States of Jersey Annual Report and Accounts 2023

Public Accounts Committee

31 July 2024

P.A.C.2/2024

States of Jersey
States Assembly

États de Jersey
Assemblée des États

Contents

1. Lead Member's Foreword

I am pleased to present this report as the Lead Member of the Review, on behalf of the newly formed Public Accounts Committee, which is examining the States of Jersey's Annual Report & Accounts for 2023.

A review of a similar document (P.A.C.1/2023) was published on January 30, 2023. It stated that despite being "a key document that should inform readers about the government's performance"... the chair's foreword mentioned that "the document was too long and difficult to read" and that "it was not always clear who the intended readers are."

The reason for reiterating the above is that we have found minimal to no evidence of seeking feedback from relevant stakeholders who access the report before and after publishing to improve accessibility and clarity of the report to the general public. This includes known organizations, the media, other States Members, or the public. Additionally, the Government did not make enough effort to promote the report or raise public awareness. There was no mention of the report's publication on any of its social media platforms. We therefore propose a clearly defined communication and more all-encompassing engagement plan be in place before the publication of the 2024 States of Jersey Annual Report and Accounts.

We are pleased to see a shorter and more concise report being issued for 2023, as per the recommendations, but closer attention is needed so as not to leave out references to some of the previous reporting parts and decrease transparency.

The information received shows the accounts are currently in a strong financial position, however, we would encourage inclusion of more information regarding the planning and preparation for a sustainable future given the challenges and cost pressures that the Government will encounter in the years ahead.

At the same time, there are four areas highlighted in the Report which I believe warrant closer attention:

1) Government Costs – Overall costs are up £146 million (16.7%) in 2023. Ongoing efforts to continually improve efficiencies and deliverables in key performance areas while reducing or removing expenditures in non-essential areas plus reducing waste and inefficiencies is strongly supported and encouraged. Budget forecasting also shows significant concerns with estimates in some areas greatly exceeding approved budgets with associated problems occurring.

2) Information Technology – Social Security is undergoing major system changes, and Health has ongoing projects that need careful monitoring for patient outcomes and benefits, as well as cost, reliability, and security, to ensure they are fit for purpose. Also, the identified risks associated with the use of this technology need to be better mitigated, which the PAC identified from the responses provided by Chief Officers.

3) Recruitment and Retention
This issue requires proactive solutions as waiting times are still high in many departments' services and costs ever increasing. There is evidence that Health and Safety officers are being trained locally for over three years due to a lack of recruitment from outside the island. The Education Department has trained teaching staff and made financial support available for certain subjects, but this approach needs to be adopted more widely across the public sector. Health Services have made some progress, but more effort is needed to establish a paid training program for local residents to fill vacancies in the medium term. The infrastructure sector is facing challenges and can benefit from implementing staff training, career planning, and improving staff engagement with IT.

4) Use of Consultants
As identified in the Financial Recovery Plan for Health and Community Services, we support the employment and engagement of local Jersey residents over the use of consultants wherever practical, as it reduces the need for more expensive consultancy or agency staff while providing excellent employment opportunities locally. This should also be supplemented by more provision of internal training to help upskill staff in these areas.

I want to express my gratitude to the officials who provided information to the Committee and participated in our public hearings. A special thanks to the officers from the States Greffe who supported the Committee in conducting this review, as well as the Controller and Auditor General office for their advice. I also want to acknowledge the positive input from the lay members of the Committee and their commitment to this review and to the work of the Public Accounts Committee, given on a voluntary basis.

I look forward to receiving the Executive Response to our recommendations.

Deputy Raluca Kovacs
Lead Member,
Public Accounts Committee Review of Annual Report and Accounts 2023

2. Executive Summary

The States Annual Report and Accounts is effectively the culmination of a Government Plan year and, therefore, reports on the successes or otherwise of the projects and programmes agreed within the financial envelope by the States Assembly for that year. It also reports on the overall financial performance of the States of Jersey Group as a whole (including some States-Owned Entities).

This is the first review of the Annual Report and Accounts by the newly formed Public Accounts Committee (PAC) in March 2024. Accordingly, the PAC has identified a number of key findings and recommendations resulting from these findings, as follows:

Accessibility of the Report - The view of Government officials is that the principal audiences for the Annual Report and Accounts document are Islanders, States Members and investors/businesses wishing to do business with the Island and it is intended to be focused towards the different audiences in different parts of the report. The PAC found from social media polls that the majority of respondents on X and Instagram were not aware of how to find or access the Annual Report and Accounts, however, on LinkedIn the majority of respondents were aware. There is a commitment to improve the accessibility of the report and promote it further to Islanders. The PAC has recommended that the Treasurer of the States, in collaboration with the Communications Directorate, seeks feedback from members of the public in relation to how to improve overall awareness of the report, the information provided and the mechanisms for accessing the Annual Report and Accounts document. This should identify the channels through which islanders would prefer to access information with a view to incorporating these improvements within the presentation of the 2024 Annual Report and Accounts. The overall length of the Annual Report and Accounts document has decreased 28% from 411 pages in 2021 to 295 pages in 2023. It should, however, be noted that the departmental annual reports have been presented as an annex in 2023. A summary version of the 2023 Annual Report and Accounts has been presented on the government website alongside the overall report in line with previous recommendations of the PAC. Whilst the PAC notes and appreciates this improvement from previous recommendations, this is still not a true digital summary which should provide engaging links that can be accessed easily on each topic (see example of PAC previous digital report).

Assurance to Ministers on Departmental Performance - An assurance process is in place to identify which information is included within the Annual Report and Accounts. Service Performance Measures are verified by the Chief Statistician, after which assurance is provided by the Chief Officers as to the information being provided for the report. Contextual information that is provided within the Annual Report and Accounts stems from the departmental annual reports where key messages and stories are identified for inclusion. These are then taken through the Chief Officers and the Chief Executive Officer for consideration as to whether the messages are to be included in the document. There is an expectation that Ministers would be provided with the Departmental Annual Reports prior to being submitted for inclusion in the Annual Report and Accounts. The PAC has, however, not had assurance that this is a mandated part of the Annual Report and Accounts process. The PAC has, therefore, recommended that formal guidance is updated that mandates a departmental annual report must be submitted to the relevant Minister for review through the form of a briefing, prior to it being submitted for inclusion in the Annual Report and Accounts.

Reporting on staffing numbers - Information in relation to employee numbers per pay bracket was removed from the 2023 Annual Report and Accounts with a link to the States Employment Board annual report provided instead. This information, however, was presented in a different format to the 2022 Annual Report and Accounts. The PAC is of the view that this has not improved openness and transparency in this area, especially given the current public interest in public sector employee numbers. Within the 2024 Annual Report and Accounts, reporting on employee numbers per pay bracket should be included and compared with prior year actuals, as set out within the 2022 Annual Report and Accounts. This should be expressed as number of employees per pay bracket as opposed to only percentages of overall headcount within the departments as in the 2023 States Employment Board Annual Report.

Internal IT controls - There are multiple timescales in place for implementing improved internal controls within government IT systems. The professional standards programme is expected to have three processes in place by August 2024 for incident management, change management and problem management. Privileged access users controls is expected to be implemented by the end of December 2024. The wider programme on cyber-control is a 3-year programme with the level of investment anticipated and budgeted for. The PAC has recommended that the Chief Information Officer provides it with the detailed action plan for introduction of new internal IT controls by the end of Quarter Three 2024.

Consolidation of States-Owned Entities - There is an intention to consolidate both Jersey Telecoms and Jersey Post within the 2025 Annual Report and Accounts. The PAC notes, however, that the current position of four States-Owned Entities not being included within the overall group accounts is not a consistent approach when others are included within the accounts. This does not meet International Accounting Standards and this position was accepted. The PAC has recommended that the Treasurer of the States should, by the end of Quarter Four 2024, bring forward an action plan that sets out the intent and timescale for the full incorporation of the remaining four States-Owned Entities within the overall States of Jersey Group Annual Report and Accounts.

Health and Community Services Financial Recovery Plan - The Health and Community Services Department had a budget deficit of £32.5 million in 2023 resulting from funding for various programmes being withdrawn (including COVID-19 related spend and Jersey Care Model funding) plus required services not being included in the budget (£17 to 20 million). It is expected that the underlying run rate of deficit has existed since 2019 but was masked by additional funding for services. Spend in 2023 within Health and Community Services was £330 million which was an increase of £83 million (33%) from the 2022 level of £247 million. The increasing costs and resulting deficit within Health and Community Services has arisen from a number of factors including increased pay awards in 2023, drug inflation and an increased reliance on agency staff and additional overtime payments for substantive staff. Health and Community Services Agency staff costs within 2024 are estimated to total between £14 - £15 million. This is, however, tempered slightly by the net gain in terms of recruitment to permanent staff positions within Health and Community Services. This has now reached a point where more staff are being retained rather than leaving the department. The Financial Recovery Plan within Health and Community Services is focused over a three-year period and intends to achieve savings through a reduction of the reliance on agency staff (£12 million over a three-year period), improvements in procurement processes (£3 – 5 million over a three-year period) and an increase in income generation by the department (£3 million in 2024 with an increase to £5 million by 2025). This will equate to £25 million of savings over a three-year period. The Financial Recovery Plan within Health and Community Services is being delivered by a turnaround team with a budgeted cost of £546,000 in 2024. The team has been appointed externally due to the limited capacity within the management roles within Health and Community Services to deliver the additional savings on top of their existing workloads. The percentage of management posts within Health and Community Services currently sits at 1.5% of the total headcount. The PAC has recommended that the Chief Officer for Health and Community Services presents a quarterly report to the States Assembly which details the progress of the Financial Recovery Plan delivery team within Health and Community Services in delivering the agreed savings and efficiencies within the Financial Recovery Plan. These reports should also provide a risk rating to identify any areas where savings are being impacted and any potential associated additional risk that might occur.

Value for Money - £7 million worth of efficiency savings (as part of the Value for Money Programme) were reported as achieved in 2023 through not allocating the full amount of non-pay inflation with a further £3 million being removed from departmental budgets for a total of £10 million. £3.2 million of specific savings were made within Health and Community Services, however overall expenditure within the department had risen by 23% in 2023. There is ongoing work within each Government of Jersey Department to achieve Value for Money savings throughout the financial years 2024 – 2026. The PAC has, however, found that there are inconsistent interpretations of what items are to be included within the Value for Money savings. The PAC has recommended that the Government of Jersey brings forward a consistent definition for what is meant by ‘Value for Money’ and ensure this is applied across all departments with the aim of ensuring better prioritisation of resources. The presentation of the Annual Report and Accounts 2024 should include this definition.

Operating Balance - There has been an increase of 17% in overall expenditure between 2022 and 2023. The main reasons for this increase have been growth within Health and Community Services and inflationary pressures including pay awards. There is a commitment in the current Common Strategic Priorities to curb growth in the public sector through reprioritising and reducing existing budgets where appropriate to deliver government objectives. The Government of Jersey should ensure that a clear narrative is provided within the 2024 Annual Report and Accounts to highlight the effectiveness of measures to curb growth in the public sector in line with the Common Strategic Priorities.

Overall Government Performance Reporting - In response to written questions asking about the percentage of service performance measures not being met in 2023, the PAC was redirected to the performance report within the Annual Report and Accounts as well as the Annual Service Performance Measures on the Government website. Whilst this information is available, the manner in which the information is presented is difficult to analyse by a member of the public wishing to learn more about the overall performance of a specific department. There does not appear to be a ‘birds-eye’ view of performance across the organisation that can be made readily available to interested parties. The information is available on the Government website; however, there does not appear to be a format for this information to be presented that clearly identifies areas where performance has been strong and areas where performance requires improvement. The PAC has recommended that The Chief Executive Officer should ensure, in time for the 2024 Annual Report and Accounts, that tables are included which highlight the number of service performance measures which have been met, or not, by the individual departments along with appropriate and easily understandable narrative stating how plans to improve performance shortfalls. This can be provided within the departmental annual reports. Whilst annual service performance measures are available elsewhere on the Government website, the PAC suggests that this information be included in an easily accessible ’bird’s-eye’ view of the whole organisation.

Customer Feedback and Complaints Reporting - Data in relation to customer feedback and complaints within Health and Community Services and schools is not included within the overall figure presented in the Annual Report and Accounts. Health and Community Services utilises an independent ‘Picker’ survey to gauge customer satisfaction which scored 83%. Due to the differing nature of the data that was collected by Government it has not been included in the overall percentage reported and is therefore missing from the overall performance assessment regarding customer feedback on these important government provided services. Schools do not currently utilise the central feedback management system to record and handle complaints. A decision has been made, however, for this to be implemented across schools in time for the academic year commencing September 2024. The PAC has recommended that, given the importance of Education and Health in the overall performance of the Government, some form of customer feedback from these two areas should be included in subsequent States of Jersey Annual Report and Accounts.

3. Findings and Recommendations

3.1 Findings

FINDING 1
The view of Government officials is that the principal audiences for the Annual Report and Accounts document are Islanders, States Members and investors/businesses wishing to do business with the Island.

FINDING 2
The Annual Report and Accounts is intended to be focused towards the different audiences in different parts of the report.

FINDING 3
Across a social media poll seeking to understand if Islanders were aware of the annual report and accounts and where to find it, the majority of respondents on X and Instagram responded to say they were not aware. However, on LinkedIn, the majority of respondents were aware of the document and where to find it. It should, however, be noted that the number of responses across the platforms was relatively low.

FINDING 4
The presentation of the Annual Report and Accounts is mainly promoted through media releases. A briefing was also offered to States Members and, in previous years, to interested parties, although this did take place for the 2023 report.

FINDING 5
There is a commitment to improve the accessibility of the report and promote it further to Islanders. There are, however, challenges in relation to distilling the messages within the report into an easily accessible and even further simplified format.

FINDING 6
Questioning from States Members, as key stakeholders for the Annual Report and Accounts, is mainly in relation to the financial aspects of the report as opposed to the performance report.

FINDING 7
An assurance process is in place to identify which information is included within the Annual Report and Accounts. Service Performance Measures are verified by the Chief Statistician, after which assurance is provided by the Chief Officers as to the information being provided for the report.

FINDING 8
Contextual information that is provided within the Annual Report and Accounts stems from the departmental annual reports where key messages and stories are identified for inclusion. These are then taken through the Chief Officers and the Chief Executive Officer for consideration as to whether the messages are to be included in the document.

FINDING 9
There is an expectation that Ministers would be provided with the Departmental Annual Reports prior to being submitted for inclusion in the Annual Report and Accounts. The PAC has, however, not had assurance that this is a mandated part of the Annual Report and Accounts process.

FINDING 10
Information in relation to employee numbers per pay bracket was removed from the 2023 Annual Report and Accounts with a link to the States Employment Board annual report provided instead. This information, however, was presented in a different format to the 2022 Annual Report and Accounts. The PAC is of the view that this has not improved openness and transparency in this area, especially given the current public interest in public sector employee numbers.

FINDING 11
The overall length of the Annual Report and Accounts document has decreased 28% from 411 pages in 2021 to 295 pages in 2023. It should, however, be noted that the departmental annual reports have been presented as an annex in 2023. Were they to be included in the main body of the report it would total 362 pages. There appears to be a lack of consistency between departments on how performance is reported.

FINDING 12
A summary version of the 2023 Annual Report and Accounts has been presented on the government website alongside the overall report in line with previous recommendations of the PAC. Details that are tailored to readers with different levels of interest are also provided. Whilst the PAC notes and appreciates this improvement from previous recommendations, this is still not a true digital summary which should provide engaging links that can be accessed easily on each topic (see example of PAC previous digital report).

FINDING 13
Significant work has been undertaken by the Chief Information Officer to address the 32 issues raised by the External Auditors in relation to IT controls. There is an action plan in place spread across four broad themes to address these issues.

FINDING 14
Additional risks arising out of the review of Internal IT controls have been added to the corporate risk register for monitoring.

FINDING 15
There are multiple timescales in place for implementing improved internal controls within government IT systems. The professional standards programme is expected to have three processes in place by August 2024 for incident management, change management and problem management. Privileged access users controls is expected to be implemented by the end of December 2024. The wider programme on cyber-control is a 3-year programme with the level of investment anticipated and budgeted for.

