intention was to digitise and integrate health and social services patient care records... [but the programme came up short] Moreover, information given to the States Assembly was so poor that States Members may have had little or no idea that the programme came up short.'

1380 Does that sound familiar? (**Several Members:** Yes.) The Chair also stated that 2015 would see its HSSD ask for another £12 million to finish the job. If and when that request is made, she urged the States, and I quote,

'... to satisfy themselves that project management standards have improved before allocating any more public money'.

1385 Now, Members might say 'Fine, but T&R say they are going to do an assurance review. That will be okay then.' The Committee would like to point out that T&R have been intimately involved with this project from the start, with a number of political Members on the Project Board since 2006, as well as having the States' ICT Director on the implementation, to name just two.

1390 Indeed, in his letter to all States' Members on the SCIP, dated 12th May, the Minister acknowledged the conflicts and blurring of accountabilities between portfolio and project roles, which is why the political Members would no longer have a role on Project Boards.

1395 It is for this reason that the PAC believes that there should be independent oversight of this project assurance review. Usually the Committee only gets involved in projects after they have reached practical completion, through their commissioning of post implementation reviews. Indeed, as I mentioned three weeks ago, we will be producing a report on capital projects arising from the findings of these reviews since 2010 in the next few months.

1400 However, given the above reasons, we believe that there are sufficient warnings that the Committee should take some involvement now. We also believe that Members should know the outcome of that review. Whilst it is encouraging that HSSD are asking for £650,000 and are stating that is all that they will need to reach completion, given the Department's recent track record in relation to financial management, I do believe we need assurance that this is, in fact, the case and that they will be not coming back asking for more.

1405 I hope Members see the logic of this amendment. Again, I would say we are not questioning the merits or otherwise of implementing the two modules, but this should be done with eyes wide open and with some degree of assurance that what HSSD says it needs is in fact the case.

The Bailiff: Deputy Le Clerc, do you formally second the amendment?

1410 **Deputy Le Clerc:** Yes I do, sir.

The Bailiff: Does anyone wish to speak on it?
Deputy Hadley.

1415 **Deputy Hadley:** Mr Bailiff, this is an amendment which covers an area I am particularly worried about. I suggested some time ago to the Deputy Minister of Treasury & Resources that they should be checking more carefully how HSSD spent their money in this field. He said it is not the job of T&R but of PAC and yesterday we heard this view echoed by the Treasury Minister.

1420 Now, at a recent presentation... in fact, in the past, sir, the Chairman of PAC has made her views known about HSSD expenditure and has described it as haemorrhaging money. I do not know which particular section she had in mind but, having listened to the speech today, I am fairly certain it focuses to some extent on the Electronic Health and Social Care Record project.

At a recent presentation that Deputy Bebb gave on the project, I asked when the three Members of the project team that left in early 2012 had been replaced and I was told that they have never been replaced. I then asked him what had happened to the salaries. Deputy Bebb said that he did not know but would get

1425 back to me. Because Deputy Bebb has never got back to me, I telephoned the Treasury & Resources Department and spoke to a senior member of staff.

I said that I was concerned that no account had been given regarding these salaries and was concerned that the money had been used towards the FTP savings of 6.5 %, which would go to Capita, and now the States are being asked to replace this money.

1430 I was told this was not possible because, firstly, the salaries were capital as it was part of the implementation project and, secondly, the savings would be a one-off saving which could not be counted as an FTP saving, as only recurring savings were eligible.

1435 Now, let us be clear, the sums of money lost that should have been paid to these three missing staff members over two years could well be as much as £½ million – almost as much as the figure we are later being asked to authorise.

Now, Members of the Assembly will therefore understand my surprise when I read in the *Press* that the salary of one of these posts was counted as an FTP saving. I was, in fact, the only Member of the Assembly who did not vote for the FTP project when it last came before this Assembly, because sufficient efficiency savings had not been found in some Departments and there have been cuts to services – something we were assured, in the beginning of the process, could not happen.

1440 The HSSD situation now shows us that the accounting for the FTP process is not satisfactory and this is not the only problem that I have with the Electronic Health and Social Care Record. In a copy of *The Source*, the in-house magazine for the Health and Social Services Department, for winter 2010, it said that the pharmacy stock control system went live in March 2009, but expenditure on that system is part of what this £600,000 is supposed to be for. It also said in 2010 that the child information database would start in a few months' time. That is at the beginning of 2011.

1445 Now, (**Deputy Bebb:** Sorry, could I...?) this bid of £600,000 –

Deputy Bebb: Point of correction, if I may?

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Deputy Hadley: – some of the money is for these two projects.

Deputy Bebb: Sorry, can I make a point of correction?

1455 **The Bailiff:** Is this a point of order or are you asking...?

Deputy Bebb: Correction.

The Bailiff: A point of correction.

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Deputy Bebb: Sorry, just in order to not mislead the Assembly... I am sure that Deputy Hadley does not mean to, but the money is being asked in relation to e-prescribing, not pharmacy. Pharmacy has already been implemented. They are two different projects.

1465 **The Bailiff:** Thank you, Deputy Bebb.

Deputy Hadley: In the presentation that Deputy Bebb gave one of the benefits of the implementation of this system was said to be stock control of the pharmacy department. Now, I cannot see how one could improve on the implementation of the stock control system which occurred in 2009.

1470 Now, Members should be aware that the money is to back-fill posts in the Health and Social Services Department. One of these posts is for a pharmacist. Well, that should not be much of a problem as there is a surplus of pharmacists at the present time. I have even heard it said that there are too many in this Assembly. (**Some Members:** Hear, Hear.) (*Laughter*)

1475 Other posts will not be so easy to backfill – such as the modern matron who will be working on this project. So, just like the money given to HSSD for bowel cancer screening, I think this money will probably not be spent on the project, but will go towards disguising the overspends that the Department keeps accruing. As we have already heard several times, the overspends have been considerable, with an extra £700,000 granted in the middle of last year and a further £1.3 million... £640,000 for increased costs of highly complex cases, although the number of cases has only increased by one.

1480 Now, Deputy Dorey undertook as Minister to bring this Department's budget under control or bring a report to the States and I do not think that has ever been done. Having said that one does not need an independent review of this – because we have heard it said several times today how closely the Treasury & Resources Department are working with the Health and Social Services Department – and, as I think I have shown, the issue about FTP savings and the way that has been dealt with is entirely unsatisfactory. I think a fully independent review of these finances should be carried out.

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I would like to ask Deputy Soulsby when she sums up, though: 'is she confident that her Department is not itself in a difficult situation?' Because the Chief Officer of SACC and Scrutiny was the Head of Information Technology at the Health and Social Services Department in 2010 and has been closely involved with the Electronic Health and Social Care Record system, inevitably right up until some two years ago when he was appointed as Chief Officer of SACC and Scrutiny. However –

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Deputy Fallaize: Sir, point of order. In defence of the Principal Officer of the States' Assembly & Constitution Committee, he was not employed by HSSD in any role, let alone in the role which Deputy Hadley is claiming.

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Deputy Bebb: I am sorry. I believe Deputy Hadley made reference to PAC and Scrutiny, not SACC. However, I have to ask whether it is appropriate to be questioning a civil servant's position when they have no voice in this Assembly. I feel that Deputy Hadley should maybe couch his terms a little bit more carefully and allow those Members of the Civil Service a due right to reply.

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Deputy Hadley: Sir, I have not laid any criticism on any member of the Civil Service. I have just pointed out that if somebody is closely involved in the computer system and leaves to be the Chief Officer of the scrutiny committees, inevitably that puts the Department in a difficult situation in scrutinising that project and, indeed, I will be interested in the reply that Deputy Soulsby gives to this Assembly.

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The Bailiff: I think there is an element of criticism there. Madam Comptroller, what do you think?

Deputy Hadley: Sorry, I do not see how you can say that, sir. In the same way that a judge would not hear a case that involved a relative. I mean it is surely a similar situation.

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The Bailiff: Ultimately, it is a matter for the political board. Madam Comptroller?

The Comptroller: I think Members need to be careful, although it may be perceived as a point of criticism, that it is very easy in the society we are in, with a small community, to identify individuals and just to bear that in mind.

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On another really pedantic note – and, sir, I do not wish to make it a procedural point; it is perhaps more a matter for you but – just to remind Members that if it is a point of order that does relate to a breach of the Rules of Procedure; if it is a point of correction when standing they should really wait for you to invite them to speak.

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Thank you.

The Bailiff: Deputy Hadley, please continue, taking account of –

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Deputy Hadley: Sorry, sir. Well, I have finished my speech. *(Laughter)*

The Bailiff: You have finished. Thank you very much. Does anyone else wish to speak on the amendment? Deputy Perrot.

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Deputy Perrot: Thank you, sir.

I was surprised to read this amendment because it does imply criticism of Treasury & Resources and I think that that criticism is simply unjustified.

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As we heard from Deputy Soulsby, this project started out at the end of 2006 and it was indeed scheduled actually to last a whole 10 years. Treasury & Resources, as presently constituted, has been in office for a bit more than two years and I have been on the Project Board of this project for about one and a half years.

It became clear to me after the first few meetings which I attended of this Project Board that the project had stalled. I asked a series of questions, particularly about finances and the benefits which were to be derived from this project, and I accept that to those who were already on a Project Board I may well have seemed to be rather hostile to the project and to look for things to criticise. So I think I was regarded as something of a member of the awkward squad and certainly there was an attempt to have me removed from the Project Board on the allegation that I simply did not understand the project.

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May I say in my defence, without I hope being too hubristic about it, I have been involved with the law and commerce all my working life. I was a senior partner of one of the larger global offshore firms and I also have a degree in physics. So, much as I loathe modern communications and the incontinent way we all

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use emails and electronic communications, I do understand technical projects. I may give the appearance of being a fluffy old man from the country, but I do understand these things and there was nothing wrong, I would submit, your Honour, in being appointed to that Project Board.

1550 I cannot speak about what happened before I was on the Project Board, but what I can say is that I wished to be sure that the project succeeded and I said as much. As a Treasury & Resources representative on that Board, I undertook to give whatever help I was able and I reported regularly to Treasury & Resources. Now, Treasury & Resources, true to its style, has given wonderful support to me and now through this policy letter, to the project.

1555 So T&R, at least as presently constituted, should be praised for what it has been doing in this, not criticised. Treasury & Resources, if the whole of this Report is accepted, will have responsibility for the financial oversight of some £275 million-worth of capital projects and that will involve, obviously, the project assurance review process.

1560 If Treasury & Resources can be trusted with that responsibility, why on earth can Treasury & Resources not be trusted with the EHSCR project and the assurance reviews which are going to be required in respect of that project?

1565 The Public Accounts Committee has got a very wide mandate, including an examination as to whether public funds have been applied for the purposes intended and that extravagance and waste are eradicated. It does not have a mandate to run other Departments. If it wants to carry out a review or an audit, that is absolutely fine. That is what should happen in respect of this project, but what it should not do is to start interfering in the way in which another Department carries out its own mandate.

This amendment, in my humble submission, typifies a growing reverential self-regard by the Public Accounts Committee and I say to it, ‘You do your job and we will do ours. Meanwhile, get your tanks off our lawn.’ (*Laughter*)

1570 May I say, incidentally, in support of what Deputy Hadley was saying, there was a commonality of office. One senior officer who was involved at the outset with this EHSCR project is actually now very much involved in the Public Accounts Committee and so the Public Accounts Committee cannot just say that all of this has come as a bit of a surprise.

1575 A 10-year project does wax and wane a little anyway. Things change, technology changes and so one can understand that some things fall behind schedule, some things may actually be ahead of schedule. But I repeat – I am sorry about this – Treasury & Resources has done its level best to revitalise this project and is doing so through this policy letter and I ask that you reject this amendment.

The Bailiff: Deputy Dorey.

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Deputy Dorey: Thank you, Mr Bailiff.

1585 Just picking up a couple of remarks that were made... which somebody said about whether the system was meant to cover primary care. Well, I have gone back and I have listened to the debate from December 2006. I was in the Assembly then at that point. My recall was that it was never meant to include primary care and I think Deputy Roffey, who was then the HSSD Minister, said that it was primarily a MSG and hospital record system. And my recall of that debate and my recall of what was said... that is exactly what it was. There were some links into primary care but it was not a primary care record system.

1590 Deputy Perrot has really picked up the point of being really intimately involved. Before he joined T&R I was on that Project Board, as a Member of T&R, and I saw myself more as a critical friend than intimately involved.

Also mention was made about the FTP programme. The FTP is the responsibility of the Policy Council, not of T&R and, for your information, Deputy Hadley asked about the three technical staff: one of them has been banked as an FTP saving – only one of those three that left in 2012.

1595 So the Health and Social Services Department has no objection to a review of EHSCR being carried out, nor to that review being shared with the Public Accounts Committee. The Department has nothing to hide. Of course the review will find that the implementation of the EHSCR has not been perfect and that plans have been adapted at various points during the lifespan to cope with new challenges and unforeseen circumstances. That is inevitable with a project that started in December 2006 and had a 10-year life cycle.

I will give way.

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The Bailiff: Giving way to Deputy Hadley.

1605 **Deputy Hadley:** In view of the rulings of the Treasury & Resources Department, the three salaries were a capital project and in view of the fact that even if it was not a capital project, it is not a recurring cost and therefore does not meet the rules of the Financial Transformation Programme, can the Minister explain to me how he has ignored all the Rules and managed to get it through as an FTP project?

The Bailiff: Deputy Dorey.

1610 **Deputy Dorey:** I think that was a question more than a point, but I can explain that it is quite clear if he reads the 2012 report of the separation from capital and revenue. The cost relating to HSSD which is £2.4 million, which I will refer to a bit later, is very clearly revenue expenditure. So the financing of staff from HSSD was revenue expenditure.

1615 So I will continue. HSSD is not opposing this amendment because it is worried about a review. Indeed the Department has already accepted the need for a project assurance review which is what is proposed by T&R before the funding is to be released. HSSD has opposed this amendment which is an overreaction and will cause a delay to the project. And, as Deputy Perrot has clearly said, it is the responsibility of T&R to set the terms of reference, it is not the responsibility of PAC and I think they are, in my view, overstepping their mandate.

1620 For the benefit of States' Members who did not attend HSSD's presentation, I will briefly explain that the EHSCR capital bid would allow HSSD to fund up to nine staff members to support the implementation of the two remaining modules of the EHSCR – one being for e-prescribing and the other being for the Children's Information Database.

1625 Both modules were within the original scope of the project and were referred to in the debate back in December 2006. The Department is keen to ensure that they are both put in place before the original end of the EHSCR at the end of 2016. The Children's Information Database is in critical need of replacement in order to enable the Department to continue to deliver effective child protection and children's social care services. E-prescribing could have a major beneficial impact on clinical practice across each area of HSSD's work.

1630 In order to implement these modules, HSSD needs to take a number of local health and social care professionals away from front line services to help design and deliver the new systems. This is completely normal practice that has been done for every module of the EHSCR so far, using local staff who are familiar with the local ways of working, to ensure that the system will reflect the needs of the health and social care services.

1635 Once a system is alive, the people who help design them go back to their departments where they will be champions for the new system and will help to embed the new ways of working. This is by far the most effective way of making sure that changes are appropriate and that they succeed.

1640 It is important to emphasize that HSSD was never given any additional budget to fund the involvement of health and social care professionals in EHSCR. Even though this was part of the project scope, the Department envisaged that it would spend on average £240,000 a year – 2.4 million as was in the original report – on providing this kind of support and this has been funded by efficiencies made possible by the new computer systems. So, in theory, no extra budget was needed.

1645 Regrettably, this appears to have been considerably underestimated for the amount of staff support that would be required. Until recently, HSSD has been able to absorb the impact providing this additional support, but with tighter financial constraints in place it is no longer possible.

1650 HSSD cannot take staff in front line roles to support the EHSCR without providing backfills or this would have a detrimental impact on the quality of services. This is something the HSSD Board is committed to avoiding so, in order to get the staff, we need to deliver the last two modules without damaging front line services. We have to put in a bid for a capital investment portfolio, seeking the additional £600,000 over the next 18 months.

This followed careful discussion with Treasury & Resources and consideration of possible alternatives. Both Departments agree that this is the right way forward. The staff are needed on a temporary basis to support the implementation of a capital project, so it is evident that this should, rightly, be treated as a capital bid.

1655 HSSD and T&R acknowledge the need for a project assurance review before funding is released. This is consistent with T&R's responsibility as gatekeeper for the funds for the whole capital investment portfolio and is referred to a number of times in the SCIP report.

1660 States' Members who support the request for a PA sanction review call in to question T&R's ability to make the sound judgements about how to manage the funding available through SCIP. If this is the case, it throws the entire process into doubt, not only the EHSCR.

In practical terms, this amendment adds very little value, as HSSD has already agreed that a project assurance review should be carried out, but I would encourage States' Members to throw it out on principle as a needless layer of bureaucracy which would delay the project and for which it steps right into the heart of T&R's role to determine how best to allocate funding through the SCIP process.

1665 Thank you.

The Bailiff: Does anybody...?
Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

1670 When I agreed to second this amendment, I did not realise it would cause such anxiety to T&R. I did not see it as any criticism of T&R. It was just adding to the scrutiny process of this particular project and I have just looked up our mandate and our mandate is:

‘To ensure that proper scrutiny is given to the States’ assets, expenditure and revenues to ensure that States’ bodies operate to the highest standards in the management of their financial affairs.’

1675 I just feel that this amendment is reinforcing part of that mandate and we are offering our services to the Treasury & Resources to ensure that that proper scrutiny is undertaken; and I would ask you to support this amendment.

Thank you.

1680 **The Bailiff:** Deputy Langlois.

Deputy Langlois: Thank you, sir.

1685 I think this is a dangerous amendment. I counsel Members to listen to Deputy Perrot’s mild and measured warnings on this. (*Laughter*) I recognised a large amount of what he was saying because I was a T&R Member on the Project Board for the previous four years before he took that role and this project inherently suffered from two handicaps from day one. As soon as you decide to go in this direction, there are two difficulties.

1690 One is that it is a change project; it is not an IT project. It is a change management project. You are dealing with very large numbers of technical staff whose lives and working practices will change and that is never easy.

Secondly, it is in a field of technology that advances more rapidly than you can implement a project. In other words, what we were talking about in 2008, I will give you the example. I first saw the swivelling screen that we are now so familiar with on iPad’s during the first year of that project. It was on a machine which was about that thick and this size and did not quite always work and everything else.

1695 You were making decisions relating to technical matters that by the time you got to implementing them the world can easily have overtaken you and that is a cause for the sort of example that Deputy Soulsby was giving. In fact, why were you referring to Jersey? I do not know. We are not Jersey. We have not lost all that money. Our project.... we know the figures, we know the comparison. We have not gone down that route and we were very aware of the...I am quite surprised she did not use the UK example because the figures were much more spectacular (*Laughter*) and they really would frighten people.

1700 This project, sir... both of those disadvantages – I will not give way, I am afraid – have been managed. There is huge progress being made from my information, both with the staff approach to it and with keeping the technology up to date. If there is a problem then, in my opinion, it has been on occasions the excessive use of PRINCE2 methodology, the excessive use of interim reviews... I get very confused by the three-letter abbreviations, most of which start with ‘P’, but you could not actually move the project forward on occasions until you waited for another review and this amendment is asking us to impose another layer, another level of review.

1705 Please have confidence in the project management processes that are being put in place by the last two T&R committees because they are working and they are active.

1710 **Deputy Soulsby:** Sir, just a point of correction.

I see Deputy Langlois is sitting down rather quickly but we are not asking for a new review, we are just saying...T&R say they are going to undertake a project assurance review and the Public Accounts Committee says it should have sight of that and set the terms of reference.

1715 **Deputy Langlois:** Sorry, Deputy Soulsby seems to be confused about whether I am standing or not. (*Laughter*) I was not sitting down, I was still standing.

Sir, the effect of this amendment will be to impose another layer of review.

1720 **The Bailiff:** Deputy Brehaut, then Deputy Fallaize.

Deputy Brehaut: Thank you.

I was standing before, sir, but Deputy Langlois referred to Deputy Soulsby as ‘she’ and I was going to point out that she has a name and a title. That was the only point that I was going to make, sir.

1725 As the Minister of T&R said, it is a long Report with much in it but HSSD have the misfortune to be referenced on page 1587 of the Billet with the reference to the EHSCR project.

Now, I went to the presentation given – and I thought actually a very good presentation – by Deputy Bebb to Members, because he is a Member of the Project Board and there were 12 States' Members present, nine of whom were existing Members or former Members of the HSSD Board.

1730 There was the Minister. Respectfully, there was the man who was Minister. There was also the man who wanted to be Minister and stood saying he wanted that role and there was also Deputy Soulsby who was Deputy Harwood's candidate for Minister of HSSD.

Sometimes I get a little bit concerned. I get a little bit concerned.

1735 **Deputy Harwood:** A point of correction, sir. I do not recall proposing Deputy Soulsby –

The Bailiff: No –

A Member: Your microphone. Your microphone.

1740

Deputy Brehaut: I understand that Deputy Soulsby never got past first base and was never proposed in that sense but I think everyone's appreciation of that situation was clear at the time –

The Bailiff: If she was not proposed then she was not his candidate.

1745

Deputy Brehaut: Okay, she was never formally Deputy Harwood's candidate.

Deputy Soulsby: Well, I never put my name forward either.

1750 **Deputy Brehaut:** Well, okay. Right. Well, we will paper over that crack very swiftly, sir, and I will move on.

But the point I am making, sir, is that is this really impartial scrutiny of HSSD anymore? Is this really impartial scrutiny or is it that any issue surrounding HSSD somebody can run to the closet and bring out yet another hobby horse?

1755

Now, the oversight, as pointed out very forcefully by Deputy Perrot, is through the Project Board and the oversight of T&R. I was a Member of the Project Board for a time, briefly, and I remember the problems regarding suppliers and those companies being bought out by a parent company and modules changing and patches being put in place, and staff having to be found who understood those patches and having the staff in place to interpret those patches and make it user-friendly for the staff. It was, and is, an incredibly difficult project and it has been rolling on now from 2006. So the difficulties are obvious. However, the sum of money is substantial – £600,000 we cannot ignore.

1760

Now, my view is that we have had one general election, we have had one vote of no confidence and we have had three Boards in, I do not know, 14 or 18 months, and I am of the view that continuity can actually keep cost down and if you have confidence in the people – your colleagues you are working with – to deliver, they will deliver for you if you assist them rather than, at times, harangue and harass.

1765

Now, reading the scrutiny amendment, I get the sense from Public Accounts Members that they believe that, because it has touched a few nerves and because there is an audible opposition to what they are trying to do – they have done just that, they have touched a nerve, this is a sensitive area – therefore they are in the right ball park, in manner of speaking.

1770

But my view is the opposite of that. I think that this amendment actually undermines scrutiny and fundamentally undermines the scrutiny process. It weakens the process because it is effectively outsourcing PAC, saying, 'We will do terms of reference. You do this Report, then bring it back to us.' Now, PAC and scrutiny should be doing all they can – and I am sure that they are but they need a little nudge – to get the resources in house and in place, other than putting the burden of their work on Departments, admittedly under their terms of reference.

1775

So I cannot support this and it is not necessarily, as Deputy Dorey said, I think, that HSSD have anything to hide or want to conceal; we just have confidence in the mechanism that is in place and I think that Members of PAC, in placing this well-intentioned amendment, have actually undermined, potentially, the scrutiny process and PAC.

1780

Thank you.

