

States of Jersey  
States Assembly



États de Jersey  
Assemblée des États

# Corporate Services Scrutiny Panel

## Draft Annual Business Plan 2010 (P.117/2009): Review

Presented to the States on 16<sup>th</sup> September 2009

S.R8 /2009



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# 1. Chairman's Foreword

Conducting scrutiny reviews has become a function that follows a given process. As in so many aspects of life, not all aspects of the process are required for all reviews. However, regardless of which parts of the process are suitable for an individual review, there is an absolute minimum of time that a review can take. This review has cut the boundaries of the minimum time available and the review running during the holiday period has proved challenging. On behalf of the Panel, I offer my thanks to the officers of the Chief Minister's and Treasury and Resources Departments who have answered the Panel's questions and who have given their time to assist and explain complicated sections of the Annual Business Plan documentation.

These problems are always going to be present as long as the timing of the Annual Business Plan remains as it is. The date of the Annual Business Plan debate is set by the date of the budget, which is a statutory requirement in law. I am keen that these issues and other corporate matters relating to the Business Plan are subject of a more comprehensive review when there is less of a time constraint.

Understanding Capital to Revenue transfers has caused the Panel numerous problems and the draft Business Plan is not clear. Again, officers from the Treasury and Resources Department have spent precious time explaining the issues to Members. This should be self-explanatory within the document. A more cynical view may consider this a perfect place to hide irregularities in the accounting process. I have no such concerns though and expect the complications to fall away next year as we enter live GAAP accounting.

There are areas of real concern; the requirements for cuts across the board are serious with further, deeper cuts to the Information Services and Training budgets. Whilst it is easy to see that cuts are necessary, the areas chosen seem to be storing problems for the future of the whole service undertaken by

the States. These cuts are unsustainable and I will ensure the Panel keeps a watching brief on these areas in the future.

Overall, I am pleased with the lack of problems raised by examining the plans. The Chief Minister is going about business as normal with significant changes by the introduction of the Deputy Chief Executive Officer and Chief Officer for Resources. I am particularly encouraged at the direction and drive brought to the department by the Minister for Treasury and Resources, who has been bold in the step-change he is making with his department. This reflects changes that I have suggested over the years in the role of the Treasurer, which makes the post more suitable for the needs of the Island in 2010 and offers stronger financial direction to States Departments.

A handwritten signature in black ink, appearing to read 'S. C. Ferguson', with a stylized flourish at the end.

Senator S. C. Ferguson,  
Chairman of the Corporate Services Scrutiny Panel.

## 2. Executive Summary and Recommendations

In order to be able to scrutinise the work of any department, some form of reconciliation of the functions from one year to the next is essential. If the continuation of current work and the introduction of new work cannot be established, how can any meaningful comparison be made? The 2010 Annual Business Plans for the Chief Minister's Department and the Minister for Treasury and Resources' Department suffer from just such inadequacies. The Panel will conduct a review in the future about such corporate problems within the plan.

Whilst the Panel accepts that drafting of the 2010 plan during 2009 has been necessarily subjected to severe time pressures, there are particular areas which the Panel has found over complicated and impossible to understand without advice and briefings from departmental officers. One such area is the movement of money from Capital to Revenue to comply with GAAP accounting.

The Panel noticed worrying cuts in both Information Services and Training. These areas seem vital to the maintenance of the overall quality of service supplied by the States. The Panel will keep a close watch to ensure that both these areas receive appropriate funding in future years to prevent a deterioration of the service. (Recommendation 1)

There is recognition, at political level, that the priorities laid out in the Strategic Plan should be reflected within the Annual Business Plan but examination has revealed that the correlation is not always as close as might be expected. This area needs to be tightened up in future years. (Recommendation 2)

The Panel had concerns as to which agency was taking the lead in the area of international finance. The Chief Minister accepted that lines of responsibility were unclear. In relation to the domestic finances of the Island, the Panel are

impressed with the changes driven by the Minister for Treasury and Resources to improve financial management. (Recommendation 3)

The new post with the title of Deputy Chief Executive and Chief officer of Resources has been of interest to the Panel because it seemed for some time to lack definition and straddle the two departments within the remit of the Panel. However, the Ministers and the post holder seem confident in the direction that the post is taking and have clearly defined parameters of the duties and responsibilities involved. The Panel accepts that this is a fundamental change in the operation of the two departments within its remit and will request an update of the effectiveness of the role later in the year, once time has been allowed for the consolidation of the role. (Recommendation 4)

The Panel is concerned that nothing relating to the Structural Deficit is contained within the 2010 Annual Business Plan and does not accept that the problem was only recognised after the drafting of the plan. The response of the Minister for Treasury and Resources has been slow and inadequate for such a serious problem. (Recommendation 5)

Part of the changes being made at the Treasury Department is the creation of 11 posts. The Panel applauds the intentions behind these posts and expects a transparent appointment process which adheres to the States succession planning policies.

