

**REPLY BY THE DEPUTY MINISTER OF THE TREASURY AND RESOURCES
DEPARTMENT TO QUESTIONS ASKED PURSUANT TO RULE 6 OF THE RULES
OF PROCEDURE BY DEPUTY LAURIE QUERIPPEL**

Question 1

I am submitting questions to Treasury & Resources as the Department with shareholder responsibility for Guernsey Electricity. The Department may be of the opinion that the issues raised are of an operational nature but I believe they are a matter of public interest bearing in mind that Guernsey Electricity is a publicly owned body and as such there should be transparency and accountability around their actions.

Guernsey Electricity recently underwent a restructuring process and as I understand it a number of technical/maintenance staff positions were rationalised. Is it true that when seeking to outsource maintenance work Guernsey Electricity received and accepted quotes/prices that were greater than had been assessed or anticipated, in some cases 50% greater?

Answer

No, it is not true.

Guernsey Electricity (GEL) identified a number of operational areas for outsourcing, including roadworks, painting, carpentry and stonemasonry. It has advised the Department that the tenders received in these areas demonstrated that outsourcing them enabled the same level of activity to be delivered for a reduced cost compared to carrying them out in-house.

The outsourcing is being undertaken as part of a wider Business Transformation Programme that will create efficiency within GEL and will improve its customer focus and the management of its assets. Some of the efficiency savings that have been realised are now being reinvested in the recruitment and development of new skills and personnel within the company that support the objectives of the wider Programme. For example, GEL is investing in its procurement capability in order to assist it in reducing supplier costs in future and to derive better value for money.

As shareholder in GEL, the Department has previously set the company a target to reduce the difference between Guernsey Electricity's and Jersey Electricity's average customer tariffs from 17% to 11% for the period 2015-2018. The improvements in efficiency being delivered will also support GEL in its delivery against these targets.

It should be noted that, in the interests of transparency and accountability, the Department already publishes GEL's annual report and financial accounts each year for debate by the States of Deliberation. Following their approval at the Company's AGM, the report and accounts for the year ending 31st March, 2015, have now been submitted by the Department for inclusion in the Billet d'Etat for this December.

Question 2

Are Guernsey Electricity confident and can they provide categorical assurances that they can access appropriate technical/maintenance skills in a timely fashion should an emergency arise (or indeed at any other time) and are they able to do so in a cost effective and value for money manner and can and will those services be accessed locally?

Answer

GEL has not outsourced any additional operational areas of activity, other than those identified above, as a result of the Business Transformation Programme. The Company is satisfied that it has continued access to all the skills it requires as and when they are needed. The outsourcing only relates to the operational activities set out in the answer above and where it can be demonstrated this is more cost effective than retaining the function in-house. This has been undertaken with local employers and, where necessary, robust service level agreements are in place which allow for “out of hours” service provision in order to continue to meet existing guaranteed service standards.

Historically, the company has previously outsourced some specialised technical maintenance activities and it will continue to do so. Given the specialist nature of these activities, GEL has advised the Department that these skills are not always available on Island and, therefore, have to be sourced from the UK or further afield. The Department has been assured by GEL that this is the most cost effective means of securing these activities.

Question 3

What rationalisation has taken place in regard to the management structure of Guernsey Electricity and what savings have been derived as a result?

Answer

The Business Transformation Programme examined all levels of activity within GEL, from the Board at one end of the spectrum to its front line workforce at the other. The process identified significant duplication, fragmentation and areas where the business had not focused its resources most effectively. GEL has advised the Department that the Programme has involved restructuring throughout the organisation. It is an ongoing process that has included a net reduction in permanent staff of 24 FTE posts. At Board level, this number includes both one non-executive director and one executive director, reducing the size of the Board from nine to seven.

Date of Receipt of the Question: 25th September 2015

Date of Reply: 8th October 2015