The Bailiff: Deputy Fallaize, it is 12.28.30 p.m. Are you going to finish by 12.30pm or thereabouts?

1785 **Deputy Fallaize:** Well, it might not be two minutes but it will not be many more than two minutes, I do not think. Shall I speak?

The Bailiff: Okay. Please start then.

Deputy Fallaize: I just wanted to make a couple of points.

1790 I do not think this is a dangerous amendment. I do understand the concerns but I think to describe it as dangerous is perhaps going a little too far.

I do not wish to impugn anybody in saying this, because all the people I am going to refer to I have respect for, but when Deputy Soulsby says there needs to be an independent review I think we need to ask: 'independent of whom?' It is not independent of the States, it is not independent of Government and actually sitting on the Public Accounts Committee is a former Member of the Health and Social Services
1795 Department and a former Chief Minister, and the role of the Scrutiny Committee's Principal Officer in this process is not of any relevance.

So I am not sure... Actually, when I compare relative independence, I think T&R might be more independent of HSSD than the Public Accounts Committee is. They are both committees of the same Government and PAC are not independent of the States. So I think we should take care when using the word 'independent'.
1800

Also, the second point is that, as far as the... I have not got the amendment in front of me – if I could just borrow Deputy Jones'? I think that perhaps the problem... In some ways I am in sympathy with this amendment because I want the Public Accounts Committee to be assertive in the way that it fulfils its mandate. I think the problems perhaps with the amendment are the words 'with terms of reference agreed by the Public Accounts Committee'.
1805

I think that the Public Accounts Committee, if it wishes to review the EHSCR project – if that is the right acronym – it should be able to. I do not understand whether this amendment is the product of PAC having had problems obtaining information that would be necessary for them to undertake the review that they want to undertake. It is perfectly reasonable and right that they should undertake a review, but if the Treasury & Resources Department has already determined that it is going to carry out a project review –
1810 which it can; it is perfectly able to within its mandate – I am not sure that it is the job of the States to say, 'Hold on, you cannot do that,' unless the Public Accounts Committee have first of all determined your terms of reference. I do not think that that really is the role of the Public Accounts Committee.

On balance, I think I am happy that the Treasury & Resources Department, independently of HSSD – because they are just as independent as PAC are – carry out an impartial objective project review. If the Public Accounts Committee then wants to have a review into any project or any area of expenditure in the States, it can but I think if we try to effectively subcontract T&R's project review arm to PAC that seems to me to be a complete blurring between the role of PAC and the role of the Treasury & Resources Department.
1815

So, with some reluctance, I think I will have to vote against the amendment unless Deputy Soulsby can assuage the concerns I have just raised in respect of the wording in the second line of the amendment.
1820

Deputy Trott: Sir, a point of order.

1825 **The Bailiff:** Yes, Deputy Trott.

Deputy Trott: Can I give advance notice that prior to the close of business this evening I intend to ask you whether you were minded to ask the States whether the States should convene early tomorrow and take a reduced lunch hour and – ?
1830

The Bailiff: I was actually going to ask Members whether they wish to come back at 2pm this afternoon, having regard to the progress – and I use the word advisedly – (*Laughter*) that we have made this morning.

So I am going to put to you, first of all, the proposition of whether to come back at 2pm. If you would like to come back at 2 p.m. say 'Pour', if you wish to come back at 2.30 p.m. as normal, vote 'Contre'. Those in favour; those against.
1835

Members voted Pour.

The Bailiff: We will come back at 2 p.m.
1840

*The Assembly adjourned at 12.32 p.m.
and resumed at 2 p.m.*

Billet d'État XVI

TREASURY AND RESOURCES DEPARTMENT

VIII. States Capital Investment Portfolio – Debate continued – Propositions carried

The Bailiff: Well, Members, we continue the debate on the amendment proposed by Deputy Soulsby and seconded by Deputy Le Clerc.

1845 I just remind you we are only debating the amendment. Some of the speeches this morning were going much more into detail about the Electronic Health and Social Care Record project itself, but at the moment all we are concerned with is the amendment.

Does anybody else wish to speak?

Deputy Gollop.

1850 **Deputy Gollop:** Yes, thank you, sir.

I went to the presentation too. I have never sat on HSSD – yet – but I do actually support this amendment. I think that this kind of IT project is, for most States' Members, beyond our technical and professional credentials – although I do accept what Deputy Perrot says, with his very extensive and distinguished legal and commercial experience.

1855 A wider point in the main Report that gave me a sharp intake of breath was the revelation that Treasury & Resources might be abandoning political project members in the future. I think today it has been demonstrated how useful they are.

1860 But I will support the amendment because a view really is that the Public Accounts and Scrutiny are under-resourced and I do not think the Public Accounts Committee has had the opportunity, because of the resource constraints, to be as active as the Chairman or the Deputy Chairman and the team would like to be and this would be an excellent opportunity for Public Accounts to engage in an area whereby they can offer a second pair of eyes.

1865 I think we need to move away from which officers have sat in which area of the States, because the Public Accounts Committee is actually nine people: the Chairwoman, the four political Members, who we know and trust, and four highly effective professional, non-States' members who have had first rate careers in the commercial sector.

1870 This amendment, clearly, is obliging the project assurance review, along the lines set out in paragraph 76, with terms of references agreed – not dictated, but agreed – in collaboration with Treasury & Resources and then the report compiled by Treasury & Resources, following such a review, will be provided to the Public Accounts Committee for its consideration. Surely that is little different from when Departments write reports and they submit them to the Policy Council. We know the Policy Council does not agree with everything and we know that more than occasionally they are overturned in the Assembly.

1875 All this is an opportunity for the nine elected members of the Public Accounts Committee, including the four non-States' members, to gain an evaluation of what has gone right and what has gone wrong and how it has developed within both its own context and the wider context of electronic records and IT strategies.

I think it is a useful endeavour and it will give Members who are not on Public Accounts, including myself, hopefully the opportunity to see something published that gives us confidence that the process has gone well and will go well and is the best possible option that we can see. It will be also a testing ground for the new style Public Accounts Committee and we should support it.

1880 I do not see it as a vote of no confidence in Treasury & Resources or anybody connected with that and I did not read it in that way.

The Bailiff: Deputy Storey.

1885 **Deputy Storey:** Thank you, sir.

I am a little confused by this amendment because I do not think, if we were to pass it, it would add anything to the governance of what was going on in HSSD or T&R.

1890 I have to declare a sort of interest, in that I was a Member of PAC last term and I do not want to be derogatory to any Departments or Committees or individuals in this, so take a clear note of that and just look at the amendment and then what really takes my attention is the explanatory note:

‘The Treasury & Resources Department states in its report that it will be undertaking a project assurance review.’

1895 Now, as a Member of the HSSD board, I am aware of this assurance review that is going to be undertaken. It is likely to be undertaken by an external organisation and, therefore, will be independent. In fact, it might even be being undertaken by an independent organisation which PAC would, if they were running the review, have appointed themselves. So I cannot see that the fact that it is being undertaken by T&R and not PAC makes any difference to the results of the review or the way in which the review is going to be undertaken.

1900 Now, the reviewers will be reporting back to HSSD and T&R but hopefully they will be doing that in two or three weeks’ time. Now, if we are going to wait for PAC to have their discussions on what the terms of reference should be and get involved, that is just going to be an additional delay on getting this review done and dusted and, once again, this project will lose impetus. So, basically, all this proposal will do is add another layer of expense and another layer of delay. I cannot see any gain from going down that path.

1905 What I would think would most probably be the best approach would be that this review, when it is provided to HSSD and T&R, is also shared with PAC because, quite honestly, if the review shows that the wisdom of proceeding is questionable then I would not want to go ahead with it anyway and it would be nice to get some support from PAC in that regard.

1910 So I am not wishing to clip PAC’s wings but on this particular occasion I cannot see any advantage to be gained by delaying the project by instituting a further review by PAC. So I would ask everybody to reject this amendment.

Thank you, sir.

The Bailiff: Deputy Kuttelwascher.

1915 **Deputy Kuttelwascher:** Thank you, sir.

1920 I will not support this amendment for a number of reasons, but the main one is this: PAC is an independent body which can initiate reviews without permission from anybody – well, as independent as anybody can be in this Assembly but they do not need permission. My question is: ‘why don’t PAC conduct this review?’ It is as simple as that. What this does is it forcibly tries to delegate a PAC function to T&R and I find that somewhat bizarre.

1925 The other problem I have with it is it does not state or give any indication of what sort of terms of reference might be agreeable and we could spend weeks and weeks and weeks coming to agreement or no agreement or is the intention that the terms of reference will be dictated and it will be a ‘take it or leave it’ as far as T&R? I have no idea. What terms of reference? We have an assurance review process which we plan to use. If this were passed, what is next? Do PAC go away and decide what terms of reference they would like? Will there be a big discussion on what we may or may not do? I just do not see the point of it.

PAC should conduct this sort of review, not T&R. So, my question: ‘is why do you not just do it?’ Simple as that.

Thank you, sir.

1930 **The Bailiff:** Deputy Lowe and then Deputy Inglis.

Deputy Lowe: Thank you, sir.

1935 I will try to stick to just the amendment and perhaps discuss the project further on, but the question for me is very similar to what has already been raised really. I believe it should be completely independent. It should not be T&R and indeed it should not be PAC.

1940 Now, I would have liked PAC. I asked, as soon as the Chairman was appointed, if she would look into this because as far as I am concerned it has had many years of problems and indeed we had a paper here back in 2009 about the cost of stopping of the project, because it was causing so many problems and that paper was produced for the Board to look at, and it has continued to. We have seen various minutes and papers where it has come out saying it is £5.5 million and many problems that have actually existed within it. But that was not taken up. That was not taken up by the previous PAC and it was not taken up by the current PAC, which disappoints me.

1945 I also raised it at T&R and asked T&R to look at it too and, although T&R are on the Project Board and the assurance board – or whatever they call themselves – at political and staff level... So really, to me, this is a bit odd – that T&R want to do a review on something that they sit on anyway and they are at all the project boards. Why would you want to look at yourselves when you know what is going on and, indeed,

you authorised some of the expenditure that has taken place with – I will probably be kind and get a slap on the wrist for it – perhaps creative accounting, where the figures have changed as they gone along?

1950 I just find that a little odd. If T&R had come back and said, 'Let's have an independent review, totally independent of T&R and indeed of PAC because PAC have not taken it on', I would welcome it with open arms, but I have a little bit of a problem here of wondering: why would you look at yourself when you are on all the boards anyway and all the committees and all the sub-groups? You are there, both at staff level and indeed at political level.

1955 I was pleased to hear what Deputy Perrot said this morning – that he asked some very awkward questions – because we did too, on the Board, and it used to go down like a ton of bricks, to be honest. Deputy Le Lièvre was very vocal and got quite carried away at times with the frustration, because you would read... (Laughter) I know that comes as a surprise to you, but you would read the minutes of the project group which was pretty scary, both in expense and the concern regarding patient care, and I will not say any more than that because I would not like anybody out there to be concerned with what we read and it has probably been corrected now. But it was pretty major, what we were actually reading, and yet the person that was sitting from HSSD on that Project Board said, 'Oh, it is all fine.' Well, actually, not according to the minutes it is not and so we got slammed down. So you go by the written word and the written word was it was not actually going too well and there were some major problems.

1965 So I cannot support the amendment. T&R – also I am still baffled why they want to do a review about themselves when they have been on it anyway and if you are reviewing it and you are already asking for this money and it comes back and it shows that actually they have had the money – which I think you know that anyway – we are still going to go ahead, so why are we wasting time having a review?

1970 That is the bit I really do not understand, that I would like a bit more clarification of that, please, because I just think it is almost like a... I do not know. I cannot put a word to it. It just –

Deputy Brehaut: Like St. John's, possibly. Just to help you out.

1975 **Deputy Lowe:** While I am on my feet, sir, I also – Perhaps the Deputy would like to substantiate that but that is for a different debate, but he has this... Well, he always wants to have a go at something that I am either on or involved with, but that is up to him if he wishes it do that.

1980 But, while I am on my feet – and I will not respond to that because I do not come down to that level, Deputy Brehaut – while I am on my feet I will say that it was mentioned before about Social Security and I would like to put the record straight on that one, because of what actually was said by the Chairman of PAC.

1985 It was said about the social security system, where it was expected to be around £7 million and it went to £9 million. That is absolutely right, but what is missing from that is the fact that Social Security sought advice from Advisory & Finance and asked Advisory & Finance at the time if there could be a spec and a limit on it, and Advisory & Finance said, 'This is new for the States. It is a bigger system. You need to go ahead with it.' And in the end it was Social Security's insistence, as it was going along, that it got to £9 million and Social Security insisted that it stopped at just the benefits and not the contributions, because of the way it was running away with money. So it was Social Security that stopped it going any further, no thanks to Advisory & Finance.

1990 **The Bailiff:** Deputy Inglis.

Deputy Inglis: Thank you, Mr Bailiff.

1995 Very briefly, what Deputy Soulsby and Deputy Le Clerc are trying to do is very admirable in relation to their mandate. What I would say to them is: I wonder if they have ever tried getting money out of T&R? Where Deputy Perrot takes offence at their parking tanks on their lawn, believe you and me, they park their tanks on our lawn when you are looking to put forward a business case.

2000 I have to say that they are very effective in how they put together the business case, working with your officers of the various Departments and I can assure you that when it comes to public money the scrutiny that they apply within is very commendable. It can be very frustrating when you want to move fast, but I would have no doubt in recommending that we do not support this amendment, because the job that T&R are doing at the moment is admirable.

Thank you.

The Bailiff: Yes, Deputy James.

2005

Deputy James: Thank you, sir.

Like Deputy Le Clerc, I am really quite taken aback – quite surprised – at the vociferous opposition to this – what, to me, seemed a – fairly reasonable amendment.

2010 As Deputy Gollop has clearly reminded the Assembly, this is about agreeing the terms of reference with PAC – fairly innocuous, or so I thought. I think the response seems to be akin to... I am not normally known for a use of clichés, but I think the response thus far has been a bit like the rapid fire of the Noonday Gun and it really does surprise me.

2015 I have been asking myself what the listening public would be making of this if this amendment gets lost. I leave the Assembly to work on that and, while we are talking about warfare, in terms of Deputy Perrot's comments, I would just like to conclude by saying, it seems, sir, 'they do not like it up 'em, Mr Mannering.'
(Laughter)

The Bailiff: Deputy Harwood.

2020 **Deputy Harwood:** Thank you, sir.

I rise to support my beleaguered colleagues on PAC, Deputy Soulsby and Le Clerc.

Gosh, what a hornet's nest this has stirred up.

2025 I agree with Deputy Gollop. On page 1587, paragraph 76, of the estimable Property Capital Report Treasury & Resources themselves say that they will wish to undertake a detailed project assurance review. In those circumstances, surely it would be stupid and a total waste of public resources for PAC to duplicate the work that T&R are already committing themselves to do, but it is entirely appropriate, surely, for PAC to have some input into the terms of reference of that review.

2030 It is not creating another level of bureaucracy as Deputy Dorey suggested. It is not in any way derogatory about T&R. We recognise that T&R will carry out an effective review. Surely PAC has a perfect right to ask to be cited of the terms of reference that are going to set up for that review and possibly to have input into that review; and ultimately then to be able to be allowed to have access to the outcome of that review.

2035 PAC has a responsibility for scrutinising public expenditure. This is a classic case. A classic case of a project that started over 10 years ago – as Deputy Perrot has said – and has stalled, has changed. Deputy Langlois referred earlier to the pace of technology that has overwhelmed this project and, I have no doubt, other projects as well. I think it is perfectly justifiable, perfectly appropriate and perfectly proper for PAC to request this amendment.

Thank you, sir.

2040 **The Bailiff:** Deputy Sherbourne and then the Chief Minister.

Deputy Sherbourne: I will complete the Board response.

I did not expect to be standing at all to support this, as I thought it was a fairly neutral proposal and I too, like my colleagues, have been surprised at the rather aggressive response of certain of our colleagues.

2045 It seems to me that we have a certain fixation on the way that scrutineering should be carried in Guernsey. There is a belief that maybe the Scrutiny and PAC Committees should always wait until a process is complete before assessing whether it has been effective. They produce lessons learned. We know from the past that very often those lessons learned are not actually taken note of.

2050 My feeling on this particular proposal is that it enables PAC to play an earlier part in the process. It is not a case of us waiting for a post implementation report to come and spend months looking at that. It is case of getting in on the ground floor, establishing an understanding which will go through its natural course and then, hopefully, speed up PAC's final response.

Now, I see the Treasury Minister shaking his head. I suspect maybe because there is quite a lot of vested interested in T&R looking after and reviewing its own projects.

2055 At any rate, I do support this. I do think it is another approach for PAC to be taking that is extremely valid and would ask you to support it.

The Bailiff: The Chief Minister.

2060 **The Chief Minister (Deputy Le Tocq):** I rise because, despite Deputy Perrot's comments, it would seem that the PAC are still manoeuvring their big guns on T&R's lawn – keeping some of the biggest ones for the end – but I think this is one of the problems of our system of Government and it probably would not have occurred except the fact that we are all in this Chamber and we sit on various, different Committees.

2065 It is true to say that, on the face of it, this could look like a harmless amendment and proposal to make. However, I think it sets a precedent which is not helpful at all in terms of good governance, because what it could involve is an additional involvement in scrutiny by other people at a stage which would delay things further and further.

I mean, ultimately, to take it to its logical extreme, why don't we just micromanage everything from this Assembly so it comes up to here? The concern, I know, will be... The argument will be, 'Well, this is a

2070 very particular case and there have been some problems, not only here, but elsewhere with it,' but I do think that there is very little that can be added in term of scrutiny value by this particular amendment.

I think there are already things in place that are appropriate, because the fact remains that, never mind what project we undertake, we could always make improvements. That is always going to be the case. But I cannot see that this will add anything to it and, at the same time, it will set a precedent that I do not think will be very helpful for us in terms of good governance in the future.

The Bailiff: Deputy Adam.

Deputy Adam: Thank you, sir.

2080 I feel I must say something because, as Minister and a Member of the HSSD from about 2008 onwards, I do know something about this project.

There is that horrible saying that people have of, 'We are where we are'. I was Chairman of the T&R ICT sub-committee and when we started out we first of all looked at one Department's ICT problems, we offered to try and broker things and help and assist and I think that Department's Minister may think that we were quite beneficial and helpful to them.

2085 Then we decided, because of all Deputy Perrot's work in relation and difficulty in finding out the accounts etc about the HSSD computer system, we would address that from an ICT committee point of view; and we did and we had Deputy Bebb and one of his officers down to speak to us about it.

2090 Then we realised that this system was going on with hiccups, with problems with the systems and software etc because it was extremely ambitious.

Now, talking from a medical point of view – and I am, maybe, an old fashioned doctor – I like to write things down in case notes and the concept of this was to put things on a computer. That was fine for results, x-rays, letters etc. That was all done and in place, and what is in place functions quite satisfactory now. But for various reasons in the middle of 2012, when Deputy Brehaut was on the Project Board, he came to one board meeting and said, 'Look, we have lost three project managers, but also we lost a very senior person, plus a senior finance person and things stagnated' and therefore –

The Bailiff: Are you straying beyond the amendment, Deputy Adam?

2100 **Deputy Adam:** I think it is relevant now – or actually we suggested as a committee several months ago – for an internal review of the situation to see where it is going.

Bringing it back to this document, there will be a full business case and justification for this and an assessment of what has happened in the past. I think this is T&R's responsibility to ensure the progress and the finances go into it and it progresses forward.

2105 Therefore, I do not support this amendment.

The Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, sir.

2110 I fear that if I do stray a little bit further than the amendment, I am happy to forgo my right to speak in general debate, but I do think that a few points have been raised and, as the Chairman of the EHSCR implementation board, it is only right that I respond.

EHSCR, as Deputy Langlois quite rightly pointed out, is a very complex mixture of programmes. The idea that we have this one simplistic programme is erroneous.

2115 Comparisons with Jersey are completely inaccurate because the Jersey comparator is in relation to the GP integration into the system. Comparators with the UK, Deputy Langlois was quite right in saying, are also partly to do with the GP integration before us – neither of which before us have been envisaged to be completed within this project.

2120 A 2006 Billet originally envisaged the implementation being done in three years, while here eight years down the line is a perfect example of how someone came up with an overly optimistic timeline, but it did say that it would be completed within 10 years.

2125 Could I point out that that 10 years expires in December 2016 and, as Members who attended the presentation will know, the timescales for the delivery of the outstanding modules are exceptionally tight. It needs to realistically be completed by the end of 2015 in order to be able to conduct the appropriate reviews – of which PAC will be involved, evidently, as we would expect – of the full project. If we are to complete by 2015, the outstanding two modules are very complex in their delivery.

You are being asked today in relation to two simple projects. The child information database, which is currently considered one of the greatest risk areas at HSSD. It is actually considered to be one of the biggest risk areas because the system is currently out of date. It needs to be replaced. It is not adequate.

2130 Deputy Lowe, I give way.

Deputy Lowe: Sir, has this really got anything to do with the amendment?

The Bailiff: Deputy Bebb has said that he will forego his right to speak in general debate.

2135 **Deputy Bebb:** Yes. I feel that it is appropriate for me to respond to the questions asked and if that means that that I forego my right in general debate, I will.

The child information database is fundamentally behind the times. The risks of not entering into an appropriate response and an appropriate system are well known to Members. I do not want to shroud-wave around in this Assembly. There are measures put in place in order to deal with those problems in the system, but the system is currently not assisting our staff. It could be said that in certain cases it is inhibiting their ability to deal with some of the most vulnerable children on this Island.

The other area that is being asked is e-prescribing. E-prescribing is not the pharmacy module that was referred to previously. It does not deal with the pharmacy stocks that are currently held within the Hospital. It is to do with prescribing. It is literally prescribing.

2145 The prescribing is what we do more than anything else in the Hospital. There are generally four rounds of prescribing every single day on every single ward. We have vast volumes of prescribing happening every day. It is a huge area of risk.

Once again we have built in systems to deal with that risk. Everybody here will know as to the spectacular quality of writing and the legibility of doctor's handwriting, (*Laughter*) but we have put in measures in place in order to deal with those questions. We have and that is why we have a fairly robust system, but let's not imagine that something that happens at this level does not come with a small error rate.

E-prescribing removes that error rate, but it will involve absolutely every single person who currently involves themselves in either the Hospital or our community services because we prescribe and therefore the change management involved in that process is likely to be one of the biggest projects undertaken by HSSD in relation to its clinical staff.

Speed is very much of the essence. I would suggest that in relation to the child information database replacement the issues are well known. We need to replace it because we currently are deficient and the risk in that area is substantial. With relation to e-prescribing, evidently, if we have to deliver one of the largest change modules for HSSD, within the timescales I have just explained, we need there to be speed.

2160 The review, as I understand it, is going to be conducted by T&R, as is their review on absolutely every single one of the capital portfolios in advance of releasing money. Therefore, the idea of not conducting a review but conducting a review for all of the other capital projects seems to be quite simply bizarre.

Then we hear the accusation that because T&R have been intimately involved it needs to be independent, but not so independent that PAC want to conduct their own review. So what we are hearing is that a request to be involved in setting the terms of reference, to have the Report go back to PAC – and whether there is an expectation that they would have a say on whether the moneys would be released after the Report goes back to them or not is not made clear within the actual amendment... but the idea that this can happen and the timescales of the project can happen contemporaneously is false.

2170 The terms of reference are almost at the point of being agreed between HSSD and T&R. I have seen them. I know that the staff between two Departments are at the point of agreeing them. There is an expectation that this review could be completed within the next two weeks.

