States of Jersey
States Assembly

États de Jersey
Assemblée des États

Public Accounts Committee

The Public Sector Reform Programme

Presented to the States on 5th October 2015

PAC.3/2015

Contents

Chairman's Foreword

When my committee began to look at the Public Sector Reform programme, we were of the view that the programme was a customer-focussed drive to change how public services are delivered using the most effective organisational structure accommodated in modern fit for purpose buildings supported by the best in IT systems. This could be expected to deliver the best value for money for the Public. As it turns out, the true position is rather more complex.

In this report, my committee publishes for the first time both the original programme vision and the high level programme outcomes agreed by the Council of Ministers. The latter have, until now, been withheld from the Public. In our view, this demonstrates a lack of transparency. Change management programmes are successful when all key stakeholders journey through the programme together.

Several key programme stakeholder groups may only now be learning that the defined programme outcomes may not quite meet their expectations. Those who were expecting to see a significant reduction in the overall cost of the public sector may be surprised to learn that the programme was not designed for that purpose.

My committee now senses that both the vision and the outcomes risk being overtaken in 2015 by the revised financial forecasts of recent months and by the government response to those forecasts in the form of the Draft Medium Term Financial Plan 2016 – 2019.

While it is imperative that the Public Sector Reform programme is properly refocused to take account of the current financial position, those same forecasts tell us that delivering hard and fast reforms by 2018 is now more important than ever.

For the avoidance of doubt, my committee has seen evidence that elements of the programme are delivering fundamental and exciting reforms in some departments. However what we are not yet seeing is full and tangible evidence of reorganisation of all human resources, major modernisation of IT infrastructure and rationalisation of the States of Jersey property portfolio – yet these are the cornerstones of change management programmes.

We have also yet to see real signs of broad cultural and operational change being embedded across the organisation as a whole. Good work has been done in implementing the Lean Programme but some of the Lean projects undertaken should be done as part of the normal good business practice, rather than being held up as an example of major change. We look forward to seeing rather more of the latter over the second half of the programme.

We are encouraged by what evidence we have found that change has begun, however the speed of that change in the eyes of many stakeholders is painfully slow. It is only hoped that the slow pace of change will deliver a lasting legacy for the public sector, which will be to the benefit to all Islanders in the long term.

Key Findings

There has been a lack of clarity regarding the vision, key objectives and, to an extent, the duration of the Public Sector Reform programme. This lack of clarity is only now beginning to be addressed over 2 years after the substantive programme was approved and at the point when revised financial forecasts and a new States of Jersey Strategic Plan may be creating pressure to refine or reset the original programme vision.

Variations in the description of the scope of the programme make it more difficult to establish with precision the extent of the resources that have been allocated to it. There are grounds to conclude that the publicly declared programme budget of £16.3 million up to the end of 2015 and programme expenditure of £6.03 million by January 2015 do not fully reflect the extent of programme activity.

Confidentiality restrictions placed on certain reports submitted to, and Minutes of, the Council of Ministers between 2012 and 2014 have complicated the process of reporting publicly on what has already been delivered as a consequence of the Public Sector Reform programme spend and also on the current status of ongoing projects falling within the scope of the programme that were due to have been completed by December 2014.

Programme governance needs to be strengthened. Lines of accountability from those with responsibility for individual projects back to the Council of Ministers (which approved the substantive programme in March 2013) and, ultimately, to the States Assembly have not been maintained over time. We have seen no evidence that the reconstituted Council of Ministers or a properly constituted ministerial oversight group established by the Council has been formally briefed on the status of the programme as at December 2014.

There are signs that elements of the Public Sector Reform programme are delivering meaningful change. In particular, certain goals set for the Lean Academy have been achieved and, while there is more work to be done in this area, there are indications that the Lean methodology is having a notable impact on the workings of several States departments. A Programme Management Office has also been established to coordinate programme activity. Given the importance attached to this major change programme, it is imperative that successes are made permanent and that momentum is not lost. Deficiencies in the programme set-up and the manner in which it has hitherto been executed should be addressed without delay in order that this positive momentum can be maintained and built upon.

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Recommendations

1. The Chief Minister's Department should ensure without delay that the government website www.gov.je offers a readily accessible and definitive summary of the vision, aims and objectives of, and the timescale for completion of, the PSR programme.

2. The Chief Minister's Department should ensure that the accounts for the Public Sector Reform programme properly reflect the programme scope as approved by the Council of Ministers.

3. The Public Sector Reform programme Ministerial Oversight / Steering Group should be properly reconstituted by the Council of Ministers without delay.

4. To maintain accountability, the membership and terms of reference of future ministerial oversight / steering groups established by the Council of Ministers to progress any matters falling within the functions of the Council as defined by Article 18(2) of the States of Jersey Law 2005 must be recorded in the minutes of Council meetings.

5. The Ministerial Oversight / Steering Group should commission an evaluation of phase 1 of the Public Sector Reform programme without delay and submit the evaluation to the Council of Ministers, which should in turn report the findings to the States Assembly promptly.

1 Introduction

1.1 The Public Sector Reform (PSR) programme has been operating as a discrete change programme since March 2013. Planning and preparation for the programme began at least a year earlier. The programme was originally devised in response to a perceived need to address demographic challenges arising from the progressive aging of the Island's population and to respond to the financial challenge of lower anticipated rates of economic growth for the foreseeable future following the global economic downturn.

1.2 Having reviewed the States of Jersey Financial Report and Accounts for 2013 and 2014 and other documents that were publicly available in the first quarter of 2015, we learned that over £16 million had been made available to the PSR programme over a 4 year period ending in December 2015. We found that a Programme Management Office had been established to handle the day-to day running of the programme and that various stakeholder groups had received individual briefings regarding the changes the programme would bring about.