FINDING 16
There is an intention to consolidate both Jersey Telecoms and Jersey Post within the 2025 Annual Report and Accounts. The PAC notes, however, that the current position of four States-Owned Entities not being included within the overall group accounts is not a consistent approach when others are included within the accounts. This does not meet International Accounting Standards and this position was accepted.

FINDING 17
It is the view of the Treasurer of the States that the risks reported in the Annual Report and Accounts provide an accurate view of the risks faced by the Island. The report provides details on the mitigation plans in place to address these risks and processes are in place to track and monitor these plans and the impact on risks across the course of the year.

FINDING 18
There was an overall increase of £72 million spent on staffing between 2022 and 2023. This related to the 7.9% pay award increase granted in 2023, as well as the costs of additional headcount within the organisation.

FINDING 19
The £508,905 spent on exit packages in 2023 relate to outcomes of conciliation meetings rather than as a result of lost office or redundancy processes. This amount also relates to settlement agreements or payment of a notice in some regards where that would not have been classified as a contractual payment.

FINDING 20
The overall States of Jersey Group, before investment returns, had a net deficit of £144 million. This compares with the 2022 levels of £263 million. This deficit is mainly as a result of the States grant to the Social Security Fund being suspended from 2020 to 2023 as part of the financial management arrangements agreed by the States Assembly to tackle the COVID-19 pandemic. After potentially non-recurring investment gains, this became a £205 million surplus in 2023.

FINDING 21
The Health and Community Services Department had a budget deficit of £32.5 million in 2023 resulting from funding for various programmes being withdrawn (including COVID-19 related spend and Jersey Care Model funding) plus required services not being included in the budget (£17 to 20 million). It is expected that the underlying run rate of deficit has existed since 2019 but was masked by additional funding for services.

FINDING 22
Spend in 2023 within Health and Community Services was £330 million which was an increase of £83 million (33%) from the 2022 level of £247 million. The increasing costs and resulting deficit within Health and Community Services has arisen from a number of factors including increased pay awards in 2023, drug inflation and an increased reliance on agency staff and additional overtime payments for substantive staff.

FINDING 23
Health and Community Services Agency staff costs within 2024 are estimated to total between £14 - £15 million. This is, however, tempered slightly by the net gain in terms of recruitment to permanent staff positions within Health and Community Services. This has now reached a point where more staff are being gained than leaving the department.

FINDING 24
The Financial Recovery Plan within Health and Community Services is focused over a three-year period and intends to achieve savings through a reduction of the reliance on agency staff (£12 million over a three-year period), improvements in procurement processes (£3 – 5 million over a three-year period) and an increase in income generation by the department (£3 million in 2024 with an increase to £5 million by 2025). This will equate to £25 million of savings over a three-year period.

FINDING 25
The Financial Recovery Plan within Health and Community Services is being delivered by a turnaround team with a budgeted cost of £546,000 in 2024. The team has been appointed externally due to the limited capacity within the management roles within Health and Community Services to deliver the additional savings on top of their existing workloads. The percentage of management posts within Health and Community Services currently sits at 1.5% of the total headcount.

FINDING 26
The States Annual Report and Accounts 2023 identifies a further impairment of £2 million in relation to the Hospital Project. This has been identified as relating to designs which will not be used, including a mental health building, knowledge centre and multi-story car park and no re-use of the design information.

FINDING 27
In relation to the New Healthcare Facilities Project, £115.3m is currently held within the Asset Under Course of Construction (AUCC) from a total spend of £128.5m and write offs of £13.2m.

FINDING 28
Due to the implementation of the Connect Finance system at the start of 2023, there has been an impact on the debt collection function of Government. This has, however, been mitigated within the second half of 2023 and debt management activity resumed fully and improved towards the end of 2023.

FINDING 29
£7 million worth of efficiency savings (as part of the Value for Money Programme) were achieved in 2023 through not allocating the full amount of non-pay inflation with a further £3 million being removed from departmental budgets for a total of £10 million. £3.2 million of specific savings were made within Health and Community Services, however overall expenditure within the department had risen by 23% in 2023.

FINDING 30
There is ongoing work within each Government of Jersey Department to achieve Value for Money savings throughout the financial years 2024 – 2026. The PAC has, however, found that there are inconsistent interpretations of what items are to be included within the Value for Money savings.

FINDING 31
There has been an increase of 17% in overall expenditure between 2022 and 2023. The main reasons for this increase have been growth within Health and Community Services and inflationary pressures including pay awards. There is a commitment in the current Common Strategic Priorities to curb growth in the public sector through reprioritising and reducing existing budgets where appropriate to deliver government objectives.

FINDING 32
In response to written questions asking about the percentage of service performance measures not being met in 2023, the PAC was redirected to the performance report within the Annual Report and Accounts as well as the Annual Service Performance Measures on the Government website. Whilst this information is available, the manner in which the information is presented is difficult to analyse by a member of the public wishing to learn more about the overall performance of a specific department.

FINDING 33
There does not appear to be a ‘birds-eye’ view of performance across the organisation that can be made readily available to interested parties. The information is available on the Government website; however, there does not appear to be a format for this information to be presented that clearly identifies areas where performance has been strong and areas where performance requires improvement.

FINDING 34
Data in relation to customer feedback and complaints within Health and Community Services and schools is not included within the overall figure presented in the Annual Report and Accounts. Health and Community Services utilises an independent ‘Picker’ survey to gauge customer satisfaction which scored 83%. Due to the differing nature of the data that collected by Government it has not been included in the overall percentage reported and is therefore missing from the overall performance assessment in this report regarding customer feedback on these important government provided services.

FINDING 35
Schools do not currently utilise the central feedback management system to record and handle complaints. A decision has been made, however, for this to be implemented across schools in time for the academic year commencing September 2024.

3.2 Recommendations

RECOMMENDATION 1
The Treasurer of the States, in collaboration with the Communications Directorate, should seek feedback from members of the public in relation to how it could improve regarding the overall awareness of the report, the information provided and the mechanisms for accessing the Annual Report and Accounts document. This should identify the channels through which islanders would prefer to access information with a view to incorporating these improvements within the presentation of the 2024 Annual Report and Accounts.

RECOMMENDATION 2
The Treasurer of the States should ensure that formal guidance is updated that mandates a departmental annual report must be submitted to the relevant Minister for review through the form of a briefing, prior to it being submitted for inclusion in the Annual Report and Accounts.

RECOMMENDATION 3
Within the 2024 Annual Report and Accounts, reporting on employee numbers per pay bracket should be included and compared with prior year actuals, as set out within the 2022 Annual Report and Accounts. This should be expressed as number of employees per pay bracket as opposed to only percentages of overall headcount within the departments as in the 2023 States Employment Board Annual Report.

RECOMMENDATION 4
The Chief Information Officer should provide the PAC with the detailed action plan for introduction of new internal IT controls by the end of Quarter Three 2024.

RECOMMENDATION 5
The Treasurer of the States should, by the end of Quarter Four 2024, bring forward an action plan that sets out the intent and timescale for the full incorporation of the remaining four States-Owned Entities within the overall States of Jersey Group Annual Report and Accounts.

RECOMMENDATION 6
The Chief Officer for Health and Community Services should present a quarterly report to the States Assembly which details the progress of the Financial Recovery Plan delivery team within Health and Community Services in delivering the agreed savings and efficiencies stated in the Financial Recovery Plan. These reports should also provide a risk rating to identify any areas where savings are being impacted and any potential associated additional risk that might occur.

RECOMMENDATION 7
The Government of Jersey should bring forward a consistent definition for what is meant by 'Value for Money' and ensure this is applied across all departments with the aim of ensuring better prioritisation of resources. The presentation of the Annual Report and Accounts 2024 should include this definition.

RECOMMENDATION 8
The Government of Jersey should ensure that a clear narrative is provided within the 2024 Annual Report and Accounts to highlight the effectiveness of measures to curb growth in the public sector in line with the Common Strategic Priorities.

RECOMMENDATION 9
The Chief Executive Officer should ensure, in time for 2024 Annual Report and Accounts, that tables are included which highlight the number of service performance measures which have been meet, or not, by the individual departments along with appropriate and easily understandable narrative stating how plans to improve performance shortfalls. This can be provided within the departmental annual reports Whilst annual service performance measures are available elsewhere on the government website, the PAC suggests that this information be included in an easily accessible ’bird’s-eye’ view of the whole organisation.

RECOMMENDATION 10
Given the importance of Education and Health in the overall performance of the Government, some form of customer feedback from these two areas should be included in subsequent States of Jersey Annual Report and Accounts.

4. Introduction

4.1 Background and Context

1. Part of the Public Accounts Committee's (hereafter 'the Committee') role is to assess whether public funds have been applied for the purpose intended by the States of Jersey and whether sound financial practices have been maintained. Therefore, the Committee has undertaken this review in order to examine the processes for the preparation and performance reporting of the States Annual Report and Accounts 2023 in consideration of the recommendation within its predecessor's legacy report..

2. The Annual Report contains a breakdown of the activities and initiatives carried out by the different elements of the States of Jersey, including government departments, non-ministerial departments, funds and some subsidiary companies.

3. The Annual Report provides information on how the States of Jersey Group has performed over the course of the year in the context of its objectives ('the Performance Report') and on how the States is governed ('the Accountability Report'). The Annual Accounts provide information on the financial performance of the States of Jersey covering both assets and liabilities and income and expenditure.

4. The Committee considers it a priority to inform the public on how fiscal expenditure is incurred, timely and high-quality annual reports and accounts which clearly present the States of Jersey's aims, activities, functions, and performance.

4.2 Key issues

5. The States Annual Report and Accounts is effectively the culmination of a Government Plan year and, therefore, reports on the successes or otherwise of the projects and programmes agreed within the financial envelope by the States Assembly for that year. As other Scrutiny Panels conduct reviews of proposals by Ministers within the Government Plan, the PAC ensures that this is retrospectively examined to identify whether or not priorities have been delivered and outcomes achieved. Furthermore, it assesses:

    - Whether the performance reporting presents clearly the Government's aims, activities, functions and performance.
    - Whether the reported risks and mitigations have been clearly articulated.
    - The transparency and timeliness of the overall report.
    - Whether consideration has been given by the States of Jersey to the recommendations of the External Auditors (Mazars), previous recommendations from the Comptroller and Auditor General and previous recommendations of the PAC.

- Consideration of changes to the Annual Report and Accounts and rationale for doing so.
- References and linkages within the report
- Special payments made during 2023.

6. This is the third set of accounts to be audited by Mazars (as appointed by the Comptroller and Auditor General) and the Committee will be examining whether there has been implementation of any recommendations arising from previous audited accounts undertaken by Mazars.
7. The Review will seek to address the following key issues:

    - The accuracy, transparency and timeliness of the States Annual Report and Accounts 2023, including whether the Performance Report contained therein presents clearly the Government's performance. This also includes what changes will be made in the presentation of the 2024 accounts.
    - Follow up on previous recommendations made by the External Auditors of the States of Jersey, the C&AG and PAC in respect of the annual report and accounts, with special focus on improvements to internal IT controls and plans for full incorporation of States-Owned Entities.
    - To understand the rationale for special payments made within the 2023 Annual Report and Accounts.
    - To assess the reporting of risk and mitigations thereof contained within the accountability report.

4.3 Work Undertaken by the Committee

8. The PAC gathered evidence for the review in a number of ways. An initial briefing was arranged with Mazars to gather their views on the audit of the accounts, after which a briefing was arranged from the Treasurer of the States prior to the report's publication, to identify the areas to be focused on during the review. The PAC initially requested copies of the Accountable Officer Governance Statements to assess the manner in which each Accountable Officer had assessed risks within their respective services. The PAC then identified specific matters which it wished to address as part of the review and submitted questions in writing to the Treasurer of the States and Acting Chief Executive. These will be expanded upon within the next section of the introduction. A poll was put out on the States Assembly social media platforms to gather public views on knowledge of the Annual Report and Accounts and identify whether members of the public would know where to find the report.

9. A public hearing was held with the Treasurer of the States on 5th June 2024 to discuss key areas identified and a further hearing was held with the Chief Officer for Health and Community Services on 3rd July 2024 to gather evidence in relation to the financial recovery plans within Health and Community Services (HCS) in 2023. The PAC also undertook a review of the departmental annual reports and identified several questions to ask each Chief Officer. These were submitted in writing for a response to inform the review.

4.4 Structure of the Report

10. The report is broken down into the following sections:

- **Accessibility of the report –** this section focuses mainly on how accessible the information contained within the report is and how key stakeholders can cross reference information within the accounts to the departmental annual reports and reported performance. It also focuses on the way the report was presented and how this was publicised to members of the public and key stakeholders. Finally, this section focuses on improvements that have been made to the annual report and accounts and follows up on recommendations made by the previous PAC and C&AG recommendations.

- **Key issues** – this section of the report focuses on some of the key issues that the PAC identified from its briefings with the External Auditors and Government of Jersey. These are namely, improvements to internal Information Technology controls, the consolidation of States-Owned Entities within the accounts, reporting on and quantification of risks within the report, remuneration of staff and severance payments, and the overall group deficit.

- **Health and Community Services Financial Recovery Plan –** this section of the report focuses specifically on the overspend within the Health and Community Services Department that was identified in 2023 and the steps that have been taken since to address this.

- **Financial Reporting** – this section focuses on some key questions surrounding the financial performance of the organisation during 2023, with special focus on cost reduction initiatives, the statement of revenue outturn against budget approval levels, types of receivables, value for money, risk and the operating balance.

- **Performance Report and Departmental Annual Reports** – this section of the report provides analysis of how the States of Jersey Group performed during 2023 as well as how it measured customer satisfaction and complaints. Furthermore, several written questions were posed to Chief Officers arising from the departmental annual reports about performance in 2023 and analysis of these findings is provided.

4.5 Declaration of Potential Conflicts of Interest

11. Four members of the newly appointed PAC (Deputy Inna Gardiner (Chair), Deputy Kristina Moore (Vice-Chair), Deputy Karen Wilson and Deputy David Warr) had all held Ministerial positions during the period being examined within the Annual Report and Accounts.

12. This was noted in the PAC minutes and it was agreed that, given the focus on overall performance and specifically HCS, Deputies Moore and Wilson would not participate in the review and Deputy Raluca Kovacs would lead on the review. Due to the requirement for quorum of the PAC during public hearings, it was agreed that both

Deputy Inna Gardiner and Deputy David Warr would be able to take part, however, they would not be able to ask any questions relating to their area of ministerial focus. The four Lay Members of the PAC and Deputy Raluca Kovacs all took part in the review and held no conflicts of interest.

5. Accessibility of the Report

5.1 Key Audiences of the Report

13. The Annual Report and Accounts is the primary vehicle for the government to report on both its financial performance across a given year as well as how it has performed against the objectives and key performance indicators (KPIs) throughout the year. This is an important document which provides both detailed analysis and narrative for the information of key stakeholders. Previous PAC reports on the Annual Report and Accounts have included a focus on the accessibility of this report to those key stakeholders. To inform its work, the PAC agreed to question officials on who they saw as the key stakeholders for the report:

> ***Mr. P. Taylor:***
> *Thank you very much. Who do you see as the principal audiences for the Annual Report and Accounts?*
>
> ***Treasurer of the States:***
> *Principally, they are Islanders and, among that, States Members. So, they are geared at various audiences in various parts of the document. The document, and using the onion[1], is also there in terms of investors or perhaps businesses who want to do business with Jersey or want to come to Jersey, understanding what the Government is about, what the Government has achieved, what its financial position is and so on.[2]*

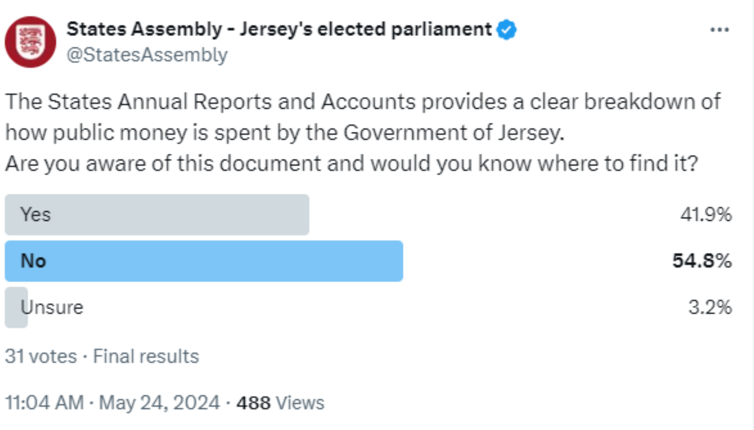
FINDING 1
The view of Government officials is that the principal audiences for the Annual Report and Accounts document are Islanders, States Members and investors/businesses wishing to do business with the Island.