Real concern has been expressed by the Panel over the level of understanding between agencies and departments relating the process of the Economic Stimulus Package. The Panel will follow up on this and further and question the Minister for Treasury and Resources on his approach in introducing and implementing the stimulus bids.

Regarding the Tax Information Exchange Agreements (TIEAs), although the Panel accepted the explanation from the Treasurer, the lack of knowledge of the workload likely to be created by the introduction of the numerous TIEAs

was considered extraordinary. This may also be the subject of examination by the Panel at a future date.

#### **RECOMMENDATION 1.**

**Information Services should not be subject to deeper cuts than other areas in the 2011 Business Plan.**

#### **RECOMMENDATION 2**

**Business Plans must reflect the priorities in the Strategic plan.**

#### **RECOMMENDATION 3**

**The Chief Minister should arrange a clear hierarchy of agencies to deal with international financial matters.**

#### **RECOMMENDATION 4**

**The Panel requires a briefing within three months as to the progress of the role of Chief Officer of Resources.**

#### **RECOMMENDATION 5**

**The Minister for Treasury and Resources must have a firm Plan in place within the 2011 Business Plan to deal with the Structural Deficit.**



### **3. Panel Membership**

The Corporate Services Scrutiny Panel is constituted as follows;-

Senator S. C. Ferguson, Chairman.

Deputy C. H. Egré, Vice Chairman.

Connétable D.J. Murphy,

Deputy T. A. Vallois.

Constable P. F. M. Hanning (Co-Opted)

Officer support Mr M. Robbins

## **4. Terms of Reference**

The Corporate Services Scrutiny Panel approved the following Terms of Reference:-

1. To examine the Annual Business Plans of the Treasury and Resources Department and Chief Minister's Department.
2. To consider the consequences of any changes to the cash allocation to the departments concerned.
3. To consider the robustness of the decision making process which has resulted in, or been driven by the changes.
4. To examine any further issues relating to the topic that may arise in the course of the Scrutiny review that the Panel considers relevant.

## **5. Hearings**

Public Hearings were held on Thursday 30<sup>th</sup> July 2009 with the Chief Minister and the Minister for Treasury and Resources. Both were supported by their respective officers.

## 6. Methodology

The Panel established very early in the review process, that there was insufficient time available for a comprehensive scrutiny process. This raised the whole issue of the timing of the Budget, Business Plans and Strategic Plan. It has been established that it is not practical for Scrutiny to conduct a review during the holiday period with tight time constraints to meet the September debate date. There were also issues about the language and terminology used within the business plan and the resulting difficulties in making a comparison year on year due to the lack of consistent presentation. The various criteria may be specific in many cases but the Panel questioned how measurable they were. In the current financial climate the Panel would like to understand how some of the criteria are achievable or even, in some cases, realistic. The business plan is a snapshot document for one year only and includes no time references to the fulfilment of the criteria, presumably because in most cases the time frame falls outside of the life of the plan.

The Panel recognises that the Annual Business Plan is not the document to identify current performance indicators or for objective monitoring but suggests that it might be easier if the objectives and criteria were presented in a similar format on an annual basis.

Because such presentation matters were corporate issues, the Panel decided not to follow that line of enquiry at this time. The terms of reference were set to look purely at what the Chief Minister's Department and the Treasury and Resources Department were doing. The Panel agreed that it needed to meet the following objectives:-

1. To examine the Annual Business Plans of the Treasury and Resources Department and Chief Minister's Department
2. Establish how allocated cash limits for 2010 compare to 2009.

3. Consider the short and long-term implications of cash limit changes to the Departments.
4. Examine the robustness of political and departmental decisions made in connection with the cash limits.
5. Understand the measurement models and timing structures for departmental objectives.
6. Report to the States by 17<sup>th</sup> September 2009 or if required, lodge an amendment before 7<sup>th</sup> September 2009.