To give Members further comfort, because I do realise that this accusation – of are we really independent of each other? – I can attest quite happily that Deputy Perrot, quite rightly, was a member of the awkward squad when it came to the finances on this project and actually I thank him for that because it is helpful to bring someone back always to the point of, 'Well, I do not really care about what you are doing and this, that and the other. Show me the money. Show me what is happening with the money.' And that is what Deputy Perrot did, relentlessly, tirelessly, until he was satisfied. I believe that Deputy Perrot is currently satisfied in relation to the financial expenditure on that project. I do not see him shaking his head and therefore I hope I speak correctly in that area.

2180 I think that the other thing that Members should be aware of is that this project had a system of governance which is the Project Assurance Group, a set of civil servants that sit next to the EHSCR Project Board.

Now, just so that Members have an understanding of exactly who is included on the Project Assurance Group – bear with me for one moment – the Project Assurance Group is comprised of the Director of ICT, a senior member of MSG, the Director of Health, Social Care and Nursing, the Assistant Director of Adult Community Care, the Head of the Internal Audit and HSSD's finance partner.

So they meet on a regular basis in order to look at a project assurance of this project and nothing else and may I suggest that those people have yet to come to me with a report saying, 'We are not assured.' They have consistently come back to say, 'We are assured.'

2190 Now, that does not mean that there have not been hiccups and problems in the past. There has recently been an issue because TrakCare, not originally envisaged within the central module of the EHSCR, had to

under undergo a fairly substantial upgrade. This is exactly what is understood by the fact that the technology moves forward.

2195 Members will know that back in 2006 I would ask them what version of Microsoft Word were you using, what version of Microsoft Excel or Windows? I see Deputy Fallaize in amazement as to the idea of any of them, but I do believe that he does use them on a regular basis. And what is available today?

Of course, in relation to EHSCR, TrakCare is the central plank of a number of other modules and their interaction and how they work together. Once you upgrade one part then of course the question as to how all those other parts interact always comes into question.

2200 But not doing the upgrade is not an option and therefore a fairly substantial, major upgrade of, I believe, four versions has just happened. The idea that that can happen without problems is folly. Anybody who has been involved in computer systems will know that such a large upgrade does not happen without certain problems. Are they being resolved? Yes. The vast majority have been. Others are still a work in progress. Do we therefore have the occasional problem? Yes. And the problems were such that there was a fairly heated debate around the EHSCR table a few months ago and the question was asked, 'Well, should we have not done this?' And the answer emphatically, from those on the clinical side of the business, was, 'If this was not in place, we would be in a clinically destitute position, compared to where we are now.' We are in a clinically far superior position today because we have invested in this programme.

2210 Now, the question with regards to the finances – we are still, on the project, estimating that the overall savings to the Department will be far greater than the overall expenditure within that 10-year cycle and in that respect may I suggest that, of all the things that need a huge PAC review, I am unsure if this is the one. I look forward to other systems that have been implemented to be reviewed. I am sure that there are a number.

2215 And I really would welcome, as will be part of the closure of this project... PAC will be involved... if they wish to come in and audit all those modules that have been delivered to date and the finances to date, on the expectation that they would therefore have less work to do in 2016, I welcome that. I honestly would welcome it. If they feel an independent review is required and they feel that completing it within either 2014 or 2015 would assist them, I will happily assist them and will welcome such a review. But that is not what is actually being presented. It is a review that is trying to put into T&R's mandate something which, quite frankly, does not belong there.

2220 The modules that have been delivered to date... and I will list them: we have a patient master index, waiting list and referral module, clinical and out-patient management module, admissions and bed management model, a theatre module. There has been the very large TrakCare upgrade to the 2012 version that was not originally part of the budget but has been delivered within it, business intelligence module, the Technodata pathology weblink, with the Technodata interface for pathology.

2225 We have an Endobase system, we have PACS web viewer link, we have the CRS interface, the interface to EuroKing which is the maternity services, we have the interface with Chemocare, we have the JAC which is the pharmacy module that Deputy Hadley was questioning, we have the mental health module; we have a clinical application interface with RiO which is the child module, we have the reporting system of TrakCare Community and, indeed, there are certain others hardware upgrades that have also been delivered in that timescale.

Now, may I suggest that within the space of eight years that is not exactly a bad achievement and we have also put in a whole host of patches and everything else.

2235 This project now needs to come to an end in 2016 and the reasons for it needing to come to an end go far beyond a simply direction from this Assembly. The problem HSSD has today is that EHSCR has become the overall governance structure for all IT projects within HSSD. Every time we have had an IT project that needed to be delivered, over the past eight years, it was thought, 'Well, let's just throw it into EHSCR and let us just deal with it there.'

2240 The Department now needs to move on from that module. T&R cannot be expected to constantly sit on HSSD in order to provide governance of its IT modules. The idea does not sit comfortably. We have put together the right module to replace the EHSCR and we therefore need to move to that time. We cannot face delays. I doubt that this amendment does anything but delay.

2245 The terms of reference are in place. The review will be conducted within the next two weeks. I can assure Members that I have been repeatedly advised that it has financially been a success. I am sure PAC, when they conduct their review, will actually come to the same conclusion. Will there be lessons to learn? Of course there will be, but the idea that we can make a comparison today with the Billet in 2006 is folly. The world has moved on, technology has moved on.

2250 What has been delivered is quite different. It is far above what was originally envisaged and I believe that it is working accordingly. Not fantastically – of course, there are areas for improvement. There always will be.

But the idea that time and effort from PAC are best spent on scrutiny of £600,000, when they know what the £600,000 will deliver – as does every Member here... It will deliver staff – clinical staff – to

enable the delivery of two fundamentally important modules within the HSSD's portfolio of services. The idea that we have a question over that is... I would ask as to the priorities of PAC.

2255 One question that was asked by Deputy Hadley and I would like to answer... I would apologise that the response was not given in relation to this question previously but I can attest to him. Since the introduction of FTP targets in 2012, HSSD banked any recurring revenue savings that were made. Therefore that includes one of the technical staff that were, as he said, of the three posts that he questioned.

2260 If Deputy Hadley has a question over the validity of that, I am quite content to enter into a discussion with him, T&R Members and HSSD Members, over whether that was an appropriate FTP saving. But, Members, that is not a reason to delay the implementation of a very important module that carries for HSSD one of the biggest risks.

2265 In Jersey at the moment they are facing very dire consequences of not having put in right measures for their child protection. Members here today, if they do not act speedily, will knowingly have delayed the implementation of a system that removes an awful lot of that risk.

I beg you to move swiftly and do not support this amendment. We are ready to move. We have identified a number of resources to start implementing this project before the end of August. We are ready to go. The question is: do the Assembly want to prevaricate? I would urge you not to and to reject this amendment.

2270 Thank you.

The Bailiff: Deputy St. Pier.

Deputy St. Pier: Thank you, sir.

2275 First of all, just a point of clarification, I guess. Deputy Lowe referred to having previously asked T&R to conduct a review but I think, for the avoidance of doubt, I think that was probably related to the previous term, (**Deputy Lowe:** It was.) not the current term.

Deputy Lowe: Yes, I can confirm that was the case, sir.

2280

Deputy St. Pier: Thank you.

2285 Deputy Lowe also asked... in essence, she expressed some concern and queried really why T&R wanted to conduct a review and what it would achieve, and I think Deputy Bebb has referred to draft terms of reference and I think it might be useful for me just to run through those with this Assembly, so they are aware of what we are actually talking about here and this is what has been discussed between HSSD and T&R.

2290 The object of the review will be to determine if the programme is on track to deliver its products in order to realise the stated benefits. That is one of the things we are very keen on in relation to all the projects in this next stage of our capital programme – that they do actually deliver what they say they will deliver and not just in financial terms, and to make any necessary recommendations.

What we will be looking for in terms of output will be a summary report identifying all the documented changes into the scope of the programme, highlighting any differences between expected and actual costs, resource requirements or benefits and identifying any issues of concern which may need further exploration prior to further investment of £650,000 to deliver the programme modules.

2295 In particular, in order to ascertain all of that, the draft terms of reference suggest that it will be necessary to ascertain that effective governance arrangements are in place, that project risks have been correctly identified and are being effectively managed, project resource is sufficient in both quantity and skills for delivering the necessary products, project finances have been appropriately planned and have been regularly monitored, adequate funding is available for the duration of the project, project benefits have been clearly defined, project plans will enable delivery of those benefits – which are of course significant, sufficient project planning and scheduling has been undertaken, tasks and timescales are realistic and achievable, and adequate training has been built into the project schedule and further appropriately skilled resource is in place to deliver the change.

2305 So those are the terms of reference and I would certainly be interested to hear from Deputy Soulsby, when she closes, what is in there that maybe missing or maybe of concern to her and her Committee.

I think it is also worth reminding the Assembly, sir, that the only reason we are having this debate at all is because T&R have insisted that there should be a project assurance review before the next stage of investment in this project and they have put that in the Report that is before you for substantive debate.

2310 The Chief Minister referred to the possibility of this setting a precedent. There will be dozens of project assurance reviews over the next few years, as part of this capital programme. It is absolutely absurd that we should be considering agreeing terms of reference for each of those with the Public Accounts Committee.

I think Deputy Brehaut very much hit the nail on the head that, if this is to be a truly independent review and if there is truly concern about T&R's role in this, then PAC should not be seeking to outsource their role to us in terms of agreeing the terms of reference.

2315 However, I think finally I would just like to say that I think this whole amendment is spectacularly unnecessary and an inappropriate way to deal with this. To address Deputy Fallaize's question of concern in his speech, there have been absolutely no problems in the relationship and the information flowing between T&R and PAC in the last two and half years.

2320 As far as I am aware, every single request for information in any area has always been met and there is a good dialogue at both officer and political level and, indeed, following Deputy Soulsby's e-mail to me last week, which all Member's saw, the second half of this resolution has already been dealt with anyway because we quite readily agreed, as we always would, that the review should be made available to the Committee.

2325 This could quite simply have been dealt with by engagement at either officer or political level, to ask for sight of the draft terms and to ask whether PAC could comment and input into them. There would have been absolutely no problem with that and, indeed, I have got no problem with PAC inputting into this in the hope that the Assembly will defeat this amendment, for all the reasons that have been laid out by others. But, having done that, clearly if PAC have got comments on this I welcome that those are provided.

2330 So I think, as I say, it is a spectacularly unnecessary amendment and I strongly urge the Assembly to defeat it, sir.

The Bailiff: Does anyone else wish to speak before Deputy Soulsby replies?
Deputy Lester Queripel.

2335 **Deputy Lester Queripel:** Sir, I will be brief.

I fully support this amendment. Yes, we must have every confidence that our colleagues at T&R will carry out their duties in a responsible manner, but we must also have confidence that our colleagues on PAC will carry out their duties in a responsible manner.

2340 I do not see this as undermining our colleagues at T&R in any way, shape or form, but what I do see it as is PAC pursuing their mandate – in other words, doing their job – and it never ceases to amaze me, sir, how precious some of my colleagues can be.

Picking up on and supporting Deputy Sherbourne's point. What is wrong with getting in on the ground floor and being proactive instead of reactive? And the Chief Minister said he could not see what supporting this amendment would add to proceedings, but surely we would be adding an element of proactivity.

2345 Thank you, sir.

The Bailiff: Anyone else? I see no one rising.
Deputy Soulsby will reply to the debate.

2350 **Deputy Soulsby:** Wow! (*Laughter*) When I laid this amendment I had no idea it would raise such emotions. It does seem to have rattled a few cages. Words like 'dangerous' and 'spectacularly unnecessary'. Words fail me on that front.

2355 Taking Deputy Perrot first, I go back to a comment he made a few months back about thinking he was developing a thin skin. Well, clearly it must be if he is taking this as a criticism. This is not a criticism but, as his own Department has acknowledged, there have been conflicts and blurring of accountabilities between portfolio and project roles, which is why political Members no longer have a role on the Project Board.

2360 Deputy Hadley's comments regarding conflict of civil servants – well, if there is an issue we will deal with them but, in any event, my understanding is civil servants cannot be conflicted. Just consider what a mess we would be in given how they move from Department to Department throughout their careers.

I thoroughly object to Deputy Perrot's comments about PAC parking its tanks on his lawn. I would have thought bikes would be a better analogy. I will refer at the end to the mandate of PAC.

2365 Now, Deputy Dorey says the project was not intended to cover GPs, but Deputy Bebb did say as much at the meeting two weeks ago and it is certainly involved and stated in the Report. In the original December 2006 report, it stated benefits include:

'Better integration of health care information across HSSD, MSG and primary care providers, helping ensure... clinical information is available wherever and whenever it is needed.'

I am really concerned if Deputy Langlois believes independent scrutiny is dangerous.

Deputy Dorey: Point of correction.

2370 I attended that meeting and the point was left open because the information was not available and, as I said, I have listened to the debate. I was there when the original debate... and the words were, 'It was primarily a system for MSG and hospital records, with some connections to primary care'. It was not a primary care record system.

2375 **Deputy Lowe:** Sir, I do not know if I can help here or not but it was always sold to –

The Bailiff: Is this a point of correction?

Deputy Lowe: – States' Members that it was actually to involve –

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Deputy Soulsby: Yes. I was going to read to you from the minutes here.

The Bailiff: Well, is it a point of correction or are you asking Deputy Soulsby to give way? There is a difference.

2385

Deputy Lowe: A point of correction.

The Bailiff: A point of correction.

2390

Deputy Lowe: Sorry, sir. I beg your pardon.

The Bailiff: Go ahead.

2395 **Deputy Lowe:** It was always the case that this service and I have got... Here you go. It is in here somewhere. That is all the minutes and projects. It says in there quite clearly it is for the MSG, GPs and A&E. So if you go up to A&E it does not matter what time you go – it is 24 by seven – any doctor will be able to see if you were prescribed some drugs earlier in the day, so that would get rid of the confusion.

That was how it was sold to the States at the time and there is one set of minutes here which I was going to mention later on but, as I said, it may help Deputy Soulsby. It does actually say in here, 'Further development links to primary care in light of the EHSCR project.'

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The Bailiff: Deputy Soulsby.

2405 **Deputy Soulsby:** Sir, I am really concerned if Deputy Langlois believes independent scrutiny is dangerous.

He has eloquently demonstrated just why PAC should be involved. 'We are not in the same situation as Jersey' he says. How do we know? What assurance can he give this Assembly? Although I do share his concerns with PRINCE2 methodology.

2410

Deputy Fallaize talks about PAC not being any more independent than T&R. We are independent of Government. In fact, we consider that this review would be best be undertaken by our non-States' members who, I hope Deputy Fallaize will agree, are completely independent.

I also would like to reiterate, as there has been some misunderstanding on this matter, that we at PAC are not looking at being part of every project assurance review, only this one, due to all the concerns I raised in my opening speech.

2415

Now, I can assuage Deputy Fallaize's concerns regarding terms of reference. We are not writing them. Clearly, the T&R Minister has demonstrated that he has terms of reference in place. I am sure that it is quite reasonable that, having listened to those, we can agree them quite quickly. It should leave little in the way of delay.

2420

Deputy Brehaut makes out the Committee is picking on HSSD. This also concerns me and this is certainly not the case. Clearly, given the size of the Department representing a third of States' expenditure – over £112 million, to be precise – overspends and other well-known issues, I would state that PAC would be failing in its duty were it not to take a close interest in what is happening in that Department.

How can we be undermining scrutiny? It is ironic that Deputy Brehaut always speaks about live and proactive scrutiny but when we try he does not like it.

2425

No, Chief Minister, no, Deputy Kuttelwascher – this is not going to create delays or set a precedent. Deputy St. Pier has just briefly gone through the terms of reference. They sound reasonable. I do not see why anybody believes it is going to take weeks and week to agree them.

There is a well-established post-implementation process where the scope and brief are established in agreement with PAC and the report is presented for consideration. PAC is only asking for consistency with current process and saying that instead of waiting until it is all over and more money has been spent, isn't it

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better to do so now, when there are already all the indications of financial concern? We are certainly not overstepping our mandate, as some have stated.

2435 I would also repeat: we are not undertaking a review. T&R have already said they are doing it. Rather, PAC should be involved in the scoping of the review, considering the report, once completed, and then, importantly, making public those findings. That explains the benefits of PAC's involvement.

PAC, I reiterate the point when opening... T&R have been intimately involved with this project from the start, during an eight-year period when processes have changed.

I thank Deputy Gollop for his comments and analysis and for understanding exactly what this amendment is about.

2440 Deputy Storey and Deputy Bebb talk about a delay. Again, this is a project that has been going on since 2006. A few weeks will not make much difference, in any event.

Deputy Kuttelwascher totally misses the point. We do not need to do a review as T&R say we will be doing one anyway. He says agreeing terms of reference will take ages. Again, we have already shown that that is not going to be true at all. I am sure it will take no time at all.

2445

Deputy Kuttelwascher: Point of correction, if I may?

I was suggesting they did a review in the whole project from its inception, not this one section. My question is why don't they just do a review of the whole project? That is all I suggested, not this particular piece.

2450

Deputy Soulsby: We will do a post implementation review, but when it is all over and that is the whole point – we do not believe that should wait until when the project is over.

2455 Deputy Lowe is correct. She did mention that it was something that might be worth the Public Accounts Committee considering at some point, but she also said she would provide a lot of information to the PAC, but this has never been provided. Deputy Lowe is often one of the first to ask for information to be made public, so I am unsure why she does not believe this is necessary now.

I appreciate what Deputy Inglis says, but we are looking at a project that predates current processes and, yes, things have improved but this project began in 2006, before what we have got at the moment.

I thank fellow PAC Members for their support.

2460

Finally, Deputy Bebb says it is a complicated project. Well, complication generally means greater risk and greater risk leads to greater expense. He listed all the modules that have implemented and I asked at what cost?

2465 Finally, I have to say, I am astonished by some of the reactions to this amendment. I totally agree with Deputy James. I would ask what will the public perception be with the protestations of some of this Assembly of having some sort of scrutiny on this matter – a project that has clearly gone over budget. Aren't Members worried that they do not know what the costs are?

Deputy Bebb: I am sorry. Point of correction.

2470

The Bailiff: Yes, go ahead, Deputy Bebb.

Deputy Bebb: The project has not gone over budget.

The Bailiff: Deputy Soulsby.

2475

Deputy Soulsby: We have no idea whether it is not going... but all the indications show that it has gone over budget, because the revenue costs are well over what they were originally allocated.

2480 **Deputy Bebb:** I regret that Deputy Soulsby is mistaken. As she knows from the presentation that was given, the project is not over budget and to assert that is, despite knowing from the presentation that it is not, is to mislead this Assembly.

The Bailiff: Deputy Soulsby.

2485 **Deputy Soulsby:** I would say that the information given at that presentation did not assuage my concerns that the project had not gone over budget.

The Bailiff: I think that is –

Deputy Bebb: Could I, therefore, suggest that she conducts a full review? (**A Member:** Hear, hear.)

2490

Deputy Soulsby: Certainly we will be doing, but when it is all over.

Now, three weeks ago Members stated how we needed up a beefed up scrutiny function and how powers and resources needed to be looked at, but when we do get stuck in – to use Deputy Perrot’s analogy – the anti-tank guns are aimed well and truly at our heads.

2495

I therefore urge all Members, for the sake of openness, transparency and the word, this term, ‘accountability’, to support this amendment.

Deputy Fallaize: Sir, may I ask for clarification, please, because Deputy Soulsby has not quite addressed this in her summing up and I am now a bit confused because the amendment effectively has two material points in it?

2500

I am trying to get hold of it. One is that the terms of reference be agreed by PAC. Well, actually, the Chairman has just implied that the terms of reference, as outlined by the Minister, do not seem particularly objectionable. But it is the words which say,

‘... and a report compiled following such review being provided to [PAC] for its consideration.’

2505

Now, what exactly does that mean? Does that just mean that T&R carry out the review and then give PAC early sight of it or do PAC get the opportunity to change it?

I am not quite sure what is meant by ‘the review being provided to PAC for its consideration’. Could Deputy Soulsby just clarify, because I may vote for the amendment if it is as benign as those words could be interpreted?

2510

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Yes, I hope I can give a greater clarity to what we are trying to do.

2515

We are trying to repeat exactly what we do on a post-implementation review, but do so at this present moment within the project. So we are not going to write the review.

The Bailiff: Members, we vote now on the amendment proposed by Deputy Soulsby, seconded by Deputy Le Clerc. Those in favour; those against.

2520

Some Members voted Pour, others voted Contre.

The Bailiff: I think the Contre vote exceeds the vote in favour.
Deputy Soulsby.

2525

Deputy Soulsby: Can I have a recorded vote, sir?

The Bailiff: Deputy Soulsby has asked for a recorded vote.

There was a recorded vote.

The Bailiff: Well, Members while the votes are formally counted, can we move with the next amendment that is proposed by Deputy Brouard and seconded by Deputy Soulsby?
Deputy Brouard.

2530

Amendment:

To insert the following proposition after Proposition 11:

‘12. To direct the Treasury and Resources Department to report to the States, after consultation with Departments and no later than as part of their 2016 Budget Report, regarding the impact of the proposals and new arrangements set out in this Report on Departments and further, setting out how any Departmental costs in compliance of these new arrangements will be met.’

Deputy Brouard: Thank you, sir.

2535

I was thinking of getting some reverse psychology to say this is going to be a dangerous and evil amendment and hope everyone thinks it is nice and benign, but anyway.

The amendment was submitted quite late, so just to read out, especially for people listening at home, the amendment is:

‘To insert the following proposition after Proposition 11,’

– which is –

‘To direct the Treasury and Resources Department to report to the States, after [consideration] with Departments and no later than as part of their 2016 Budget Report, regarding the impact of the proposals and [the] new arrangements [as] set out in this Report on Departments and further, setting out how any Departmental costs in compliance of these new arrangements will be met.’

2540

I will be fairly brief, sir.

The T&R has identified that this new SCIP process will require it to employ more staff and in paragraphs 117 and 118 it asks for approximately £¼ million for the remainder of 2014 and presumably a higher figure in subsequent years.

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The point which has not been addressed is that, while these new central staff will help guide and advise Departments on how to comply with the stricter regime and check that they do so, no financial provision is being made for the Departments which will also have to provide the staffing resource to do the legwork and deliver the enhanced requirements, thus it will remain with our Departments to research and write the strategic outline cases, the outline business cases, the submission to the gateway process, answer questions and complete questionnaires.

2550

Part of the problem may lie in the fact that the SCIP report was submitted without consultation of the Departments who will be effected – and that will basically be all Departments. So the States is being presented with a T&R view of the situation.

2555

This amendment reinforces good management practice: that of Departments working together and being cognisant of each other’s needs and issues. It may be that the effect on Departments of this new rigour is minimal, even labour saving, but that his not clear in the Report. The amendment merely seeks those issues to be considered and, in the light of the reality and consultation with your Department, the T&R is asked, then, to report to the States how these issues will be mitigated and how any extra funding the Departments may need.

2560

This amendment will give your Departments the reassurance that the impact on them will be taken into account and if you are in a Department you need this.

Thank you, sir.

2565

The Bailiff: Deputy Soulsby, do you formally second the amendment?

Deputy Soulsby: I do, sir.

2570

The Bailiff: Does everybody have a copy or have sight of a copy? Do we need any more circulated? It seems that two Members perhaps need to have an extra copy. Could arrangements be made, Greffier, for a couple of extra copies? It was on the desks yesterday.

Deputy Fallaize does not have a copy.