FINDING 2
The Annual Report and Accounts is intended to be focused towards the different audiences in different parts of the report.

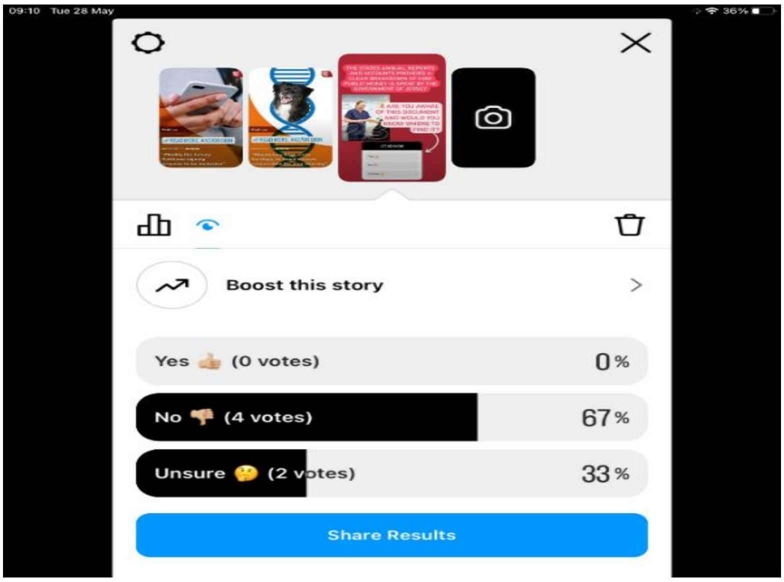
14. To identify the degree to which members of the public were aware of the Annual Report and Accounts, the PAC conducted polls on the States Assembly social media platforms. The first question was as follows:

    The States Annual Reports and Accounts provides a clear breakdown of how public money is spent by the Government of Jersey. Are you aware of this document and would you know where to find it?

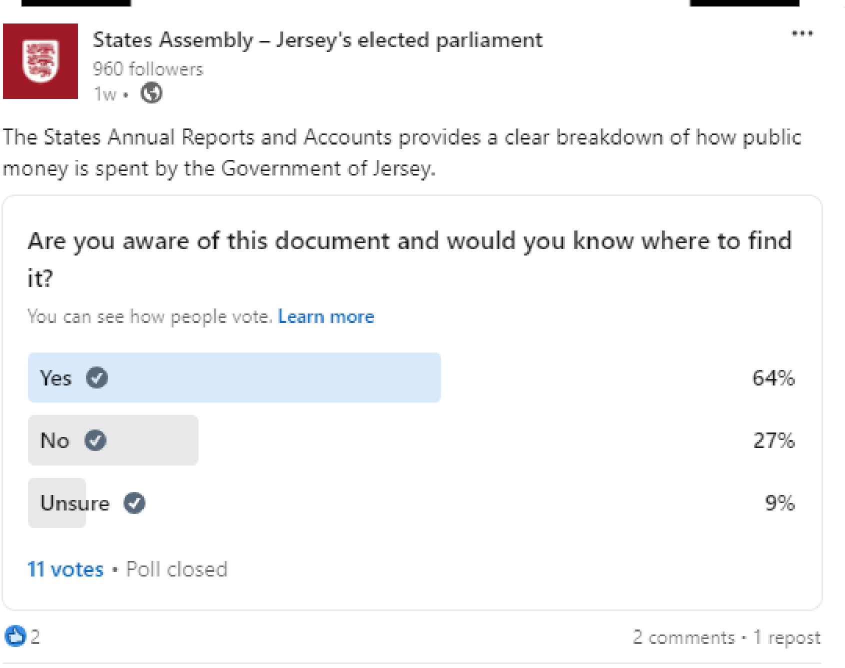
[1] Note – during the public hearing reference was made to the Annual Report and Accounts as representing the layers of an 'onion' when describing the different levels that could be accessed by members of the public
[2] Transcript – Public Hearing with Treasurer of the States – 5 June 2024



[3]



[4]



[5]

[3] Social Media Poll – X – 24 May 2024
[4] Social Media Poll – Instagram – 24 May 2024
[5] Social Media Poll – LinkedIn – 24 May 2024

15. Across three different social media platforms (X, Instagram and LinkedIn), the polls showed that users on X and Instagram were generally less likely to be aware of the document (41.9%) and where to find it. However, on LinkedIn (a platform that caters mostly to professionals in various sectors) the majority of respondents were aware of what the report was and where to find it (67%). It should, however, be noted that the number of respondents across the platforms was relatively low.

FINDING 3
Across a social media poll seeking to understand if Islanders were aware of the Annual Report and Accounts and where to find it, the majority of respondents on X and Instagram responded to say they were not aware. However, on LinkedIn, the majority of respondents were aware of the document and where to find it. It should, however, be noted that the number of responses across the platforms was relatively low.

16. The PAC highlighted these responses during the public hearing with the Treasurer of the States and asked how government engages with the public to raise awareness of the report:

> ***Treasurer of the States:***
> *Largely through in the press releases directing to the existence of the report. We offer a briefing to States Members. We did not this year do interested parties, but we have in the past; we did not this year.*[6]
>
> ***Treasurer of the States:***
> *We use the communications channels through the Comms team, but predominantly our focus is on presenting it to the States Members. Lodging it formally, issuing press releases that can be picked up by social media channels, and some of the local media outlets have access into the social media channels. But I have to say we do not have a specific social media strategy for releasing the annual report.*[7]

17. Noting the findings of the social media polls, the PAC questioned what more could be done to improve the accessibility of the report and better highlight it to members of the public. The Treasurer of the States also explained that this would be looked at, however, challenges existed in distilling the messages down into an easily accessible, even further simplified message.[8]

FINDING 4
The presentation of the Annual Report and Accounts is mainly promoted through media releases. A briefing was also offered to States Members and, in previous years, to interested parties, although this did take place for the 2023 report.

[6] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[7] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[8] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

FINDING 5
There is a commitment to improve the accessibility of the report and promote it further to Islanders. There are, however, challenges in relation to distilling the messages within the report into an easily accessible and even further simplified format.

RECOMMENDATION 1
The Treasurer of the States, in collaboration with the Communications Directorate, should seek feedback from members of the public in relation to how it could improve regarding the overall awareness of the report, the information provided and the mechanisms for accessing the Annual Report and Accounts document. This should identify the channels through which islanders would prefer to access information with a view to incorporating these improvements within the presentation of the 2024 Annual Report and Accounts.

18. Noting that the document itself is split into different sections, the PAC sought to understand who most engaged with Government when asking questions around the Annual Report and Accounts and what the main focus of that questioning was:

> ***Treasurer of the States:***
> *Predominantly, I would have to say that most of the questioning that we get, and that is principally from States Members but in the past from others as well, it has been about the financials. Less so about the performance report.*[9]

FINDING 6
Questioning from States Members, as key stakeholders for the Annual Report and Accounts, is mainly in relation to the financial aspects of the report as opposed to the performance report

5.2 Areas of inclusion within the report

19. The PAC wished to understand the process that is in place to identify which information is included within the Annual Report and Accounts. When considering best practice reporting, it is important to note that an Annual Report should represent a fair and balanced view of the performance of the organisation across the period in question. This is a matter that has been highlighted by the C&AG within their most recent 'Annual Reporting' report.[10] The PAC questioned how this was achieved by Government:

> ***Mr. P. Taylor:***
> *Okay. Now you have already said we have got the performance analysis of each Ministerial department. How do you go about making sure that is fair and truly representative of the performance of that department?*
>
> ***Associate Director, Strategic Planning and Accountability**:*
> *The service performance measures are verified by the chief statistician who works with the departments to produce them and identify them in the first place. We go through a process of asking for assurance from each of the chief officers*

[9] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[10] Annual Reporting 2023 – C&AG report

that they are assuring that the information they are providing in their reports is correct.[11]

20. Furthermore, the PAC wished to understand how decisions were made in relation to which contextual information is included within the report that relates to the work of individual departments and services performance measures:

Associate Director, Strategic Planning and Accountability:
So I think there are several bits to that question. In terms of the content, if I understand the first part, of the performance report, we start off with the department annual reports are produced by each of the departments. We then review those. We look for the key stories working with the departments to identify what the key stories are coming from those departments, which we then put into the performance report. There is then a process of taking those through to the S.R.O. (senior responsible officer) group and through to the C.E.O. (chief executive officer) for them to also consider whether those are the key messages that need to be in the document.[12]

FINDING 7
An assurance process is in place to identify which information is included within the Annual Report and Accounts. Service Performance Measures are verified by the Chief Statistician, after which assurance is provided by the Chief Officers as to the information being provided for the report.

FINDING 8
Contextual information that is provided within the Annual Report and Accounts stems from the departmental annual reports where key messages and stories are identified for inclusion. These are then taken through the Chief Officers and the Chief Executive Officer for consideration as to whether the messages are to be included in the document.

21. Within its report, Performance Management – Follow Up, the previous PAC examined how performance information is communicated and presented. As such, it will not examine this matter further within the context of this review.

22. However, one area that the PAC wished to understand is how information within the performance report was communicated to the relevant Ministers by each departmental Chief Officer. Within written questions to all Chief Officers as part of the review, the PAC questioned how regularly Ministers were briefed on the performance of their department, specifically when considering the information to be included within the Annual Report and Accounts. In the responses from the Chief Officers, it was confirmed that Ministers are generally briefed on a quarterly basis in relation to departmental performance. This was a consistent response across all Chief Officers.

23. The PAC also questioned what guidelines were in place to ensure a departmental report was presented to the Minister prior to being submitted to the Treasurer of the

[11] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[12] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

States for inclusion in the Annual Report and Accounts. The following information was provided:

> ***Deputy I. Gardiner:***
> *Do you have clear guidelines that the chief officer must present a department report to the Minister before it will be submitted to yourself?*
>
> ***Treasurer of the States:***
> *We would have to look at the formal guidance. There is an expectation that that would be the case.*[13]

FINDING 9
There is an expectation that Ministers would be provided with the Departmental Annual Reports prior to being submitted for inclusion in the Annual Report and Accounts. The PAC has, however, not had assurance that this is a mandated part of the Annual Report and Accounts process.

RECOMMENDATION 2
The Treasurer of the States should ensure that formal guidance is updated that mandates a departmental annual report must be submitted to the relevant Minister for review through the form of a briefing, prior to it being submitted for inclusion in the Annual Report and Accounts

24. One specific point the PAC noted during its review of the Annual Report and Accounts, was a change to the reporting in one area of the report. This related to the remuneration of staff within the £100k - £150k bracket. Within the 2022 report, a table was provided which outlined the number of employees per department that fell within this bracket and how this compared to 2021. In the 2023 report, a link was provided to the States Employment Board (SEB) Annual Report for this information. However, within this report, the number of employees per pay bracket were expressed as percentages of overall headcount rather than direct numbers. The PAC questioned why this decision had been taken and also questioned whether this had indeed improved the transparency and accuracy of the reporting:

> ***Treasurer of the States:***
> *We did review and, in some cases, changed some of the disclosures. I believe our intent was not … there was no intent that ultimately that information was not available. We just looked at the number of disclosures that we did, and this one fell out of those numbers of disclosures. I guess the feedback I can inevitably imagine will be that some people would like to see those disclosures reintroduced. It is not that it is not available, we just looked at the tables we have produced, which are numerous in the remuneration report, and that was removed.*[14]

25. The PAC would expect to see consistency in information within the reports year by year, and given the public interest in public sector employee numbers, it would hope that in future iterations of the report the format of reporting from 2022 is returned to in the interest of openness and transparency.

[13] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[14] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

FINDING 10
Information in relation to employee numbers per pay bracket was removed from the 2023 Annual Report and Accounts with a link to the States Employment Board annual report provided instead. This information, however, was presented in a different format to the 2022 Annual Report and Accounts. The PAC is of the view that this has not improved openness and transparency in this area, especially given the current public interest in public sector employee numbers.

RECOMMENDATION 3
Within the 2024 Annual Report and Accounts, reporting on employee numbers per pay bracket should be included and compared with prior year actuals, as set out within the 2022 Annual Report and Accounts. This should be expressed as number of employees per pay bracket as opposed to only percentages of overall headcount within the departments as in the 2023 States Employment Board Annual Report.

5.3 Improvements from previous recommendations

26. Noting the recommendations made by the previous PAC within its reports on the 2021 and 2022 Annual Report and Accounts, the current PAC undertook to identify what improvements had been made to the report in 2023. The first area to note was that the overall length of the document has been reduced. In 2021, the report sat at 411 pages in length[15], whereas in 2023 it sits at 362 pages[16] Whilst this is not a massive reduction, it should be noted that the departmental annual reports were provided as an annex rather than as the main body of the document. With this taken out of the total page count, the Annual Report and Accounts is 295 pages,[17] representing a 28% reduction in number of pages.

FINDING 11
The overall length of the Annual Report and Accounts document has decreased 28% from 411 pages in 2021 to 295 pages in 2023. It should, however, be noted that the departmental annual reports have been presented as an annex in 2023. Were they to be included in the main body of the report it would total 362 pages. There appears to be a lack of consistency between departments on how performance is reported.

27. One area that the PAC was interested to follow up on from previous recommendations was the development and publication of a digital summary version of the report. It was noted that, upon the presentation of the 2022 report, a summary version of the report was produced akin to an executive summary. This was then presented on the government website alongside the report (as well as being included at the start of the document itself. This was maintained within the 2023 report. When questioning this improvement during a public hearing, the PAC was provided with the following information:

[15] P.A.C.1/2023 – States Annual Report and Accounts 2021
[16] States of Jersey Group Annual Report and Accounts 2023
[17] States of Jersey Group Annual Report and Accounts 2023

Associate Director, Strategic Planning and Accountability:
So I think the main improvements to accessibility this year have been that we have included an in-brief section at the beginning of the document which tries to cover off the main highlights of the performance report. We think that is a major improvement over last year. We have also tried to include aspects of performance from other parts of the group. So last year, there was very much a focus on government department performance. We have begun to incorporate further performance coming from the non-Ministerial departments and from some of the States-owned entities, which you will see through the document. I think we continue to see an improvement in the quality of the departmental annual reports which are published alongside the Annual Report and Accounts, which are the source for a lot of the high-level material which is used in the performance report.[18]

28. Furthermore, the PAC was informed that the manner in which the 2023 Annual Report and Accounts was put together (i.e. inclusion of a summary section, performance reporting and financial reporting) could be tailored to suit specific levels of information required by the readers:

Associate Director, Strategic Planning and Accountability:
Yes. So last year we had those 2 parts separate. We put them together in the document so that, if you like, the Annual Report and Accounts works like an onion. If you are just interested in taking the skin off, you can read the first section. If you are a more sophisticated user, you can get into the detailed performance report. And if you are a really sophisticated user, then you get down into the financial sections.[19]

29. The PAC did question whether a standalone digital summary report (similar to the one produced by the previous PAC on its report for the Annual Report and Accounts 2021) had been produced, however, it was confirmed that the focus on the report was to produce it in a digital format accessible via the website.[20]

30. It is noted that the summary section of the report is provided on the government website as a separate document. This is in line with previous recommendations made by the PAC.[21] This is a welcome improvement in relation to the reporting and level of accessibility for readers.

FINDING 12
A summary version of the 2023 Annual Report and Accounts has been presented on the government website alongside the overall report in line with previous recommendations of the PAC. Details that are tailored to readers with different levels of interest are also provided. Whilst the PAC notes and appreciates this improvement from previous recommendations, this

[18] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[19] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[20] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[21] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

is still not a true digital summary which should provide engaging links that can be accessed easily on each topic (see example of PAC previous digital report).