In order to meet the objectives the Panel agreed the terms of reference in the section 4.

The Panel met with the Chief Minister and Treasury Minister at public Hearings to discuss their plans.

The Panel also received thorough briefings from officers of each department to assist in the understanding of the documents. All Members take this opportunity to thank the Officers from both the Chief Minister's and the Treasury and Resources Departments for the time they gave and the patience with which they walked the Panel through the documentation.

### **Key Finding**

**The Panel may wish to conduct a review of corporate issues relating to the Annual Business Plan.**

## 7. Report

### *7.1 Missing Criteria*

The Public Accounts Committee made a number of amendments to the objectives of both the Chief Minister's Department and the Treasury and Resources Department in the 2009 Business Plan. The Panel was unable to find reference to the amendments or the work involved within the 2010 Plan.

Finding it impossible to make any reconciliation between the two documents, a meeting was held with the Minister for Treasury and Resources and communication was circulated between the Panel and the Chief Minister's Department.

It was established that the amendments, in both departments, had been lost due to a break in the audit trail rather than anything more sinister and that the work concerned is in hand to one extent or another, dependant on the resources required and available for the particular function. For example, the 2010 Treasury Plan objective three, Success criteria (1) states:

“Improved internal and external financial reporting.”

The Minister reports that this covers many of the individual criteria from the amendments in the 2009 plan. Similar issues exist in the Chief Minister's Plan. This creates a complete lack of continuity from one year to the next and seems to be apparent across all departments to one extent or another. These more corporate issues, including how the Annual Business Plan is drafted, will be looked at in a larger piece of work to be undertaken by the Panel in a future review.

#### **Key Finding**

**Reconciliation from one year to the next is not possible within the Annual Business Plan.**

## **7.2 Reference to 2009 Business Plan**

The objective headings in the 2009 and 2010 Annual Business Plans are very different and comparison is therefore not possible. Whilst the Panel accepts that the elements of the work done within the Department vary from year to year, the basic function of the Department remains the same. Headings would therefore benefit were they to be generic from year to year with the changes coming within the criteria as the specific requirements to fulfil the basic functions of the department change.

In addition, none of the success criteria in either department have a reference back to the previous year. For example in the 2009 Plan,

*‘Chief Ministers Objective 2 (x)*

*Public sector pensions obligations properly monitored and accounted for.’*

is repeated word for word within the 2010 Plan but as objective 2 (xiii). Others have a change in the wording but maintain the same criteria. There were also specific new areas of work added to the objectives in the 2009 Business Plan, which are not readily apparent in the 2010 objectives.

The Panel considers that a reference back in brackets at the end of the criteria would assist in recognising that the criteria is carried forwards from the previous year and where it can be found.

The Panel's findings have raised numerous issues about the format and usability of the Annual Business Plan when examining only the two departments under its remit. Consideration that the Departments within its remit produce the document, has led the Panel to believe that a further review must be undertaken to look at the corporate Annual Business Plan as a whole, to include, collation, presentation, accountability and timing.

## **Key Finding**

**There is a further body of work for the Panel to undertake.**

### ***7.3 Move to GAAP accounting***

Comparing like with like has also been made more complicated by the inexorable move towards GAAP accounting. Figures appear distorted in areas where transference of funding occurs from 'Capital' funding to 'Revenue' funding. For example, according to the Net Revenue Expenditure – Service Analysis chart on page 13 of the Annex, the Chief Ministers Department would appear to be almost £5m better off in 2010. It takes significant investigation to find items such as Corporate Projects, Infrastructure and Business Support Groups to find the embryo of an explanation. This is compounded when, to the Panel, it seemed appropriate that such figure would then fall away in the following years, only to find on page 74 of the Draft Annual Business Plan, figure 7.2, Information Services, for example, shows a Capital to Revenue Transfer every year between 2010 and 2014 inclusive. The Panel sees the necessity for the movement but considers that the plan over complicates the issues.

This year, the Panel has noted the transfers. The amount of effort required to understand both the transfers and the manner they have been detailed within the Plan is considered inappropriate and overly complex. The Panel can see no reason why such a complicated method of presentation should be repeated again next year, as the transfers should fall away completely. The Panel looks forward to the shadow GAAP accounts for the 2009 financial year in the hope that they will provide the high levels of transparency and accountability that the system has been sold upon.

