

# **STATES OF JERSEY**



## **ANNUAL BUSINESS PLAN 2007 (P.92/2006): ELEVENTH AMENDMENT (P.92/2006 AMD.(11))– COMMENTS**

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**Presented to the States on 11th September 2006  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

The Council of Ministers accepts all parts of this amendment.

### Part 1(i)

This accords with the initiatives already being put into place by the Council of Ministers to ensure that States services are efficient and effective. It was made clear during the Strategic Plan debate that the Strategic Plan provided both the financial and policy frameworks and that the Council of Ministers would work within these. It was agreed then that a detailed impact analysis – including full costs and other resource implications – would be developed for consideration by the States for any new strategies or policies to ensure that they could be delivered within the financial framework and also accorded with the objectives agreed by the States in the Strategic Plan.

### Part 1(ii)

The Chief Minister's Department recognises the imperative need for transparency and accountability and currently reports on the transformation investment in accordance with Treasury Financial Directions. It has also developed a system for tracking the financial savings generated by the transformation project in conjunction with the Treasury.

The Council of Ministers would want to emphasise in accepting this part of the Deputy's amendment that both the PECRS past liabilities and current deficit were addressed by the States in propositions approved late last year. The Assembly agreed to change conditions for new entrants to the scheme (P.189/2005), with the effect of meeting the deficiency at that point, and to establish a long-term loan (P.190/2005) to repay the past service liability. Following States approval to the 2006 Budget, this loan is paid by funds set aside in future cash limits.

The Teachers' Scheme faces similar issues and arrangements are being put in place from 1st January 2007, following the approval of P.69/2006 on 18th July to address these. The Strategic Plan identified this as one of the emerging pressures and £1.3 million has been provided to Education, Sport and Culture from 2007 for this purpose.

Monitoring the delivery of the Annual Business Plan will be incorporated into the overall performance framework which is described in detail in the reply to 2(ii) below.

### Part 2(i)

The Council of Ministers considers that the existing commitment to deliver a policy for a Stabilisation Fund is intrinsically linking to developing a clear policy for the Strategic Reserve.

The Minister for Treasury and Resources is expecting to bring forward proposals for a Stabilisation Fund alongside the 2007 Budget proposals later this year and so would expect that a policy for the Strategic Reserve any necessary changes to the Public Finances (Jersey) Law could be achieved in 2007.

### Part 2(ii)

This element of the amendment calls for improved financial controls, supported by a performance management and reporting system.

The Council of Ministers concurs with the Deputy's comments that the States must have financial control and monitoring mechanisms capable of ensuring that public funds are wisely managed.

The Deputy, in his comments, acknowledges that there have been improvements in financial controls and he, along with other States members, should be assured that the Council of Ministers considers developing these controls as a high priority.

Financial performance measures will form part of the overall assessment of departmental performance against

strategic plan objectives – not simply new initiatives but the bulk of ‘business as usual’ activities.

- Section 9 of the main business plan document explains that performance targets, including financial targets, will be incorporated into the Balanced Scorecard reporting mechanism to be set out in Departmental Annual Business Plans.
- The Annual Performance Report will document progress against Strategic Plan Objectives and will include comparative cost information against other jurisdiction and/or historic performance, as appropriate.
- In addition, the framework of ongoing efficiency reviews, overseen by the Comptroller and Auditor General, will target specific areas of States activity to determine how well services are delivered in terms of value for money.

The progress on performance management and financial controls will be underpinned by –

- a restructured Finance Function delivering professional advice across the States at a reduced cost;
- the ongoing implementation and continued development of the JD Edwards financial system;
- the provision of further Financial Directions to regulate the expanded requirements of the Public Finances (Jersey) Law 2005.

The Deputy refers to the need to understand fully the revenue consequences of decisions taken in respect of capital expenditure and the legislation programme.

Revenue and manpower consequences of capital works have been included in the detailed submissions by departments for some years. There is scope to improve these estimates and incorporate them fully into the forward financial forecast. The amalgamation of responsibility for procuring, managing and maintaining States land and buildings under Property Holdings will ensure that options to invest in construction that provide a proven payback over time are evaluated systematically.

The proposed legislation programme for 2007 also includes a commentary on the likely revenue and manpower impact of each item, ensuring that members are fully aware of such consequences when considering the programme.

#### Part 2(iii)

This has already been put into practice.

The development of a comprehensive up-to-date land property asset register is in hand. A team is currently undertaking the valuation of land and buildings to provide the data to create a GAAP compliant property asset register by early 2007.

A project team has been established to produce a corporate approach to the valuation and recording of all other material States assets, in conjunction with a new Financial Direction that is to be issued shortly.

A third stream of work is being undertaken across States departments to produce an inventory of fixed assets to ensure that location and value, for insurance purposes, is recorded.

All of the above asset details will be contained within the JD Edwards financial system, providing the ability to manage and report on assets flexibly and comprehensively.

#### Part 2(iv)

The Council of Ministers considers that moving towards delivering GAAP compliant accounts is the key driver in obtaining the information to link resources to activities. The Council of Ministers and Minister for Treasury and Resources have committed to produce the 2007 Accounts in accordance with GAAP and this will remain the prime objective.

The restructuring of the States accounts, and the parallel impact on resource allocation and budgeting, is a fundamental requirement to achieving GAAP compliance and will demand a significant level of dedicated resources over a considerable period.

The scale and diversity of business activity across the States makes a 'one size fits all' approach inappropriate. The impact of the implementation of GAAP accounting principles must be fully considered before an appropriate methodology for resource accounting can be adopted.

The Council of Ministers accepts the spirit of the Deputy's amendment to adopt a resource accounting approach. The Treasury and Resources Department will work with the Public Accounts Committee and Comptroller and Auditor General to develop full cost accounting and budgeting principles that are appropriate for States activities, in an agreed timeframe that is achievable in conjunction with the development of GAAP compliant accounts.