6. Key Issues

31. This section of the report will focus on a number of key issues that the PAC identified from its briefings from the External Auditors of the States of Jersey Group Accounts (Mazars) and the briefing from the Treasurer of the States prior to the publication of the Annual Report and Accounts. These issues are namely, internal IT controls, consolidation of States-Owned Entities within the accounts, reporting and quantifying risks, remuneration of staff (including severance payments) and the overall group deficit in 2023.

6.1 Internal IT Controls

32. The PAC was made aware of potential deficiencies within the internal IT control processes that are in place within the Government of Jersey when completing the Annual Report and Accounts. It was deemed important to assess what these issues were and how government is seeking to address them moving forward. During the public hearing with the Treasurer of the States, the Chief Information Officer provided the PAC with a comprehensive overview of the areas of concern and what was being done to address them. The following information was provided:

> ***Chief information Officer, Modernisation and Digital:***
> *In summary, the report from Mazars covered 32 issues, which I can give a summary here now, give you a flavour. I would like to say at a high level that on behalf of my department we have apologised to Mazars and department officers impacted that the department did not get the information at the right time, and some of it not complete to the audit. That led to some of the findings that you referred. I have also apologised to the Executive Committee about that. We have done some reviews to make sure that it will not repeat for the audit at the end of this year. The second point I wanted to note for you is, as a result of that, we have identified specific process failings in the way that some of our processes enact. In other words, the points that Mazars have talked about. I will refer to those specifically in a moment. We are in the middle of a review of the department on some of those processes and changes that we are going to be making in the next 6 months to specific I.T. process controls. In other words, to give better control for the weaknesses that Mazars have identified.* [22]

33. The Chief Information Officer also noted that he had identified a missing management role within the Modernisation and Digital Team (M&D) since taking up post in October 2023[23]. It was explained that this role related to overall responsibility for assurance and for audit, which explained part of the reason for the issues raised. Furthermore, it was noted that a review was currently being conducted on the management structure of

[22] Transcript – Public Hearing – Treasurer of the States – 5 June 2024
[23] Transcript – Public Hearing – Treasurer of the States – 5 June 2024

M&D with the intent to create an additional management role to cover this area.[24] It was noted that assurance across IT in general was important as Government becomes more and more dependent upon IT systems[25]. The Chief Information Officer explained what was being done to address the 32 issues raised by Mazars' review:

> ***Chief Information Officer:***
> *The final part, what we have done in action to the Mazars review and the 32 issues, is we have called together the business process owners for the systems. If you have seen the detailed report, which I do not think it is possible to share with the public, but the detailed report covers 7 systems across Government. Each of those systems is owned by a different department officer, as you would expect different systems that we have. We have run 2 workshops; we have identified a specific action plan. I have had 2 of my senior managers lead that quite deliberately - the chief architect and the chief information security officer - which relates to the findings. We are making good progress, and we have a clear action plan to follow that and mitigate the points.*[26]

34. The Chief Information Officer was questioned by the PAC on the timetables for resolution of the issues identified by Mazars. It was noted that, as a result of the workshops that had been undertaken to date, two of the issues that had been identified had been closed off after discussion with Mazars.[27] Noting the issues with sharing information with the auditors during the audit process, the Chief Information Officer also noted the following:

> ***Chief information Officer, Modernisation and Digital:***
> *Five of the findings, we believe that had we provided the evidence at the right point, at the right time, and the right level of detail, the severity would not have been marked so serious. We are reasonably confident, as we make the changes and we give more timely responses to the audit at the end of this year, that those will be of less severity.*[28]

35. The Chief Information Officer then explained that the 25 remaining issues broadly fell into four different categories. Namely the following:

- **I.T. Change Management Processes**: Industry best practices involve firm controls during software and hardware changes. The focus is on improving change management processes for specific systems.

- **Privileged Access User Control**: Enhancing controls and regular reviews for high-value payment systems. Tightening access management when users leave roles or are promoted.

- **User Access Management**: Streamlining processes for joiners, movers, and leavers. Faster removal of access controls when needed.

[24] Transcript – Public Hearing – Treasurer of the States – 5 June 2024
[25] Transcript – Public Hearing – Treasurer of the States – 5 June 2024
[26] Transcript – Public Hearing – Treasurer of the States – 5 June 2024
[27] Transcript – Public Hearing – Treasurer of the States – 5 June 2024
[28] Transcript – Public Hearing – Treasurer of the States – 5 June 2024

- **Information Controls and Systems**: Overall improvements in information security and hygiene.[29]

36. The Chief Information Officer also noted that there was a final area at a high-level following review work that had been undertaken by the team which related to professional standards. This related to raising standards, applying industry frameworks and applying tighter controls across systems and projects.[30]

FINDING 13
Significant work has been undertaken by the Chief Information Officer to address the 32 issues raised by the External Auditors in relation to IT controls. There is an action plan in place spread across four broad themes to address these issues.

37. The PAC also questioned whether the risk profile for the internal control deficiencies had improved as a result of the work undertaken. It was noted that with two of the points this had improved, but these were identified as not major issues[31]. As a result of the review, however, additional risks had been added and have also been reported on the corporate risk register.[32]

FINDING 14
Additional risks arising out of the review of Internal IT controls have been added to the corporate risk register for monitoring.

38. In terms of the timetable for completion of the introduction of new internal controls within these areas, the PAC was provided with the following information by the Chief Information Officer:

> ***Chief information Officer, Modernisation and Digital:***
> *I can only really be high level at the moment, but I could follow up with a more detailed plan in about a month for the committee that would be useful. But at a high level, to answer your question, the professional standards programme, we are actively focusing on 3 processes at the moment. We expect that to be complete by the end of August for 3 processes, which is incident management, change management, and problem management. For the privileged access users control, my expectation is the end of the year, end of 2024; so December 2024 for that work. But that is part of a wider programme on cyber-control, which is a 3-year programme with the level of investment that we anticipate and is budgeted for.*[33]

FINDING 15
There are multiple timescales in place for implementing improved internal controls within government IT systems. The professional standards programme is expected to have three processes in place by August 2024 for incident management, change management and problem management. Privileged access users controls is expected to be implemented by the end of December 2024. The wider programme on cyber-control is a 3-year programme with the level of investment anticipated and budgeted for.

[29] Transcript – Public Hearing – Treasurer of the States – 5 June 2024
[30] Transcript – Public Hearing – Treasurer of the States – 5 June 2024
[31] Transcript – Public Hearing – Treasurer of the States – 5 June 2024
[32] Transcript – Public Hearing – Treasurer of the States – 5 June 2024
[33] Transcript – Public Hearing – Treasurer of the States – 5 June 2024

RECOMMENDATION 4
The Chief Information Officer should provide the PAC with the detailed action plan for introduction of new internal IT controls by the end of Quarter Three 2024.

39. The final area that was examined by the PAC in respect of internal IT controls was whether or not the issues identified by Mazars had previously been identified by Internal Audit.

> ***Deputy I. Gardiner:***
> *I would like to check, Richard, with yourself, have these I.T. controls been previously reported by internal audit?*
>
> ***Treasurer of the States:***
> *I would have to double check whether they were raised with internal audit. Whether they are internal audit or external audit, some of them were raised previously and the actions have not been addressed. Jason has a plan in place to address them now with the business users. In terms of monitoring that, we have also asked for a change in the way that the audit completion is signed off because what tended to happen is you look at the audit completion memorandum from the previous year and remind yourself of the tasks and then update. Some of these were in different correspondence, so they were not in the source document that we now have. Mazars are now going to be setting out everything within an update of the audit completion memorandum, which will be much more appropriate or easier for us to monitor progress against them.*[34]

40. The PAC received a further update from the Chief Internal Auditor and was satisfied that the matter has been raised previously.

6.2 Consolidation of States-Owned Entities

41. An area that has been highlighted in previous C&AG, as well as PAC reports, is the plan for the consolidation of States-Owned Entities within the accounts. At present, there are four States-Owned Entities that are not consolidated into the overall group position, namely:

- Jersey Electricity
- Jersey Post
- Jersey Telecoms
- Jersey Water

42. It is, however, important to note that, whilst these entities are not consolidated into the overall group accounts, valuations of the companies themselves are included in the accounts.[35]

43. It has previously been highlighted that the current status of consolidated and non-consolidated entities is ‘the worst of both worlds’ in that some entities are consolidated and others are not. Ideally, it should be a position whereby either all entities are consolidated or none at all into the group position. The PAC questioned what plans

[34] Transcript – Public Hearing - Treasurer of the States – 5 June 2024
[35] Transcript – Public Hearing - Treasurer of the States – 5 June 2024

there were for full consolidation of these entities and what the view of the Treasurer was as to how achievable this would be:

> ***Treasurer of the States:***
> *That is not to say, however, there is not a great deal of work required to consolidate. It is good to see that with the entities that are consolidated, that that runs fairly smoothly and even survived this year's issues we were having ourselves with the new system through the year. A key question that I have asked of myself, and it has come from some feedback actually, is to what extent would all of that work lead to greater understanding? I would have to say, in my opinion, I am not sure that it would add greater to the understanding of many Islanders as to the financial situation.*[36]

> ***Treasurer of the States:***
> *But if I could just finish. We are torn between the requirements of international reporting standards and actually then thinking about how with all that work, which just is not related to the Treasury. I have got accountants who look for nothing else to do consolidations on a regular basis, but also the work within those entities that are currently not consolidated. We are doing a review around the benefits of full consolidation of these entities as opposed to the disbenefits, or if I could say the costs of doing so, just to satisfy ourselves it is the right direction. My holding position is that it is.*[37]

44. The PAC went on to question what challenges the Treasurer believed would exist in relation to consolidating the current entities:

> ***Deputy I. Gardiner:***
> *Which challenges are you seeing for them?*

> ***Treasurer of the States:***
> *If we were to say definitively this is where we are going and this is the direction, I would start with the 2 other wholly-owned States entities for whom the year ends are co-terminus and therefore we would … it would be easier to achieve. Telecoms and Post, because they are the 2 wholly-owned entities. The other 2 are not wholly-owned by the States of Jersey. …*[38]

45. Noting that there are specific challenges associated with incorporating the entities that are not wholly owned by the States (Jersey Electricity and Jersey Water), the PAC has identified that the intent is to ensure incorporation of Jersey Telecoms and Jersey Post within the 2025 accounts[39], subject to a piece of work looking at the feasibility of this. This was confirmed by the Treasurer of the States during a public hearing:

[36] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[37] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[38] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[39] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

> ***Mr. G. Phipps:***
> *This has been bouncing around for a while, so let us just cut to the chase. Are you definitely going to consolidate the two Government-owned organisations and hold on the other 2 until you are in a better position and then make a decision that is clear to this panel and the public? When does this …*
>
> ***Treasurer of the States:***
> *My working assumption is, yes, subject to the outcome of this piece of work just going round that.*[40]

46. The PAC also questioned what the cost benefit to consolidation would be for Government noting that agreement to move towards full consolidation was first identified in 2019:

> ***Mr. V. Khakhria:***
> *Perhaps you can explain to me the cost benefit exercise over consolidation. The agreement, my understanding was, was made in 2019; this was the formal plan to do this. I do not understand why we are carrying out further work on the cost benefit exercise in 2024. Perhaps you could explain that, please.*
>
> ***Treasurer of the States:***
> *Because I think it is valuable to often challenge one self, not just all the dogmatic position and apply that; that is broadly why. There is a lot of work that goes into this. There are a lot of resources paid for the taxpayer that could be otherwise deployed in other areas. I just need to make the case, particularly with others as well, that this is the best use of those resources.*[41]

47. It was also explained by the Treasurer that a 'mock consolidation' was currently being undertaken and it was intended for this to be reported on during September 2024.[42]

FINDING 16

There is an intention to consolidate both Jersey Telecoms and Jersey Post within the 2025 Annual Report and Accounts. The PAC notes, however, that the current position of four States-Owned Entities not being included within the overall group accounts is not a consistent approach when others are included within the accounts. This does not meet International Accounting Standards and this position was accepted.

RECOMMENDATION 5

The Treasurer of the States should, by the end of Quarter Four 2024, bring forward an action plan that sets out the intent and timescale for the full incorporation of the remaining four States-Owned Entities within the overall States of Jersey Group Annual Report and Accounts.

[40] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[41] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[42] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

6.3 Reporting and Quantifying of Risks

48. The PAC noted that all of the risks highlighted in the report have been assigned a low-risk appetite, except for the Government of Jersey property maintenance which has been classified as medium. It was deemed important by the PAC to understand the criteria that was used for high, medium and low-risk appetite and it questioned the Treasurer of the States on how these assessments were made:

> ***Treasurer of the States:***
> *In terms of appetite, largely a judgment that arises from the chief owner of those risks is then ratified through the Executive Leadership Team for items that are on the corporate risk register. It is largely a relative issue. I suppose I would say that culturally civil servants are more prone to say everything has a low-risk appetite but relative to one another that is where the property risk is compared to some of the other ones for which we have a lower-risk appetite.*[43]

49. It was confirmed to the PAC that, whilst the overall risk appetite for was low, this was not the same as scoring risk. Further clarification was provided by the Treasurer that whilst risk appetite may be low, the scoring of the risk related to the likelihood and severity of the impact related to the risk, whilst risk appetite related mainly to the appetite of the organisation to tolerate that risk. It was also noted that this was ultimately down to the Council of Ministers to decide the level of risk it was willing to tolerate.[44] Ultimately, it was explained that low risk appetite related to areas where a number of mitigations are put in place to prevent it from escalating.[45]

50. The PAC also questioned what changes had been made and what work was being done moving forward in order to improve the data which underpinned the risks being reported by Government. The following information was provided by the Treasurer of the States during a public hearing:

> ***Treasurer of the States:***
> *It is fair to say the challenge we have going forward or the ambition we have going forward is to ensure that we can provide the data that underpins those risks. That data is perhaps not as great as we would like it. It sometimes requires a great deal of judgment from, more often than not, very experienced individuals in the field as to their assessment of the risk. What we would like to move to is greater access to data underneath that, that would allow us to understand better whether that risk profile has improved or deteriorated. In terms of activities that the risk team has been involved with in the last year as well, they do meet with departmental leadership teams to go through their particular risks. They will advise me of anything they are seeing in respect of escalating risk that needs to be brought to the attention of the Executive Leadership Team outside of the quarterly review of the risk register. They also, sometimes with and outside as well, with the Audit and Risk Committee will*

[43] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[44] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[45] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

undertake deep dives to understand better some of the drivers relating to the risks that are on the register.[46]

51. Finally, the PAC wished to understand whether the people of Jersey should be concerned, or not, about the risks facing Jersey and whether there were any areas of potential risk or concern that the government is monitoring and addressing that may not be expressed within the report:

Mr. G. Phipps:
Regarding the people of Jersey, should they be overly concerned with pending risks facing Jersey or are there areas with potential risk and concern with the Government that it is monitoring and addressing, but it is not necessarily expressed in this report?

Treasurer of the States:
The largest of the extreme risks from a corporate risk perspective, those risks are disclosed in the Annual Report and Accounts in the opinion of myself and the chief executive, but that flows directly from the risk register. Many of these risks will not be news to members of the public. Those risks, as they are in the document, are risks relating to information security and cyber-attacks, in common with many organisations - nearly all - and in common with many of the risks across the globe. They are threats to the long-term financial sustainability, which are indeed both, and indeed one risk which is since reduced is the capacity for waste disposal and management; some of that related to the La Collette site. There is a change agreed by the States Assembly. But what this document also presents are the areas of focus that we are focusing on, the plans that are in place to address these risks, to mitigate those risks. I would be alarmed if, as a member of the public, the Government did not have those areas of focus or plans to address those risks. Each quarter a risk earner is required to update the risk on the system in respect of the measures and the scoring. They will typically be picked up by the respective departmental leadership team to address whether the risk has escalated or whether there are other things we need to put in place to address the risks. I think that the risks, in summary, are not risks you would not expect the organisation to be facing. The good news is that there are plans to address those risks. Of course, some of those risks originate externally, so there is a limit to which they can be fully mitigated by the organisation.[47]

FINDING 17
It is the view of the Treasurer of the States that the risks reported in the Annual Report and Accounts provide an accurate view of the risks faced by the Island. The report provides details on the mitigation plans in place to address these risks and processes are in place to track and monitor these plans and the impact on risks across the course of the year.