1.3 Our original intention was to carry out a full but swift analysis of the extent of progress made against PSR programme objectives at what we originally understood to be the mid-point of the programme. Limited availability of key data regarding the vision, scope and duration of and resources allocated to the programme as a whole, and restrictions placed on our ability to discuss in a public document the full extent of progress made against the agreed reform agenda, have nevertheless resulted in this review taking rather longer to conclude.

2 Vision, Aims and Objectives

2.1 Several consistent key principles are identifiable in various change management models in modern use. They tend to include the following –

- create / identify a sense of urgency,
- understand where the organisation is, both culturally and in performance terms,
- devise and communicate a clear and memorable vision statement that summarises where the organisation should be,
- involve and secure the support of key stakeholders,
- plan to deliver the vision in a specific, measurable, attainable, relevant and time-bound way, and
- monitor execution of the plan and refine as necessary.

2.2 The last corporate-level change programme within the States of Jersey was the Public Sector Reorganisation of 2004. That programme was commissioned by the then Policy and Resources Committee and was approved by the States Assembly on 26th May 2004. It was based on a premise that machinery of government reform, fiscal issues, public perception and public expectation were combining to create pressure for urgent organisational change. The resulting 5 year programme was devised to fulfil a vision that the States would *'put the customer first and deliver better, cheaper and simpler services without the need for any cuts in those services.'* [1]

2.3 A number of higher-level deliverables were declared publicly when the Public Sector Reorganisation programme of 2004 was lodged *'au Greffe'* for approval by the States. In addition to the call for overall improvements to public sector service provision (as outlined in the appendix of the report accompanying the 2004 proposition), the programme was expected to deliver the following by 2009 –

- annual savings of £20 million per annum,
- value improvements of £9 million per annum (without cutting services), and
- approximately 300 extinguished public sector posts.

2.4 An estimated budget of £9.4 million was called for, so as to fund the technology, staff, consultancy, premises and training requirements of the 2004 programme.

[1] Proposition P.58/2004 refers.

2.5 History records the extent to which the 2004 change programme delivered against the approved vision and key objectives. In particular we recall the 2008 Comptroller and Auditor General report entitled '£35 Million Cost Reductions,' which considered an announcement made in November 2007 that £35 million annual savings were due to be achieved by the end of 2008. The C&AG report found evidence of significant reductions in spending on corporate support functions through centralisation. It identified that some £7.3 million of the declared savings were corporate efficiency savings attributable to the 2004 programme, of which some £1.5 million could reasonably be regarded as deferments of expenditure on property. A further £20 million of the declared savings total was, however, deemed to be attributable to the earlier Fundamental Spending Review. Some hard questions were also asked regarding the validity of 20 per cent of that £20 million sum.

2.6 By 2012, planning for the current PSR programme was underway. This latter change programme was devised during the course of the then ongoing Comprehensive Spending Review and in response to a different combination of primary drivers (the progressively aging population and the prospect of lower predicted economic growth over the longer term). It was also being guided by the 6th priority of the Strategic Plan of 2012 ('Reform government and the public sector'). The 6th priority called for a public sector that would be enhanced by the further development of e-government and which would be –

> *'... responsive to the needs of its customers and flexible to change by engaging and empowering its staff to improve services. It must be as efficient and effective as possible and provide good value to the taxpayer.'*

2.7 A number of different government documents were in circulation from 2012 onwards that offered accounts of the vision and objectives of, and some detail regarding certain projects deemed to fall within the scope of, the PSR programme. PowerPoint presentations were given to States Members. Leaflets and flyers were distributed to public sector employees. Certain media releases were also issued.

2.8 We found it difficult to identify a single document that had been serving as a focal point of reference for all key programme stakeholders in the period 2013 - 2014. Our attempts to identify such a document caused us to analyse the various combinations of priorities and desired outcomes cited within the government documents that were available. In turn, we formed a view on the extent to which key stakeholder groups could reasonably be expected to have formed a clear and common understanding of the core purpose of the programme and of the high level outcomes that the programme was designed to deliver.

The Council of Ministers

2.9 The Council of Ministers as previously constituted commissioned the PSR programme. It obtained the approval of the States Assembly to maintain the restructuring provision budget that has hitherto been the source of the majority of declared programme funding. The Council had complete knowledge of the purpose and direction of the programme but the high level information at its disposal was not shared widely.

2.10 On 27th March 2013 the Council of Ministers was asked to endorse 9 specific PSR programme outcomes, approve a phase 1 programme of specific projects and associated funding, and to consider delegating to a political steering group the responsibility for oversight and governance of the programme. The report considered by the Council on that day offered a 150 word vision statement and envisaged a 6 year timeframe for delivery concluding in 2018.

2.11 The Minutes record that the Council –

(a) agreed the 9 specific PSR programme outcomes;
(b) approved the first phase of 9 enabling projects for completion during the period 2013 - 2014;
(c) endorsed the allocation of £4.38 million in support of the approved first phase of projects, and
(d) agreed in principle to delegate to a political steering group oversight and governance of the agreed programme and expenditure.

2.12 The Council stopped short of determining who should be serving on the political steering group and agreed nothing further regarding the terms of reference for the group. Neither was a decision taken regarding a final deadline for delivery of the PSR programme outcomes. While we are clear that the PSR Programme Management Office had always regarded December 2018 as the final deadline for delivery of the programme, the Council did not specify a completion date.

2.13 Earlier this year, the Chief Minister's Department and, subsequently, the Council of Ministers declined to give us permission to publish the vision, the 9 programme outcomes or any other extracts of PSR related reports submitted to the Council of Ministers between 2012 and 2015. Permission to publish extracts of corresponding Minutes of Council meetings was similarly withheld. This was notwithstanding that the majority of the relevant reports and Minutes were marked as exempt from publication solely on the basis that they described policy that was, at the relevant time, under development.[2]

[2] Under paragraph 3.2.1(a)(xiv) only of the Code of Practice on Public Access to Official Information, which has now been replaced by the Freedom of Information (Jersey) Law 2011.