## **Key Finding**

**The Annual Business Plan, this year, is overcomplicated in relation to the Capital to Revenue transfers.**

## **7.4 External Affairs, Economics and International Finance**

In noting that Objective three of the Chief Minister's Department relates to international responsibilities and constitutional issues, the Panel asked the Chief Minister about the improvements he intended to make in his Department. His reply included:-

*“What I would like to do is to strengthen the department in things such as, for example, international affairs. I think what we are seeing in the current climate is almost a total shift in approach and the need really to go out in the marketplace and aggressively compete to make sure that our position in the future is a sound one. I think in the past we have been content to drift along on the tide. I think what we have got to do now is to have a decent-sized motor to go forward rather than just drift along and that is going to mean investment of manpower, expertise and money. I think unless we do that we are going to find that we will stagnate and the Island's revenues are going to be difficult to set at a level to match our, hopeful, expenditure....”*

The Panel recognises that this is an important area and that Jersey's position in the global community needs to be maintained and improved where possible. The Panel has found nothing within the Business Plan that relates to the measuring or monitoring of the results of the endeavours of the Department. In considering the designation of over £1.3 million for this area, the Panel is left wondering how the return on the money spent is to be established. In accepting that an increase of about 3.5% from 2009 is not unreasonable in other circumstances, the Panel has some concerns that this area may be consuming financial resources, which could be of more benefit in other areas.

In other words, there are questions over prioritisation in this area. This would not be a problem if there was a 3.5% increase across most other areas but there is strong suggestion that increases here must not be to the detriment of other departments.



## **Key Finding**

**There is no measurement of the return on the investment in International Affairs.**

### **7.5 Information Systems**

Information Services is one department, which at first glance appears to have an increased budget but when the 'Capital Funding to 'Revenue' is taken into account, the reality is that cuts have been made. When the Chief Minister was asked about the department, he stated:-

*“We need to have a proper I.S. programme. At the moment, if you look at it in detail, we will find we have had to trim back on some of our I.S. activities just to stay within budget.”*

The Panel was very concerned that this is a false economy. Taking money from Information Services now for other areas will be building a problem for later. This is not sustainable and the Panel will be monitoring this area carefully in future years to ensure that it is appropriately resourced.

Whilst looking into the funding allocated to Information Services, the Panel noted the appointment of a new Chief Officer. It considers that this will be of significant benefit to the service, which has arguably suffered from a lack of political direction to date. A dedicated Chief Officer is the first step towards remedying that problem and it is understood that an Assistant Minister may also be appointed.

## **Key Finding.**

**Financial cuts in Information Services are a false economy.**

## **RECOMMENDATION 1.**

**Information Services should not be subject to deeper cuts than other areas in the 2011 Business Plan.**

### **7.6 Business Plan / Strategic Plan links**

The Panel made a comparison of the Annual Business Plan with the Strategic Plan. It noted that Objective 1 of the Chief Ministers Department states there are links with every one of the 16 Strategic Plan Priorities. The Panel notes the objective to be:

“The co-ordinated development and implementation of States policies.”

In accepting that there are 11 success criteria to this objective, the Panel considers the above objective from the Chief Minister’s department has only the most tenuous connections with the following Strategic Plan Priorities:

- 9. Enhance support services to vulnerable children, families and others at risk.
  
- 11. Enhance and improve health care provision and promote a healthy lifestyle.
  
- 13. Protect and enhance our natural and built environment.

The Chief Minister told the Panel:

*“I am anxious that we should link departmental activities to that Strategic Plan and, in next year’s departmental business plans. I want to see clear links from those departmental business plans back to the Strategic Plan and officers are being tasked with making sure, because they will be starting to prepare next year’s departmental business plans quite soon, that there are those links overtly in place. “*

The Panel notes the Chief Minister's interest in linking the objectives in the Business Plan to the priorities within the Strategic Plan but is not prepared to accept links being listed in the Plan where they do not exist, or where the purpose of the linked priority is not the aim of the criteria.