[46] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[47] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

6.4 Remuneration and Staff Report, including severance payments

52. The PAC noted from the report that overall staff costs in 2023 had risen by £72 million since 2022. It questioned how the value for money of this increase was assessed within this increase. The following information was provided as a result of written questions sent to the Acting Chief Executive Officer:

> *The £72million increase relates to 13.9% increase of the total wage bill. This is made up of:*
> *• 7.9% pay increase*
> *• Costs of additional headcount*
>
> *The provision of a 7.9% pay increase was a States Employment Board decision and was provided so that the Government continued to remain competitive in the market against other organisations. One of the focuses during 2023 was on retention of staff.*[48]

FINDING 18
There was an overall increase of £72 million spent on staffing between 2022 and 2023. This related to the 7.9% pay award increase granted in 2023, as well as the costs of additional headcount within the organisation.

53. The PAC also questioned the amounts identified in the Annual Report and Accounts in relation to severance payment for employees leaving the organisation:

> ***Deputy R.S. Kovacs:***
> *Could you provide further insight into the reasons behind the significant decrease in average payment per person for exit packages from £7,300 in 2022 to £11,309 in 2023?*
>
> ***Treasurer of the States:***
> *Some of that will relate to the increased numbers of payments in total - if I get this the right way around - from 2022 where there were 27 individual payments to 45 individual payments. Some of that, as mentioned in the report, is related to redundancy packages for people who are employed by us through COVID and those roles then became redundant. You could imagine that if typically those roles were for short periods of appointment they would not attract significant redundancy payments to them.*[49]

54. The PAC also questioned the £198,690 that was spent on exit packages in 2023 and requested further clarification on the reasons for these payments. The following information was provided by the Treasurer:

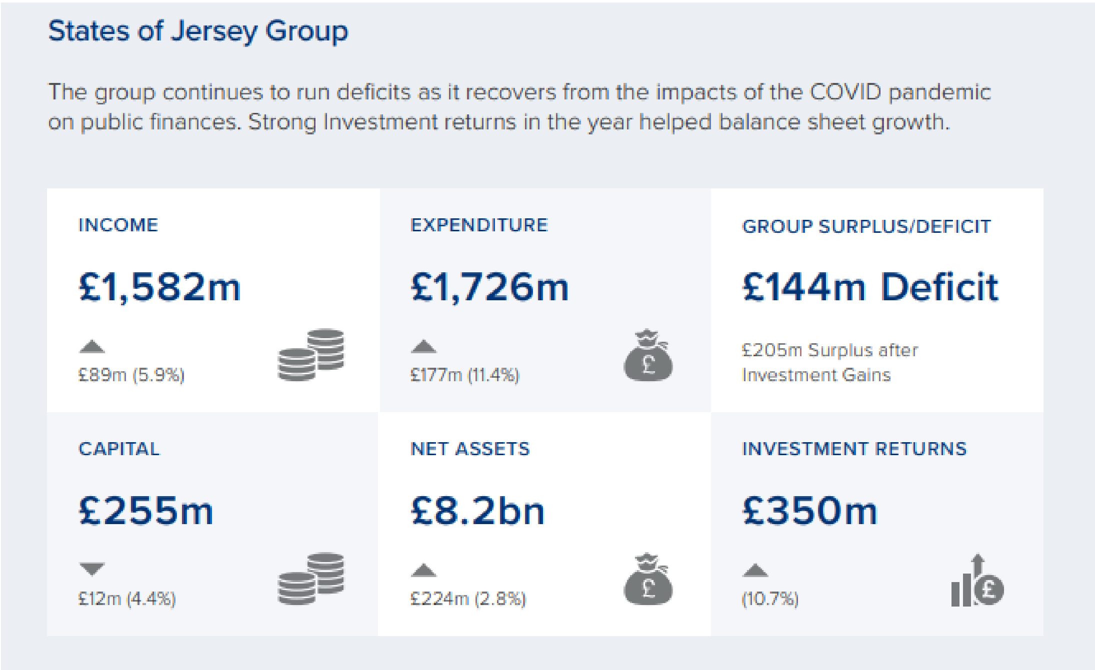
[48] Written questions – Acting Chief Executive Officer
[49] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

Treasurer of the States:
Typically, they will arise through conciliation meetings and outcomes between the employee and the employer, as opposed to, in the case of the other ones being someone has lost office or has come through a redundancy process. They may arise from grievances an employee might have with an employer, an agreement for settlement and moving on, and that is where the predominance of those payments are. They may also be for payment of a notice in some regards where that would not have been a contractual payment.[50]

FINDING 19
The £508,905 spent on exit packages in 2023 relate to outcomes of conciliation meetings rather than as a result of lost office or redundancy processes. This amount also relates to settlement agreements or payment of a notice in some regards where that would not have been classified as a contractual payment.

6.5 Group Deficit

55. The PAC noted within the Annual Report and Accounts that an overall group deficit of £144 million has been identified.[51] After investment gains, however, this has become a £205 million surplus. [52] The Government of Jersey surplus was £2 million in 2023.[53]



56. The Treasurer of the States expanded on the Government surplus for 2023 during a public hearing:

[50] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[51] States of Jersey Group Annual Report and Accounts 2023
[52] States of Jersey Group Annual Report and Accounts 2023
[53] States of Jersey Group Annual Report and Accounts 2023

Treasurer of the States:
Yes. I think I would rather focus upon what we have in the financial review, which is taken and analysed to where we are. Across the 3 different positions we have the balance between States income, general revenue income and departmental spend or net revenue expenditure. What we are trying to do there is compare that to what was agreed by the Assembly, in the broad packages to what is agreed by the Assembly; at that level is the roughly £2 million surplus.[54]

57. The Treasurer of the States also provided an overview of how the overall position of the States finances is reported. The following summary explains the many different parts that contribute to the overall surplus/deficit position:

- **Accounting Standards and Expenditure**:
  - Accounting standards treat some project expenditures as revenue spend.
  - This increases the overall group deficit position compared to deficits on an approval's basis.
- **Core States Entities**[55]:
  - Departmental spend and general revenue income fall outside the capital program.
  - The Assembly approves estimates of States funds, which include departmental spending.
- **Estimates vs. Budgets**:
  - The Assembly approves estimates for States funds outside of the consolidated funds, not budgets.
  - Legislation governs spending from funds (e.g., Social Security Fund, Long-Term Care Fund).
- **Deficit Position**:
  - The deficit is influenced by factors like the suspension of the States grant to the Social Security Fund during COVID.
  - The deficit stands at £144 million for the core entities before investment returns.[56]

58. It is noted by the PAC that one of the contributing factors to the deficit relates to the decision made during the COVID-19 pandemic to suspend the grant to the Social Security Fund from the consolidated fund.[57] It was confirmed that the deficit would have been significantly higher had this grant remained in place during 2023.

59. Essentially, it was confirmed that, a decision was made to not run a deficit within the consolidated fund by suspending the grant to the Social Security Fund between 2019 and 2023. However, the consequence of this decision is that the Social Security Fund was running at a deficit. Had the grant not been suspended, then the deficit would have appeared within the consolidated fund instead. In essence, the decision made related

[54] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[55] Estimates of States Funds generally refers to the estimates of States Funds outside of the Consolidated Fund
[56] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[57] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

to which pot of money the deficit would be contained within. Whilst this is understood by the PAC, the narrative provided in respect of this point is not overly clear within the report itself.

60. The Treasurer of the States elaborated further on this during the public hearing when questioned whether the deficit was less than it would have been otherwise as opposed to more:

> ***Treasurer of the States:***
> *No, more because what that allowed the Assembly and Government to do was to spend its available resources elsewhere, rather than running deficits in the Consolidated Fund. Either way it would have been the same. If they had not suspended the Social Security grant, everything else being equal, the Consolidated Fund would not have had a £2 million surplus; it would have had a circa £90 million deficit.*[58]

61. The Treasurer of the States further explained that in the Government Plan in respect of 2024 a deficit of about £20 million after amendments is noted, but this includes the grant to the Social Security Fund being reintroduced:

> ***Treasurer of the States:***
> *Yes, 2024 is basically cut short. The Government Plan in respect of 2024 talks about a deficit of about £20 million after amendments but it includes the grant to the Social Security Fund. The Social Security Fund would no longer be in deficit. Having planned to be able to afford, as the COVID recovery funding reduced and as income improved post-COVID to accommodate the Social Security payment in the Consolidated Fund, that is broadly balanced and, therefore, you would expect it to be broadly balanced overall.*[59]

61. When questioned as to whether this was an anomalous decision it was confirmed by the Treasurer that the suspension of the grant into the Social Security Fund had never happened previously and, whilst decisions had been made previously to cap the amounts paid in to it, the decision to suspend it was part of the financial management addressing the COVID pandemic.[60]

62. Finally, the PAC noted that positive investment returns in 2023 had led to a surplus of £205 million across the States of Jersey Group. It questioned the extent to which the overall States finances can continue to depend upon good investment returns for the sustainability of the balance sheet, especially in light of the Fiscal Policy Panel's review report that said the actual reserves were not big enough. The Treasurer of the States provided the following response:

[58] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[59] Transcript – Public Hearing with Treasurer of the States – 5 June 2024
[60] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

Treasurer of the States:

I think it is fair to say that the Strategic Reserve cannot get to that level recommended by the Fiscal Policy Panel through investment returns unless we were to take a very risky strategy, which in the long term would not get us to that value either. We might have a very good year followed by a very bad year. Overall, the investment returns are growing the value but they are nowhere near sufficient to meet the recommendation of the F.P.P. (Fiscal Policy Panel) out with extraordinary circumstances we are not anticipating. Therefore, that recommendation can only be achieved through further transfers into the reserve.[61]

FINDING 20

The overall States of Jersey Group, before investment returns, had a net deficit of £144 million. This compares with the 2022 levels of £263 million. This deficit is mainly as a result of the States grant to the Social Security Fund being suspended from 2020 to 2023 as part of the financial management arrangements agreed by the States Assembly to tackle the COVID-19 pandemic. After potentially non-recurring investment gains, this became a £205 million surplus in 2023.

[61] Transcript – Public Hearing with Treasurer of the States – 5 June 2024

7. Health and Community Services Financial Recovery Plan

63. One key area that arose during the review of the Annual Report and Accounts 2023 related to expenditures within Health and Community Services. Overall costs rose from £247 million in 2022 to £330 million in 2023. There was also a budget overspend and deficit within Health and Community Services (HCS). This was well documented within the media during 2023 and a number of questions were raised in the States Assembly about the financial position of HCS. Furthermore, the previous PAC planned to examine this within a review prior to the Vote of No Confidence. The following narrative was provided within the report:

Health funding:

"work was undertaken throughout 2023 to address funding pressures in the Health and Community Services Department after it became apparent from early in the year that its forecast expenditure would be likely to exceed that approved by the States Assembly. The then Minister for Treasury and Resources made clear that, although he would accommodate essential spending, he wished to see any structural overspending addressed."

"Actions undertaken in 2023 A Financial Recovery Plan has been developed which, alongside additional funding approved in the Government Plan 2024-2027 and provided in 2023, is planned to stabilise the position to a more sustainable situation. During 2023 the then Minister for Treasury and Resources made several Ministerial Decisions to augment the Health and Community Services head of expenditure to allow the delivery of essential services."

"The Consolidated Fund generated a smaller surplus in 2023 than 2022, with expenditure increasing by £146 million and income by £50 million. Much of this was anticipated in the Government Plan 2023-2026 which forecast a £30 million operating surplus forecast. In addition, approvals unspent in 2022 were carried forward and used to meet pressures within the Health and Community services, the response to Major Projects and other emerging costs"

		Government Plan 2023			Final Approved Budget			2023 Outturn			Difference from Final Approved Budget
Actuals 2022		Income	Expenditure	Net Budget	Income	Expenditure	Net Budget	Income	Expenditure	Net Outturn	
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Ministerial Departments										
56,042	Cabinet Office	(2,780)	70,116	67,336	(3,662)	76,654	72,992	(3,678)	74,336	70,658	(2,334)
175,864	Children, Young People, Education and Skills	(21,220)	210,908	189,688	(21,220)	222,828	201,608	(22,072)	223,427	201,355	(253)
92,274	Customer and Local Services	(10,452)	105,755	95,303	(10,452)	107,212	96,760	(11,112)	107,660	96,548	(212)
36,472	Infrastructure	(22,950)	68,201	45,251	(25,415)	79,476	54,061	(24,849)	78,881	54,032	(29)
12,354	Environment	(8,227)	18,481	10,254	(6,212)	17,424	11,212	(6,211)	17,047	10,836	(376)
246,645	Health and Community Services	(26,207)	275,239	249,032	(27,851)	330,644	302,793	(27,851)	330,643	302,792	(1)
14,602	Jersey Overseas Aid	-	17,700	17,700	-	17,700	17,700	(35)	17,733	17,698	(2)
31,862	Justice and Home Affairs	(4,530)	39,700	35,170	(4,930)	48,022	43,092	(4,800)	47,730	42,930	(162)
26,432	States of Jersey Police Service	(234)	27,342	27,108	(234)	32,456	32,222	(294)	32,515	32,221	(1)
3,084	Ministry of External Relations	(290)	3,378	3,088	(330)	3,644	3,314	(342)	3,632	3,290	(24)
30,326	Economic Development, Tourism, Sport and Culture	-	32,526	32,526	-	35,242	35,242	(60)	35,015	34,955	(287)
6,271	Financial Services	-	7,738	7,738	-	7,862	7,862	-	7,791	7,791	(71)
74,507	Treasury & Exchequer	(3,355)	70,743	67,388	(4,052)	75,100	71,048	(3,724)	74,772	71,048	-
(9,401)	Past Service Pension Liability Refinancing	(174)	13,956	13,782	(174)	13,956	13,[illegible][62]	(173)	13,955	13,782	-

Pictured: Revenue Heads of Expenditure against Approval 2023.

64. It was important for the PAC to assess this overspend and budget position within its review of the Annual Report and Accounts and, as such, it was agreed that a separate

[62] States of Jersey Group Annual Report and Accounts 2023

hearing would be undertaken with the Chief Officer for HCS to discuss the reasons for the increased costs plus budget overspend and the measures that were being taken to curb expenditure in this particular area.

65. During the public hearing, the Financial Recovery Director explained that a piece of work had been undertaken to examine the 'drivers of the deficit' to identify the reasons for specific cost items and structural deficit within HCS.[63] The following section provides a brief overview of the issues that were identified as a result of this work:

- **Recruitment and Retention Issues**: The struggle to attract and retain healthcare professionals has led to reliance on expensive agency staff, resulting in higher costs. Addressing this issue is crucial for financial stability.
- **Procurement Challenges**: Inefficient procurement processes have led to missed opportunities for cost savings. Strengthening procurement systems and ensuring rigorous scrutiny of contracts can help extract better value for money.
- **Financial Control and Wastage Reduction**: Implementing tighter financial controls and reducing unnecessary expenditures are essential. Sometimes discretionary spending can get out of hand, so having proper authorisation measures in place is vital.
- **Productivity Enhancement**: Improving productivity, whether in clinical or administrative tasks, can significantly impact financial outcomes. By optimising resources and streamlining processes, better patient care can be achieved without incurring additional costs.
- **Public Service and Private Patients**: The Island has a unique opportunity to provide both public healthcare services and cater to private patients. By offering a robust private patient service alongside public care, you can diversify revenue streams and enhance overall financial stability.
- **Organised Approach**: Efficiently managing public and private patient services requires organisation and strategic planning. Ensuring seamless coordination between the two sectors will be essential for success.[64]

66. The Chief Officer for HCS also provided the following explanation in relation to the reasons why the issues had escalated within 2023:

> ***Chief Officer, Health and Community Services:***
>
> *So that gives an illustration, of course, that the underlying problem and the underlying run rate around deficit was there way before last year. It had been masked through the non-recurrent funding that was made available to the department for particular things, and so COVID is a good example, and the Jersey Care Model funding. But those projects finished but, for example, a service that was funded through that money was the stroke service. We need a stroke service in Jersey and therefore there was a decision at that time to continue to provide that service, which was a sensible clinical and managerial decision. But the funding that was used to start it up had then disappeared as*

[63] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[64] Summary from Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024

well. So we saw a number of those when we arrived last year that had meant that the underlying run rate of deficit was there, we think going back to 2019.[65]

67. This was further explained by the Financial Recovery Director in relation to the services that were now unfunded as a result of the withdrawal of this funding:

Financial Recovery Director:
Yes. It is not the process. So the first thing I described was the unfunded services. Between £17 million and £20 million of unfunded services. In other words, those were services that had budget before 2023 and then the budget began to drop off.[66]

FINDING 21
The Health and Community Services Department had a budget deficit of £32.5 million in 2023 resulting from funding for various programmes being withdrawn (including COVID-19 related spend and Jersey Care Model funding) plus required services not being included in the budget (£17 to 20 million). It is expected that the underlying run rate of deficit has existed since 2019 but was masked by additional funding for services.