2.14 In an extraordinary development, the PSR programme vision as put to the Council of Ministers was published in full just over one month later, on pages 75 and 76 of the Draft Medium Term Financial Plan 2016 – 2019.[3] The 9 specific programme outcomes being targeted were not, however, similarly reproduced.

2.15 Given this recent disclosure in the Draft MTFP 2016 – 2019 and having taken account of the public interest in this matter, we consider it appropriate both to reproduce the PSR programme vision and to publish, for the first time, the 9 programme outcomes that the Council of Ministers approved.

2.16 The vision statement as put to the Council in 2013 reads as follows –

> *'Public Sector Reform is a long term programme, proposed to run over 6 years to 2018, the purpose of which is to help forge a more innovative, efficient and less expensive government which will increasingly be seen as a partner of the private sector in growing and diversifying the economy as well as a deliverer of essential public services to the citizen. In addition, Reform will deliver a more flexible, efficient and sustainable public sector workforce which will be better able to meet the future challenges Jersey will face over the next 10-20 years. It is about changing how we deliver services which may save money, may avoid increasing costs or may mean costs increase less than they might otherwise have done.*
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> *'The Programme has been split into manageable phases – Phase 1 (2013/14) will create the enabling infrastructure to deliver sustainable reform in the latter phases. Much is to do with e-Government, but modernisation of the workforce and using proven methodologies to re-engineer States' processes by concentrating on the customer is vitally important.'*

2.17 We note that this programme vision is not dissimilar in focus to that of the 2004 change programme. The PSR programme vision nevertheless offers broader scope for interpretation in terms of the extent to which the programme aims to secure a substantive overall reduction in the cost of the public sector as opposed to a slowing of the rate of increase in the overall cost. Either outcome could be described as less expensive government in the absence of an agreed benchmark.

2.18 The 9 programme outcomes approved by the Council of Ministers were as follows –

[3] P.72/2015 refers.

1. *Integration of front, middle and back office functions*
2. *A reduction in the number of States offices to reflect the integrated service provision*
3. *Reduced transaction costs by changing to online processes reaping productivity efficiency gains*
4. *An integrated IT platform for the States which will reduce annual IT costs by up to 20 %*
5. *A more flexible, mobile and responsive workforce able to respond to the requirements of our customers which will, in turn, lead to significant productivity gains by ensuring that skills are commensurate with what the organisation requires*
6. *The future size of the workforce dependant* [sic] *on how effectively processes are redesigned and technology applied to deliver services more efficiently*
7. *Modernised staff Terms and Conditions to improve value for money and equity of reward based on a strong performance management and development culture*
8. *The implementation of business process reengineering using Lean methodology where an increase in productivity in the order to* [sic] *15 – 20 % is the norm*
9. *A culture of continuous improvement and improved capability and capacity of the organisation to deliver further change when required.*

2.19 Accepting that these 9 outcomes have only ever been intended to offer a high level representation of the PSR programme 'finish line,' we are mindful of the limited extent to which progress towards their delivery can be measured objectively. We note also the significant scope for flexibility afforded to those charged with delivery of several of these outcomes. For example, outcome no.4 above has not been framed so as to target a minimum level of savings. As such it can technically be achieved in full by delivering only a 1% saving on annual IT costs by 2018. Similarly, outcome no.6 as drafted allows for a possible increase in the size of the public sector workforce.

2.20 It is important to note that the key decisions of the Council of Ministers regarding the vision and approved outcomes of the PSR programme have not served as a focal point of reference for those with an interest in the programme because they have hitherto not been made publicly available. Other key stakeholder groups have therefore been looking elsewhere for sources of information.

The States Assembly

2.21 Non-executive States Members received their primary input on the programme via presentations given in September 2012 and October 2013. The latter presentation set out the following 4-point vision in no particular order of priority –

- Easier access to services
- Value for money for taxpayers
- Making Islanders' lives better
- Services provided effectively

2.22 Whereas the 2012 presentation given to States Members quoted an indicative programme timeframe ending in 2018, the 2013 presentation slides were silent on the matter of a targeted completion date.

Public Sector Employees

2.23 The core vision statement set out for staff in a 'Shaping our Future' document circulated to public sector employees in electronic and hard copy is as follows –

> *'A reformed public sector will mean working together – as one organisation – to make Islanders' lives better, with an emphasis on online access and more seamless service provision.'*

2.24 The States intranet has been a major and readily accessible supplementary source of programme information for employees. Although certain of the relevant intranet pages have been reorganised or reworked since our review started, the key messages have remained unchanged. They are –

- that the programme is focussed on *'making life easier for Islanders and businesses'* and *'making life easier for staff,' and*
- that the 5 core projects within the scope of the programme are: Lean; e-government; culture; workforce modernisation, and office modernisation.

2.25 Neither the Shaping our Future document nor the States intranet pages highlight substantive cost reduction as a primary programme objective, though we note that some of the smaller print in the Shaping our Future document discusses the need to control expenditure and cites a need to secure value for money. There are no overt references to an end-date for the programme in either the document or on the intranet site.

2.26 The Shaping our Future document was circulated in support of a number of workforce engagement events, the principal event being a similarly named major interactive exhibition held in July 2014 at the Hotel de France. We were offered a summary of feedback provided by employees attending the July 2014 event as evidence to support an assertion that those employees were clear as to what the programme was designed to deliver. In this regard, we note that 456 feedback cards were submitted by the circa 2,000 employees that attended and that analysis of the card data led to various conclusions, including –

- that 78 per cent of attendees were more positive about reform after the event
- that the 2 most common topics attendees were interested in finding more about after the event were firstly their pensions and secondly the new job evaluation process.