### **Key Finding**

**Business Plans need to clearly meet the priorities within the Strategic Plan.**

## **RECOMMENDATION 2**

**Business Plans must reflect the priorities in the Strategic plan.**

### **7.7 Lead agency for Finance**

#### **7.7.1 International Finance**

When the Panel discussed international affairs with the Chief Minister it became clear that Jersey was in a strong position globally, however there are risks that need managing. When asked which agency was leading international financial control in Jersey, the Chief Minister stated:

*“That is a very real concern which we have been discussing over the last 2 or 3 months. At the moment it is fragmented. We are aiming to move it almost entirely to the Chief Minister’s Department because I think, not only is that fragmentation maybe inefficient from a States point of view, it is also confusing from the industry’s point of view that they have got no clear lead on this.”<sup>1</sup>*

This confirms a lack of leadership and direction, which caused the Panel serious concern. However, the weakness does seem to be recognised by the

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<sup>1</sup> Transcript Chief Minister 30<sup>th</sup> July 2009. Page 7.

Chief Minister and the Panel will be monitoring international finance to ensure improved procedures are put in place.

**Key Finding.**

**Firm leadership in international finance is essential to the prosperity of the Island.**

**RECOMMENDATION 3**

**The Chief Minister should arrange a clear hierarchy of agencies to deal with international financial matters.**

**7.7.2 Domestic Finances**

The Panel discussed, with the Minister for Treasury and Resources, internal departmental finance and budgetary issues and in particular, the area covered in the Treasury and Resources plan:

Objective 3.

Effective financial management

In response to a question relating to the seven success criteria in objective three, which suggested more involvement with the individual departments finances, the Minister stated:

*“...we will advise, we will counsel, we will assist, we will motivate, we will lead, but we cannot do their job for them. The message that I am wanting to get across is financial management, if the States is to respond to some of the challenges that it has, has to be the responsibility for everybody. You just cannot pass the buck to us. We will lead and we will set envelopes and we will deliver processes in order to deliver that prioritisation at a political level.”<sup>2</sup>*

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<sup>2</sup> Transcript Minister of Treasury and Resources 30<sup>th</sup> July 2009.

This suggested that the Treasury was about to take the lead to ensure budgets are maintained by States departments, although the Minister was keen to state that the responsibility to remain within budget remained with the Ministers and their Departments. The publication of the Draft Restructuring Plan for Treasury and Resources confirmed that step change. The Panel considers this an important change for the better, moving the role of the Treasurer of the States from that of simply recording events to a Corporate Financial Director. It was noted that the Minister is driving the Department swiftly in that direction.

Responsibility for the control of expenditure throughout the States clearly lies elsewhere than with the Minister for Treasury and Resources.

It was noted that the Minister for treasury and Resources stated that there had not been a fundamental spending review and that Departments had found the pro rata cut challenging. However, he intends to conduct a “root and branch” review of States’ spending:

*“In order to make things work for 2010, what I am saying for 2011 and 2012 is that we are going to start another process of a more substantial review of the key spending departments because they (the Departments) are saying the scale of challenges is enormous.”<sup>3</sup>*

and

*“..... a spending review of the big spending departments, which are about 80 per cent of the whole of States spending, which will start in November and finish in June in order to inform the States in their decisions of setting ... of departmental limits for 11, 12 and 13.”<sup>4</sup>*

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<sup>3</sup> Transcript Minister of Treasury and Resources 30<sup>th</sup> July 2009.

<sup>4</sup> Transcript Minister of Treasury and Resources 30<sup>th</sup> July 2009.

The Panel understands that the Minister for Treasury and resources is taking advice as to the best way to undertake this and commends his approach.

The Minister recognises that:

*“You cannot make decisions unless you have got good information.”<sup>5</sup>*

The Panel concurs with this view.

### **Key Finding**

**The Panel recognises that changes, driven by the Minister for Treasury and Resources towards improved financial management are in hand and commends the initiative.**

## **7.8 Deputy Chief Executive**

The Panel notes the proposed changes within the Treasury and Resources Department and it may comment on the process later. The introduction of the Chief Officer of Resources and Deputy Chief Executive is a role to which the Panel is paying regard and it is understood that it will take a little time to resolve some issues, such as the legal restraints on the transfer of the Property Holdings Department into the Chief Minister’s Department.

Perhaps of more interest to the Panel are the perceived complications of the post holder being answerable to the Minister for Treasury and Resources for Property Services and Procurement Services and to the Chief Minister for Information Services and Human Resources. Whilst the two individuals holding those political appointments may currently hold similar political views, there should be few problems for the new Chief Officer. However, should in the future, the individuals change and hold disparate views, the post holder may find the position less tenable.