68. The PAC questioned how this issue had managed to arise in the first instance noting the Government Plan process and how this matter had managed to come to a head during 2023. The following information was given by the Chief Officer for HCS in relation to the overall pressures on HCS and the potential deficit moving forward:

Chief Officer, Health and Community Services:
So there is a bigger issue, which is a political issue, of course, not an issue for us, around how Health is funded going forward in Jersey. Because it is inevitable those costs are going to rise for a whole range of reasons. So our plan for 2025, which we were implementing last year and made £3.2 million savings on last year, and we have plans for £5 million this year, is going to help contain the growth of cost and expenditure, but it is not going to be sufficient. So, this year, we are forecasting a £24 million deficit, which the Minister for Health and Social Services has obviously been discussing as part of the Government Plan, but it is only in some ways a sticking plaster to a much bigger problem for Jersey.[67]

69. The PAC noted that expenditure within HCS had grown 25% between 2022 and 2023 from £247 million to £330 million. The Financial Recovery Director provided the following overview of the reasons for such a large increase in expenditure between the two years:

Financial Recovery Director:
The budget was 270, it was not 249. The reason is simple, because at the time that the Government Plan is done, we do not know what the pay awards are going to be. What you then have to do is there are allocations made, the budget

[65] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[66] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[67] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024

is 270. That is the baseline number we should all be talking about. The 270 then turned into 302.5, which is where the 32.5 deficit came from. That deficit, the 32.5 deficit, that is what I have described as the 6 things that have been driving it. But what has happened in 2023, to answer your question very directly, what is different to 2019 is Jersey's healthcare system has reached a tipping point. There is only so much you can mask the underlying problem by providing one-off funding, which is what we have done since 2019. That is begins to run out and services are established, which have globally an activity increase, inflation rises, which are far more than the funding that you get. Drugs inflation is running at 12 percent, 15 per cent R.P.I. (retail price index), we have not been funded anywhere near that. The only response that the health system has without solving its funding issue is to look for efficiencies within the system.[68]

70. Furthermore, the Financial Recovery Director explained that the cost of agency staffing had risen significantly between 2022 and 2023. An increase of between 160 to 180 agency staff appointments took place within 2023 that raised the spend from almost nothing to £27 million which was the total agency staff spend in 2023.[69] Furthermore, it was explained that additional hours for substantive staff was also not sufficient and an additional £4 million in overtime additional hours was required as well.[70]

71. Within 2024, it was confirmed that the costs associated with employing agency staff was between £1 - £1.5 million per month, totalling a premium cost of between £14 - £15 million a year[71] This was, however, tempered by the following information in relation to the net gains made in terms of permanent staff recruitment:

Chief Officer, Health and Community Services:
We are seeing a net gain as regards to recruitment and wasted, so we are recruiting more people than we are we are losing. So I think last year we managed to recruit to 200 new posts. This year we are aiming for more than that. But we have now reached the point where we are losing less than we are we are gaining, so it is a good sign. Our turnover rates, our voluntary turnover rates, is remarkably low.[72]

FINDING 22
Spend in 2023 within Health and Community Services was £330 million which was an increase of £83 million (33%) from the 2022 level of £247 million. The increasing costs and resulting deficit within Health and Community Services has arisen from a number of factors including increased pay awards in 2023, drug inflation and an increased reliance on agency staff and additional overtime payments for substantive staff.

[68] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[69] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[70] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[71] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[72] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024

FINDING 23
Health and Community Services Agency staff costs within 2024 are estimated to total between £14 - £15 million. This is, however, tempered slightly by the net gain in terms of recruitment to permanent staff positions within Health and Community Services. This has now reached a point where more staff are being gained than leaving the department.

72. Noting the fact that funding for services had fallen away, and the deficit required additional funding to resolve, the PAC questioned whether any essential services had been impacted by the deficit position:

> ***Deputy R.S. Kovacs:***
> *To what extent were the essential services maintained while structural overspending and budgeting forecasting concerns were addressed?*
>
> ***Chief Officer, Health and Community Services:***
> *All essential services have been maintained. So what we have said about the Financial Recovery Plan, this is not about cutting services. This is about addressing waste and improving financial grip. So this is not about cutting services. Clearly, if we are unable to secure the £24 million that we are looking for this year, then we would need to make £24 million worth of cuts. Now that would impact directly on patient services and it is clearly a politically unacceptable position to the politicians because it would just hit patients directly.*[73]

73. The PAC also wished to know what the key aspects of the financial recovery plan were and how they aimed to stabilise the financial situation of HCS to a more sustainable level. The Financial Recovery Director gave the following information:

> ***Deputy R.S. Kovacs:***
> *Talking about the key findings of the Financial Recovery Plan, which you find the most important ones and how it aims to stabilise the financial situation of the Health Department to a more sustainable level.*
>
> ***Financial Recovery Director:***
> *Yes. The Financial Recovery Plan we then developed on the back of this was looking at all of these drivers and we have identified £25 million of savings over 3 years, we are said in 2023 we would deliver £3 million, we delivered £3.2 million last year. In this year, we are expecting to deliver £5 million, the year after we expect to deliver £8 million, and in 2026 we are looking to deliver £9 million.*[74]

74. The PAC was also provided with an overview of the plans for savings across the Financial Recovery Plan. In 2024, it was expected to reduce the reliance on agency staffing by £6.5 million, with a view to a total reduction of £12 million over the next three years.[75] Improvements were also due to be made in procurement processes which

[73] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[74] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[75] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024

would provide an additional saving of between £3 million to £5 million over the next three years.[76] Income generation was also expected to bring in an additional £3 million in 2024 with a further increase of £2 million in 2025 with a view to diversifying revenue sources.[77]

75. Work has also been identified to address inflation drivers (e.g. drugs, mental health and social care) with plans being developed to procure tertiary contracts with the N.H.S to manage costs effectively.[78] Finally, it was intended to establish robust financial controls especially around procurement, recruitment, retention and an effective hiring process.[79]

FINDING 24
The Financial Recovery Plan within Health and Community Services is focused over a three-year period and intends to achieve savings through a reduction of the reliance on agency staff (£12 million over a three-year period), improvements in procurement processes (£3 – 5 million over a three-year period) and an increase in income generation by the department (£3 million in 2024 with an increase to £5 million by 2025). This will equate to £25 million of savings over a three-year period.

76. The PAC also noted the resourcing of the additional work that will be required to effectively deliver the financial recovery plan. It was noted that a delivery team has been put in place in effect to drive forward these changes.[80] Challenges were noted in respect of appointing people to these roles, with a focus on recruiting people with project delivery experience rather than project management.[81] This would in turn require additional costs to meet this aim. Furthermore, the Chief Officer for HCS explained the following in relation to capacity within the existing management structure of HCS:

> ***Chief Officer, Health and Community Services:***
> *The other thing is, for context, there is always a question that comes up, or certainly it has been a feature of my daily life, we just have to remember that the numbers of managers in H.C.S. (Health and Community Services), everyone says there are loads of managers in H.C.S., is 1.5 per cent of the total workforce. That, if you benchmark that with the N.H.S. or anywhere else, France, and particularly any insurance-driven, like the United States, where it is about 20 per cent, I do not know, the management cost. So we have got enough to sort of manage the day-to-day operations of the business. But anything around turnaround or any additional capacity that you need is not there.*[82]

77. The PAC questioned the cost to benefit of appointing these additional members of staff and was provided with the following information:

[76] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[77] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[78] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[79] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[80] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[81] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024
[82] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024

Mr. P. Taylor:
So an obvious question, of course from an accountant, is how much do they cost? But a better question is what do they cost and are they paying for themselves?

Financial Recovery Director:
Yes, that is a much better question, I would say. I think I would turn that to say, what is the value they add. So let me answer it that way. What is the value they add; it is not what they cost. So the plan is to deliver £25 million over 3 years. These are people that will be here long after we have gone. The budgeted cost of a delivery team, which is not yet fully established, is 546 I think, it is 546 I think is the right number.[83]

FINDING 25
The Financial Recovery Plan within Health and Community Services is being delivered by a turnaround team with a budgeted cost of £546,000 in 2024. The team has been appointed externally due to the limited capacity within the management roles within Health and Community Services to deliver the additional savings on top of their existing workloads. The percentage of management posts within Health and Community Services currently sits at 1.5% of the total headcount.

RECOMMENDATION 6
The Chief Officer for Health and Community Services should present a quarterly report to the States Assembly which details the progress of the Financial Recovery Plan delivery team within Health and Community Services in delivering the agreed savings and efficiencies stated in the Financial Recovery Plan. These reports should also provide a risk rating to identify any areas where savings are being impacted and any potential associated additional risk that might occur.

[83] Transcript - Public Hearing – Chief Officer for HCS – 3 July 2024

8. Financial Reporting

8.1 Statement of revenue outturn against approvals

78. Statement of revenue outturn against approvals provides a breakdown of how much the government has received in income and spent against the approvals made by the States Assembly. The budgeting system is designed to support the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant States approval, in support of the Government's fiscal framework.[84] The following table is provided within the Annual Report and Accounts to this effect:

2022 Actual		Reference	2023 Government Plan	2023 Final Approved Budget[1]	2023 Actual	Difference from Approval
£'000			£'000	£'000	£'000	£'000
1,028,317	States Net General Revenue Income	A	1,075,657	1,075,657	1,077,927	2,270
(873,361)	Departmental Net Revenue Expenditure - Near Cash	B & D	(989,244)	(1,049,829)	(1,019,582)	30,247
154,956	**Net Operating Surplus**		**86,413**	**25,828**	**58,345**	**32,517**
(54,835)	Departmental Depreciation/Amortisation and Other Non Cash		(55,736)	(55,736)	(56,717)	(981)
100,121	**Operating Surplus/(Deficit)**		**30,677**	**(29,908)**	**1,628**	**31,536**
(26,774)	Revenue Expenditure on Projects and Reclassified in Year	E			(28,230)	
(8,376)	Our Hospital AUCC Impairment	E			(2,017)	
6,490	Other Income/(Expenditure)[2]				4	
	Net Revenue Expenditure - Consolidated Fund				**(28,615)**	
3,553	Trading Operations Net Revenue Income / (Expenditure)[3]				1,747	
(222,461)	Net Revenue Income/(Expenditure) of Social Security Funds				165,958	
(90,191)	Net Revenue Income/(Expenditure) of Other States Funds				97,044	
	Net revenue Income - Core Entities				**236,134**	
(2,748)	Net Revenue Income/(Expenditure) of SOJDC				7,605	
(7,838)	Net Revenue (Expenditure) of Andium Homes				(45,583)	
(17,372)	Net Revenue Income/(Expenditure) of Ports of Jersey				6,822	
(2,509)	Consolidation Adjustments[4]				-	
(268,105)	**Net Revenue Income/(Expenditure) as Reported in the SoCNE**		**30,677**	**(29,908)**	**204,978**	**31,536**

79. The PAC asked a number of questions in relation to this particular aspect of the Annual Report and Accounts. It was noted that there was a further impairment of £2 million recognised in 2023 for the hospital project (in addition to the £8m recognised in 2022). The PAC questioned what the reasons were for this impairment and was provided with the following response:

[84] States Annual Report and Account 2023 – p.175

Further write-downs are for designs which will not be used, for instance the following:

- *Mental Health - 50% - £771,935 - The mental health building on the northeastern corner of the site is not being pursued in NHF.*
- *Knowledge Centre 50% - £461,247 - Likewise, it has been decided to retain the Jersey Water Building and not locate the Knowledge and Education Centre at Overdale.*
- *Multi storey car park) 100% - £783,660 - There is no multi-storey car park and no re-use of the design information.*

The above contributed to the total write-off.[85]

80. The PAC also questioned how much is held in assets in the course of construction to the Hospital Project. It was explained that the total spend from 2019 to end of May 2024 was £128.5m with £13.2m write offs giving a net amount of £115.3m held within the AUCC (Asset under Course of Construction).[86]

FINDING 26

The States Annual Report and Accounts 2023 identifies a further impairment of £2 million in relation to the Hospital Project. This has been identified as relating to designs which will not be used, including a mental health building, knowledge centre and multi-story car park and no re-use of the design information.

FINDING 27

In relation to the New Healthcare Facilities Project, £115.3m is currently held within the Asset Under Course of Construction (AUCC) from a total spend of £128.5m and write offs of £13.2m.

[85] Written questions – Acting Chief Executive
[86] Written questions – Acting Chief Executive

8.2 Types of receivables

81. The PAC noted within its review that the value of trade receivables (the amount owed to a business by its customers following the sale of products or services on credit) has more than doubled from £20.3m to £49.8m between 2022 and 2023.[87]

Type of Receivable	2023 £'000	Restated 2022 £'000
Receivables - Income Levied by the States of Jersey - Amounts falling due within one year		
Income Tax Receivables	231,387	200,794
Income Tax Accrued Income	105,057	105,422
GST Receivables	26,180	26,844
GST Accrued Income	28,878	29,630
Social Security Receivables	36,300	40,987
Social Security Accrued Income	16,953	19,433
Island Rates, Duties, Fines and Penalties Receivables	21,600	23,531
Island Rates, Duties, Fines and Penalties Accrued Income	129	1,384
Provision for Levied by the States of Jersey Receivables	(13,568)	(15,385)
Total Levied by the States of Jersey Receivables due within one year	**452,916**	**432,640**
Receivables – Income Earned Through Operations - Amounts falling due within one year		
Trade Receivables	49,854	20,350
Prepayments and Accrued income	44,566	47,068
Other Receivables	3,584	-
Expected Credit Loss Allowance for Earned through Operations Receivables	(6,539)	(6,302)
Total Receivables – Incomes Earned Through Operations due within one year	**91,465**	**61,116**
Total Receivables due within one year	**544,381**	**493,756**

82. The PAC questioned this increase and were provided with the following response by the Government:

> *This was a combination of a number of factors including the Connect system implementation as mentioned below, 2022 had a lower balance of £20.4 million due to a classification change of CLS departmental debtors in 2023 and an increase in the subsidiary company amounts.*[88]

83. Further questions were also raised by the PAC in relation to whether there had been a deterioration in the performance of Government in terms of debt collection and, if so, what was being done to address this. The following response was given by the Government:

> *Throughout 2023 the collection of tax and social security debt continued using established debt management processes. The implementation of Connect Finance at the start of 2023 introduced new standard processes across government for the raising of invoices and the collection of invoiced debt. In the first half of 2023, the Connect system and new standard processes were being embedded and this impacted on debt collection. In the second half of 2023, debt management activity resumed fully, and the debt collection of invoices improved ahead of the year end.*[89]

FINDING 28
Due to the implementation of the Connect Finance system at the start of 2023, there has been an impact on the debt collection function of Government. This has, however, been mitigated within the second half of 2023 and debt management activity resumed fully and improved towards the end of 2023.

[87] States Annual Report and Accounts 2023 – p.267
[88] Written questions – Acting Chief Executive
[89] Written questions – Acting Chief Executive

8.3 Value for money

84. The Government Plan for 2023 set out a Value for Money programme and corresponding financial implications. For 2023, £7 million of the £10 million target was to be delivered by not allocating the full amount of non-pay inflation to departments. A further £3 million was removed from departmental budgets for which departments have been required to deliver through Value for Money activities.

85. In addition to the Value for Money programme, the Health and Community Services Department has put in place a Medium-Term Financial Recovery Plan (FRP) to address existing and anticipated cost pressures. In 2023, the Department reported delivery of £3 million of savings to offset pressures within the service.