The Private Sector

2.27 In March 2014 the Jersey Institute of Directors (IoD) invited the then Minister for Economic Development to make a speech to its membership regarding the PSR programme. In its media release announcing the event, the IoD asked whether the programme would *'review staffing levels, roles and systems in the public sector to ensure that the taxpayer was receiving value for money'.* The then Minister for Economic Development confirmed in his speech that the programme would find ways *'... to control spending, and deliver better services for less.'* Although the Minister stopped short of citing a programme completion date, he did state that the e-government project being undertaken as part of the programme would aim to raise online transaction levels between Islanders and government *'from 7.5% to 75% within 5 years - at the latest.'*

2.28 Those concerned with the digital sector of the Island's economy have received an input from government on the programme as a consequence of their engagement on the e-government project. The Digital Jersey website describes the programme as *'a long term, evolutionary programme of change,'* the purpose of which is *'to forge a more innovative and efficient, more service orientated and lower cost government.'*[4] Although Digital Jersey stops short of quoting an end date for the programme, the organisation repeats the aspiration outlined to the IoD of conducting 75% of all government interactions online by 2018.

The Public

2.29 Local media organisations have reported on possible structural reform of the public sector since at least 9th September 2010, when the Jersey Evening Post newspaper reported on outline plans to merge several existing States departments, reduce the number of senior States managers

[4] See http://www.digital.je/news/egovernment-procurement-

and incorporate or outsource several public sector operations. The balance of subsequent reform-related media coverage has remained broadly similar in focus, albeit that there has also been some media discussion of individual PSR projects, such as e-government.

2.30 As at 1st September 2015 the www.gov.je internet site does not have a specific page or subsection concerning the programme. The website search function offers an unstructured list of links that, when analysed, do not reveal the vision and high level objectives approved by the Council (see the enclosed screengrab at Appendix 2). Nothing obvious is written regarding a targeted end-date. Successive States of Jersey Financial Report and Accounts stop short of clarifying the position and there have not been any formal propositions or reports lodged for debate by, or presented to, the States Assembly. concerning the specifics of the programme. In contrast, the States of Guernsey website has offered a dedicated reform page and reference document since 1st September 2015.[5] Their change programme is understood to be at an early stage relative to the Jersey programme.

2.31 We have been advised that the available content on the www.gov.je website concerning the programme has hitherto been limited because *'public engagement was not key during this enabling stage.'* In our view, the Public has been a key stakeholder from day one. www.gov.je should have been summarising the programme for Island residents at an early stage, just as its Guernsey equivalent is now doing.

A shared vision?

2.32 Each of the above key stakeholder groups has, over time, been given an account of the programme. Each separate account has offered a vision and / or outcomes that have merit in isolation. Those accounts have nevertheless been sufficiently vague and lacking in consistency as to offer material scope for interpretation – particularly regarding the extent to which cost savings should be expected. None of the documents we have seen could reasonably be identified as the principal vision statement or the principal route map for the journey to the desired end-state.

2.33 In the absence of a single, documented and widely available reference point since 2013, different stakeholder groups may have formed materially different conclusions regarding the weighting attached to driving innovation, improving service delivery, achieving efficiency savings and / or substantive cost reduction within this complex change programme. This scope for confusion has existed even before one factors in the potential impact on programme direction of the revised financial forecasts published since the public elections of October 2014.

2.34 Even if one accepts the view of those concerned with the programme that there is a fixed programme deadline of December 2018, the lack of clarity regarding the programme vision and high-

[5] See http://www.gov.gg/change

level outcomes has implications both for programme focus and for determining which projects fall within scope (as opposed to being classified as ‘business as usual’ activity). It also makes the task of holding departments to account for delivery more difficult.

Recommendation 1

The Chief Minister’s Department should ensure without delay that the government website www.gov.je offers a readily accessible and definitive summary of the vision, aims and objectives of, and the timescale for completion of, the PSR programme.

3 Resource Allocation and Expenditure

3.1 According to a Freedom of Information response published on 17th March 2015,[6] the sum of £16.3 million had been budgeted for PSR programme activity over the period ending in December 2015. Some £6.04 million of that budget had been spent by January 2015.

3.2 We identified several potential issues with the PSR programme accounts used to arrive at the budget and expenditure figures quoted in the Freedom of Information response of March 2015.

3.3 The relevant programme accounts did not show a budget allocation to support the voluntary redundancy / early retirement / severance scheme that was launched in the second quarter of 2015. We subsequently established that this was because a decision to reallocate £2 million from the 2015 e-government budget to provide for such a scheme was taken after the accounts were compiled.

3.4 It would, in our view, have been appropriate to make budgetary provision for a redundancy scheme at the outset of such a change programme, albeit that we would not have expected to have seen expenditure against that budget until service redesign activity had been completed and an updated assessment of human resource requirements across the organisation had been made. A scheme operated at that stage would, in our view, have been both fair to employees and more likely to achieve the right outcome for the organisation. Whether the programme has yet reached such a state is a moot point.

3.5 The relevant programme accounts did not show a substantive budgetary provision for or expenditure incurred by the office modernisation project. We could find evidence only of a consultant having been engaged to produce an office strategy report using funds held by the PSR Programme Management Office. Subsequent enquiries revealed that office modernisation had not been classified as a relevant PSR project until November 2013. Prior to that point, office modernisation activity had reportedly been funded and progressed separately by Jersey Property Holdings, on the basis that that department had previously been charged with developing and implementing a modernisation strategy. On the basis that the office modernisation project was still being funded from the base budget of Jersey Property Holdings after the November 2013 decision, the relevant expenditure was not factored into the accounts on which the March 2013 Freedom of Information response was based.

3.6 Given that achieving a reduction in the number of States offices to reflect integrated service provision is the second of the 9 programme outcomes approved by the Council of Ministers and given also that the physical working environment is unquestionably a key factor in the culture of an organisation, we question how the office modernisation project could reasonably have been external to the PSR programme prior to November 2013. Now that office modernisation is classified as a

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[6] See http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=1268

substantive reform project, the full budget supporting office modernisation and expenditure incurred against that budget should be included within the programme accounts.