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<sup>5</sup> Transcript Minister of Treasury and Resources 30<sup>th</sup> July 2009.

### **Key Finding**

**The new post of Chief Officer for Resources is “work in progress” and the Panel will maintain a keen interest on the direction this important role takes.**

### **RECOMMENDATION 4**

**The Panel requires a briefing within three months as to the progress of the role of Chief Officer of Resources.**

## **7.9 Change Programme**

The Panel noted that the recent “Change Programme” involved huge change. Both funding and structure existed for the changes made in that programme. It noted that there is effectively a new change programme going on with a large amount of change being proposed within both the Chief Ministers Department and the Treasury Department. Not only is there a new Chief Officer of Resources but also provision for further staff within Treasury has been agreed. The Panel asked about the relationship of the changes to the Annual Business Plan. The Deputy Chief Executive and Chief Officer of the Resources Department gave the following information:

*“.....the first Change Programme was about rationalising and bringing together. The next, which I think is commented on in a number of the objectives that we have in the Business Plan, is now about modernising the way in which we do business in the States. There are a lot of programmes in terms of human resource, I.T., procurement that we now want to start developing to streamline and generate the maximum efficiency we can.”<sup>6</sup>*

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<sup>6</sup> Hearing with Chief Minister 30.07.2009.

The Panel noted that no allocation of finances for the changes outside the cost of the posts involved have been allocated. Also noted, was that the role of the Chief Officer of Resources was understood by the post holder to involve the co-ordination of projects such as modernisation, new corporate contracts for procurement and a central programme management system.

Interestingly, the Panel were reminded of their views on cuts to the Information Services department when, in relation to the changes intended, the Chief Officer said:

*“.....if we had the opportunity to invest more in information systems, it would make life a lot easier. Without it, we will still do it but it is just going to be harder to achieve a very good recording system that demonstrates what we are achieving.”<sup>7</sup>*

The Panel will be interested to receive a more detailed briefing about these projects in due course in order that it can establish if the changes are essential or ‘nice to have’.

### **Key Finding**

**The departments within the Panel’s remit are undergoing fundamental changes at this time.**

## **7.10 Structural Deficit**

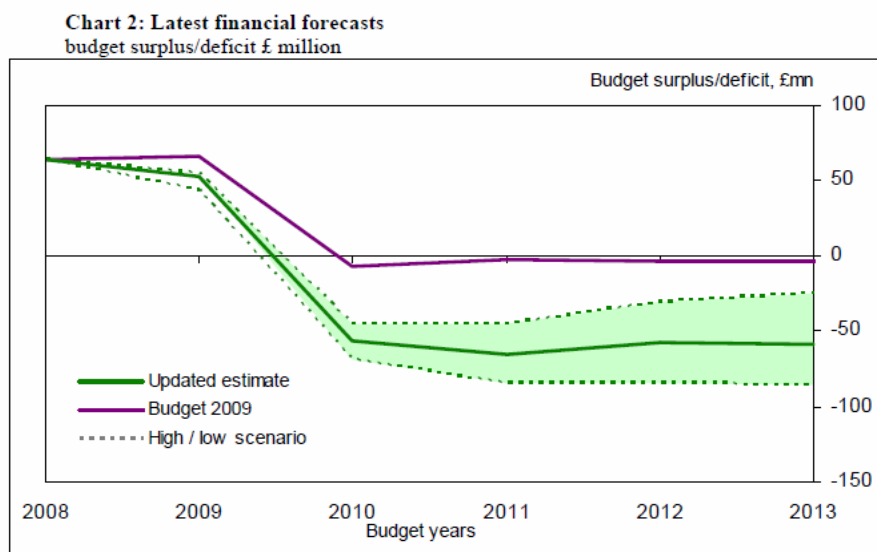
The Panel found it curious that the Business Plan for both the Chief Minister and the Minister for Treasury and Resources reflected nothing about the expected structural deficit. The Treasurer has suggested that this was because the structural deficit was not emerging at the drafting of the plan. The Panel does not accept this, recalling that it was in documentation produced by

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<sup>7</sup> Hearing with Chief Minister 30.07.2009.



the Department as early as early as April 2009, when the following graph was published<sup>8</sup>:



Source: Treasury and Resources/Economics Unit

The structural deficit is expected due to interlocking challenges of

- Implications of an ageing population
- Rising cost of health care
- Investment in sewerage and solid waste infrastructure
- Increasing the maintenance spend on States buildings (Including schools and hospitals)

The Panel noted that when this was discussed with the Minister for Treasury and Resources Services, he said:

*“We think that the revisions to the fiscal strategy will require some outside assistance, advice, economic advice, et cetera; although, we have got a much better inbuilt capability now. We think that the revisions to the fiscal strategy are probably going to require an investment of about £500,000. We are going to have to find that.”<sup>9</sup>*

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<sup>8</sup> P55/2009 Economic Stimulus Plan page 13.