86. A further £10 million of savings are planned in each of financial years 2024-2026 in addition to the HCS FRP, with departmental budgets for 2024 being adjusted in the Government Plan 2024-2027.

87. The PAC questioned what level of efficiency savings were generated by the States in 2023 noting that non-allocation of budget is not considered an efficiency saving. It was noted in response that £10m was provided with £7m of this being delivered by not allocating the full amount of non-pay inflation.[90] Furthermore, the PAC questioned what further efficiency savings are being considered to offset rising Government costs. It was provided with the following information:

> *Departments are responsible for their efficiency and savings delivery. Chief Officers put in place plans which are feasible and appropriate to their respective service delivery, outcomes and priorities and deliver against targets. As such, the measures implemented vary across the Government recognising the diverse nature of the service lines, budgetary make-up and constraints.*
>
> *Some cross-cutting measures have been agreed:*
>
> - *Critical review of all vacant posts, particularly those that have been vacant for 6 months or more, with a view to deleting such posts and/ or reassessing resources and skills to deliver the respective service/ tasks.*
> - *Reducing use and reliance on Consultancy Services and contingent (temporary) labour. All Departments are reviewing workload and resources necessary for delivery; teams will be expected to use internal resources unless skills and knowledge cannot be found internally and the delivery outcome is essential. New approval processes for the use of consultancy have been established that will require CEO approval.*

[90] Written questions – Acting Chief Executive

- *Estates Rationalisation will be facilitated by the completion of the new Government Office Project later this year; enabling the release of several leased properties and reducing the Government's estates footprint.*

- *Prioritisation of resources and spend; ensuring that departments maintain a clear focus on agreed business objectives and priorities and avoid extraneous activities and the costs or opportunity costs consequences.*

- *HCS continues to progress with its Financial Recovery Plan; a comprehensive plan to re-establish grip and control over the Department's finances and financial challenges alongside improved operational control, governance and service delivery. The plan covers all major expenditure (pay and non-pay) and income categories.*[91]

88. The PAC also noted that efficiencies of £3m had been made within HCS, despite the fact that overall expenditure had increased by 23% within the department. It was noted in response that savings of £3.2m (against a target of £3m) had been achieved which had reduced the deficit due to significant cost pressures in other areas. It was also noted that without these savings, the deficit would have been £3.2m higher.[92] The following table was provided to explain where savings had been made: [93]

FRP Savings Delivery FY23	**£'000**
Nursing staffing (agency reduction and vacancy)	187
Medical staffing (agency reduction and vacancy)	279
AHPs staffing (agency reduction and vacancy)	331
Non-pay cost reduction	1,179
Drugs costs reduction (more efficient purchasing)	98
Income generation	1,145
Total	**3,219**

FINDING 29
£7 million worth of efficiency savings (as part of the Value for Money Programme) were achieved in 2023 through not allocating the full amount of non-pay inflation with a further £3 million being removed from departmental budgets for a total of £10 million. £3.2 million of specific savings were made within Health and Community Services, however overall expenditure within the department had risen by 23% in 2023.

[91] Written questions – Acting Chief Executive
[92] Written questions – Acting Chief Executive
[93] Written questions – Acting Chief Executive

FINDING 30
There is ongoing work within each Government of Jersey Department to achieve Value for Money savings throughout the financial years 2024 – 2026. The PAC has, however, found that there are inconsistent interpretations of what items are to be included within the Value for Money savings.

RECOMMENDATION 7
The Government of Jersey should bring forward a consistent definition for what is meant by 'Value for Money' and ensure this is applied across all departments with the aim of ensuring better prioritisation of resources. The presentation of the Annual Report and Accounts 2024 should include this definition.

8.4 Operating Balance

89. It is noted that, within 2023, the Consolidated Fund generated a smaller surplus in 2023 than 2022, with expenditure increasing by £146m and income generation by £50m.[94] This was anticipated within the Government Plan 2023 – 2026 with a forecast of £30m. In addition, approvals unspent in 2022 were carried forward and used to meet pressures within the HCS services, the response to Major Projects and other emerging costs.[95]

90. The PAC questioned what the main areas of additional approvals in expenditure that accounted for an increase of £60.5m in the final approved budget compared to the approved Government Plan were. A response was provided which outlined within the Annual Report and Accounts on p.182/183 a table which highlighted these approvals.[96] It is noted that the largest item within these approvals relates to the HCS deficit funding.[97] Final expenditure was £30 million less than the approved budget with the largest contributor to this being in respect of the General Reserve.[98]

91. Furthermore, in response to a question about whether any approvals given were not ultimately required, it was noted that some of these amounts were transferred to 2024 to meet emerging pressures. Overall expenditure in 2023 was up 17% against 2022, and the PAC questioned what the main reasons were for this and what actions were being taken to ensure this trend did not continue:

> *The largest items were growth in HCS spending and inflationary pressures, including pay awards whilst, some of the drivers (e.g. inflation) are outside of the direct control of the Government. However, the recent CSP clearly set out the Government's ambition to curb the growth in the public sector, including through reprioritising existing budgets where appropriate to deliver our objectives.*[99]

[94] States Annual Report and Accounts 2023 – p.66
[95] States Annual Report and Accounts 2023 – p.66
[96] States Annual Report and Accounts 2023 – p.182-183
[97] Written questions – Acting Chief Executive
[98] Written questions – Acting Chief Executive
[99] Written questions – Acting Chief Executive

92. The PAC will continue to monitor the approvals within the Government Plan against the final approved budget in further iterations of the Annual Report and Accounts. It would, however, state that consideration will need to be given to the work that is ongoing to curb growth within the public sector and ensuring that the Value for Money programme is being implemented effectively.

FINDING 31

There has been an increase of 17% in overall expenditure between 2022 and 2023. The main reasons for this increase have been growth within Health and Community Services and inflationary pressures including pay awards. There is a commitment in the current Common Strategic Priorities to curb growth in the public sector through reprioritising and reducing existing budgets where appropriate to deliver government objectives.

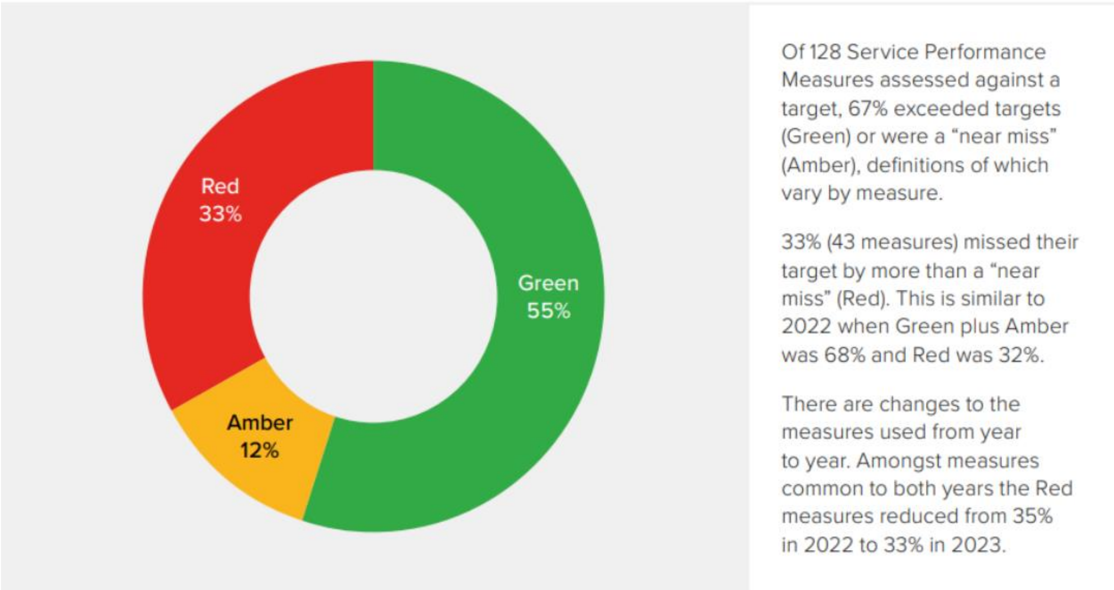
RECOMMENDATION 8

The Government of Jersey should ensure that a clear narrative is provided within the 2024 Annual Report and Accounts to highlight the effectiveness of measures to curb growth in the public sector in line with the Common Strategic Priorities.

9. Performance Report and Departmental Annual Reports

9.1 How has the Government of Jersey performed?

93. It was noted by the PAC in its review of the performance report that, whilst 55% of service performance measures had been achieved during 2023, 45% of service performance measures had fallen short of their target.[100] To understand this better, the PAC wrote to the Acting Chief Executive



94. The PAC raised this question and other questions in relation to the root causes of this percentage not met and which departments met the most targets and which contributed to the most missed targets. The response received by the PAC pointed it towards the Annual Services Performance Measures on the government website. Whilst this information is available, the PAC is disappointed that it has not been provided with clearer information along with clear action plans to improve and reduce the number of missed performance metrics.

95. It was also noted in response to questions raised that Chief Officers were best placed to respond to questions about their departmental service performance measures. Again, whilst this is understood by the PAC, it does raise concerns that there is not an overall view of performance available from Government. Chief Officers ultimately report to the CEO and there should be a 'birds-eye' of performance across the organisation which is able to highlight areas where performance is not being met clearly and without the need to access and analyse data presented in the Annual Service Performance Measures.

[100] States Annual Report and Accounts 2023 – p.267

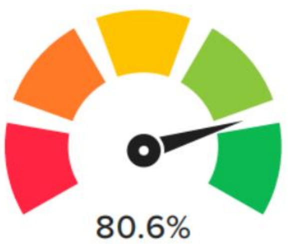
FINDING 32
In response to written questions asking about the percentage of service performance measures not being met in 2023, the PAC was redirected to the performance report within the Annual Report and Accounts as well as the Annual Service Performance Measures on the Government website. Whilst this information is available, the manner in which the information is presented is difficult to analyse by a member of the public wishing to learn more about the overall performance of a specific department.

FINDING 33
There does not appear to be a 'birds-eye' view of performance across the organisation that can be made readily available to interested parties. The information is available on the Government website; however, there does not appear to be a format for this information to be presented that clearly identifies areas where performance has been strong and areas where performance requires improvement.

RECOMMENDATION 9
The Chief Executive Officer should ensure, in time for 2024 Annual Report and Accounts, that tables are included which highlight the number of service performance measures which have been meet, or not, by the individual departments along with appropriate and easily understandable narrative stating how plans to improve performance shortfalls. This can be provided within the departmental annual reports. Whilst annual service performance measures are available elsewhere on the government website, the PAC suggests that this information be included in an easily accessible 'bird's-eye' view of the whole organisation.

9.2 Customer Satisfaction and Complaints

Customer Satisfaction



Customer Satisfaction bettered the 2022 score of 79.9% to beat the 80% target. The measure is the proportion of customers saying they were 'very satisfied' or 'satisfied' with the service they had received.

Government excluding HCS and schools, records for which are not held centrally

Complaints

Eight themes account for 80%

How I access your services, **492**	Mistake was made, **196**
Attitude and behaviour, **319**	Care, **189**
Consistency of information, **206**	Appointment / admissions / transfers / discharge procedure, **136**
Time taken, **198**	Property and assets, **100**
Other themes, **424**	

When things go wrong teams endeavour to identify shortcomings and put things right quickly and to the satisfaction of the person complaining.

Feedback is used to help improve services and the Government has started to publish online what has been done with feedback received.

Government excluding schools, records for which are not held centrally.

96. Noting the information provided above, the PAC questioned why the data from HCS and schools, with Health and Education being two of the largest and most significant areas was not included in the overall reporting in relation to customer satisfaction. It

was explained that HCS satisfaction is measured via an annual independent 'Picker' survey which ran from October 2023 to January 2024.[101] It was also noted that schools do not currently have a mechanism that measures customer satisfaction.[102] When questioning what overall performance in this area would look like with HCS data included, the following information was provided:

> *The performance from the HCS picker survey results was 83%.*
>
> *This data would not be included in overall customer satisfaction for GoJ as it is an annual survey and different to how other departments measure satisfaction on a regular basis for their services.*[103]

97. Furthermore, when questioning why data is not held centrally on schools complaints, the PAC was provided with the following information:

> *Schools do not currently use the central feedback management system to record and/or handle their complaints and each school have their own processes. However, the decision has been made that schools will need to use the same process/system and currently work is in progress for implementation and will be in place for the start of the next academic year in September 2024.*[104]

FINDING 34
Data in relation to customer feedback and complaints within Health and Community Services and schools is not included within the overall figure presented in the Annual Report and Accounts. Health and Community Services utilises an independent 'Picker' survey to gauge customer satisfaction which scored 83%. Due to the differing nature of the data that collected by Government it has not been included in the overall percentage reported and is therefore missing from the overall performance assessment in this report regarding customer feedback on these important government provided services.

FINDING 35
Schools do not currently utilise the central feedback management system to record and handle complaints. A decision has been made, however, for this to be implemented across schools in time for the academic year commencing September 2024.

RECOMMENDATION 10
Given the importance of Education and Health in the overall performance of the Government, some form of customer feedback from these two areas should be included in subsequent States of Jersey Annual Report and Accounts

98. It is noted by the PAC that most of the complaints recorded in 2023 related to 'how to access services' across government. As a result, the PAC questioned what was being

[101] Written questions – Acting Chief Executive
[102] Written questions – Acting Chief Executive
[103] Written questions – Acting Chief Executive
[104] Written questions – Acting Chief Executive

done to improve performance in this area. The Acting Chief Executive provided the following information in response:

> *Department Feedback managers discuss any learning/improvements from complaints on a monthly basis. This has highlighted the following areas of improvement in relation to 'how to access services':*
> - *better digital offering*
> - *improving communication (written and verbal) for a 'right first time' approach*
> - *improvement and maintenance of premises and facilities*
> - *training delivered to promote a more consistent and positive customer experience.*[105]

99. The PAC also questioned what had been done to reduce the non-payment of invoices to suppliers within the new Ariba (SAP) system which was implemented in 2023. The PAC has recently launched a review of procurement processes within the Government of Jersey and, as such, it will examine these areas closer within that particular review and will not be making any findings or recommendations at this time within this report.

9.3 Departmental Overviews

100. As part of its review, the PAC wrote to all Chief Officers to raise questions around the departmental annual reports. During this process the PAC raised questions which related to reported performance, as well as plans to address areas of concern moving forward. The responses contained numerous questions, not all of which will be addressed in the following sections. However, links to the responses are provided at the start of the sections for information. It should be noted that no questions were raised in relation to the Department for External Relations and consequentially no information is provided for that department in the following section.

9.4 Cabinet Office

Cabinet Office Response

101. One area that the PAC questioned in respect of the Cabinet Office was in relation to the implementation of the Strategic Workforce Development Plan (SWFP), its objectives and the challenges that it aimed to address. The following information was provided to the PAC within the response:

> ***What are the main objectives of the Strategic Workforce Development Plan (SWFP)?***
> *Department strategic workforce plans identify actions to address workforce gaps and to develop a sustainable skilled workforce for the future. The plans help departments to become pro-active; anticipating and preparing for future workforce needs and identifying workforce skills gaps, succession risk, wellbeing, and culture risks. The overall Jersey Public Service Strategic*

[105] Written questions – Acting Chief Executive

Workforce Plan collates the outputs from department strategic workforce plans and offsites conducted across government to provide a clear overview of organisation-wide workforce risks and challenges, as well as the future capabilities required across the organisation. Collectively, the plans inform the Government's talent and learning and development programmes and also inform the corporate support required from People Services.[106]

What types of workforce challenges does the SWFP aim to address?
Department strategic workforce plans identify actions to address workforce gaps, risks and challenges and support a sustainable skilled workforce for the future. The department plans can therefore include actions covering many areas, for example recruitment and retention; learning and skills; talent development; youth engagement; wellbeing; and diversity, equity and inclusion. Each department strategic workforce plan will be different.[107]

9.5 Children, Young People, Education and Skills

Children, Young People, Education and Skills Response

102. One specific question that the PAC wished to raise in relation to Children, Young People, Education and Skills within the 2023 Annual Report and Accounts was in relation to the underspend within the department during that period. The following response was provided by the Chief Officer:

Can you explain why there was an underspend within the CYPES budget during 2023?
As of 31st December 2023, the Department closed the financial year with a £253,000 or 0.13% underspend against a budget of £201,608,000. The department managed to net off unmanageable expenditure from parental leave policy changes and unmet efficiency targets by regularisation of growth underspends in Children's Social Care Services.[108]

9.6 Customer and Local Services

Customer and Local Services Response

103. One area that the PAC wished to examine in relation to the performance of Customer and Local Services (CLS) was in respect of enhancing the communication of Social Security contributions and benefits with the public. The Chief Officer of CLS gave the following response to this question:

What steps have been taken to review and enhance the communication of Social Security contributions and benefits with the public?