3.7 The relevant programme accounts record that reform funding in the sum of £685,000 was awarded to the then Housing Department over the period 2013-14. This funding was used for: company setup costs; legal and financial advice; tenant communications and branding; valuations and conveyancing, and other associated start-up costs arising from the incorporation of Andium Homes Limited. We had not expected such spending to be classified as PSR programme expenditure. Moreover, the Chief Executive, States of Jersey publicly admitted that the sum was *'not really part of the ... programme.'*[7] While we accept that the creation of Andium Homes is materially changing the social housing service provided to the public, we have been unable to establish that the original bid by the then Housing Department for a £685,000 sum was assessed in a structured way against the specific PSR programme aims and objectives.

3.8 The process of collating a full financial picture of the PSR programme was further complicated by the content of successive budget documents published by the Executive that made reference to the scope and the finances of the PSR programme.

3.9 When the then Draft Budget Statement 2014 was lodged, it asked the States Assembly to endorse £150,000 per annum growth with effect from 2014 specifically for the purpose of funding the operation of the PSR Programme Management Office. This growth allocation was not included in the accounts on which the FOI response of March 2015 was based – because the approved funding was allocated to the base budget of the Chief Minister's Department. It is worthy of note that the Budget Statement proposing the £150,000 growth bid did not draw the attention of the States to a related decision of the Council of Ministers and the Minister for Treasury and Resources a few months before. When the Council had originally approved the PSR programme in March 2013, it had already agreed a 2014 budget for the Programme Management Office in the sum of £250,000, to be drawn from the restructuring provision. It appears that the scope of work put to the Council in March 2013 was an underestimate, hence the supplementary sum for 2014.

3.10 Page 6 of the Addendum and Budget Statement 2015 refers to the allocation of *'£7.2 million for e-Government and £1.9 million for Public Sector Reform*.' The implication is that e-government and Public Sector Reform are two discrete programmes, yet the programme documentation put to the Council of Ministers is quite clear that e-government is an integral component of the broader PSR programme. All £9.1 million should therefore have been cited in the Addendum and Budget Statement 2015 as PSR programme funding.

[7] See transcript of PAC public hearing held on 15th June 2015 – page 16

3.11 On 10th March 2015 the Minister for Treasury and Resources told the States that £1.47 million had been spent on e-government.[8] On 13th April – after the relevant FOI response had been published - the Minister sent an email to States Members advising that for technical and accounting reasons e-government expenditure had been revised up to £1.8 million. On 12th May, we were notified that the phase 1 e-government project had in fact cost £2.13 million by December 2014. As the Minister has yet to formally retract the answer he gave to the States Assembly on 10th March, only the £1.47 million figure remains a matter of public record.[9]

3.12 In summary, there is material scope to clarify the total budget allocation for the PSR programme and the quantum of expenditure incurred to date. While the £16.3 million budget and £6.04 million expenditure figures quoted in the Freedom of Information response of 17th March are accurate reflections of the amount of monies released from the central restructuring provision, other funds are being used to fund the PSR programme.

Recommendation 2

The Chief Minister's Department should ensure that the accounts for the Public Sector Reform programme properly reflect the programme scope as approved by the Council of Ministers.

[8] See answer to written question asked by Deputy S.Y. Mézec on States Assembly website.
[9] See www.statesassembly.gov.je

4 Achievements and Rate of Progress

4.1 There are various published descriptions of progress made on individual projects and subordinate workstreams within the PSR programme. The application of Lean methodology has reportedly been making a real difference to the operation of the Health and Social Services, Social Security and Environment Departments and Lean projects are continuing apace in 2015. The key question, however, is whether the PSR programme as a whole is on track to deliver the 9 agreed high-level outcomes, having now reached the mid-point of its 6 year timeframe.

4.2 Our analysis of the progress made towards delivery of the programme has been complicated by the lack of clarity regarding the programme scope (as discussed in Section 2 of this report) and the fact that we have needed to challenge the hitherto confidential status of the 9 programme outcomes approved in 2013. Having now published those approved outcomes, we face the challenge of assessing progress against some outcomes and associated project deliverables that are less than straightforward to measure. Certain reporting restrictions placed on documentary evidence supplied to us by the Chief Minister's Department also remain in place.

4.3 We are to some extent able to assess and report on phase 1 of the PSR programme as approved by the Council of Ministers in March 2013. The 9 specified projects falling within phase 1 were collectively intended to deliver 12 defined outputs. All 9 projects had an agreed completion date of the end of December 2014. An in-principle decision was taken by the Council at that point to delegate to a political steering group (or 'Political Oversight Group') the matter of oversight and governance of the PSR programme as a whole. It has not, however, been possible to establish how the Council decided on membership of the group and it appears that the group was left to set its own terms of reference at its first meeting in July 2013.

4.4 The establishment of a ministerial steering group meant that the governance framework for the PSR programme was as per the diagram shown at Appendix 3 to this report.

4.5 In March 2014, the Council of Ministers received a progress report concerning phase 1 of the programme. The report and the subsequent minute of this meeting remain classified as confidential. In essence, however, the Council was advised that 3 of the 9 projects were on track at that time to deliver against the committed scope by December 2014 and within the approved level of funding. It was also told that, save for a single element of one of the projects, there existed a plan to get all projects on track for completion by the target date.

4.6 There are several grounds for concerns regarding the March 2014 progress report. First, the progress report was submitted to the Council by the PSR programme management office directly. Given the governance framework put in place, we would have expected such a report to have been endorsed by the responsible political steering group. Second, the March 2014 progress report was the only one submitted to the Council before the December 2014 deadline expired. Moreover, the available evidence indicates that neither a PSR programme progress report nor a phase 1 evaluation was ever submitted to the Council of Ministers following its reconstitution in November 2014.