2575

Deputy Fallaize: Are there any copies that can be shared with me? Oh, I have now got two copies. *(Laughter)*

Not carried – Pour 15, Contre 30, Ne vote pas 0, Absent 2

POUR

Deputy Fallaize
Deputy Laurie Queripel
Deputy James
Deputy Burford
Deputy Soulsby
Deputy Hadley
Deputy Harwood
Deputy Robert Jones
Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Lester Queripel
Deputy Le Pelley
Deputy Ogier

CONTRE

Deputy Lowe
Deputy Le Lièvre
Deputy Spruce
Deputy Collins
Deputy Duquemin
Deputy Green
Deputy Dorey
Deputy Paint
Deputy Le Tocq
Deputy Adam
Deputy Perrot
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Inglis
Deputy Sillars
Deputy Luxon
Deputy Quin
Alderney Rep. Jean
Alderney Rep. Harvey
Deputy Kuttelwascher
Deputy Brehaut

NE VOTE PAS

None

ABSENT

Deputy David Jones
Deputy O'Hara

Deputy Domaille
Deputy Langlois
Deputy Storey
Deputy Bebb
Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Trott

2580 **The Bailiff:** Before we open debate, I can announce the result of the vote on the amendment proposed by Deputy Soulsby, seconded by Deputy Le Clerc. There were 15 votes in favour and 30 against. I declare the amendment lost.

Who wishes to speak?
Deputy Hadley.

2585 **Deputy Hadley:** Mr Bailiff, I am bit bemused by this because presumably this is asking T&R to provide more resources in terms of money to the Departments so they can do their day job.

I thought that this was the day job – producing information like this – and this is just, it seems to me, a way of increasing the number of people the States employ, in effect, which is the very thing people have spoken against earlier today.

2590 **The Bailiff:** Anyone else? No.
Sorry, Deputy Gillson.

Deputy Gillson: Sir, thank you.

I will read out extracts from what would have been my main speech.

2595 I support this amendment. I support the whole Report that T&R are producing. I support the generality of it – of what is being proposed – but I do have concerns relating to the implementation of the processes.

2600 I am pleased to note that T&R acknowledge, in paragraph 3, a significant additional work in developing business plans. I think this is a point that maybe Deputy Hadley did not really focus on. This Report creates new work for Departments, new processes to go through when producing business plans, so it is new day job work, so to speak, in his Departments.

2605 I think the sentiments, as I said, are very commendable. I am pleased that, in paragraph 5, T&R say they wish to ensure that any processes adopted are proportional and suitable. However, past history with T&R with regard to business cases run slightly contrary to this. The Department has had recent experience of having to spend considerable officer time in making business cases, which were already subject to a States' Resolution.

2610 Whilst I understand the need for tight financial controls, we – and I suspect most Departments – do not have any additional resources for this new work. Indeed, due to FTP efficiencies, the Department has fewer staff and so, as a result, would like to seek some assurance from T&R that it too has identified the resource weaknesses within Departments – which is what this amendment is suggesting – and that it will provide additional personnel or provide some of the resources provided by the additional personnel it seeks to approve, to support the SCIP process within Departments.

2615 So when I say 'make this additional resource available to Departments,' I mean to assist the Departments in the preparation of business cases, in tender processes, to contracts, to assist in the production of all that, not just opposed to really red penning business cases and asking them to be resubmitted with more information and more detail. There needs to be a joined up approach, a working together approach with T&R and Departments on progressing business cases.

2620 I am encouraged to know that since T&R signed off this Report there has been at least one staff level meeting between T&R and Departments, looking at how this will work and how it will be implemented. But I think that needs to be progressed. It is shame that did not happen before the Report was produced, but it is happening and it is good process. So, as I said, I think they need a balanced and proportionate process. This is what T&R want and they say and I think that is great but Departments, I am concerned, will not have the resources for this additional work.

2625 Now, T&R were recruiting a lot of resources and I hope that that will be made available in a very positive team approach with Departments and I think this amendment will go some way to ensuring that will happen in a nice transparent way.

So I will support this and I do urge everybody to support it.

The Bailiff: Deputy Fallaize, then Deputy Luxon.

2630 **Deputy Fallaize:** Thank you, sir.

I agree with what Deputy Gillson has said, although I think I may reach a different conclusion as to whether to support the amendment.

2635 The amendment directs T&R to do something which effectively would or could potentially assist our understanding in how Departments are going to meet additional costs, provoked by the new SCIP process. But the direction in the amendment to T&R is to produce this information no later than the 2016 Budget Report, which I suppose will be laid before the States in October 2015.

2640 It seems to me that by October 2015, in nearly every case, the Departments will already have been through the process of submitting the necessary information to the Capital Investment Portfolio and, therefore, I think they will already have incurred the cost. So to ask T&R at that stage to come back to advise how Departments will meet the costs, I think, will be a case of... I think it will all be a bit belated.

2645 I think sometimes in the Assembly we tend to believe that we are putting in place processes which are so rigid and inflexible. T&R can do what it likes in terms of trying to set up the Capital Investment Portfolio and it can get a Resolution through the States that says, 'This is how it is going to be run. This is the process that you are going to have to follow.' Well, fine. That is great until the States decides it wants a different Resolution.

2650 If a Department believes that its services or a facility or a capital project is being placed at great risk because of the processes it is having to go through, the hurdles it is having to jump within the Capital Investment Portfolio, well, then the Department is perfectly at liberty to come to the States and say, 'Notwithstanding the Resolution you have made to require us to adopt this process, actually on balance we do not think we should have to because it is a greater risk to have to adopt it than it would be to allow us to proceed out with it, actually.'

2655 PSD are doing something not entirely unlike that in this month's Billet. They are asking for approval to proceed with a capital project, the very same month when we are actually debating the process through with capital projects will have to proceed.

2660 So I cannot see that the process that we are putting in place is so ridged and so inflexible that it will preclude Departments from asking the States at a future date, if necessary, to take a pragmatic and flexible view of how best to proceed with a project.

2660 I think if Deputy St. Pier is just able to give the States an assurance that – because this is the first iteration of the Capital Investment Portfolio being run in this way – during that process, his Department will keep it under review and at some point will update the States about how it is proceeding and how successful it is, then I am think I am happy to leave it at that and not support the amendment. And as Departments come back with their proposed projects, if at any time they feel that the process is unduly onerous, I hope that they will stand before the States and advise the States and we can take a balanced view of it at that time.

2665 Thank you, sir.

The Bailiff: Deputy Luxon.

Deputy Luxon: Thank you, Mr Bailiff.

2670 I completely agree with Deputy Gillson. I thought he articulated the reality well. Deputy Trott only ever asks questions that he knows the answer to. Deputy Fallaize is never wrong, knowingly, but he is on the comments he just made – although he rescued right at the end.

2675 If the T&R Minister is able to give the assurance that Deputy Fallaize asked for at the end, I may not need to support this amendment. If he is not able to, I absolutely will support it.

2680 Sir, Deputy Soulsby, my fellow south-east district colleague, has laid two amendments on this SCIP report from T&R. The first I did not agree with at all. I thought it should fail and it did and I am pleased. The second one, however, I absolutely agree with and I wholeheartedly support the principle.

2680 SCIP is so new, so big, so complex, so far-reaching for us all that of course we should want to see how it works early in. Deputy Gillson referred to the excellent workshop that the States' Treasurer and the SCIP team had with the departmental officers, which was very, very beneficial to all parties to do exactly what it is that this amendment talks about, in a way, which was to look at learning so far through the process.

2685 The reason I said Deputy Fallaize is wrong is there is not a chance that these 24 projects will have been through the process to the degree he thinks by October 2015. We are already almost one year through the four-year capital prioritisation process, because of this year of planning. There one project, which is later on in this debate, that is almost ready to be approved or not by this States, but I can assure you there is no way, when you look at the range of projects and ask yourself... whether the resources within each Department is there to be able to progress them all. It is simply impossible and I will refer to that later in the main speech, sir.

2690 So I absolutely see what Deputy Soulsby is trying to do here. It is perfectly reasonable and, in a way, it is unnecessary because in the Budget Report in a year's time I cannot believe the Treasury & Resources Minister would not be doing exactly what we said. And on page 1593, paragraph 108, the T&R report

clearly talks about the resource requirement that is needed to make the SCIP process work: additional staff in T&R and additional expertise that can be used for best practice across each of the 24 projects, across each of the 10 Departments. That is brilliant, sensible, logical – if we want this SCIP process to work.

2695 But what it is silent on, so far, is whether there will need to be any resource, whether people or cost or cost of training to help departmental staff that have to play their part in these projects, to be sufficient to be able to work with T&R and the SCIP team, which is why I think Deputy Soulsby's principle in this is absolutely sensible, right and proper, and I believe the T&R Minister would be doing exactly this in the Budget Report 2015 anyway.

2700 I will support the amendment, unless Deputy St. Pier is able to give this Assembly now complete assurance that he will comply with the principle behind the amendment.

Thank you, sir.

Deputy St. Pier: Thank you, sir.

2705 Yes, I do urge Members to oppose the amendment and I just wish to perhaps spend a few moments explaining why.

I understand, absolutely, the concerns and the principles which have driven the thinking behind the draft of the amendment but, having said that, I think it fundamentally misunderstands some of the information which is in the Report and, indeed, the role of the portfolio management team and, indeed, the process.

2710 The language of the amendment talks about,

'... setting out how any Departmental costs in compliance of these new arrangements...'

2715 – it is very much expressed – and this is a reflection of the telephone conversation I had with Deputy Brouard earlier in the week... very much reflects a view that this is all about throwing barriers and hurdles into the process, slowing the whole thing down and therefore what is the implication of that going to be on Departments' resources? That is what has driven this thinking and has driven this amendment. This whole process is about how the portfolio team and resource supports Departments in the delivery of the Portfolio and the individual projects.

2720 The roles which are envisaged, which of course have been circulated to all Members in response to Deputy Soulsby's questions, are designed to alleviate the work on business case development within Departments. These should not be viewed as T&R staff. These are a shared resource and those draft roles have been shared with the project teams and with the senior responsible officers to ensure that it actually meets what they need and these roles will be doing the doing rather than, if you like, the reviewing.

2725 Yes, this is an iteration. This is a development of the process. This is about better team working to ensure the delivery of the project – which I think is what Deputy Gillson was referring to – and in fact the feedback that we have had so far has been very supportive of that having worked well in practice. I think there was quite a bit of scepticism at the outset about the value and concerns about how it would work in practice and it has been a positive experience and it has changed as a result of feedback.

2730 So, yes, I am completely content to give both Deputy Fallaize and Deputy Luxon the complete assurance that we will continue to monitor the impact on Departments, working with them, developing the whole process, as a result of the feedback.

2735 My concern with imposing this amendment in this term is that it is going to, unnecessarily, divert resource to try and capture the information which we are seeking to report here in 2016 – which is only a snapshot of what would have happened in the last 12 months, up to that point. It will not necessarily reflect the ongoing delivery of the programme in any event.

It talks about,

'... regarding the impact of the proposals and new arrangements...'

2740 Well, that assumes that we have got any kind of data that enables us to actually say, 'Well, what happened before and therefore what is the impact of this?' So I think that we are in danger here of imposing yet more – with a well-intentioned amendment – demands on Departments.

Not just on T&R – this amendment will itself impose pressures on Departments to try and capture the information about what is the impact of these proposals, which I think is going to be difficult because we do not have a good record or measure of what went before in any event.

2745 So for those reasons I do not believe that this is going to provide any discernable benefit, but I can give a reassurance to Members that we are very live to the fact that this is a work in progress. I have said that before. This whole programme will need to continue to evolve. Indeed, one of the issues that may come up in the main debate is that the programme needs to be developed into a rolling programme, rather than this stop-start over four years and that in itself will change the nature in which we need to work between all the Departments in any event.

2750

The Bailiff: Deputy Gollop.

Deputy Gollop: Thank you, sir.

2755 I will support the amendment because I think we do need further review and appreciation of where we are going with this.

On page 1571 the expression is used – which has already been used in this debate – and this is from Treasury and Resources:

‘... this has demonstrated that the resources available across the States to scope and develop these multi-million pound projects are spread too thin and staff are often expected to undertake this work on top of an already busy day job.’

2760 Now, this concept of a day job for an officer strikes me as curious in itself. And then Treasury and Resources go on to suggest development rather than delivery is a real issue. Now, it has to be said that the centralisation of projects in a business case format is not necessarily sympathetic to the public sector in every instance and I like to imagine the States as a collective of 20 or 30 separate businesses, rather than one business called Guernsey plc. If you do that you realise, if you are running a private sector tertiary college of further education or a bus operation or a hospital trust, you would have a very different methodology and timeframe in raising finance than one global corporate in-house structure.

2765 I have got severe reservations about the process in the longer term and can see too that there is overspending. So, because of my general concerns – and in a way I am speaking generally now – I am more than sympathetic to voting for Deputy Brouard’s amendment, because I think it allows the States to have a little bit of reflection time as to whether perhaps in the old days the boardroom administration did not do things rather better.

The Bailiff: Deputy Sillars.

2775 **Deputy Sillars:** Thank you, sir.

I have to say I am still slightly concerned over this because Education has exactly the same issues perhaps as PSD and Home have been mentioning.

2780 We work very closely with T&R and we go and present our various reports and everything else, then they come back and say, ‘Well, we need to know more about something else,’ and then we come back, having done that work, and deliver that and then they come back again and say, ‘Well, we need to know more about this.’ And that is all part of development. I understand that, but I do have a genuine concern that, with all these new staff, are they putting more hurdles in?

Now, I hear the words, ‘support the Departments’, ‘alleviate work with/for the Department, doing the doing.’ But actually history is against that at the moment and so I do have a concern.

2785 What I would like to have heard is that we are working as a team together. If we had heard those words – and it is too late for T&R Minister to come back at this, I guess – but if it was a team working together for the benefit of the Island, for our projects, then I would not support this amendment. And I hear Deputy Fallaize think, ‘Well, we can bring an individual case back to the States.’ Well, that is going to be kind of tricky, I suspect.

2790 So it would be a lot easier to get it put right at the beginning. I do not know if there is anyone in T&R who can come back to me and say it is working as a team – then I would probably not support the amendment.

I give way.

2795 **Deputy St Pier:** I am glad that Deputy Sillars was willing to give way to me, sir, so that I could provide that reassurance for him. That is precisely what I was seeking to do in my previous speech and if I failed to do so, I apologise but that was what I was seeking to do.

2800 **Deputy Sillars:** I appreciate the clarity and I feel that I will not have to support this amendment. Thank you.

The Bailiff: Does anyone else wish to speak on the amendment?
Deputy Kuttelwascher.

2805 **Deputy Kuttelwascher:** Yes, sir.

I have got the same problem with this amendment as Deputy St. Pier about the difficulty in actually providing the data. You cannot measure a pattern unless you measure it against something. I do not think the data is available.

2810 The other thing is, if you look at the Propositions 7 and 8, we are seeking to provide new resources – this 0.4% of the value of the Portfolio – and if you look on page 1593 it does state it is to provide those resources to Departments. So they will be shared resources. They are not just for T&R. We are looking to provide a budget to provide exactly what it is I think that Deputy Brouard is seeking.

2815 So I think it has been catered for and I think that also helps answer Deputy Gollop and, if you look at Proposition 8, there is also the ability to assist to the point of £250,000 regarding particular projects, which can be charged to Capital Reserve and that would also involve training. So resources are going to be provided centrally – that is the plan.

2820 But these resources are not for T&R. They are to be available to all Departments and I do not see that, shall we say, the view of Deputy Brouard is necessarily one that really adds any value to what we are proposing.

2820 I, therefore, will not be supporting the amendment, but I think we will be delivering what he wants and, at the end of the day, if all goes well, it should actually be less of a cost to the Department because the resources will be provided from outwith and therefore they should not have so much problem, as it were, producing all the outline business cases, business plans and whatever.

2825 So I almost think it is an unnecessary amendment, because I think what he is seeking will be delivered and there could well be savings in Departments.

Thank you, sir.

The Bailiff: Deputy Storey.

2830 **Deputy Storey:** Thank you, sir.

I have some sympathy for Deputy Brouard's amendment, but I agree with the comments just made by Deputy Kuttelwascher – that it would be very difficult, at this stage, to set out a method by which such additional resources could be calculated. So I think we will need to rely on some sensible approaches by T&R in the future.

2835 While I am on my feet, sir, I would like to stray into general debate, if I may, before...?

The Bailiff: You may, but you will not have another opportunity do so.

Deputy Storey: That is right, sir.

2840 My concern in general debate – and perhaps in his response to general debate the T&R Minister could address this point – is, in paragraph 108, there is talk about setting up a special team within T&R and then in paragraph 109, it sets out what the responsibilities of those additional officers would be and, when I look down the list of their responsibilities – and there are some 16 of them – I would normally expect those responsibilities to be, in effect, reserve powers of the boards of the Departments – especially things like monitoring progress against key objectives or ensuring appropriate scrutiny and challenge to ensure value for money is achieved.

2845 There are many items in there which I would consider to be reserve powers for the departmental boards or in fact reserve powers for the Treasury & Resources Board. The matter of the division of responsibilities between this new team and Treasury & Resources and the board and various Departments is not addressed in this Report and I think it is matter which does need addressing. Perhaps the Minister would find some time to respond to that when he responds to the general debate, sir.

Thank you.

The Bailiff: I see no one else rising, so Deputy Brouard, will you reply?

2855 **Deputy Brouard:** Thank you, sir.

First of all, I would like to thank Deputy Soulsby for agreeing to second.

2860 Just taking up some of the points, I think Deputy Hadley mentioned more help to Departments but, of course, the whole point of this is it is not help directly to the Departments. Treasury and Resources will be taking a percentage of our capital funding... taking money out of capital to fund a revenue new mini-team, which will then help and support Departments in their more rigorous project assurance and I am probably ambivalent as to whether or not that team will actually save Departments time. It may well do.

2865 I feel like I am in a parallel universe, because we have a Report... In my banking days, we used to write on cheques and we returned them back when the words and the figures differed. We used to write on the top of the cheques in red, 'Words and figures differ'. The Report that I have read here is completely contrary almost to the flavour that Deputy St. Pier is explaining today of helpfulness and doing.

The Report picks up, in 108... it is,

'[The] new team... [will be] with responsibility for developing and issuing guidance...'

2870 So, they are telling the Departments the new rigours and how they are going to do it. It is not saying, 'By the way, Mary is coming to your Department next week for three months to hold your hand and write the reports for you.' (*Interjections*) Sorry, I would have said Deputy Lowe for that.

I will have a little bit more of that in a moment.

Deputy Gillson, thank you for your support.

2875 Deputy Fallaize mentioned about the timeline. The timeline is really arbitrary. I could have said the 2015 report or 2016 or 2017. It was just a time and there is no need for Treasury to come back particularly and wait for the 2016 Budget, which is in 13 months' time or so. They can report back at the next budget review or in between or anywhere else. It just gives a particular position. When they are already doing the report to the States, it just seems sensible that they can add a few paragraphs as to how they found the departments have coped with the new work.

2880 It may well be that the Departments say, 'Actually, the support we have had from this new team in Treasury, by actually coming into our Departments and doing the work for us, has been great and we have saved time.'

2885 On the other hand, the Departments might be saying, 'Actually, the requests that your team are making have been an unacceptable burden – redoing things that they have all done and trying to justify their own existence.' Because when you pay someone £1 million a year – because that is what it will be roughly for the next year – when you have got that much resource, that resource will bite and want to do things and I will be asking the questions. So, I am ambivalent as to whether it is a success or failure in this amendment. All it does is it gets people across the table and an element of equality of arms.

Deputy Luxon, thank you for your support and, again, I have explained the timeline.

2890 Deputy St. Pier – I will go back to his words and figure. I did not read this Report the way you have explained it this afternoon. Now, whether that is my bias in reading it or you have suddenly changed your mind to get rid of this particular amendment, I do not know.

2895 So, my amendment does very little extra than what you should be doing anyway. The only additional work T&R have is they may have to put a couple of paragraphs into one of your reports at some time between now and 15 months away. And that that will say, 'We have got five projects on the go. We have had some problems with Education. Resources have been a bit tight. With PSD we have put Mary in, whatever it is, (*Laughter*) and it has been fantastically usefully.' (*Interjections*) Or John or whoever – it does not matter. It is whether they actually put resources in or not. It is how that interplay happens but, as it is left at the moment, Departments are having it done to them.

2900 If Deputy St. Pier – and this is where I get a little bit concerned – was so teamwork before, why didn't he ask the Departments before this came to the States for their opinions on it and suddenly to have found it on Thursday afternoon?

2905 So the history has been against this particular position. So it is not a great deal of work extra for T&R to do. It is to write a few paragraphs as to... and they may well say the impact on a particular Department, actually, is going to cost – let's take Education – an extra £200,000 to comply with it and there is no resources to cover it, Education find. That may well be the result. My report is ambivalent either way. It is just to flag it up that it forces T&R to have those conversations and it is those conversations they should be having anyway.

2910 That really covers, I think, Deputy Kuttelwascher's issue about, we have not got the resources, to find the resources, to write the report. It is not that sort of report. It is more, 'What is the impact on the Department?'

2915 And if that report that comes out from T&R, in their Budget Report or wherever, is not consistent with how the Department felt, I am sure, at that time that Budget Report is laid or whatever report they use to produce the information to the States, the Department Head of HSSD or the Minister for Education will be standing up and saying, 'Actually, that is not how it was. We had a different experience.' But it brings T&R to the table to do exactly what Deputy St. Pier was asking for this afternoon which was that teamwork. So it gives you the chance now for that teamwork.

Deputy Storey, thank you for your support. Deputy Sillars, thank you for your support. Deputy Gollop as well.

2920 The crux comes down and I think, as Deputy Kuttelwascher has mentioned, it is paragraph 108 and then goes into 109, there is a considerable amount of new rigour and all I am saying is when that new rigour happens I would like to know, as a States' Member, what the effect has been on our Departments.

2925 So if you are a member of a Department please support this amendment. It gives you a chance to at least have your concerns addressed. If, at the end of it when you write the report, actually it has been fantastic for the Departments, well, that is a very easy report to write, isn't it? A couple of lines that say, 'Actually, the impact has been minimal on the Department, because of the resources that T&R have put in to actually do the work.'

My fear at the back of my mind is that these things will be done to Departments and they will have to dance to the new tune with limited resources, trying to do the day job as well.

2930 So please vote for this report. It may be important, sir.
Thank you.

The Bailiff: Sorry, are you asking for a recorded vote? Are you? No, you are saying... I did not quite catch your last two or three words. You said, 'vote for the report' –

2935 **Deputy Brouard:** Please vote for the report.

The Bailiff: You are not asking for a recorded vote. That is fine.

2940 We vote then on the amendment posed by Deputy Brouard, seconded by Deputy Soulsby. Those in favour; those against.

Some Members voted Pour, others voted Contre.

The Bailiff: There are more against than in favour so I declare the amendment –

2945 **Deputy Brouard:** May I have a recorded vote, sir? (*Laughter*)

The Bailiff: A recorded vote.

There was a recorded vote

2950 **The Bailiff:** While the votes are counted, Members, may I suggest we continue with general debate and I call first the Chief Minister, Deputy Le Tocq.

2955 **The Chief Minister (Deputy Le Tocq):** Sir, I would just underline to Members that we are now heading rapidly, like political lemmings, towards a Saturday sitting (*Laughter*) and so I would encourage brief comments and I am going to brief.

This States' Report, sir, is a very important one. How we invest monies in capital projects is a key strategic decision and not one that we should approach in any way lightly, especially in the current financial climate.