<sup>9</sup> Hearing with Minister for treasury and resources 30.07.2009

This was known about, understood and expected to have a cost to resolve, still nothing found its way into the Business Plan. It is not until the publication of the Treasury and Resources Draft Restructuring Plan that this re-emerges and shows the costs within the following table:

Figure 5

Recurring costs:	
Head of Fiscal Strategy & Consultancy	£200k per year
One-off costs:	
Economic research	£100k to £150k
Tax/technical research	£100k to £150k
Consultation and communications	£50k to £100k
<b>Total one-off costs</b>	<b>£250k to £400k</b>

The Panel consider this inadequate planning for so serious an issue with the establishment of costs from unspecified areas such as any carry forwards, which may or may not exist. The fact that this is an issue which will occur outside the life of the 2010 business plan does not detract from the need for financial planning to commence immediately.

### **Key Finding**

**The Panel considers the Minister for Treasury and Resources has responded very slowly and inadequately to the need to plan for the structural deficit.**

### **RECOMMENDATION 5**

**The Minister for Treasury and Resources must have a firm plan in place within the 2011 Business Plan to deal with the Structural Deficit.**

## **7.11 Training**

The budget allocation for Human Resources Learning and Development shows a reduction from £512,000 to £504,000. When this was put to the Chief Minister, the Deputy Chief Executive answered:-

*“So there is a very small decrease in that. Effectively, that is what we are spending in training and development from a central position.....Very small decrease in budget, but there is still an element there. Whether or not in the longer term as we are changing and transforming there will be some benefit in increase, I think is a question we have got to address for the future; but for now that is the budget we have got available.”<sup>10</sup>*

It was also explained that further training budgets are available for the specialised training required by each department. The Panel considers that it makes sense that the Education, Sport and Culture Department, for example, are responsible for training teaching staff and Transport and Technical services are responsible for training their engineers.

The Panel sees that such cuts are a serious long-term risk to any department wishing to ensure that staff possess the skills and capabilities necessary for the efficient delivery of services.

The savings in training, along with the Information System cuts, indicate the priorities in the decision-making process and leads the Panel to consider that other avenues of savings need to be adopted in the future, if the whole system is not to deteriorate. The direction taken in the Business Plan will leave a lower standard of service across the States. That is not acceptable to the Panel and should be equally unacceptable to the Chief Minister because it fails to meet criteria set by his department:

Objective 2(viii)

A streamlined Human Resources function which supports the welfare and development of the public sector workforce with a particular emphasis on maximising opportunities for local people.<sup>11</sup>

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<sup>10</sup> Hearing with Chief Minister 30.07.2009.

<sup>11</sup> Draft Annual Business Plan 2010 page 12.

The Panel also noticed that cuts in training conflict with Priority 12 of the Strategic Plan:

“Develop local people for public sector jobs at all levels.”

### **Key Findings**

- 1. There are risks associated for long term service quality from cuts to the training budget.**
- 2. Cuts in this area directly conflict with a priority within the Strategic Plan.**

### ***7.12 Public Sector Staffing***

In examining the Chief Ministers Department's

Objective 2:

An efficient and effective public sector fit for the purpose of delivering the States Strategic Plan.

The Chief Minister was asked:

“How are we identifying the amount of people we need to compare what we have and how we are driving forward?”