4.7 We sought explanations for the cessation of progress reporting and the apparent absence of a structured evaluation of PSR phase 1. The Chief Executive, States of Jersey attributed the break in reporting to the public elections of October 2014. This excuse was repeated in a subsequent written response we received on 2nd September 2015 from the Chief Minister's Department –

> *'There were no further progress reports to the Council of Ministers after March 2014 due partly to the elections in the autumn of 2014.'*

4.8 We have some difficulty in accepting that the onset of ordinary public elections could reasonably constitute a valid excuse for not conducting an evaluation of a programme phase to which a budget of almost £5 million had been allocated.

4.9 The Chief Executive submitted that the programme reporting line was in any event maintained throughout phase 1 because the ministerial steering group received quarterly updates.[10] Enquiries have since revealed that whereas one member of the ministerial steering group was receiving at least bi-weekly briefings during phase 1 (namely the then Minister for Economic Development), the ministerial steering group met on the following dates during the same period –

- 29 July 2013
- 9 September 2013
- 3 October 2013
- 22 November 2013
- 10 February 2014
- 11 March 2014
- 16 May 2014

[10] Transcript of public hearing held on 15th June 2015– page 12

4.10 In fact, the group did not meet for some 10 months between mid-May 2014 and mid-March 2015, during which time the phase 1 deadline came and went.

4.11 The governance framework was further affected following the reconstitution of the Council of Ministers in November 2014. A formal decision to re-establish a ministerial steering group for the PSR programme was not taken. We are advised that at some point after November 2014 the Chief Minister unilaterally reconstituted a PSR steering group comprising: the Chief Minister; the Deputy Chief Minister; the Minister for Treasury and Resources, and the Assistant Minister for Treasury and Resources. His decision was not formally recorded.

4.12 On 22nd May 2013 the Chief Minister wrote to the Chairman of the Privileges and Procedures Committee in response to a series of recommendations made in a PPC Sub-Committee report on the machinery of government.[11] In his correspondence, the Chief Minister agreed that the constitution of advisory and oversight groups would be suitably documented, as per the PPC Sub-Committee's first and second recommendations. The manner in which the PSR ministerial steering group was reconstituted at some point after November 2014 is difficult to reconcile with the commitment given in the letter of 22nd May 2013.

4.13 The reconstituted PSR steering group met once – on 9th March 2015 – to consider an undisclosed agenda. Minutes of the March 2015 steering group meeting had not been finalised as at the beginning of September 2015. We have not received evidence to show that the status of phase 1 was formally considered by the ministerial steering group at that meeting.

4.14 In April 2015 we asked the Chief Minister's Department to provide a summary report confirming the status as at 31st December 2014 of the approved PSR phase 1 projects. The supplied report described the status of phase 1 at April 2015, rather than at the key December 2014 deadline. Given that the process of compiling, approving and supplying the summary report took more than 3 weeks, that in a written response to a subsequent information request the Chief Minister's Department invited us to accept that *'drafting a progress report in retrospect is incredibly difficult,'* and given the absence of any consideration of such a report at either Council of Ministers or steering group level, our conclusion is that the expiry of the December 2014 deadline set by the Council of Ministers did not trigger a structured and documented evaluation of phase 1.

4.15 Our analysis of the summary report supplied to us in May 2015 leads us to conclude that a notable percentage of the 9 projects were ongoing some 4 months after the expiry of

[11] R.39/2013 refers.

the phase 1 deadline. This is not an entirely surprising position for a complex change programme. We would not have been unduly concerned by such a disclosure, had the situation and the plans to address any difficulties identified with phase 1 projects been reported up the line in the proper manner. It is nevertheless difficult to conclude that the necessary formal reports were submitted. On that basis, we consider that there has been a failure of corporate governance in respect of phase 1 of the PSR programme.

4.16 Turning to the matter of what has been achieved as a consequence of running the phase 1 projects, we can at lease conclude on the basis of the available data that several projects have been delivered broadly as per the specification put to the Council in March 2013. Some questions nevertheless remain regarding the manner in which the organisation is measuring progress towards the agreed outcomes.

4.17 One of the more widely known outcomes of PSR phase 1 has been the establishment of the States of Jersey Lean Academy. Shortly before publication of this report we were given a spreadsheet detailing the various Lean projects that were being tracked across executive departments. The vast majority of these appear to be designed to improve operational efficiency in executive departments and free up resource for reallocation, although we note that Lean-derived cashable savings achieved across the organisation are approaching £400,000 per annum.

4.18 We applaud the Lean Academy concept, which does seem to be building positive momentum. Health and Social Services, Social Security and other executive departments are achieving some notable successes with the Lean technique. It is nevertheless the case that phase 1 was targeting the embedding of Lean principles and methodology in all States departments including, we assume, non-executive departments. The supplied spreadsheet stops short of clarifying whether non-executive departments are on-board. Of the Lean projects that are listed, a significant number appear to be proceeding in the absence of declared baseline measures and / or have passed their end dates without a declared evaluation. Such omissions do not seem to be consistent with Lean base principles.

4.19 The relevant high-level target for achievement by December 2018 remains a 15 to 20 per cent productivity increase across the organisation by the end of 2018 achieved via Lean-based business process reengineering. At present, we have not seen evidence to indicate that there are suitable benchmarks and measurements in place to allow for progress towards this and the other targeted outcomes to be measured.

4.20 A Programme Management Office has been established in accordance with phase 1, as has a Leadership Development Programme. The former demonstrates a sensible approach. The problem with the latter is that the relevant phase 1 outcome put to the Council in March 2013 was a Leadership Development Programme linked to the implementation of a new performance management system for all staff, which was in turn linked to a separate workforce modernisation project. Having been briefed privately regarding elements of the ongoing workforce modernisation project and the outcomes being targeted, we can at least report our view that workforce modernisation appears to be well thought through and capable of yielding significant benefits once full implementation is achieved. Moreover, we see no reason why full implementation could not be achieved in the medium term. It would nevertheless be difficult for the Executive to maintain that all the elements of workforce modernisation – including the implementation of performance management – that were outlined in phase 1 were delivered by the end of 2014.