2960 That means we must have a robust process to enable us to make these key investment decisions. Therefore, quite rightly, this Report goes into some detail about the process that is being adopted. For those of us, like myself, who like to make snappy decisions and get on with things, process is often seen as a hindrance to achievement, a form of purgatory perhaps. To those, perhaps like Deputy Fallaize, who think of process more as paradise, (*Laughter*) then this might be the sort of thing to embrace, or at least easier to embrace.

2965 On the other hand, to work without process can lead to bad and, in the case of capital projects, very expensive mistakes. Those of us who have been in this Assembly for a number of years will know in the past what sort of repercussions can arise as a result of those mistakes. It can also mean that in the rush to do something not enough time is spent on considering whether there are other ways to achieve that objective or even whether what we think is the problem, actually is the problem.

2970 So, if we agree we need a process of some sort, the issue is then what appropriate size and scope of the process... what that is, that we want to apply?

2975 Although no longer intimately involved in any capital projects myself, I have heard enough murmurings from political colleagues to know that getting them to this stage for approval has caused some stresses and strains across the States.

In a sense, this was inevitable. Applying any new process uncovers problems that were unforeseen and exposes weaknesses in an organisation. Nevertheless, despite the difficulties, following rigorous assessment, the portfolio of projects remains intact and ready to move onto the next stage for approval.

2980 Importantly, there has been much learning. Skill deficits and gaps in resourcing have been acknowledged and proposals are put forward in this Report to address them. I am also advised that recently there has been a very well-attended workshop where staff directly involved with those developing and assessing each project had the opportunity to give their feedback on the process so far. A number of action points for improvement have been agreed and assurances have been given that there was flexibility and proportionality in how processes were to be applied going forward. Some of that has been alluded to already in the debate on the amendments.

2985 So, if the process issues are being sorted out, that just leaves the funding issues to be resolved. Policy Council does not envy Treasury & Resources this task, but notes with approval the various options which it is considering and awaits with interest the Budget Report in October to see what is finally proposed.

2990 *Not carried – Pour 16, Contre 28, Ne vote pas 0, Absent 3*

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Laurie Queripel	Deputy Fallaize	None	Deputy David Jones
Deputy Lowe	Deputy Le Lièvre		Deputy O'Hara
Deputy Brouard	Deputy Spruce		Deputy Storey
Deputy Wilkie	Deputy Collins		
Deputy Burford	Deputy Duquemin		
Deputy Inglis	Deputy Green		
Deputy Soulsby	Deputy Dorey		
Deputy Brehaut	Deputy Paint		
Deputy Robert Jones	Deputy Le Tocq		
Deputy Le Clerc	Deputy James		
Deputy Gollop	Deputy Adam		
Deputy Sherbourne	Deputy Perrot		
Deputy Bebb	Deputy De Lisle		
Deputy Lester Queripel	Deputy Sillars		
Deputy Le Pelley	Deputy Luxon		
Deputy Ogier	Deputy Quin		
	Deputy Hadley		
	Alderney Rep. Jean		
	Alderney Rep. Harvey		
	Deputy Harwood		
	Deputy Kuttelwascher		
	Deputy Domaille		
	Deputy Langlois		
	Deputy Conder		
	Deputy St Pier		
	Deputy Stewart		
	Deputy Gillson		
	Deputy Trott		

The Bailiff: Thank you.

2995 Just before I call Deputy Fallaize, who I will call next, the vote on the Deputy Brouard/Deputy Soulsby amendment was as follows: 16 in favour, 28 against. So I declare the amendment lost.

Next Deputy Fallaize, to be followed by Deputy Luxon and then Deputy Domaille and Deputy Adam.

Deputy Fallaize: Thank you, sir.

3000 The Chief Minister wanted to talk about process, but I do not want to talk about process. I want to talk about funding.

Generally, I think this is a very good policy letter and it is another opportunity to commend T&R. I do not want to get into the habit of doing that too freely, but I do think this is a good policy letter and I do support the Propositions.

3005 However, section 6 and section 7 demonstrate again, and indeed Deputy St. Pier's opening speech demonstrates it again, if any further demonstration were needed, that the Treasury is institutionally neurotic about the risk of running out of money, particularly in relation to capital expenditure.

3010 Page 1600 of the Report warns that the funding gap in this capital programme is £57 million. That funding gap arises for two reasons. The first is that Treasury insist on all projects being, as it were, pre-funded – funded up front – rather than on a cash flow basis. They want all the money for a project in the Capital Reserve before it starts.

Actually, if we were to look at the Capital Reserve as a rolling programme, if we looked at the cash flow of it over the years, you would find that there is never going to be a time in this programme when there is a shortfall of £57 million. That is a sort of cumulative shortfall over the life of the programme.

3015 But, more importantly, the Treasury, and indeed all Departments, always exaggerate the speed at which capital projects can be progressed. They constantly warn – not just this T&R, but every T&R – that the money is about to run out. But I would say to the States, 'Do not be alarmed. It is not.'

3020 Historically and consistently, the problem has been, not that the money runs out, but that we cannot spend quickly enough the money that we have already allocated for capital projects. At this stage of the current capital programme – the 2009-14 programme – the end of year forecast for the balance of the Capital Reserve was as follows: in 2010 it was forecast there would be £95 million in the Capital Reserve – actually there was £110 million; in 2011 the forecast was there would be £80 million – actually there was £110 million; in 2012 the forecast was that the Capital Reserve would be overdrawn – actually the balance was £90 million; in 2013 the forecast was that it would be overdrawn – actually the balance was £85 million.

3025 The present T&R forecast in 2012 that by the end of 2013 the balance on the Capital Reserve would be £60 million – actually we are now told that it was £85 million. And 18 months ago T&R was forecasting

that the lowest balance on the Capital Reserve at the end of the current capital programme would be £40 million and now, at page 1598, of this Report, they tell us the balance will be £80 million.

3030 Last year T&R advised that the Capital Reserve could provide a £155 million of funding for the present capital programme. Now, in this Report they tell us that there are £203 million available from the Capital Reserve.

3035 So, as I say, the consistent trend is that T&R exaggerates the draw down on Capital Reserve and the States cannot spend quickly enough, on capital projects, the money that it is allocated and, in my view, it will be exactly the same with this capital programme as it has been with previous capital programmes. Deputy Luxon referred to this in the previous debate.

We are already half way through 2014. Most of these projects are still – in fact, I think all of these projects – very much in the planning phase and we are advised in this Report that only one of these proposals will be before the States for approval in advance of this year’s Budget Report.

3040 Do we really believe that all 24 projects will be fully completed and operating in 40 months’ time? That is absolute nonsense. I thought that it might be that we would have passed the planning phase on the vast majority of these projects by the time of next year’s Budget Report – which is what I said when we debated Deputy Brouard’s amendment – but actually, from what Deputy Luxon said in following me, I suspect that many Departments, by next year’s Budget Report, will still be very much in the planning phase. There is no way that all of these projects will be completed by 2017.

3045 Therefore, it would be a major overreaction to do some of the things which T&R outlines as possibilities at paragraph 140. In particular, it would be an overreaction to remove projects from the approved list or to entertain borrowing for projects with no income stream and I am particularly pleased to see that the Treasury & Resources Department – this Treasury & Resources Department – agrees with the majority opinion of the last States, that borrowing should not be pursued for projects without an associated income stream. **(Several Members: Hear, hear.)**

3050 It is entirely reasonable, in my view, that the response to the perceived funding gap, to the extent that there will even be one in practice, is, as proposed by T&R, to approve the list of projects but to work on two projects in particular to explore alternative ways of proceeding and, in effect, to revisit the issue in the Budget Report later this year.

3055 Clearly, they will have to make proposals. It may be that the Departments overseeing those two projects disagree with the proposals. They will be able to lay counterproposals if they wish. The States will, at that point, be able to determine how best to fund, how best to proceed, with those projects.

3060 In my view, if the worst came to the worst, it is always possible. I do not think it will be necessary, actively, to defer projects because the timeline will slip anyway, but even if it did come to that we could defer projects by 12 month, take another year’s appropriations into account and actually I do not think that would be the end of the world in terms of getting this capital programme completed.

But I think what T&R is proposing is a pragmatic response to their perceived funding gap and it comforts me because it demonstrates that at least in this T&R there is a degree of pragmatism allied to the normal neurosis. *(Laughter)*

3065 Sir, I think that, to touch very, very briefly on the Capital Investment Portfolio, actually I take a slightly different view to that expressed by Deputy Brouard in the closing speech on his amendment. It seemed to me that what was being set out in his Report, in terms of how capital projects would be managed, was perfectly reasonable and sensible.

3070 T&R is, I think, withdrawing slightly so that it takes an oversight role. I think it is trying to make available to Departments, resources to proceed with business cases. Actually, it seems to me a more sensible and pragmatic way of proceeding than the current capital programme, in the way in which that was managed.

3075 So I think that the fact that this Report is only in this stage of gestation demonstrates how difficult the States find it to move through a capital programme, promptly – because I think if we had asked Deputy St. Pier this time last year, if he was honest, I think he would perhaps have hoped that the whole process was a little bit further advanced than it actually is.

But we are at this stage of the programme. I think what T&R is putting before the States is perfectly sensible, perfectly pragmatic and I hope it is accepted by all of the Departments who have projects on this list.

3080 Thank you.

The Bailiff: Deputy Luxon next.

Deputy Luxon: Thank you, Mr Bailiff.

3085 I will apologise to Members now because I would like to speak for a very short time, but this particular report has got significant implications for the Public Services Department. But I do promise Members, I will not make any speeches in our August sitting. *(Laughter)*

3090 More than a £¼ billion – £275 million: big money, big investment, big decisions. The States' Capital Investment Portfolio Report focusses on circa £¼ billion. The significant investment over the next three years that we had approved in principle back last September and asked T&R to routinely update us on progress, is now ready to move into a delivery phase.

3095 And the Minister is quite right, the work I and we are doing on the Island Infrastructure Plan is underway and is indicating a spend of almost £2 billion of capital investment over the next 20 years. £2 billion that the States of Guernsey will have to consider whether it spends, does not spend and, if it does spend, how it is funded. This SCIP element, this four-year SCIP element, is £¼ billion out of that circa £2 billion.

I, like Deputy Fallaize, think this is an excellent Report and I will be supporting the 11 Propositions.

3100 Sir, this four-year capital prioritisation round, covering the period 2014-17 is already 15% expired without a sod having been turned.

Due to the initial SCIP planning and consideration phase taking longer than probably originally anticipated, we now have only 41 months, rather than 48 in which to deliver the 24 projects. The 19 original portfolio, plus the four urgent items and the additional Electronic Health and Social Care Record top up, assuming we approve this Report's recommendations and that the Departments are ready to proceed.

3105 It has been a major learning curve for us all – every Department, every Board, every officer and for T&R too, as the lead Department – and it is good that T&R recognise this reality throughout the Report. The recent step back and review workshop that I mentioned before was an excellent idea to allow all participants to share feedback, concerns and learn from each other's experiences to date. I thank T&R for setting this workshop up. It was vital to understand what needs to be done and to help WD40, the SCIP management processes, over the next few months. I know the officers from PSD appreciated it and found it very helpful.

3110 The reality, sir, is that at the moment there are only, I believe, two projects currently in the traps and largely ready for the starting pistol: the Belle Greve Outfalls – which we will debate this week, hopefully tomorrow – and one of Education's key projects.

3115 So it may well be the end of this year, at the very earliest, before any of the other 22 portfolio projects are remotely ready to begin their approval process, let alone commence as live projects. So we may well be a quarter of the way through this four-year process before SCIP gains any real traction. More on this later.

Sir, there are a few main points I would like to highlight from the Report and I will need to bounce around the 203 paragraphs a bit to try to cover them all fully. I apologise for talking too long here. I will try and be as quick as I can.

3120 Paragraph 88, on page 1590, rightly sets out the critical need for excellent financial expertise and management across all SCIP projects. I totally agree, but not just over the SCIP projects. The States of Guernsey must resource all finance functions across the entire 11 Departments, with excellent financial expertise and management.

3125 The States-wide review of the financial management function within the States has simply taken too long – far too long – and must be accelerated urgently. An accountant or finance heads must be in place, along with the appropriate support finance managers, to enable States' accounting delivery to perform at upper quartile capability.

3130 PSD has been under-resourced for the two years since I became Minister in 2012 and for years before that, and even now we operate a £58 million turnover business with inadequate financial resources. Real value added will be achieved once we and other Departments are appropriately staffed in the financial function area. So, yes, financial expertise is key for SCIP to be a success, but it is even more key for our day-to-day controls.

3135 Sir, while talking about key management resources, in paragraph 108 on page 1593 and paragraph 117 on page 1595, T&R sets out a reality check of resources needed to just discharge this £¼ billion capital investment.

Again, I completely agree with their rationale and, in fact, at only 0.4% of the total Portfolio value, or £800,000 per annum, this is a cheap cost in my opinion to secure a minimum £2 million per annum saving, while I am sure we have the trained expertise in place to deliver this SCIP programme and future SCIP programmes.

3140 However, I believe that some of this £800,000 investment – which is the point I made in the previous amendment – also needs to be allocated to funding some of the department-specific, specialist management needed to develop their part in these projects, to help deliver them successfully.

3145 I would ask the Minister to confirm his recognition of investment needed, not just in the central SCIP and dedicated T&R teams to report outlines, but in the 10 Department project teams too. And, of course, the training investment should be applied to all participants to optimise performance wherever they sit. Pennywise, pound foolish would not be a wise stance for the States to adopt in managing these big scale capital projects. We want best bang for our buck for every buck spent on the SCIP, value for money and real cost efficiency.

3150 Sir, some may think that T&R's proposals to manage the Portfolio centrally, to gain assurance and manage risk, raises the spectre of adding yet another bureaucratic layer. I think that might be Deputy Al Brouard, I was thinking about there, sir. And I know some officers do think this. However, I do get why they see this approach as being in the best interests of the States of Guernsey overall.

3155 In paragraph 46 on page 1581, they reflect that the Gateway and Assurance Reviews 'are not in place to slow down or stop projects'. That is good and which is why the learning acceptance need emphasised throughout the Report is commendable, but will have to be delivered upon to avoid disconnect and frustration for departmental project board members.

3160 Sir, shortly, the Public Services Department will lay a report before this States to review the rather dismal PRI report on the airport terminal project which significantly overran both its timeline and budget – and I do mean 'overran significantly'. It does not make for happy reading and even though it predates my time, I am delighted to say, and that of most of the other Deputies here in this Assembly, I expect you will not enjoy that debate.

3165 However, the good thing is that the States of Guernsey, in my opinion, really did learn from that experience and others like it and really does now have robust processes in place as a result and a desire to enhance those processes even more. That is why I can support the disciplined procedures T&R are trying to instil through this new SCIP process.

Paragraph 201 on page 1612 is spot on and T&R recognise that we must be ready earlier for the next SCIP round in 2018-21 by planning to start that second phase in 2016, therefore utilising that full four-year period for the delivery of projects.

3170 Deputy Fallaize is absolutely right about the past. We need to use the time we allocate for these programmes to deliver projects to invest in our infrastructure, not to waste time on the planning stage.

Sir, for this new SCIP process to work over the longer term, each four-year capital prioritisation period should run, in my opinion, from one mid States' term to the next mid-term, giving capital investment continuity, regardless of the election cycle, to stop/start every four years. This would be sound, joined up government – a process with logic.

3175 Sir, moving on, the Public Services Department has three projects within this Portfolio.

The deep-water berth investigation, which is now known as the hydrocarbons project because of its broad ranging, complex strategic nature way outside of PSD's mandate – it is an Island-wide issue. The Alderney Airport runway rehabilitation. We all remember Deputy Arditti's Requête. And the Belle Greve wastewater outfalls – the States' SCIP report approval, for which I will be laying, I hope, tomorrow.

3180 I think T&R, in paragraph 163 on page 1604 – Sorry, I *thank* them. I do not *think* they do this. I *thank* them for their support and for the progressing of it now, subject to this Assembly's go-ahead and subject to final Gateway go-ahead which is underway.

3185 Guernsey Water and PSD are proposing the commencement and completion of this essential and time-critical project in 2015. Hence, the reason we have brought the Report in this Billet, rather crudely, immediately after the SCIP report, because there is no sitting in August and, unless we move forward with the tender process by mid-September, we will miss the good weather in the Spring/Summer of next year, resulting in a further year's delay.

Sir, the T&R Minister pinged a ping pong ball to PSD on the alternative funding for the Outfalls in his speech. Naturally, I would like to pong the ping pong ball back firmly.

3190 In paragraph 162 on page 1604, T&R explained why they would like to explore with PSD and Guernsey Water, an alternative funding method for this £18.6 million project and we will, of course, enter into that process genuinely, but from different sides of the table tennis table, between now and the Budget Report in October, as one of the Propositions set out by the T&R Minister.

3195 However, having given this a great deal of thought, the PSD board strongly, with Guernsey Water management, believe that it would be wholly inappropriate to reverse the previously agreed funding source from the Capital Reserve and ask Guernsey Water to now absorb this multimillion pound Island strategic investment instead from its own resources and, sir, I shall try to explain briefly why.

3200 Up until 2012, Waste Water was operated as a standalone States' Department and its funding, both for revenue and CAPEX, came from general revenue allocations and the Capital Reserve, respectively. So it was entirely centrally funded, as it would be. Separately, 10 years previously, Guernsey Water had been moved into a trading entity status with no general revenue expenditure or Capital Reserve funding from that point on. It operates as a self-sufficient trading company and raises all of its capital requirements through surplus generation from customer charges.

3205 In 2012, the States resolved – rightly so – to merge Waste Water into Guernsey Water. That has been successfully completed with a consequent reduction of £2 million per annum of general revenue expenditure and £2 million of annual routine capital allocations. The States no longer funds Waste Water at all, with all costs and CAPEX now funded through customer charges.

Prior to the merger into Guernsey Water, the States approved the five-phase Belle Greve Waste Water Centre project, with the final phase, being the Outfalls project, being debated later. It was always intended

3210 that the capital funding for this final phase would come from the Capital Reserve, as it had for the other four phases, in spite of the subsequent decision to merge Waste Water into Guernsey Water. That is because Waste Water had always been a general revenue Department.

3215 So, sir, centrally, the States of Guernsey is now £2.5 million – and Deputy Adam is quite right, that the cost is being picked up by users – per annum better off from the Waste Water transfer to Guernsey Water and the Capital Reserve is £2 million better off. That is more funds for the other nine States' Departments.

This is why the PDS board opposes T&R's alternative funding request for Guernsey Water to take on the burden of the phase 4 project, on top of the burden it has accepted, to fund from its own resources through charges, for the Waste Water infrastructure upgrade over the next 10 years, which was neglected while being run by Central Government.

3220 In fact, over the next 10-year period, Guernsey Water will actually save the States of Guernsey general revenue expenditure and Capital Reserve account circa £45 million over that period – £45 million that can be directed to the other nine Departments or snaffled by the T&R Minister – whichever.

3225 This is why we do not believe it appropriate to force Guernsey Water (*Laughter*) to – are there any knives in my back? – absorb the Belle Greve Outfall's capital investment. It is not fair to Guernsey Water customers and it is not fair to the Guernsey Water business itself. It is a legacy Capital Reserve project and the Capital Reserve should fund it, in our view. The Capital Reserve benefited from previous States of Guernsey surpluses.

I am almost there, sir.

3230 If the SCIP funding model for all 24 projects is fully approved, then we all have the same problem that T&R have with the portfolio value being higher than available funds. It is not T&R's problem, it is our problem. A current portfolio valuation of £275 million versus available funding of £218 million – so a £57 million shortfall for this 2014-17 capital prioritisation round.

3235 Sir, I believe that in paragraph 140 on page 1600, where T&R set out the options to address this £57 million funding gap, we can actually find the solution to our problem and so I was tempted to lay an amendment along these lines but decided to leave that for now, pending T&R's final portfolio funding proposals, which they will present in their October Budget States' Report and following the discussions that T&R wish to have with PSD and the Education Department about alternative funding options. PSD is not closing its mind to the merits being proposed by T&R – although I think the last five minutes probably explain why we do not think they are fair.

3240 Sir, my solution is to adopt a range of the measures that T&R set out in paragraph 140, along with some other ideas of my own – some of which have been alluded to by Deputy Fallaize. So, sir, very quickly, there are half a dozen suggestions.

3245 1) We extend this SCIP period 2014-17 by one year, to 2018, because we have already lost the whole of 2014 in real terms, because of the absolutely appropriate extended planning and development phase to get SCIP in place in the right way. This could add – and I will be corrected by the T&R Minister, I know – an extra £37 million to help cover the gap on the last three-year run rate of allocations to the Capital Reserve. And, yes, this would mean that those projects that did not make this first Portfolio would have to wait a further year to enter into the second SCIP in 2019-22. But if we have insufficient funds there seems little choice other than to make some difficult decisions.

3250 2) Use the output from the assurance reviews to recommend a different approach to any of the projects that could be so treated and, assuming a 5% portfolio reduction is possible from this, this could add circa £13 million to help cover the gap. I cannot tell you what a different approach means, but the T&R Minister will, I hope, in summing up. And if there is an alternative approach to them, I am up for exploring it.

3255 3) Accept that there is absolutely no way, with the expertise and resources we currently have in place, in spite of the investment into new resources, which makes absolute sense, across the States of Guernsey so we do not duplicate these resources that we need and bearing in mind the bottleneck work streams currently underway across all States' Departments on general policy matters, that all 24 portfolio projects cannot possibly be delivered.

3260 They simply cannot possibly be delivered within the next three years. I would like them to. They are all urgent. They have been given a good priority. The T&R Minister and Board have made it clear that, through kicking the tyres, they recognise the need and the urgency but, in my opinion, there is no way that they can possibly be delivered in this three-year phase.

3265 Sir, the proposed £275 million capital spend will simply not be able to take place in its entirety. So, assuming 10% of the Portfolio does not go ahead just because Departments cannot make it happen, this could add circa £27 million to help cover the gap.

3270 Because – and I hope Deputy Queripel has actually got his calculator out and he has got the sensible button on – this is number 4). Because of the more risk-averse approach we now apply to estimating large capital projects, we do not want to get it wrong. I mentioned the Airport terminal before. We have learned our lesson. So, at this early strategic business case, it is highly likely that some portfolio projects – not all of them, but some of them – will have cost estimates that will be overstated and probably significantly

overstated. So, assuming a moderate 2.5% correction factor, once the financial business cases have been concluded this could have had a circa £6 million to help cover the gap.

3275 5) These four measures alone could identify circa £83 million, if they were all viable and all adopted – more than enough to proceed with all 24 SCIP portfolio projects between now and one year’s extension in 2018, without needing to pursue alternative solutions for the Education Department and the Public Services Department, for their projects for the Belle Greve Outfalls and the College of FE projects.

3280 6) In addition, if there is still a funding anomaly once T&R complete their review, the original prioritisation process could be reviewed in light of any new information and the lowest priority project or projects could be dropped if needs be, to achieve parity with the actual Capital Reserve funding available over the next three or four years if we extend it. Thus acting as the absolute balancing option to match actual available funds with the final planned SCIP spend. Not great, but a realistic option. Some of the 24 projects or one of the 24 projects gets dropped and moves into phase 2 scheme.

3285 Finally, sir – and I am relieved as everybody else – in summary, this is a very good, detailed and thoughtful Report. I commend T&R. It covers a major area of the States’ decision-making process, with £¼ billion plus at the heart of our thinking – money we have to spend on the Island’s infrastructure, on the tax payer’s assets. Value for money and cost efficiency and affordability should drive our decisions today on this SCIP four-year plan; spending wisely on our assets, but within our means.