[106] Written questions – Cabinet Office Performance
[107] Written questions – Cabinet Office Performance
[108] Written questions – CYPES Performance

We reviewed our high-volume, auto-generated system letters across social security contributions and benefits areas. We looked at those that are automatically generated from our system (i.e. those where an advisor does not have opportunity to amend content prior to being sent to customers). We developed a communications framework and standardised letter template to create a consistent approach to the improvements. Alongside this, we developed a training course to support understanding and implementation of the framework. We provided training to colleagues which included the framework standards, alongside practical tools and tips to develop effective communications. The training also served to influence change to be made to advisor led communication channels; email, ad-hoc letters and general correspondence.[109]

104. The PAC was also informed that a new communications framework was implemented in 2023 which adopted a '7 c's communication framework' to ensure that communications were concise, clear, courteous, considerate, complete, concrete and correct.[110]

105. Furthermore, a new communications quality assessment tool and process was introduced as well as a new standard template for CLS letter-based correspondence.[111]

106. The PAC will look to see how these various communication initiatives are being monitored and tracked to ensure the desired communication benefits are being realised.

9.7 Economy

Economy Response

107. The PAC questioned the Chief Officer for Economy on two specific areas, namely the Marine Support Scheme and the cultural activities provision rating falling below its target of 60%. The PAC was provided with the following responses to questions around the Marine Support Scheme:

What impact did the Marine Support Scheme have on the local fishing industry in its first year? *The main impact of the Marine Support Scheme in the first year was to restore some confidence in the sector and begin a process of building trust between all marine stakeholder groups, including a recognition that Government is serious in its commitment to ensuring the sustainable future of the sector. Several recipients commented that the Scheme enabled them to continue trading when otherwise this may have not been possible – an important factor in maintaining critical mass in the sector which are vital to ancillary services (e.g. merchants, transporters). The Scheme also created opportunity for new proactive dialogue within the sector and between the sector*

[109] Written questions – CLS Performance
[110] Written questions – CLS Performance
[111] Written questions – CLS Performance

and Government which will manifest in Scheme improvements for 2024 and beyond and new initiatives which can now be developed to further enhance sustainability of the sector.[112]

How was the success of the Marine Support Scheme measured in its inaugural year? *Success was measured through Scheme uptake – which met the expected target of 33 businesses receiving support and the delivery of the full budget of £300k. Success was also measured by the ability of the Scheme to convene working relationships and create opportunities for collaborative efforts in the sector which were not previously attainable. The Scheme also offered the opportunity to collect baseline data on economic activity within the sector not previously available and cross reference this data with some of the biological sustainability data collected by Marine Resources over a number of years. This will enable us to build a much more reliable economic impact assessment model of the industry, which can then feedback to MSS design over the coming years. Measurements of success will therefore become more sophisticated and useful as the Scheme progresses.*[113]

108. Furthermore, the PAC questioned the reason for the target for the cultural activities provision not being met and was provided with the following response:

What might be some reasons for the cultural activities provision rating falling below the target of 60%? *This year's figure (55%) is below the target of 60%: factors contributing to this include (i) the continued closure of the Opera House (Jersey's flagship venue) whilst the restoration is ongoing - due to be completed by end of 2024, and (ii) data from JOLS indicates those more able to get by financially, rate the provision significantly higher - in these times of financial hardship efforts need to be made to ensure that provision is reaching all economic groups equally. We have made significant efforts to increase the amount of free cultural events so as to break the link between the income bracket of respondents to the survey and their experience of the cultural provision. This is still a relatively new development, and it is hoped that this will reflect in more positive rating in future surveys.*[114]

9.8 Health and Community Services

Health and Community Services Response

109. Further to the specific section on Health and Community Services featured earlier in this report, the PAC also asked several questions around the performance of HCS as outlined in the departmental annual report. Specifically (and linking to recent work undertaken by the PAC) it questioned the implementation of the Electronic Patient Record system and the impact this has had on reducing patient waiting times. The following information was provided:

[112] Written questions – Economy Performance
[113] Written questions – Economy Performance
[114] Written questions – Economy Performance

Has the introduction of the Electronic Patient Record system reduced patient waiting times? *Waiting times for outpatient and inpatient appointments are now being monitored through the electronic patient record system (EPR). In May 2023, the TrakCare software was replaced with the Maxims software. The new Maxims EPR uses a patient-focused approach which enables better clinical oversight of patients' pathways and operational management of activities. The waiting list numbers have been affected due to this change. I have therefore included details on the difference between the two systems in the answer below.*

Outpatient appointments - The Maxims Electronic Patient Record (EPR) is a referral-based patient record system that allows patients to be tracked through an entire pathway from referral to treatment and post treatment care before being discharged from the consultant's care. Our previous Patient Administration System (PAS) (TrakCare) was an episode based system, which means that each part of the pathway (outpatient activity, diagnostics, pre-assessment activity, inpatient activity, therapy input) was recorded separately – and sometimes a patient had multiple episodes for the same care pathway.[115]

[115] Written questions – Health and Community Services Performance

9.9 Infrastructure and Environment

Infrastructure and Environment Response

110. The PAC noted an increase of 50% (£18m) in the budget for IE in 2023 and asked:

> ***Can you please explain what the 50% increase (£18m) in the IHE budget for 2023 relates to?*** *The increase of £18m to the I&E budgets for 2023 relates to responding to inflation cost pressures, fiscal stimulus funding, the 2023 pay awards, and growth funding.*[116]

Analysis of NRE £18m budget Increase for 2023 from 2022		
Infrastructure & Environment	One off Revenue Budget Transfer to Projects 2022	3,100,000.00
Infrastructure & Environment	Wage pay award 2022	1,221,764.01
Infrastructure	Net Fiscal Stimulus funding 2022	2,159,792.99
Environment	Wage pay award 2023	1,113,189.00
Infrastructure	C/Fwd for Westaway Court Refurbishment	1,576,119.00
Infrastructure	Cost Pressures funding 2023	3,951,000.00
Infrastructure	Wage pay award 2023	1,914,135.00
Infrastructure	Growth 2023	2,964,000.00
		18,000,000.00

111. Furthermore, the PAC also questioned the steps that had been taken in relation to implementing the Enterprise Asset Management system for the Government of Jersey. The following information was provided:

> *What significant steps did the department take in 2023 regarding Enterprise Asset Management for the Government of Jersey? One significant step was the formation of the Enterprise Asset Management (EAM) Office. This shows that Government recognises it needs a centralised function to ensure we work towards a joint framework, supported by a common set of processes, if it is to better manage the Island's assets. The EAM Office also successfully implemented the single solution for management of Government assets, reducing the number of legacy solutions, which went live in May 2023 with over 400 users in I&E and JHA (Prison). It has enabled departments to work in a more "mobile device enabled" environment, improving the data we capture against our assets, and is intrinsically linked with finance modules to capture the full costs of maintaining GoJ assets. The EAM Office has also developed reporting dashboards which can demonstrate the delivery performance for I&E,*

[116] Written Questions – Infrastructure and Environment Performance

with a particular focus on Statutory Maintenance activities against the critical operational assets within Operations and Transport.[117]

9.10 Justice and Home Affairs

Justice and Home Affairs Response

Justice and Home Affairs Supplementary Response

112. The PAC noted from the departmental annual report for Justice and Home Affairs (JHA) the updates in relation to the GST 'de minimis' (minor) reduction that took place within 2023. As such, it requested and received responses to the following questions.

> ***What preparations were made for the reduction in the GST 'de minimis' from £135 to £60?*** *Prior to introduction, JCIS extrapolated qualitative data and analysed this to forecast the impact of the de minimis drop from £135 to £60. As a result of this work, funding was secured in the Government Plan to develop CAESAR (online goods clearance system) and to recruit additional staff resources to deal with the anticipated increased workload. JCIS worked with a local marketing research company to map the process and use this research to identify areas for improvement to CAESAR. This resulted in significant enhancements to ensure CAESAR was more user friendly, with a particular emphasis on the removal of jargon and ensuring ease of use on mobile devices. In addition to this, a large piece of development work was undertaken to ensure that consignments arriving on island from an online marketplace/ retailer who had collected GST at source would be automatically released on CAESAR, resulting in a seamless process for the importation of correctly manifested goods and removing the need for individuals to 'log on' and make a declaration. Additional staff were recruited in both JCIS and Customer and Local Services to ensure public enquiries could be dealt with expeditiously. Operationally, JCIS set up a working group for local shippers and other relevant stakeholders in the 18 months prior to the changes. Monthly meetings were held which ensured good communication on CAESAR development work, updates and timescales. JCIS and Revenue Jersey also held separate monthly meetings with the large online marketplace/ retailers to ensure robust understanding of legislation and requirements. This group also worked together to ensure systems were developed in tandem which resulted in a seamless transition on Day One of the change for those offshore businesses who collect GST at source.*[118]
>
> ***What challenges, if any, were faced during the implementation of the changes to the GST 'de minimis'?*** *Owing to the amount of preparatory work undertaken as above, challenges both prior to and on implementation were thankfully limited. One challenge was, and still is, the poor data entered at manifest level which results in difficulties with identifying consignments which*

[117] Written Questions – Infrastructure and Environment Performance
[118] Written questions – Justice and Home Affairs Performance

have already had GST collected at source. This challenge is ongoing and one JCIS is working on to ensure that CAESAR can automate the process with a limited dataset whilst we also work with suppliers and shippers to ensure that manifest data is of a good quality.[119]

9.11 Treasury and Exchequer

[Treasury and Exchequer Response]

113. One particular area that the PAC would highlight from the responses from the Treasurer of the States is in relation to the investment strategy adopted noting the exceptional volatility in the markets during 2023. The following questions were asked with responses provided by the Treasurer:

In what ways did the exceptional volatility influence investment strategy and decision-making? *Investment strategy is under frequent review by the Treasury Advisory Panel (TAP) their decision making process was unchanged over the period. Long term strategic allocations are designed to deliver returns across a range of economic conditions, and over a full market cycle. As a long-term investor GoJ is able to look through periods of short-term volatility, as seen in 2022, to generate superior medium to long-term returns. During the year, TAP identified that one asset class, Absolute Return Bonds, had seen changes to the market environment in which it operates and the pool was restructured to better capture an improved risk adjusted return in the expected prevailing conditions.*[120]

What measures, if any, were taken to mitigate risks associated with the exceptional volatility? *Risk and volatility are considered carefully in portfolio construction, where steps are taken to control the level of risk to which a fund is exposed. TAP run scenario planning sessions to stress test portfolios and during recent history assets behaved broadly in line with expectations given market conditions. This is not to say that tactical decisions were not taken to react to volatility, but that these decisions were taken by underlying investment managers, who have the expertise to determine the active positions which best serve to maximise value given market conditions and within mandate limits agreed on their appointment. TAP frequently review manager performance and outlook in relation to market conditions and will take action to ensure the asset mix remains appropriate. During the year the environment in which fixed income assets operate was deemed to have changed. TAP concluded there was a greater risk looking forward of unanticipated movements in inflation, likely increasing disparity of credit characteristics across geographic regions and sectors. Historically CIF fixed income exposure was predominantly focused on operation in a low-rate environment and mitigating the risk to capital values which could stem from rates rising from a low nominal floor (bonds traditionally fall in value as rates rise). Given expectations and ongoing*

[119] Written questions – Justice and Home Affairs Performance
[120] Written questions – Treasury and Exchequer Performance

unpredictability in rates and inflation, the fixed income portfolio was restructured. The absolute return bond pool was replaced with the return seeking credit pool, intended to give greater flexibility to reposition quickly in response to uncertainty but also better capture returns from higher rates and benefit from the broader global opportunity set.[121]

[121] Written questions – Treasury and Exchequer Performance

10. Conclusion

In conclusion, the PAC is pleased to note that improvements have been made to the presentation of the Annual Report and Accounts for 2023, including a reduction in the number of pages and separation of sections for improved access. There is, however, concern that limited feedback has been sought from relevant stakeholders to understand how best to improve accessibility of the document and provide clarity for members of the public. Furthermore, there was limited promotion of the publication of the report and limited public engagement about its presentation and headlines.

Having reviewed the themes presented across the evidence gathered, the PAC would also highlight the need for focus to be placed on the following key areas alongside the recommendations it has made within the report.

Government costs – overall costs have increased between 2022 and 2023 by £146 million (a 16.7% increase). There are efforts ongoing to continually improve efficiencies and deliverables in key performance areas while reducing or removing expenditure in non-essential areas. There are, however, concerns in relation to the spend required within Health and Community Services, and the Financial Recovery Plan will need to be monitored closely to ensure it is achieving its stated outcomes.

Information Technology – a number of Internal IT controls have been scheduled for improvement and work is ongoing to ensure this is implemented and actioned accordingly. There are a number of key projects within the IT space underway at present and these will need to be monitored to ensure they are achieving stated outcomes, as well as providing value for money.

Recruitment and Retention and Use of Consultants – this area has particularly interested the PAC and evidence gathered highlights the continued reliance on agency staff, especially within Health and Community Services (though this is decreasing compared to previous years). There will need to be greater focus on undertaken local training in order to better upskill the workforce in the coming years and reduce the need to rely on agency staff. This will need to be considered as part of the overall value for money programme of Government.

The PAC would like to thank all of the Officials who provided evidence for its review and answered its questions. We hope that the recommendations made within the report constructively assist Government in its work for the 2024 Annual Report and Accounts and we look forward to receiving the Executive Response to this report.

11. Appendix One

11.1 Terms of Reference

The Committee's Terms of Reference for the Review were as follows:

1. To examine the content, reported performance, transparency and timeliness of the States Annual Report and Accounts 2021
2. To consider whether the Performance Report contained within the Annual Report and Accounts 2021 present clearly the Government's aims, activities, functions and performance.
3. To examine the contents of the Accountability Report contained within the Annual Report and Accounts 2021 including reported risks and mitigations as well as remuneration reporting (including termination payments).
4. To determine the clarity of the Government's (and its officers) explanations for how funding has been used to achieve objectives.
5. To determine whether the Annual Reports and Accounts incorporate the recommendations of the previous PAC Report and recommendations of the External Auditors of the States of Jersey.

11.2 Committee Membership for the review

The following PAC Members took part in this review:

Deputy Raluca Kovacs
Lead Member, Public Accounts Committee

Deputy Inna Gardiner
Chair, Public Accounts Committee

Deputy David Warr
Member, Public Accounts Committee

Mr. Philip Taylor
Lay Member, Public Accounts Committee

Mr Graeme Phipps
Lay Member, Public Accounts Committee

Mr. Vijay Khakhria
Lay Member, Public Accounts Committee

Mr. Glenn Kehoe
Lay Member, Public Accounts Committee

Deputy Kristina Moore and Deputy Karen Wilson did not take part in this review due to previous Ministerial positions held. Deputy Inna Gardiner and Deputy David Warr attended public hearings in order for the PAC to maintain its quorum, however, did not ask any questions relating to their previous Ministerial positions.

11.3 Public Hearings

The Committee undertook the following public hearings during the course of its review:

Witness	Date
Mr. Richard Bell, Treasurer of the States Mr. Jason Whitfield, Chief Information Officer Mr. Andrew Metcalfe, Associate Director of Strategic Planning Ms. Hannah Layer, Group Reporting Director	5th June 2024
Mr. Chris Bown, Chief Officer, Health and Community Services Obi Hasan, Financial Recovery Director Dr. Simon Chapman, Chief of Service Surgery	3rd July 2024

10.4 Review Costs

The total external costs of this review totalled £331.00 This was broken down as follows:

- Public Hearings (transcription services) - £286.00
- Digital and Public Engagement Costs - £45.00

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