4.21 Phase 1 promised a transformed www.gov.je website offering a range of previously unavailable services including provision of certain e-forms relating to services provided by the Education, Sport and Culture and Environment Departments, together with a new employer registration process and e-payments across the Transport and Technical Services Department remit. A number of these workstreams were incomplete by January 2015. In this regard, we note the widely reported difficulties in progressing the overarching e-government project. The Chief Executive admitted that this project had fallen behind schedule[12] and we have yet to see a report summarising how far along the road the e-government project is towards the publicly declared (but admittedly not Council of Ministers endorsed) target of putting 75 per cent of transactions online.

4.22 The sample of issues highlighted above are not offered as proof that PSR phase 1 was a failure. On the contrary, the balance of the available evidence indicates that the organisation was in a better place in January 2015 as a consequence of work done within phase 1 projects. The sample is nevertheless offered as an indication of the limited extent to which the programme status was evaluated at the corporate level and of the issues with the programme that seem not to have been properly reported up the line. These shortfalls in reporting may mean that in addition to the relative lack of clarity among stakeholders regarding the scope of the programme and the degree of vagueness in the case of certain of the outcomes being targeted by the Council, rates of progress toward the desired destination are not as well understood as they should be.

[12] Transcript of public hearing held on 15th June 2015– page 9

Recommendation 3

The Public Sector Reform programme Ministerial Oversight / Steering Group should be formally reconstituted by the Council of Ministers without delay.

Recommendation 4

To maintain accountability, the membership and terms of reference of future ministerial oversight / steering groups established by the Council of Ministers to progress any matters falling within the functions of the Council as defined by Article 18(2) of the States of Jersey Law 2005 must be recorded in the minutes of Council meetings.

Recommendation 5

The Ministerial Oversight / Steering Group should commission an evaluation of phase 1 of the Public Sector Reform programme without delay and submit the evaluation to the Council of Ministers, which should in turn report the findings to the States Assembly promptly.

5 Conclusion

5.1 There is undoubtedly some very good and very necessary work being undertaken on a number of projects that fall within the scope of the PSR programme. This good work is nevertheless at risk of being side-lined or otherwise being compromised for several reasons.

5.2 First, there is scope for greater clarity among key stakeholders as to precisely what the programme vision is and what the accountable parties are responsible for delivering – and by when. It seems anomalous that a Council of Ministers should commission such a major change programme but keep the agreed list of 9 high-level (and only partially measurable) outcomes hidden away from key stakeholder groups.

5.3 Second, it is apparent that lines of accountability are neither well enough defined nor functioning effectively at the highest level of a major change programme for the States of Jersey backed by an eight-figure budget – which is expected to grow further during the lifetime of the next Medium Term Financial Plan. The fact that the Council of Ministers could approve a first phase of 9 key projects for delivery by December 2014 and then be succeeded by a reconstituted Council after public elections that has not been formally updated on the status of those phase 1 projects is a matter of concern.

5.4 The PSR programme still has potential to deliver an embedded change in public sector culture and materially better and / or better value services for the public. Many of the raw ingredients are there. What is needed now is greater clarity, greater focus and proper accountability. The core vision needs to be made public in an unequivocal and easily understood way - and, if necessary, properly updated to reflect the changed financial circumstances of 2015.

5.5 During the latter stages of this review, we were advised that the period following the public election of late 2014 *'...was the time, with the external advisors, that PSR was refocussed to deliver the savings required up to 2019.'* In addition, we were advised that external advisors engaged to assist with the PSR programme and remunerated from the PSR Programme Management Office budget were being used to assist with development of the Draft Medium Term Financial Plan 2016 – 2019. We are left wondering whether the Draft MTFP has subsumed or otherwise overtaken the PSR programme, what this means for the validity of the vision that was driving the programme in 2013 and whether the completion date is now drifting from the end of 2018 into the following year.

5.6 Irrespective of whether the PSR programme has been or is to be realigned, the projects that form part of it must be scoped and designed to deliver clear, meaningful and measurable outcomes, backed by tangible project plans with timescales that are respected and by clear budgeting. Effective benchmarking needs to be undertaken so that progress can be properly assessed. As and when deadlines are missed, causes must be properly understood and duly reported on so that appropriate action can be taken to put a project, or a programme as a whole, back on the right track. We look forward to seeing rather more evidence of these practices as the next phase of the programme gets underway in earnest.

Appendix 1: Terms of Reference

To -

(i) clarify the aims and objectives of the public sector reform programme,

(ii) confirm the resource allocated to the programme since inception,

(iii) examine the achievements and rate of progress of the reform programme during the period 2012-15.

Appendix 2: www.gov.je –Public Sector Reform Search Result

gov.je

Information and public services for the Island of Jersey
L'înformâtion et les sèrvices publyis pouor l'Île dé Jèrri

Home

Your search results

public sector reform

Search

Results 1-10 of 353 | **View 10 20 50**

Showing results for: **public sector reform** - Did you mean phrase: **"public sector reform"**

Costs of public sector reform and identifying efficiencies in States departments (FOI)

Reports - 17 March 2015

total budget set aside from the beginning of **public sector reform** in 2012 up until the end of 2015 is ...