3290 Sir, I shall be supporting all 11 Propositions, assuming the health care records top up proposal can be justified and we have already had some of that in the amendment debate and would ask T&R to please look innovatively at the realistic options I have outlined – which are only options – that we have for dealing with the £57 million funding gap.

3295 It really can be done without damaging our asset management future planning or frustrating departmental objectives. PSD and I will also play our part in approaching this in a pragmatic way too and we will engage with T&R to see whether or not the alternative funding for the outfalls is appropriate or not. Thank you, sir.

The Bailiff: Deputy Domaille. Sorry, Deputy St. Pier.

Deputy St. Pier: Sorry, sir, point of correction.

3300 I did not wish to interrupt Deputy Luxon but, just to be clear, the routine capital allocation to Waste Water, when it was part of general revenue rather than as a separate trading entity within Guernsey Water, that came from general revenue, not from Capital Reserve – the £2 million a year. Just to be clear.

The Bailiff: Deputy Domaille.

3305 **Deputy Domaille:** Thank you, sir.

3310 Firstly, I would like to endorse the option appraisal, for want of a better word, that Deputy Luxon set out. I think that we do need to be far more realistic on the timescale of this very significant programme. I well remember the last programme. It was going to be done in four years and needed to borrow and all that and none of that ever happened. So I doubt this really will happen in the timescale set out.

3315 Sir, I welcome the Report and it is a good Report and I am not going to bore people with those comments. But this is a very considerable programme and it requires significant resources. There is no question about that. However, I have got to say that I have concerns regarding the proposal to spend what may be well over £1 million every year on additional project resources, as set out in paragraphs 106 to 116.

3320 In summary, these concerns are... Maybe I should say ‘were’ because the Treasury Minister has gone some way to alleviating one of them, which is why I did not support Deputy Brouard’s amendment. But they are: that it is unnecessarily bureaucratic, we already employ well-paid professional staff to carry out much – albeit perhaps not all – of the work that is done at the moment, and whilst some additional short-term support may be required I do not consider there is sufficient justification in the Report to commit to additional expenditure of over £1 million a year on more civil servants.

Sir, it is worth reminding ourselves that we currently have a Gateway Review process in place which, while I accept could be more robust, generally works well. This is recognised in paragraph 12 of the Report, which states,

‘The Department recognises the significant progress that has been made over recent years in the development of more effectively managed projects that generally deliver on time and on budget.’

3325 I think the Department needs to be congratulated on that and so does Treasury & Resources because they are the people that actually put the process in place.

That said, as I said before, I am concerned the process would be bureaucratic and would almost certainly cause friction between Departments and involve them in unnecessary work. What is frequently

3330 forgotten is that Departments are usually best placed to understand what is required, although I think the
Minster's assurances really, with regard to team working on this earlier, perhaps go some way to alleviating
my concerns there.

3335 My second concern is that the States' already employ staff that are paid to carry out many of the
functions that these additional resources will be employed to do. We know this from paragraph 11 on page
1571, which states,

'The process... to date has ensured that all projects have undertaken a standard minimum amount of work in developing a good
quality business case.'

Indeed, if this was not the case, if this work had not been done, we would not be discussing these capital
proposals today.

3340 All of that said, I do accept that improvements can be made and it is absolutely important to have proper
checks and balances in place. Prompting an active challenge is an essential part in the process and it is
important to have the proper resources in place when required.

3345 However, this may not require an expensive additional team to be permanently engaged. The Report
refers to staff having their day jobs and being incapable of doing this work, in part because of time
constraints. This is a self-inflicted wound. The process requires all projects to be brought to a significant
degree of certainty at the same time in a four-year cycle.

3350 It is this intermittent short term problem that may require some additional resource. It does not require a
long term commitment to in-house staff with all the associated costs. The Minister has said he would like to
move to a rolling programme – a move I would welcome – but if it is not possible to spread the workload
then it may be much better for individuals or organisations with particular knowledge and skills to be
employed for a short time at specific stages on only those projects for which additional skills of developing
a business and development case are required. Once the work is completed, the additional resource would
no longer be required.

3355 If these proposals are accepted then we would have a permanent team and once the business and
development work has been completed they may have very little to do and, in all probability, would make
work for itself.

Sir, this Report makes much of the need for proper business cases and the clear identification of
delivering the benefits and itself fails to make a proper case for expenditure of what may be well over
£1 million per year.

3360 However, I note the intention to report back in the Budget Report and I ask if the Minister can assure the
Assembly that the Department will, when evaluating and identifying precise benefits and a detailed budget
– which he has undertaken to do – give consideration to the use of intermittent short-term resources and
moving to a rolling programme.

Thank you, sir.

3365

The Bailiff: Next, Deputy Adam and Deputy Brouard and Deputy Sillars.

Deputy Adam: Thank you, sir.

I ask people to look at paragraph 28 of this Report. It states,

3370

'... success of projects has been judged largely by the extent to which they have been delivered on time and on budget; and not
necessarily by whether the options chosen were the best solutions or whether [they provided] the perceived benefits [and] had
either been accurately identified [beforehand] or delivered successfully.'

3375 Now, the Chief Minister said he had been around for some time and on various project boards. So have I
and in my view there are several projects that must be assessed to ensure they comply with long-term
development of facilities, to make the possible future need for services, otherwise you would be throwing
money away, as the States have done in the past on some projects. Therefore, I think it is imperative this
business plan process, although it may sound tedious, is followed.

The Minister of T&R had mentioned this briefly in his opening speech, when he mentioned the College
of Further Education and the whole thing should be developed at once and therefore not in two parts,
roughly speaking.

3380 But I would suggest more for Education because the other major project is La Mare de Carteret High
School and primary schools. For anyone who has knowledge of these schools – and I do, since I have been
going to evening classes there for the last 10 years – it is obvious that they require to be replaced. But by
what? What are the long term plans for Education?

3385 If you remember, we had a debate about the 11+ and whether it should be got rid of or not. That was
several years ago and at that time the then Deputy Mike Torode brought an amendment saying there should
be three new high schools built and the new College of FE. That was 2002 – Education Department plan

number one. And it was all planned out at that time. They are still going forward with that plan. Yet Education, the curriculum and every aspect of its delivery has changed significantly.

3390 Will the present selection system continue? Will there be a comprehensive system? Will there be centralisation of a post-16 college, providing a broad spectrum of qualifications – A Levels, International Baccalaureate, NVQs etc – based on the present Grammar School and Les Ozouets campus?

3395 Such changes may require all 11 to 16-year-old students to be accommodated in the two present high schools and the third new one. What size should these schools be? St Sampson's can take plus or minus 750, Les Beauchamp – 550 to 600 and no way will that site allow you to expand that school. It is on a slope, down the slope etc, and certainly Deputy Dorey was not too happy about where it is positioned on that site when it was decided.

3400 Therefore, I come back to: what are you going to build at La Mare de Carteret school? How many pupils? Is it going to be for 600, 750 or what? Or are you continuing to use the Grammar School? If I fuel the debate that you enthused to slip on later on this year, about the plans for future education, should actually take place *before* you think about spending £60 million on the development of La Mare – much as it is needed and I accept it should be.

3405 But do not worry – it is not just Education. In a similar vein, HSSD wishes to redevelop parts of PEH – re-profiling existing wards and departments. I accept that there is the risk factor in relation to possible asbestos still present in Giffard and theatres and this must be addressed, despite the fact that it was supposedly carried out in 2001, but what should be done about this?

3410 If the theatres close in HSSD, they are all in one block... and, yes, they were once closed because there was a hole in the ceiling and asbestos came down in theatre. The theatres were closed. There was no other theatre in that building that was up to standard for a major operation. I know to my cost – or shall I say to my Medical Defence Union costs - concerning that issue. The theatre in DPU has improved.

3415 So, likewise, where are they going? What facilities do they need? How are they going to provide surgical services to the people of Guernsey? The theatres – a fourth theatre was built. It cost £4 million. I voted against it but no-one listened to me unfortunately. I had spoken to some of the surgeons and they said it was necessary. What was necessary was a theatre that had much better ventilation for doing orthopaedics and eyes – a nice, ultraclean theatre.

3420 The ITU unit was developed at the same time. Were there enough high-dependency beds developed? No, there were not.

3425 Money wasted, because the people did not think out of the box. And I think that is the importance of making sure that when you have projects coming forward. You do not just think about what I want to do in this term of the States, you have to think out of the box. You have to say, 'Where in the services. What type of services are going to be needed in 10 or 20 years? Because on each project they are spending significant sums of money.

3430 The Hospital project will be initially for a ward to replace Giffard – a stand-alone ward for about £1.5 million to £2 million – and then doing up the other two wards and shifting things around. Are the two wards going to be used for a high dependency unit? Are they going to be used for a maternity unit? Are they just going to be used for a straight surgical ward? Are they going to be single rooms? There are so many things. What is the way forward?

3435 The only way you can assess that properly is to do a medical review, which Deputy Soulsby actually has suggested that should be done now and actually Deputy Harwood mentioned it the other day. There has to be a complete review of medical provision within Guernsey so you know we are going to spend the next £20 million or £30 million in the Hospital to make sure the services are suitable. I keep being told it is being done in modular ways but I am afraid for the whole aspect, not just the hospital but of other services.

We have had sufficient debate, I think, about the EHSCR so I shall pass that over.

3440 Now, Deputy Luxon and Deputy Fallaize mentioned funding and the funding of all projects. Obviously, it is beyond the means and I thought Deputy Luxon... Although unfortunately he had to give his speech rather quickly, because of time constraints, I thought he put things very well.

The only thing I completely disagree with is that those things that have no income stream, such as Belle Greve phase 4 outfall replacement, should not come out of Capital, but should come out of borrowed money because there is a continuous income stream. I know he disagrees with that.

3445 It is interesting – that topic is still to have its final rubber stamping, I hope, by this Assembly later on during this meeting. In other words, should that go ahead or again should we look at other things?

So, sir, it is from these aspects that I think this Report is very good, provided – *provided* – the business cases think outside the box and all aspects are taken into play and not just, 'I want a new school' or 'I want a nice new hospital.' You have to think about what services, what facilities the people of Guernsey require for the next 10 to 20 years.

3445 Thank you, sir.

The Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir.

3450 First of all, just through the Chair, if I can just correct Deputy Fallaize. I think he has slightly misrepresented me. The amendment sought the effects on Departments. It was not a comment on the merits or the proposals, which I generally support.

3455 Just touching on something I said this morning about Departments being consistent, realistic and fair and taking the theme that Deputy Fallaize mentioned about T&R exaggerating their needs and the needs for the Capital. With respect to revenue, when T&R has a revenue surplus of over £1 million for the last five years, there is no need by some sort of financial alchemy to turn capital into a permanent revenue stream as detailed in Proposition 7.

3460 Us mere mortals in Departments do not have such powers or opportunity, but T&R do not even need to do that. They do not even have to have to cut their cloth, they just have to use their cloth. They already have £1 million surplus which they can use to fund the additional staff which they consider they need.

3460 So I would ask you, sir, if I can vote against Proposition 7, as they already have the funding in place for the last five years?

The Bailiff: You can vote against any Propositions you want to vote against. (*Laughter*) I think you are asking for a separate vote on Proposition 7.

3465 Deputy Sillars.

Deputy Sillars: Thank you, sir.

I am just going quickly respond to – oh, he has gone – Deputy Hunter Adam. (*Laughter*)

3470 I trust this is a not a T&R position as we are working very closely together with T&R and I am actually not going to answer most of his questions, but I would hope that he would trust us, as Education, to do the right thing for the Island as we all do in this Assembly. So I am slightly insulted.

Just as a main point, though, is that we still have an awful lot of children in secondary and they all need to go somewhere, so words are beyond me.

3475 Harold Wilson said: ‘A week is a long time in politics.’ Well, five minutes can be a long time in Guernsey politics, it seems to me. My speech, as a result of the last amendment, will now be very short.

3480 Education is very pleased that – thank you – La Mare de Carteret, after what I have just heard, is still in the programme. We are very disappointed regarding the College of Further Education, that the relocation for the Coutanchez site and the Delancey site into Les Ozouets has been delayed, but I am heartened by the Minister’s statement that this need was recognised back in 2002, when the States debated the Education Development Plan and he is not saying that there is not a need – so a double negative – to invest in the College.

3485 The new Principal, the new Governing Body of the College of Further Education and the Education Department, together, are working constructively in partnership with the Treasury & Resources Department to find a pragmatic and sensible solution which is in the interests of our young people and the future cohorts of students at the College of Further Education.

The very recent words of the T&R Minister, ‘support the Departments, alleviate the work with Departments, doing the doing’ and finally – for my benefit, thank you – ‘a team together’, give me the confidence that this is the right way forward.

3490 I have had monthly meetings with the T&R Minister and, oddly enough, whilst we have not always agreed, we have both always delivered our agreed commitments.

Thank you, sir.

The Bailiff: Deputy Soulsby and then Deputy Le Lièvre.

3495 **Deputy Soulsby:** Sir, on behalf of the Public Accounts Committee, the Committee generally welcomes this Report and accepts the principles on which this Report is based.

The concept of portfolio management is widely used across many public and private sector organisations and has been adopted in the UK through the Office of Government Commerce, which has developed various practice models in relation to project programme risk and service management.

3500 As such, it would appear reasonable that this current best practice is applied to the Capital Portfolio of the States of Guernsey. However, the Committee caveats this endorsement by stating that any such additional processes must be appropriate and proportional and that the spend on the enhanced controls must also stand any value for money test.

3505 I am, of course, referring to the 0.4% of portfolio value within Proposition 7 and the £250,000 in Proposition 8 requested for resource purposes. This spend must be seen as value for money. It is a significant commitment to the general revenue expenditure of the States of Guernsey and must really be demonstrated as a necessary requirement, given the ongoing attempts of the whole organisation in reducing the general revenue expenditure via the FTP.

3510 Whilst 0.4% does not sound very much, 0.4% of £275 million is £1.1 million per year – to be precise – and that assumes that category D projects are not included. It is not clear from the Report whether that is to be the case. If they are to be included, this figure could rise by approximately £400,000, giving annual costs totalling £1½ million per annum – and I would like some clarification from the Minister on this.

3515 It was all this that prompted my recent e-mail to the T&R Minister regarding staffing and what work would be included for this extra cost, and I would like to take this opportunity to thank the Minister’s Department for the comprehensive response that was supplied.

Without wishing to repeat the information provided, I think it is worthwhile considering some of the points raised. Within the finance role, one area where PAC believes that such a role could benefit the States is that of monitoring the overall capital cash flow within the Portfolio. Moneys released in a timely manner could potentially improve the return on investment that is planned.

3520 One of our ongoing concerns is the monitoring of the contingency budget. Projects undertaken in the last few years do not go over budget, but they do use up the contingencies, which in some cases can be as high as 20%-25% of the project cost. A consistent approach for the calculation of this budget and how it is then utilised would be most welcomed.

3525 Finally, in relation to the finance role, the Report talks of the consideration of whole life costs of the project, such as net present value, which we would fully support. This implies that all costs and benefits would be monitored. Now, referencing comments in the last debate regarding establishing costs of taking staff away from their day jobs, PAC would welcome a commitment from the Minister that monitoring of internal staff time allocated to specific projects, be embraced as part of this process – in an appropriate and proportionate method, of course. This information would be of much interest when calculating whole life costs, such as the Electronic Health and Social Care Records example has shown.

3530 With regard to the benefit role, undeniably there is a scope for improvement here and we fully welcome the focus it has given this Report. Too often projects are sold on the basis of how they will make things better, but without any detailed analysis as to the financial and non-financial benefits. In particular, non-financial benefits need to be properly assessed. When we say ‘value for money’ we do not mean how cheaply you can do something, but how you can maximise benefits, both financial and non-financial from the money spent.

3540 We welcome, therefore, the attempt to reduce a standard approach to the quantifying of non-financial benefits, such as through the balance score card approach, social return on investment or similar. Members may be aware from the GFSC accounts we debated yesterday, that they have adopted the balanced score card approach. This is not a new concept.

With regard to the procurement role, the potential savings that are identified in the Report, based on activities such as increased procurement input, are potentially more difficult to quantify and therefore justify.

3545 The Report indicates that in-house expertise could be used to challenge the conclusions put forward by external qualified contractors working on the larger capital projects. However, this seems a questionable assumption. Can we really expect or indeed need to have sufficient expertise on every potential project that the States wishes to undertake?

3550 More generally, the Committee wonders whether T&R have fully considered all options to minimise the impact on general revenue. For example, could the resource costs be met from the claimed benefits within the Report or cross charged to individual capital projects to ensure that the overall implementation of these controls are potentially cost neutral to the States.

There is no indication of any staff savings that may be made. This seems rather odd, given some of this work appears to be being done now. I refer to page 1570, paragraph 6, where it states,

‘Based on the assurance reviews the Treasury and Resources Department considers that *all* pipeline projects represent robust strategic options, have identified benefits, have reasonable cost estimates and should progress to the next stage of project and business case development.’

3555 It is also unclear as to the role States’ Property Services will have in this process. As a principal Department currently involved in the oversight of States’ construction projects, it did strike the Committee as odd that they are not mentioned anywhere in the Report. Are we to assume that the role of SPS is merged with T&R for the purpose of this Report... review?

3560 I spoke earlier about PAC’s role in Post-Implementation Reviews. In fact, the Public Accounts Committee has been actively reviewing all PIRs from the previous cycle of capital projects, along with the delayed Airport Terminal Review, and will be publishing a report in the near future that summarises the overall lessons learned.

3565 Without wishing to pre-empt the report, it will be fair to say there was some evidence of improved controls over the period in question, though there are undeniably some reoccurring issues that still need to be addressed. However, the Committee is hopeful that many of the lessons learned have already been embedded within the SCIP processes.

3570 Now, without wishing to repeat the debate on PAC's role in the Electronic Health and Social Care Records review – and I really do not – there is an inherent conflict in what these new roles will provide. On the one hand, we are told that they will provide specialist resource to all Departments in order to help support the development of business cases but, on the other, they will review business cases and ensure appropriate scrutiny and challenge and ensure value for money.

3575 There is clearly room for discussion on PAC being further involved in reviews, not routinely but when deemed necessary. We would welcome a commitment from the Minister that he will further consider this as the overall structure of SCIP is developed.

Furthermore, in section 2(c) of the Minister's letter, he states

'We need to put in place an effective value management process to ensure that maximum value is achieved as efficiently as possible...'

It would seem sensible for us to liaise on this matter in order to have a common understanding and potentially a consistent approach to value for money.

3580 To conclude, the Committee will continue to keep a keen interest in monitoring the developments within SCIP and will play its role accordingly.

The Bailiff: Deputy Le Lièvre.

3585 **Deputy Le Lièvre:** Thank you, sir.

I have two questions for the Treasury Minister. They are as follows.

At the time the Corporate House Programme was set up I think there might have been good reason to ring-fence capital funds to guarantee an appropriate investment programme for housing, in light of the lack of sufficient investment over the previous two or three decades.

3590 Times have changed significantly and now other areas of the Island's infrastructure are displaying the level of urgency that was previously the case experienced by Housing. My question is, therefore: 'does the Treasury & Resources Department – or rather *is* the Treasury & Resources Department – still satisfied that it is appropriate that the considerable funds available to Housing should remain outside of the current capital prioritisation process?'

3595 My second question is probably slightly more tongue in cheek and I think it might have been phrased in accountancy terms by Deputy Soulsby. It was as simple as this: whenever I see a capital programme there is always a huge contingency sum underneath it – almost a very large proportion of the overall cost – and I always look at contingency sums as 'just in case we need it' and therefore one would presume that if the 'just in cases' are not used then the money comes back to Treasury and I was wondering if the Treasury's experience is of these contingency sums being repaid or not being utilised, rather, or is that they just simply disappear as part of the capital costs of the project?

The Bailiff: Deputy De Lisle.

3605 **Deputy De Lisle:** Sir, there has been, over the years, a lot of criticism of the cost of consultants to Government and the need to reduce that dependency.

One has to be concerned when the Department has already identified that portfolio spend on consultants is likely to be over £20 million, in paragraph 111, and that a greater focus on in-house expertise has the potential to reduce this cost significantly.

3610 In fact, further on in paragraph 112 it is stated there is an over-reliance on consultants to complete project roles which would be undertaken by internal staff, were there sufficient capacity. Then we are given some numbers with regard to what can be saved.

3615 But it all becomes a little confused, I feel, on page 1595 and I ask the Minister to clarify the savings he feels can be made through specialist resources internally to provide the resource that can be called upon, States-wide, to evaluate projects in terms of project development and developing fit-for-purpose standards and processes and so on, in order to provide more expertise internally.

Just what savings can be made and what are the costs that he feels will have to be spent on the increase in labour internally in order to fulfil that demand?

Thank you, sir.

3620

The Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir. I shall be brief.

3625 During my time in the States we have learned much about construction projects and one of the things that we have learned is that there is a good time to do them and a bad time to do them.

A good time to do them is when the construction industry is quiet and a bad time to do them is when it is busy; and one of the reasons why we endured all sorts problems with the Airport terminal project back in the early part of the last decade was because of the overheating that was taking place in our economy.

3630 So, clearly, the timing of capital projects has significant economic benefit and it is something that should be taken into account in any management process where capital projects are concerned. There was a time when we had a construction model – a somewhat crude model. We have not got it anymore, but I am sure that the expertise within Departments still exists to be able to make very sensible judgements as to when is the appropriate time to bring forward projects that are likely to impact significantly on all sectors of our economy.

3635 Importantly though, sir, there are two things in this Report that are definitely worthy of mention and one of them is on page 1599 and, in particular, paragraph 133 and 134 which concern themselves with the Treasury & Resource's Departments intention to sweat the Contingency Reserve much more efficiently than it has hitherto been sweated, by having a longer-term view and I think that is very, very sensible and I applaud the Department for taking that matter onto consideration.

3640 The other issue that jumps out at me, sir, is on page 1610. Now, this is very significant indeed. Here, in paragraphs 189 and 190, the Department advise us of the extent of the contingent liabilities, in detail, that the States has amassed over the years and the figure that jumps out at me is £80.5 million in terms of debt that has been underwritten for the Guernsey Housing Association.

3645 Now, as I am sure most Members will know, the Guernsey Housing Association started life with a significant seed capital injection of public sector housing from the States and has invested very heavily in a positive manner in helping alleviate social housing needs ever since. When we consider public sector investment, we need to take into account these very significant investment amounts, because prior to the Guernsey Housing Association most of these demands will have fallen exclusively on the States' shoulders, whereas now of course they are almost exclusively dealt with through that arms' length entity.

3650 Now, what is not clear, sir, is what the potential benefits to the States are of carrying out the intentions expressed in 189 and 190. My guess is that it would be 3% or 4% and it will be very interesting – and maybe I could phrase the question in this way to the Treasury Minister: 'has he any idea at this stage just how substantial the benefit to the public sector would be and, if so, could he advise us accordingly?'

3655 It is a well-written Report, as other people have said. These are exciting times and, in terms of the management of our capital assets, things are moving in the right direction, sir.

Thank you.

The Bailiff: Deputy Lowe.

3660 **Deputy Lowe:** Thank you, sir.

Just a couple of points. I wanted to carry on just to ask some questions of the Minister of T&R for when he carried out his review of the Electronic Health Records – that he will take into consideration when they have a look at that.