The Panel were concerned that the Chief Minister appeared to be unsure of this when he answered:

*“I think to some extent we do not know. I think in terms of the Chief Minister’s Department, I cannot see any areas where I would say we are overstaffed, unless you cut out certain areas of activity.”<sup>12</sup>*

The Panel noted that the Deputy Chief Executive recovered the situation to some extent by explaining that the work identified within the business plan had to match the capacity of the staffing level available in order to maintain the balance between the completion of the objectives and the resources available.<sup>13</sup>

The new posts applied for within the Treasury and Resources Department Business Plan in order to achieve the objectives laid out within the Department’s Draft Restructuring Plan demonstrated this clearly. These posts are:

- 2 X posts for tax investigators (self funded - i.e. from additional revenues generated)
- 1 X tax post to administer international tax agreements.
- 2 X posts to manage States investments and utility companies (self funded - i.e. from additional revenues generated)
- 6 X posts for improving financial management across the States.<sup>14</sup>

The Panel expects the fulfilment of these posts to conform to Priority 12 of the Strategic Plan, following the succession planning policies of the States and by the development of local people.

### **Key Finding**

**Political aspirations must realistically match resources available.**

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<sup>12</sup> Hearing with Chief Minister 30.07.2009.

<sup>13</sup> Hearing with Chief Minister 30.07.2009.

<sup>14</sup> Supplied by Treasury Department 27.08.2009

Fiscal Stimulus Package.

Having completed a review on the Economic Stimulus Plan, the Panel continues to keep a watching brief on the subject. It is very conscious of the position relating to the 'green lights' issued to bids at the time of writing this report. However, it notes the following paragraph on page 76 of the Draft Annual Business Plan 2010:

A number of the projects will be able to be brought forward as a result of the initial approval of £9 million from the discretionary fiscal stimulus package. **The fiscal stimulus will also provide funding** for a substantial amount of revenue maintenance backlog of which over £8 million is anticipated for the next couple of years.

The Panel is very concerned that the terminology used suggests confirmed approval of this bid. The Panel understands that no such approval exists at the middle of September 2009 and is concerned that the business plan should contain a statement that is so misleading.

### **Key Finding**

**There still seems to be some misunderstanding about the availability and process of the Economic Stimulus Plan funds.**

## ***7.13 Tax Information Exchange Agreements (TIEAs)***

The Panel has examined the risk element of the workload created by the signing of the raft of international TIEAs and notes the Treasury is employing an accountant to deal specifically with the expected enquiries. However, the Treasury stated, when asked about the volume of work anticipated:

*"We really do not know, until we enter the agreements, how many inquiries we get from these countries, but when we enter one into the*

*U.K. (United Kingdom) alone, you could expect very significant numbers. One person is going to be extremely tight, we believe, to deal with these.”<sup>15</sup>*

The Panel notes there is some reticence for governments to disclose even the numbers of enquiries made in relation to these agreements and that the only method of finding out how much work is involved is to enter the agreements and see what happens. Considerations, such as charging for the information, were discussed but it was accepted that at this point, making the post available and allowing the work to come in as the agreements are ratified, was the most appropriate way forward.

The Panel may choose to review this area once it has been running long enough for the workload to become apparent.

### **Key Finding**

**The unknown element of work created by the TIEAs was a surprise to the Panel and may be reviewed in the future.**

## **8. Conclusion**

The Panel concludes that the Chief Minister’s department offers business as usual with few, if any new initiatives, due to budget limitations. The Chief Minister has stated that he intends to continue to move forward with international affairs. There will, however, be some changes arising from the appointment of the Deputy Chief Executive/ Chief Officer of Resources. There will need to be cooperation between the Chief Minister, the Minister for Treasury and Resources and their departments and it could be considered prudent to concentrate on these changes at this point in time.

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<sup>15</sup> Hearing with Minister for Treasury and Resources 30.07.2009

The move to GAAP accounting makes direct comparison of figures within the business plan awkward and this is complicated further by the 'explanations' within chapter seven of the document.

The Panel has reservations about the wisdom of budget cuts within the areas of Information Services and Training. Accepting that all departments have absorbed cuts this year, cuts of this severity are not sustainable and if they continue year on year, will create degeneration of the service overall. The States have painful experience of such mendacious savings from the problems within property maintenance.

The Treasury and Resources Department has shown, within its Draft Restructuring Plan that it possesses the drive to move forward and the ambition to take the Island to a new level of financial accountability. The Panel finds the language used within the business plan plays down the changes and the progression that the department is striving for but notes that when read in conjunction with the Restructuring Plan, the intentions are progressive and substantial. The Panel commends the Minister of Treasury and Resources for the bold direction he has taken and the strides he is making to take a significant step change to the benefit of the Islands finances.