Daily rate paid to advisers on public sector reform special panel and related data (FOI)

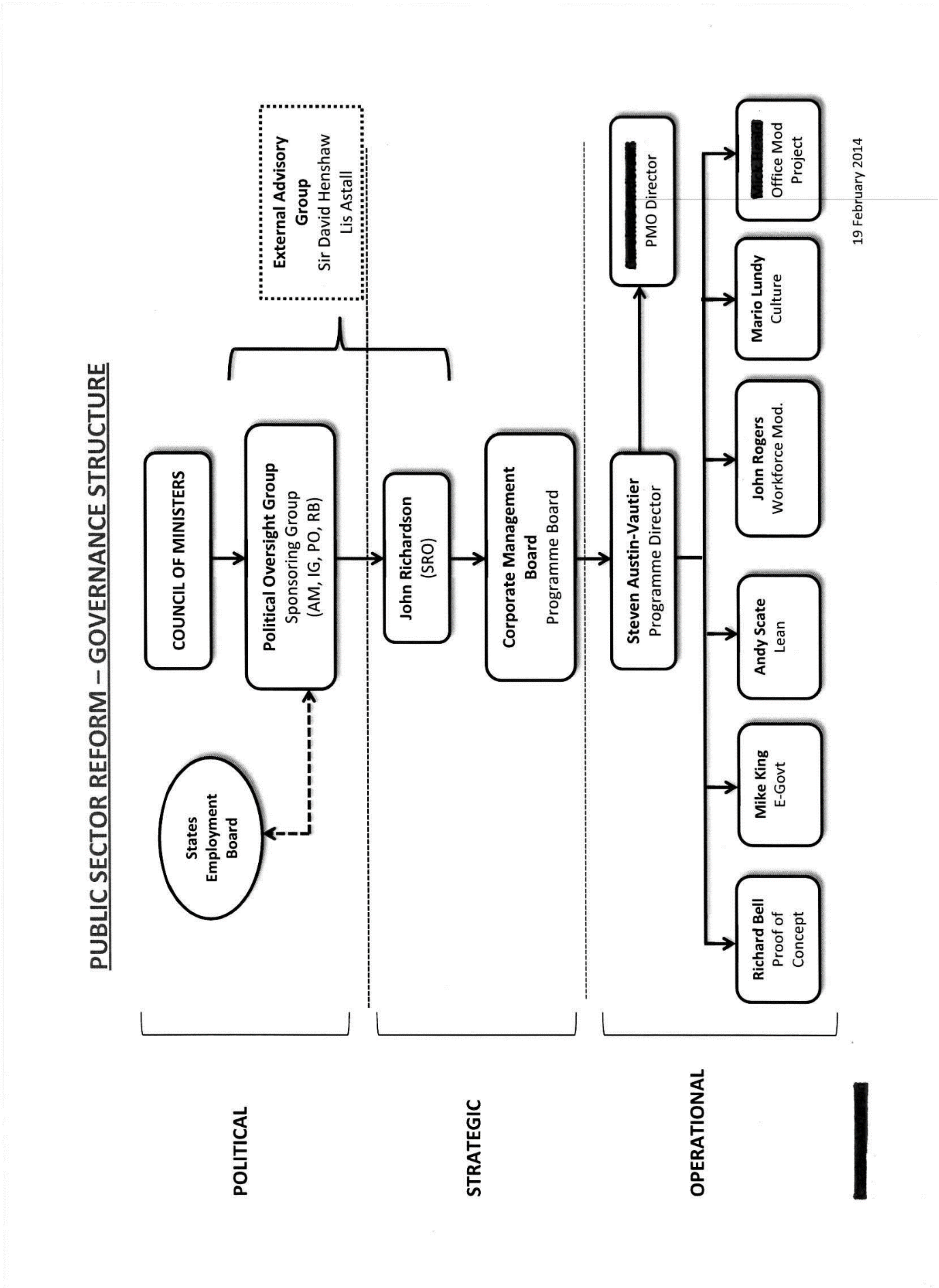
Reports - 30 March 2015

independent advice to the Political Oversight Group for the **Public Sector Reform** Programme ... FOI HR; FOI CMD; daily rate of advisers; **public sector reform** advisory costs ...

Next phase of public sector reform

News - 15 May 2015

Appendix 3: Public Sector Reform Programme Governance Framework



Appendix 4: Witnesses Heard and Written Evidence Considered

Witnesses

Chief Executive, States of Jersey

Chief Officer, Environment Department (Corporate Management Board Lead on Public Sector Reform)

Business Change Director, Chief Minister's Department

Human Resources Director, Chief Minister's Department

Director, Programme Management Office, Chief Minister's Department

Written Evidence

Public Sector Reorganisation: Five Year Vision for the Public Sector (P.58/2004)

Various confidential reports submitted to the Council of Ministers between May 2012 and May 2015

Confidential minutes of Council of Ministers meetings held between January 2012 and March 2015

Minutes of Public Sector Reform Steering Group (or 'Political Oversight Group') between July 2013 and May 2014

Copies of confidential presentations given to States Members in September 2012 and October 2013

Public Sector Reform (P.91/2013) and corresponding official record of debate held on 19th November 2013

Written question No.8666 to the Minister for Treasury and Resources by Deputy S.Y. Mezec of St. Helier on 10th March 2015 and subsequent e-mailed clarification to States Members

Oral question to the Chief Minister by Deputy S.Y. Mezec of St. Helier on 10th March 2015

Written question No.8698 to the Minister for Treasury and Resources by Deputy S.Y. Mezec of St. Helier on 24th March 2015

States of Jersey Strategic Plan 2012

Medium Term Financial Plan 2013 – 2015

Budget Statements and States of Jersey Financial Report and Accounts 2013 – 2015

Extracts from States Intranet ('MyStates') between 1st March and 1st September 2015

Content of website 'www.gov.je' between 1st March and 1st September 2015 including records of Ministerial Decisions made over the period.

States of Guernsey website page ' A Framework for Public Service Reform.'

Jersey Evening Post newspaper dated 9th September 2010

Appendix 5: Committee Membership

States Members

Deputy A.D. Lewis (Chairman)

Deputy S.M. Wickenden (Vice Chairman)

Connétable C.H. Taylor

Deputy J.A. Martin

Independent Members

Mr. G. Drinkwater

Mr. R.J. Parker

Mr. M.J. Robinson