3665 Certainly, there is no doubt about it, when the Report when to the States in 2006 it had a pretty tough time and there are some of us in here who had concerns. Deputy Trott, at the time – he actually asked for the debate to be deferred because it was facing such a rough time from Members who raised concerns about the costs that were actually in the Billet.

3670 That was led by Deputy Sirret who had pointed out quite a considerable difference between supplier A and supplier B and it was actually quite lucky it got through in the end but there was, as I say, quite some hard hitting comments.

This is the transcript of it, if anyone wants to have a look at it, of what was actually said in the States. There were quite a few. It even came down to Deputy Stuart Falla saying that he felt that,

'The restructuring and reorganisation was a little bit of fudge. Let us open and see if we can put some money into this and not attempt to bring in various little pockets that we may have.'???

3675 So it seems a bit like smoke and mirrors to me and a funding mechanism, that we followed here, worthy perhaps of Tommy Cooper. But I am certain, sir, it will not be Tommy Cooper, it is likely to be Houdini and no doubt Deputy Roffey would have stayed often unscathed by the venture. And Deputy Stuart Falla tried to put some humour in it, but there was not much humour on the day. It did struggle to get through the States on that day, sir.

3680 Bearing in mind there was such consideration and concern about Plan A and Plan B of the two that came forward, I would like him to have a good look at that because it was not just on the bottom line, it was also broken down into the three different areas within the tender documents, which is actually in your Report.

3685 Interestingly enough, since that time – I accept it is different staff now, but – the Chief Officer at the
time when I was on HSSD did confirm that in his opinion the report was very flawed and some of the points
that were actually raised in that debate had been correct – for those concerns, for that reason. But what
concerns me is that it was promoted very much during that debate, when it was being presented, that it had
scrutinised heavily by T&R and indeed endorsed by the Head of the IT and they were both completely
3690 satisfied that everything was kosher. So if you can drill down into that and see if there has been or where
this money has gone?

I mean, there is just some of the paperwork here from my time on HSSD and here and I have got some
more at home – of all the minutes of the project board, the medical specialists when they came in to meet
us, when the GPs came in to meet us and indeed the minutes from HSSD as well. As I say, it makes some
interesting and some concerning reading, but that is the sort of thing you need to be looking at when you do
3695 the review at the very end – or PAC, whoever does it, needs to be scrutinising that.

It was also due in the States' report, which again just goes back to... when you are having a look, it said
very clearly that the MSG would fund two posts and I think I raised it in 2011, asking how long they were
funding the posts for, to be sat with people opposite me as if they were rabbits in the headlights, because
they did not really know anything about it. I went back to the report and found they were not actually
3700 receiving money and they said, 'Well, actually we now know they are just going to help us at arm's length.'

So it is things like that I would like you to have a good look and, as well, when things were being
delayed there was a suggestion and a proposal that it went from a 10-year to a 15-year because they were
not going to be able to do it in time.

3705 There was an agreement in there somewhere, but I hope that was actually rejected in the end after we
left and we had the 20 staff... because I know it is very much been said this morning and this afternoon that
it was a 10-year project. No, it was not. It was a three-year project from implementation and the seven years
was actually to get the money back. It was not a ten-year implementation.

3710 So you need to read the report and you will see it was all supposed to be committed in the three-year –
the first part – and it was a 10-year altogether with 20 staff left and – again, it is nice to see Deputy Trott
nodding in agreement here – there was a push about where these 20 staff were going to be produced from
and we got a reply that there were six going to be in the records and three from administration; and
although Deputy Roffey knew at the time where the others were, he was reluctant to say because the staff
had not actually been informed. There was supposed to be 20 staff removed by the time we got to 2016.

3715 I now move on to La Mare de Carteret and I was really disappointed to hear Deputy Hunter Adam –
especially as a member of T&R – saying about the rebuild or will we have a rebuild for La Mare de
Carteret. I hope and I was pleased to hear that Deputy Sillars and Deputy St. Pier are meeting regularly and
they were not going to have more delays on that.

3720 These children, whether they are educated in Grammar School or whatever school, they have been let
down – the ones at La Mare de Carteret – year after year on promises that their school will be done. The
condition of that school is just not acceptable in this day and age and I invite any of you to go down during
a school day and go into the English lessons and some of those lessons you have got children having to
share a small table. There are four of them and their books are on the floor because there is not enough
room... and to be delayed, yet again.

3725 I hope that is not going to be the case and I hope when Education come back with that they will be
welcomed with open arms and it will be endorsed, because they have had promise after promise from this
States and the States before that the school will be built. And it does not matter whether there is 11+ or not,
the children are still going to have to be educated in a school.

3730 Again, you were talking about whether it was A levels or whatever system. Education systems change
frequently. You are not going to have... You did not keep GCSEs and everything else. They all change and
nothing will ever stop still, thankfully. That is how the world goes.

So I look forward to report coming and I would like to congratulate, as well, T&R on an excellent
Report and look forward to some exciting capital projects coming forward.

The Bailiff: Deputy Lester Queripel.

3735

Deputy Lester Queripel: Thank you, sir.

3740 I rise seeking clarification from the Minister in relation to Proposition 6 which focusses on costs and
funding of a bus depot. I believe I am right in saying that during the May 2014 debate, Deputy Perrot asked
whether we were talking about a bus depot to house 40 or 50 buses or a much smaller building in the form
of a garage, where mechanics could perhaps work on three or four buses at a time.

So I apologise to the Minister, sir, for not being able to remember the answer to that question, but can he
clarify whether or not we are talking about a depot or a garage, please?

Plus, I had one question regarding the use of consultants. We are told on paragraph 96, on page 1591, that T&R support the use of external consultants. So can the Minister clarify, please: does that mean off-
3745 Island consultants or will on-Island consultants be used wherever possible?

Thank you, sir.

Deputy Sherbourne: Thank you, sir.

I hoped to respond at a time where my esteemed colleague, Deputy Fallaize, was in the room but
3750 unfortunately he is out – (**Deputy Fallaize:** I am here.) Oh, you are here. (*Interjections and laughter*) Oh, yes, he is! – because, unlike him, I do not receive comfort to hear that T&R support the *status quo* with regard to funding models.

In fact, one of the options offered by Deputy St. Pier is one of borrowing and it is on that issue that I would like to speak today.

3755 Before I actually get into the meat of the points I want to make, I too would like to applaud the efforts of T&R in rationalising our capital investment by introducing a structured approach to the prioritisation of departmental wish lists.

I also applaud the Treasury Minister's declared intention to rationalise the trading board's rather diverse current borrowing practices. I think we all understand the sense of this proposal, in that a combined package of borrowing needs will, no doubt, attract advantageous interest rates.

I do, however, have a problem with the way we fund capital projects, which do not carry a revenue earning element. We borrow from ourselves or pay from revenue or a combination or both. I understand that the current fiscal policy prevents borrowing for such projects – a decision made by a previous Assembly. I happen to believe that it is time to reconsider this decision, because I also believe that focused
3765 borrowing for essential infrastructure improvement should be considered.

I have long held the view that cautious borrowing has enabled probably most of us in this Assembly with limited means – not those with more substantial means – to provide for our families more effectively. I certainly would not have secured my family's lifestyle without it – cautious borrowing. My grandchildren will continue to benefit.

I need to understand why this principle cannot be applied to Government. I refute the argument that we should not burden future generations with our debt. If our investments in our infrastructure today benefit future generations, why should they not contribute? Investment in our health, education, sea defence, sewage – all those infrastructures that are essential. And I note that our closest neighbours are biting the bullet and providing an injection of investment in their infrastructure, as we speak. Other western
3770 jurisdictions are doing the same. Why don't we?

Now, the main point of my argument is to do with what we do with our money at the moment. We have two substantial investment funds, both very well managed. One returning 7% per annum and another, I believe from the accounts, returning nearly 11%.

I do not understand the sense of borrowing from ourselves when we are earning that interest return; borrowing from ourselves when in the actual open market we could be securing loans under 4%. We are actually throwing money away by borrowing from ourselves.

Now, I might be wrong, because this is not my comfort zone. I am not a financial whizz kid – unlike the Treasury Minister and I am hoping that he may well be able to explain to me why I am wrong and I want him to explain to all of us why I am wrong, because if I am right we should be doing what Jersey are doing, establishing maybe a bond offer.
3785

I know that Jersey did not get the best deal possible, but it was still under 4%. I am informed that, had we maintained our Moody's AAA grading, we could probably be looking at 3.75% – borrowing to invest in the future, whilst our investment portfolio is returning the figures that it is at the moment. I need answers to that. I think we all deserve answers to that.

3790 With regard to the grading that we relinquished 18 months ago, some of your might remember that I actually cautioned against that at the time. It costs a lot of money to get that grading and I know that Charles Parkinson actually established that with a view to his plan for borrowing, which was thrown out of the States.

So, although I understood the Treasury Minister's decision at that time to relinquish that grading, we are now in a position where it is going to cost us more to get that back, but that might well... it might not be and that is something that maybe Deputy St. Pier can refer to.

I have spoken long enough. I am conscious of the time but I would like to leave the Minister with two questions.

3800 First of all, why do we continue to use our reserves to reduce our capital deficit, effectively losing substantial income from the invested funds when borrowing at advantageous rates or a bond offer would seem more sensible?

Secondly, is it not time to revisit the decision made by our previous Assembly that restricts our ability to provide the capital investment that we require now?

3805 I do not know whether there is an appetite for that in this Assembly. We have never been given the chance. I know there are quite a few people, who I have great regard for, who would disagree with my position and my questions and views, but I would like to know the answer and then maybe I can change my position as well.

Thank you.

3810 **The Bailiff:** I see no one else – Oh, Deputy Hadley.

Deputy Hadley: I am sorry, Mr Bailiff, but I have to take up one or two points.

3815 Now, first of all, I would like to refer to the Corporate Housing Programme which Deputy Le Lièvre referred to and of course I do this with some trepidation, moving out of my comfort zone into his comfort zone.

3820 However, there are some misconceptions about the Corporate Housing Programme – as though this is a pot of money that the Housing Department has and controls. Really, Members of the Assembly should think of this rather as a separate Capital Reserve, in the same way as the items that we are approving today are in a Capital Reserve. Because, although we are approving these projects to go into the pipelines – capital projects – they still have to come back to this Assembly, they still have to be approved by this Assembly, but the opportunity to get into this reserve only occurs once a year.

Now, if the Housing Department had to operate in the same way –

Deputy Le Clerc: Sir, point of clarification.

3825 I do not believe that they do have to come back to this Assembly.

Deputy Hadley: I can assure the Assembly that they do and they have and in fact, if we look back to the extra care housing, there was considerable debate over the extra care housing and quite recently we were very concerned that this Assembly might not approve of us finishing the developments at La Grand Courtil and La Nouvelle Maritainne. So, yes, these items do come back to this Assembly.

3830 Sorry, if I can carry on about the Corporate Housing Programme, what this in effect does is the States resolved to spend a sum of money, that it decided it wanted to spend on social housing – and this is how the Corporate Housing Fund was set up... One could have criticised the fund a while back because there was a mix between revenue and capital and T&R have now sorted this out so that there is a clear distinction between capital and revenue. But if the Corporate Housing Programme did not exist then I am afraid I worry that many of the projects that have been developed for social housing would not, in fact have been developed.

3840 I do have a concern that the Treasury & Resources Department is delaying development of the College of Further Education. The College of Further Education site is a very important element of a housing target area and recently the Minister of Education did talk to me, saying that he had heard we were not so keen on developing it and I said, ‘Unfortunately, Robert,’ – because I call him Robert outside this Assembly – ‘we cannot do anything until 2016.’ He said, ‘What!’ He said, ‘If you wanted us out now, we could not get out before 2018.’ So I said, ‘Well, actually then the Housing Department will be chomping at the bit, trying to get you move out of that site.’

3845 So, I am sorry –

Deputy Sillars: Just for clarity, it is the Coutanchez site we are talking about?

Deputy Hadley: It is. I cannot pronounce it, (*Laughter and interjections*) being foreign.

3850 Now, the Chief Minister, when he spoke earlier, emphasised that the process of getting capital projects approved must be robust and if they are not the consequences can be expensive. And I think the Electronic Health and Social Care Records underscored a total lack of robustness in this particular process, because in this case it is not a question of money running out, but of money lost.

3855 Any Member who reads the *Press* will have seen a picture a few weeks ago of the Director of Corporate Services alongside a computer, in which he said that the project was on track and within budget and that FTP savings had been made from this project.

3860 Well, I am not sure why they consider any savings made from the Electronic Health and Social Care Records project count as FTP savings anyway, because the Electronic Health and Social Care Records computer system was initiated in 2006 and was considered to be cost neutral. It was going to cost £10 million, but we would be generating £10 million-worth of savings. So why we are now counting some of those savings as FTP savings when in fact they should not be is a mystery to me.

Of all the people in the Assembly who you would expect to approve of funding for this project, it ought to be me, because I owned and founded a company which developed much of the software which the

3865 Department is buying. My company was the first in the United Kingdom to develop and demonstrate the electronic transmission of prescriptions. Our software dealt with stock control and drug interactions.

3870 Indeed, the money that Treasury are asking the Assembly to approve, of £600,000, in terms of the whole capital programme, is small beer. However, the problem with this is it is not a question of them needing resources for this project, because they have already had them. In 2006, they were allocated £350,000, specifically for the children information database. Also, as I said earlier, when criticising this issue, there is a lost figure of about £¼ million to £½ million in terms of staff wages – staff that left the project – and nobody can explain where that money has gone.

3875 Again, the problem with the Electronic Health and Social Care Records system is rather that it does not do what it says on the tin. It is a problem with its functionality to a large extent and yet the money we are being asked for to fund this project is not for technical people to implement the project, it is to backfill people in the Department.

3880 Now, much has been made of the children information database and the money is needed to implement that software but, in fact, it is actually to fund three social workers for children. So what this means is to spend that money they have got to recruit three social workers looking after children. Well, they cannot do this anyway. I do not think the Department has ever had a full complement of social workers in that area.

3885 So the money we are being asked to provide is to backfill professional staff who are already working in the Department. This is not money for new staff to work on the project, it is for staff to back fill those posts and I do not think the money will be spent any more than the money was spent on bowel cancer screening and in the same way that the money on bowel cancer screening has never been accounted for – we have never been told what has happened to the money that was not spent – I think this money will not be spent and we will never find out what has happened to it.

3890 So we have never found out what has happened to the money for the missing staff. We will never find out. This is just a way of getting more money for the Department and I think it is a sad day if the Assembly approves this item.

I shall definitely be voting against it.

3890

The Bailiff: Deputy Stewart.

3895 **Deputy Stewart:** Very quickly, sir, I just want to ask the Treasury Minister whether he thinks we have reached a crossroads and we have actually got to start being a little bit more radical – if we have got to be a little bit more brave? Because the way I read it, listening to this debate and the last debate, we have got £250 million-worth of debt, we have got a £57 million gap on our A list capital portfolio, so that is £307 million for a start. We have got dead money sitting around in little ring-fenced pots all around the States and I question whether now we need, as the States of Guernsey, to really start looking...

3900 Deputy Sherbourne makes a very good point. I think it is a false economy. We should start looking at how we fund. This is not about borrowing, this is about Government bonds. Strangely enough, today I actually agreed with Richard Murphy from the Taxpayers' Alliance who actually put out on the internet that there is a huge demand for Government bonds.

3905 I think we have to start really managing our money in a totally different way and so my question to the Treasury Minister is: 'should we be more radical?' Because I think, sooner or later, the States will have to bite the bullet. Over the next 25 years we are looking at at least £2 billion-worth of capital expenditure and that is at today's guesstimate. So we could probably double that. I would imagine Deputy Trott, former Treasury Minister and longest serving Chief Minister – only Chief Minister... I am sure he will agree me: these things are what we think at the moment, but there is always something that comes along.

3910 So I hope perhaps we can come up with a plan that makes us as visionary and also not to shy away from the big challenges as the Victorian forefathers did when they built the original Harbour. I think we have to start looking at a different way of managing our finances overall.

Thank you, sir

3915 **The Bailiff:** Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

3920 Firstly, I congratulate T&R on the Report. There are four large capital projects in the Portfolio which would help to ensure that we can continue to provide high class health and social care services today and that will shape the services for tomorrow. They include the redevelopment of large parts of the Princess Elizabeth Hospital, development of a new community hub through the Strategic Asset Management Plan and the completion of the Electronic Health Care Records system and the establishment of a replacement programme for important radiology equipment.

3925 These four developments, together with the building of the Overland Mental Health and Wellbeing Centre, which is already underway, will allow us to continue to meet islanders' health and care needs in appropriate and efficient ways now and in the future.

The case for redeveloping the Princess Elizabeth Hospital is well understood and States' Members voted overwhelmingly to include it in the Capital Portfolio in September of last year.

3930 As part of this development, HSSD will be able to take tackle some significant risks, such as the asbestos which surrounds some wards and theatres in the Hospital. It will also enable the Department to redesign wards and service areas to meet the challenges of the future, including a growing older population, many of which have a mixture of chronic and acute conditions which may need increasing care.

It is interesting that Jersey is embarking on a project which, if you pro rata it, I think we would be spending £190 million on our Hospital.

3935 Some of the risks I have mentioned are imminent. As I said in September, if Giffard Ward were to need repairs in the ceiling space that will almost certainly need to be closed due to the asbestos. HSSD does not want to be in a position of closing a ward without contingency arrangements. We all know this will lead to delays and cancellations and much distress for patients. The Department has been exploring alternatives and wants to set up a modular ward on PEH site to replace Giffard Ward in the near future.

3940 This will also support the long term plans for the Hospital site development and mean that the surgical block is empty and can easily be rebuilt or replaced with some other services in that area. An unplanned closure of Giffard Ward would have a severe impact on patients and services. Because of the severity of the impact and the nature of the risk, HSSD wants to put a solution in place as soon as possible and the need to tackle this as a priority has also been recognised by T&R, so this will include Proposition 4, to grant T&R delegated authority to approve the purchase of a temporary ward, which I hope that the Assembly will support.

3945 I should also mention the sterile services department within the Hospital. Sterile services are responsible for making sure that all surgical and investigative equipment is properly cleaned and sterilised before and after procedures. Without them, theatres could not operate safely, all elective surgery would stop and all emergency surgery would have to be flown off Island.

3950 The sterile service department is a critical part of the Hospital infrastructure but, as I said in September, the washers, disinfectors and autoclaves are all out of date. There are significant challenges in repairing or replacing equipment because of asbestos in the structure of the rooms that house them.

3955 Finding a solution to this problem will be an early priority for the Hospital site development programme. Depending on the scale of risk, it may need to be resolved as early as this year. This is an issue HSSD is currently exploring and will discuss further with T&R, as necessary.

3960 Although these risk are obviously major drivers for the redevelopment of the Hospital have to be tackled as a matter of top priority, it is important to emphasise that we also see this as an opportunity to provide services that are fit for the future, that reflect our expectations for high quality care in comfortable and dignified surroundings and that help to achieve our aim of enabling people to live healthy and independent lives for longer.

Similarly, the development of the community hub will help HSSD to provide social care services in a way which reflects islanders' needs and expectations. As with the Hospital site development, the community hub project is driven by a mixture of risk management and long-term goals.

3965 HSSD has a number of ageing buildings which are scarcely fit for purpose. The Department is keen to move Children's Services out of Swissvale and Lucas House and into an environment that is both more family friendly and which is much better for staff to work in. And also to move Adult Social Services out of part of the Castel Hospital, which is currently in an old ward.

3970 It is hoped that bringing together community services, not only from HSSD, but from other States' Departments will help to deliver the long-term aims of many social policy strategies, from the Children and Young People's Plan to the Disability and Inclusion Strategy or supporting Living and Ageing Well.

3975 All of these focus on providing the right overall support to the person who needs it, not just on each Department or service area doing their bit. It is hoped that the community hub will not just bring teams physically closer together, but help to find more efficient joint working across the States. It is important that the location is the best for the Island, although the Report mentions about KE VII it is important that the process does look at other sites which have perhaps got better road connections and are more central.

3980 HSSD is only a member of the Strategic Asset Management Plan. We are not leading on the development of the community hub, but we are already taking steps to facilitate it by moving out of the King Edward Hospital site. But we will seek to work closely with the SAMP team to ensure that the project delivers on its promises and we, of course, are wholly supportive of its inclusion in the Capital Investment Portfolio.

I will only touch briefly on the two remaining HSSD-led items in the Portfolio. The case for the radiology equipment replacement programme is self-evident. We have some critical pieces of radiology equipment which are nearing the end of their lifespan and which need to be replaced or upgraded if we wish

3985 to continue providing radiology service on the Island. Without these pieces of equipment, large parts of emergency and acute care, from diagnosis to surgical procedures, would not be possible.

3990 HSSD has mapped out a replacement programme for necessary equipment. States' Members who have read the strategic case will see that HSSD is looking to replace two pieces of equipment, known as Room 1 and Room 3, this year. Room 1 is used for diagnostics and Room 3, during procedures. Room 3 is particularly prone to service outages at the moment and urgently needs to be replaced. HSSD has already begun work on the case for replacement and we will seek to move this on swiftly following today's debate, if the States approves.

Finally, to EHSCR, I do not intend to repeat all the points put forward this morning, which I think adequately cover the need for it, although some have not accepted that.

3995 Deputy Lowe spoke about looking back to 2006. We all know that the project has had a difficult time but we are where we are now. The need for those two modules has clearly been identified and I would very strongly urge the States to support the £600,000 so that we can go ahead with those two modules. We need to look forward and not look back.

4000 As I explained this morning, previously the revenue work has been funded from our revenue budget, but that is just not there anymore and, because of the tightness of the revenue budget, we need this capital to be able to provide the backfilling for the people to provide the professional work to develop these modules and we will recruit the necessary people, as we have in the past and will continue to do so when vacancies exist in the future.

4005 Each of these bids I describe is an important part of the infrastructure, both digital and physical, which is needed to create the services for tomorrow – providing health and social care which is fit for purpose to meet islanders' expectations.

Together with investment in our workforce, we continue to focus on the issues which most effect islanders' health, wellbeing and independence. These new developments will help to ensure the States leaves a legacy of health and social care services which we can all be proud of.

4010 Just picking up a few other points which we made in the debate, I think Deputy Luxon spoke about the financing for waste water and he said that there had been a saving from the movement to general revenue, but in fact it is a different source of funding. It is now funded, effectively, by the consumer as opposed to taxpayer.

4015 So I think the use of the word 'saving' is – It is a reduction in general revenue expenditure but not a saving, because it is just a movement in the source of funding. I actually think that is right and I actually support all waste water being funded from the consumer.

I think we expect the electricity consumer to pay for the full cost of electricity. We expect the water consumer to pay the full capital and revenue costs of supplying water. I do not see why we cannot apply the same principles to waste water. I accept, historically, it has been funded from general revenue, but I think we have to change.

4020 I, personally, have always believed that the Airport, as well, should have been funded from the Airport user and not from general revenue, and I think we have to look at the utility services and think that they should be – and the Airport and I would also say the harbour – should be funded from the user and not from the taxpayer.

4025 I must admit I fully agree with Deputy Adam's comments in relation to La Mare de Carteret. As a Castel Deputy, I fully understand the state of La Mare de Carteret but I think we have to get it right, whatever investment we make.

4030 The biggest mistake this Assembly could make is actually funding it for the current system and there is a move to change the education system in the future. As I understood it, if you were going to get rid of the 11+ you ideally have 11 to 18 schools, because that would attract the right staff and you need to have larger schools in order to have the ability range from setting... have a smaller ability range. But I would welcome when the Report comes back... but I think Education needs to cover that point when they come back with their report about where the future is and make sure that it is fully explained.

4035 On the contingent liability, I welcome the Report's proposals to have... although I was against borrowing... but the point was we are against borrowing when there is not a source of income. Where there is a source of income, I think we should set up a borrowing... and if we can benefit financially by setting up one facility to finance them all, rather than lots of small facilities as we have now, I think that is a sensible use of public money.

4040 Deputy Sherbourne talked about borrowing cautiously. I think that is what is borrowing cautiously – when you have got an income source. Borrowing recklessly is when you have not got an income source. So I think that the decision made by the previous Assembly was right. (A Member: Hear, hear.)

It is all very well talking about, currently, the investment returns we get – and, yes, we have got investment returns which are high now but I can remember not long ago where we had negative investment returns, so the economic situation can change at any point in the future.

4045 So I think borrowing cautiously when we have got an income... but borrowing recklessly when we do not have a direct income is wrong.

I think that covers my points. Thank you.

The Bailiff: Does anyone else wish to speak in general debate?

Deputy Ogier.

4050 It looks as if there is just one other speaker in general debate and then it will be for Deputy St. Pier to reply. I am going to propose to you that we continue sitting this evening until we have concluded the present matter. Those in favour; those against.

Members voted Pour.

4055 **The Bailiff:** We will continue to sit.

Deputy Ogier.

Deputy Ogier: It was really in response to what I have just heard from Deputy Dorey.

4060 We are all now aware that in order to help with the financing for the Capital Programme, T&R would like Guernsey Water to take on funding for the long sea outfall, short sea outfall and for the diffuser, which is not an unreasonable suggestion to explore.

4065 I would just say a few more words on why the PSD opposes T&R's request, however, and I want to explain what burden Guernsey Water is already having to bear from absorbing Guernsey Waste Water and what it has already accepted to fund from its own resources for waste water infrastructure investment over the next 10 years.

4070 When Guernsey Water took on the waste water function it was identified at that time that the assets were not in as good a condition or as effective as could be expected. There were numerous risks of failure which had to be terminated. Therefore a plan was developed that would improve the sewer network and disposal function. This plan concluded that capital reserves built up by Guernsey Water, together with an addition £15 million of borrowing over the following decade, would be required to bring Guernsey Waste Water up to reasonable performance and risk levels.

4075 The main areas of focus are: to renovate or replace all sewers in the lowest condition category which were in imminent danger of collapse; to reduce collapses, blockages etc in sewers that result in the flooding of property, internally or externally, by reducing the incidence of root intrusion, fats, oils and grease that cause blockages; upgrade the serviceability of pumping stations to avoid unplanned failures and hence potential flooding and pollution incidents; reduce the risk of flooding through hydraulically inadequate sewers where the pipes are too small to take the flow currently needed up to the designed rainfall criteria; and to provide the facility to continue with a network extension plan along the lines previous agreed at £2 million per annum, although this area is subject to review and in last year's capital prioritisation exercise that figure was trimmed down to £1.5 million per annum for 2015 and beyond and could go lower.

4080 We aim to provide a west coast storage strategy to avoid overloading the main trunk network and thereby prevent flooding or pollution along the coastal fringe and in the town network. These are the projects that are being undertaken by Guernsey Water and funded by Guernsey Water for Guernsey Waste Water. These are the projects which have had to be funded since Guernsey Water took on Guernsey Waste Water.

4085 Having subsumed Guernsey Waste Water, to fund this improvement would already require borrowing by Guernsey Water. To have to fund the resources of the long sea outfall plan in this Capital Portfolio in addition, would place such a burden on the business unit's finances that significant rises above inflation to Guernsey Water's customers would be required to cover it.

4090 This Board feels that this extra burden of unexpected borrowing, along with the significant rises in water charges for everyone which would be required for a number of years, is the not the best way of funding this essential capped item, but we are prepared to support Proposition 9 in order to discuss this further with T&R.

I hope this clarifies in Members' minds the issues at play here.

4095

The Bailiff: Anyone else? No.

Deputy St Pier to reply.

Deputy St Pier: Thank you, sir.

4100 Thank you to the Chief Minister for his support. Deputy Fallaize referred to T&R being institutionally neurotic. I regard that as high praise. (*Laughter*) Surely, if there is to be any Department that is institutionally neurotic about running out of funds, you would want it to be Treasury & Resources. (**A Member:** Hear, hear.)

4105 He also referred to the experience of the repeatedly delayed delivery of projects. He is of course right in that, but that has been the experience. But of course the portfolio management approach is designed, is intended, as it evolves to enable, if you like, fill-in projects to perhaps be accepted into the programme, to recognise one of the issues that Deputy Trott referred to, which is taking advantage of opportunity in the market place and so on.

4110 Also the portfolio approach is designed to ensure that we do actually deliver the programme as well and that projects are sufficiently resourced so that they can deliver on schedule. So one would hope that over a period of time that ceases to become a recurring feature of our capital programme.

4115 The numbers he referred to... he gave quite a number of different numbers but, in particular, one of the last ones he referred to is the increase from £155 million to £203 million, I think, in that which was available in the Capital Reserve. That is of course because... or part of the contribution to that is the additional appropriations which T&R have recommended in the last Budget Report and are likely to continue to do so in the future.

4120 Deputy Luxon – again, we have touched on the issue of needing to develop the programme as a rolling programme but, to be clear, again, to reiterate what was said in the previous debate, the proposed SCIP resources are for the benefit of *all* Department teams and, in particular, training is for all Department teams.

If there was any ambiguity, particularly in paragraph 108 – which he referred to – I apologise for that. A lot of effort did go into drafting this Report, to make it as clear as possible, but there may have been an omission on that occasion, for which I apologise.

4125 He also asked about progress on the review of the finance function. There are interviews taking place next week to make the necessary appointments. So hopefully that will address the wider issue of financial resources across the States.

Extending the period was one of the suggestions he had. Recognising the point, again that I made in my opening speech, we do know there are additional projects heading down the tracks that will fill in and, as our portfolio management becomes more effective, one would expect that to become less and less of an opportunity, but he has noted what is already in the Report.

4130 In terms of a different approach, as result of the project assurance reviews, well, of course one of the different approaches is precisely that which we have identified from that process in relation to Belle Greve, albeit one that both he and his Deputy Minister have addressed in their speeches.

4135 Deputy Domaille expressed concerns about the additional project resource. Just to be clear, this is largely to replace external consultants and to obtain a better cost effectiveness by using an internal resource. But not all of it will be recurring and, just to give him the reassurances that he was looking for, our expectation is that some of that will be temporary resources and we certainly will be looking at intermittent short-term resources – which was the phrase he used – and again we have already referred to the need for this to break away from the four-year cycle that we are in.

4140 Deputy Brouard queried why Treasury & Resources are not picking up the costs of the Portfolio team. Again, to emphasise this is not a Treasury & Resources team. This is resources available for use by all Departments but, in particular, of course these are not revenue expenditures but they should be rightly charged to the capital projects.

4145 Deputy Soulsby had a number of points. I am not sure I am going to necessarily be able to address them all. But, to be clear, the 0.4% that is referred to is based on the £218 million of available funding, not the £275 million of anticipated costs and, to be clear, it does exclude the category D projects in the calculation.

She also suggested that we have a consistent approach in relation to contingencies. I would suggest that that probably is not possible or practical or feasible because the contingencies for projects should be based on the project risks for each individual project and, in particular, using standard terms contracts, which many Departments are now doing, that does recognise how the contingency is built up.

4150 States Property Services will continue to act as a technical adviser to projects where their skills are appropriate and where that permits them to do so.

Deputy Soulsby referred to PAC's desire to become more involved in the review process and to up the engagement with T&R on the whole portfolio management and I am very happy to explore that further with Deputy Soulsby outside the Assembly in due course.

4155 Deputy Le Lièvre asked if we are still satisfied that the Corporate Housing Programme should remain outside the process. Just to confirm what is in the Report, which is that we have said that in the next round housing projects will have to compete with everything else for Capital Reserve funding. And the same contingencies point, I think, has already been addressed. Sorry, his question was whether contingencies are used or not? The response to that is the experience has been that some are and some are not. But clearly if they are not then, yes, they are returned to Treasury.

4160 Deputy De Lisle, just to be clear, the savings that will come from the central team will come from developing the in-house resource where that is justified to support the projects and also by negotiating what has been termed 'framework agreements' in the information that has been distributed to Members. So that is, if you like, a bulk buying arrangement for specialist consultants, which will always be needed on some

4165 of these projects and the projects can then call on those at better rates. And we have estimated that we should be able to save at least £1 million out of the £20 million of consultants' costs there and, in addition, each 1% saved on procurement is a £2 million benefit as well.

Deputy Trott asked what the savings would be in relation to looking at borrowing options. I am not able to provide Deputy Trott with a detailed response to that question here today, sir, but a safe back of a fag
4170 packet calculation would assume a circa 3% benefit on the sorts of sums that are in the Report. So it is a significant multimillion pound opportunity for the States.

Deputy Lowe spoke at some length in relation to EHSCR project. I would perhaps suggest to Deputy Lowe that, given her experience, it may be beneficial for her to provide feedback on the terms of reference which have been distributed to States' Members on the outline – the draft terms of reference for the review.
4175 If she has any comments on those, it may be helpful to provide those at this stage so that the review may seek to capture some of the issues that she is concerned about.

Deputy Lester Queripel asked whether it was a depot or a garage. I am informed by the Minister for the Environment that it is a bus depot to house the entire fleet – some or all undercover, with all necessary engineering and repair facilities and also staff facilities. However, to be clear, the Report is merely asking
4180 that we note that it is our intention to return to the Assembly and, again, as part of this process, we would expect the Environment Department to do a full options analysis and explain why it is they want to do what they want to do and why that is the best option and that will come back as part of the subsequent Report to the Assembly on the costs that are likely to be required.

Deputy Lester Queripel also asked about external consultants and whether they would be on Island or off Island. It will clearly depend on the need. There may well be certain projects which require external off-
4185 Island expertise which is not accessible on Island.

However, to reassure Deputy Queripel... his concern clearly is that we should be using on-island resource whenever possible and, as he may recall, the procurement rules have been changed to reflect... to seek to ensure that we do achieve that outcome wherever it is beneficial for us to do so

Deputy Sherbourne – well, first of all, I remind Deputy Sherbourne that actually he probably secured his family lifestyle against an income stream which of course is a significant point. There is an extant Resolution, which I believe arose out of the last debate on borrowing – which is that we should only be borrowing against income streams. I think it is unlikely that this Treasury & Resources board, and quite possibly this States, will be willing to amend that extant Resolution. But Deputy Sherbourne, I am sure, will
4190 have an opportunity to seek to amend that and to debate it at the time of the Budget Report when we do bring our proposals forward.

However, he is quite correct that the opportunity cost of using those funds which are invested to fund those things which do not have an income stream is effectively the investment return of 7% or 8% currently – subject of course to investment performance, as Deputy Dorey has said.

So he right to make the observation that it might be cheaper for the States to borrow for those projects that do not have an income stream, rather than using, if you like, expensive internal money. However, of course, effectively, what we would be doing at that point is leveraging our investment portfolio and my feeling is at this stage that may be a step too far (**A Member:** Hear, hear.) for this Assembly.

To be clear, Jersey have borrowed a bond for their social housing, which of course is precisely what we have done over a number of years through external funding with the Guernsey Housing Association. To be clear to Deputy Sherbourne, a bond offering is precisely what we are looking at and considering and we will be looking to bring back as part of the proposals for the budget and that will require the return of a credit rating. We do not anticipate that the absence of a credit rating and re-obtaining that will incur any additional costs – we would hope at this point.

Deputy Hadley referred to a delay in the College of FE project and, effectively, attributed that to T&R. Just a point of correction – there is no delay in that project as a result of anything that we have done, but there is clearly ongoing work that is required.

Again, just to be clear, Deputy Hadley also spoke about the Corporate Housing Programme. Those projects do not come to the States for individual approval. The projects in the SCIP programme will come
4215 back to the States for individual approval, but of course the Corporate Housing Programme does provide periodic reports which do set out the high levels plans and individual projects are approved by both the Housing Department and Treasury & Resources.

I hope that has addressed most of the key points. I seek the Assembly's forgiveness if I have failed to address anybody's burning concerns, but I do encourage the Assembly to support all the Propositions, sir.

The Bailiff: Well, Members, the Propositions are to be found on pages 1637 and 1638 and I believe we have had requests for separate votes on Proposition 5 and Proposition 7. Does anybody request any other separate votes?
4220

4225 **A Member:** Proposition 2.

The Bailiff: Proposition 2. Well, perhaps if we take those three separately and then everything else together.

I will take first Proposition 2. Those in favour; those against.

Members voted Pour.

4230

The Bailiff: I declare it carried.
Proposition 5, those in favour; those against.

Members voted Pour.

4235

The Bailiff: I declare it carried.
And Proposition 7. Those in favour; those against.

Members voted Pour.

4240

The Bailiff: I declare it carried.
Now I put to you all the other Propositions – that is 1, 3, 4, 6 and 8 through to 11. Those in favour; those against.

Members voted Pour.

4245

The Bailiff: I declare them carried.

Procedural – Remainder of business

The Bailiff: Now, can I just come back to the matter I raised right at the start of this morning which is how we try to complete the business at this meeting?

Can I suggest, first of all, that we perhaps sit for longer hours tomorrow and that we resume tomorrow morning, not at 9.30 a.m. but at 9 o'clock? I put that to you first. Those in favour of a 9 o'clock sitting; those against.

4250

Members voted Pour.

The Bailiff: We will start at 9 o'clock and when we get to the lunch recess, I may suggest that we sit from 2 p.m. through to 6 p.m. so that we can have a similar session. (*Interjections*) Well, we can decide on that now if you wish. I put to you that we sit from 2 p.m. to 6 p.m. tomorrow afternoon. Those in favour; those against.

4255

Members voted Pour.

Deputy Gollop: Point of order, sir. Should some of us, overnight, not only think what to say, but what remaining items are absolutely essential to do by Saturday and which can be deferred?

4260

The Bailiff: I understand most of the items are essential but I am sure that thought will be given to that.

Deputy Luxon: Sir, Ministers have had conversations. We cannot re-prioritise very much because they are all urgent.

4265

Could I also ask for your advice? When I returned from the lunch break, there was a sursis on my desk with no information about whether it is being laid or not and apparently it is being changed and amended. Members will know it has significant implications for the Public Services Department and Waste Strategy and it would be helpful if perhaps, if it is going to be laid, we could know whether it is being laid and what is being laid so we can prepare.

4270

The Bailiff: Deputy Paint, are you proposing to lay the sursis?

Deputy Paint: Yes, sir, and there was an error or two in the sursis –

4275

The Bailiff: Is that the technical amendment to paragraph (b)?

Deputy Paint: – and that has been amended now and H.M. Comptroller will give me, tomorrow morning, the amended version to circulate.

4280

The Bailiff: Which is a technical amendment, really, to – (**Deputy Paint:** Sorry?) It is a technical amendment on paragraph (b), but the substance of the sursis remains the same?

Deputy Paint: More or less, except... it was just technical, as you say.

4285

The Bailiff: Yes.

Right, then the next issue is we may or may not finish by 6 p.m. tomorrow evening. If we do not, the Rules provide that we come back on the second Wednesday, which would be the 13th August – which, for some, would otherwise be the West Show day – but the alternative would be to come on Saturday.

4290

Can I have a provisional indication now as to whether people would wish to come back on Saturday or not? (**Several Members:** Pour.) So it is a provisional indication, not a final decision at this point.

Deputy Dorey: Would it not be better, so that we know... because if some people cannot come back on Saturday, that would be influential on me making a decision, because, if there is a lot of people missing it will a lack of credibility of the Assembly. So I think you should ask who would be missing.

4295

The Bailiff: If you are unable to attend on Saturday, will you please stand in your places. There is one, two, three, four five, six, seven, eight, nine, 10, 11, 12, I think. One, two three, six, nine, 12. (*Interjections*) Sorry? (*Interjections*)

4300

And how many would be unable to attend on 13th August? One, two, five, eight, 11, 15. So, it seems to me –

Deputy Lowe: Well, to be fair, sir, August is actually the official roll over date, rather than Saturday. That is the Rules – a fortnight in August.

4305

The Bailiff: It is under the Rules.

Deputy Bebb: I know that it is not regular, but could I ask whether there would be a possibility for meeting in the second week of September which may be slightly more conducive for Members and their calendars with school holidays?

4310

The Bailiff: I do not know whether the business can wait that long. That may depend where we have reached tomorrow. I think there is some business that could not wait until September. That is my understanding.

4315

So I think we have an indication that if we do not finish by the end of tomorrow it is very likely (**Deputy Fallaize:** Sir, just –) that the States will resume on Saturday.

Deputy Fallaize: – as an alternative, since we have been through this exercise of people standing up, would it be that there may be many fewer who would be unavailable if we were to reconvene on Monday?

4320

The Bailiff: Monday of next week? Well... Deputy Brouard, do you wish to say...?

Deputy Brouard: Just to add to the debate, sir, most evenings Deputies are working anyway, sir. I have no problem perhaps with working later this evening or on Friday and that is maybe when people are already here anyway, sir.

4325

A Member: Sir, I think you have something to attend to on Monday. (**Deputy Fallaize:** Tuesday then –)

4330

The Bailiff: Monday is the commemoration of the Centenary of –

Deputy Fallaize: Tuesday, then.

All I was suggesting was that if Members are not available because of holiday in mid-August, it might be that there are more Members available next week. It was just a suggestion.

4335

Deputy Lowe: And with the Monday, sir, it would not be unusual just to adjourn for an hour. The States have done that before – to attend a church service. So we could still do the Monday and stop for the service.

4340 **The Bailiff:** Well, let us just see how many would not be available on Monday. Let us just see whether that is an option. How many would not be available on Monday? One, two, three, four. One, two, three, six. It is very similar to the number who would not be available on Saturday. So, I think there is no... and I can understand if people are starting a family holiday on Saturday, they will probably away on Monday still so...

4345 **Deputy Brouard:** Sir, would you be so kind just to ask how many people would be available either this evening or Friday evening? That may help.

The Bailiff: Deputy Dorey.

4350 **Deputy Dorey:** Isn't the other thing to try and look at prioritising...?

The Bailiff: Well, that is for Policy Council. We asked Policy Council to do that before we published the Billet and, as I understand it, matters have been issued in their order of priority. If priorities have changed, then if Policy Council wish to tell me then fine.

4355 **Deputy Dorey:** In terms of HSSD's tobacco, yes, it is desirable it is done. It will mean that legislation will be delayed, but I would rather see that it is properly debated (**A Member:** Hear, hear.) in terms of a Chamber that is full, rather than going through with a Chamber that is half empty which does no good to the credibility of this Assembly. (**Several Members:** Hear, hear.)

The Bailiff: So you are saying Item 14 could be delayed until September?

4365 **Deputy Dorey:** Yes. I would rather do that than have it debated in a half empty Chamber.

The Bailiff: Article 15, the Housing (Control...)... Variation to the Housing Register – is that time critical?

4370 **Deputy Hadley:** I would say that is fairly urgent, sir.

The Bailiff: That is urgent. And Broadcasting of States' Meetings – is that?

Deputy Fallaize: No, it is not, sir, but we have got waste and sewage and minimum wage and Jersey/Guernsey electricity cable. So if we get to a stage where we can knock a couple of things off the end, so be it, but that is not really the substance of what we are discussing now, is it.

4380 **The Chief Minister (Deputy Le Tocq):** Sir, I was going to say Policy Council did their utmost to delay certain matters which have been put back to September, which is actually busy as well. So I think there is never going to be a perfect time to deal with this. We have got to do the best that we possibly can tomorrow and focus our attention on the need to do that and get through, particularly some of the big items and then if we can defer some other ones, I suggest they could be deferred maybe to a later date, but I doubt it.

I think there are some important things that we need to move on with and it seems that the majority of us... we will be quorate on Saturday if we stand.

4385 **The Bailiff:** We can take a decision on that tomorrow evening. The other thing I have been asked is to find out whether Members wish to continue to sit this evening. (**Several Members:** Yes.) I am happy to put – (*Interjections*) I do not know how long we would sit for, but – (*Interjection*)

4390 **Deputy Luxon:** Will we be able to put the lights on if it gets dark, sir? (*Laughter and applause*) And especially if we approve the electricity cable, sir. (*Laughter*)

The Bailiff: Maybe that is how the Royal Court manages to reduce its operating costs – if we sit in the dark, I do not know.

4395 **Deputy Lowe:** We could have an hour or a half hour break and come back at 7 o'clock, sir. That gives you a chance as well, because at least other Members can leave the Chamber.

The Bailiff: Come back at 7 p.m.? But then how long do we stay for?

4400 **Deputy Lowe:** 10 p.m.

The Bailiff: Madam Comptroller?

4405 **The Comptroller:** Sir, with respect, it seems to me that Members have known for while that we might sit on Saturday morning. That has been agreed before and has gone around. It seems to me most sensible, if we are quorate on Saturday – given the difficulties on Monday and the other dates – that the best thing would be to proceed on Saturday, if need be tomorrow.

Members, will be fresher then as well. It has been long day. We have sat longer today as well. (**Several Members:** Hear, hear.) I can certainly come back this evening, but I think it might better.

4410

The Bailiff: Yes.

Deputy Lowe: Did you want to see how many wanted to come back, sir?

4415

The Bailiff: Well, I am not quite sure what –

The Chief Minister (Deputy Le Tocq): It is the fact that we did, in advance, warn Members that this was likely to happen and the general feeling was that Saturday was the option. Some of us have got things on later tonight that would be very difficult change that – not impossible, but very difficult.

4420

I think we break now. It has been a long day. I agree with the Comptroller's advice and I think we should reconvene early tomorrow, focus our attention on the business and try and get it done if we possible can tomorrow. (**Several Members:** Pour.) (*Interjections*)

4425

The Bailiff: Before we have anyone else, I will just put it to you in a moment.

Deputy Langlois: Sir, in terms of pinching odd bits of time here and there, could we possibly change tomorrow to 8.30 a.m. to 6.30 p.m. with an hour for lunch, (**Several Members:** Yes.) because I think to make a decision to stay tonight would really degrade the value of the high standard of debate which we always achieve (*Laughter*) and it would tend to go downhill. (*Interjections*)

4430

The Bailiff: I will put that proposal that we resume tomorrow at 8.30 a.m. in the morning, then. Those in favour; those against.

Members voted Pour.

4435

The Bailiff: So it will be an 8.30 a.m. start.

And the other thing I am going to put to you and it will be the last thing I put to you on this – well depending on how the vote goes – is the proposition that we rise now and resume tomorrow morning. Those in favour; those against.

Members voted Pour.

4440

The Bailiff: We will rise now and resume tomorrow morning.

Deputy Fallaize: Also, sir, can we agree that we will just carry on tomorrow until we conclude because...?

4445

The Bailiff: I do not think we can commit ourselves to agreeing that, Deputy Fallaize, under the Rules.

Deputy Fallaize: But Members could make plans, couldn't they, if we had an understanding?

4450

The Bailiff: Members can make plans in the knowledge that we may sit later tomorrow, but we cannot make a definitive decision on that until tomorrow.

Deputy Lowe: Yes, we can make plans that we may stay until 10 p.m. – have a break 7 p.m. to 10 p.m.

4455

The Bailiff: We will see how it is going tomorrow.

The Assembly adjourned at 6.02 p.m.