CORPORATE SERVICES SCRUTINY PANEL

GOVERNMENT PLAN 2020-2023

18 October 2019

CIPFA
77 Mansell Street
London E1 8AN
Phone: 0207 543 5600
Email: stuart.fair@cipfa.org.

CIPFA FINANCE ADVISORY

Certificate No. 5631/06

Contents

APPENDICES

1. Background

1.1 In September 2019, the States of Jersey commissioned CIPFA Business - Finance Advisory (the commercial arm of the Chartered Institute of Public Finance and Accountancy) to support the work of the Corporate Services Scrutiny Panel in the assessment of the Government Plan 2020-2023. This report outlines CIPFA's position on this work to 18 October 2019.

Context

1.2 The scope of our review covered the proposed Government Plan which was ledged au Greffe on 23 July 2019 by the Council of Ministers in pursuant of Article 9(1) of the Public Finances (Jersey) Law 2019.

Evidence

1.3 Primary sources of evidence collected included:-

- Document Review – Government Plan submission and supporting documents
- Attendance at Scrutiny Panel Meeting
- Reports received from Treasury & Exchequer
- Meetings with Senior Finance Staff in Treasury & Exchequer and Strategic Policy Performance and Population
- CIPFA data

1.4 It should be recognised that this assessment work is carried out on a restricted set of evidence and we are awaiting as at 18 October 2019 key background data on:

- Staffing numbers and analysis
- Subjective analysis
- Departmental Business Plans including CYP detail
- Personal Income Tax yield for 2019

Application

1.5 The Government Plan 2020-2023 sets out a high level operational and fiscal strategy and the proposition in receiving this plan requires the approval of the appropriations from the Consolidated Fund, the appropriate income raising (income tax and impots) and the appropriate parameters around income and expenditure estimates. From 2020 the Government Plan proposes a variation in tax and this will be enacted[1] subject to States approval. The Plan also proposes to vary Social Security funding arrangements. The proposition includes the approved establishment of a Climate Emergency Fund.

1.6 The Government Plan seeks to adopt a detailed one year plan within a rolling four year cycle covering relevant income and expenditure. Unlike previous Medium Term Financial Plans (MTFP) this rolling 4 yearly approach allows for a significantly greater degree of agility/flexibility in recalibrating approaches to developing fiscal issues.

[1] Articles 11 and 12 of the Public Finances (Jersey) Law 2019 requires separate legislation to be lodged

2. Assessing the Government Plan 2020-2023

2.1 We assessed the Government Plan against specific aspects of relevant components of the Five Star CIPFA Financial Management Model. 'The Five Star' CIPFA Financial Management Model (FM) Model is the "gold standard" globally for best practice on Financial Management in the Public Services and is used extensively in North America, the Middle East, Australasia and throughout the United Kingdom.

2.2 The Five Star Financial Management Model is based on the core elements of the CIPFA Financial Management Model. The Model is recognised by HM Treasury as setting out the fundamentals of best practice financial management within a public sector organisation. It has been chosen by the Finance Leadership Group of HM Treasury (FLG) as the framework to be used for financial management self-assessments. The Model uses a scoring system to provide an objective measure of financial management capability including the identification of strengths, weaknesses and areas for improvement.

2.3 The Five Star CIPFA Financial Management Model is based on 30 statements of best practice. Each of these statements is supported by a series of up to 18 questions which both explain the scope of the statement and help evaluate the extent to which the statement applies to the organisation. Each statement is scored on a scale from 0-4 (in increments of 0.25) based on the strength of evidence that supports the extent that the attributes of best practice actually exist and are being applied.

2.4 Our assessment is based on a mix of evidence obtained through document review and meetings with Government staff. However, it should be noted that our assessment has been limited by the lack of the availability of key information as set out in paragraph 1.4 above. Any conclusion drawn from our work should be assessed in the context of the unavailability/absence of key evidence.

Approach taken in assessing the strength of the Government Plan 2020-2023

2.5 In developing a valid assessment methodology we applied an approach using the most relevant statements and supporting questions from the CIPFA FM Model to the Government Plan 2020-2022 (GP). Our approach focussed on the attributes of the:-

- Architecture and construction of the GP
- Assessment of key foundational assumptions used within the GP including departmental/service business plans and business case workings
- Arrangements set out in the GP for securing delivery and performance management

2.6 In terms of our approach in testing the GP, we modified our standard methodology to test only those relevant statements (using supporting questions) that would cover this restricted assessment. We identified five statements that we considered to be relevant and appropriate in the assessment of the GP where we would expect the fundamental attributes of good practice to be evident within the GP. Each statement is supported by questions which seek to cover a range of relevant evidence which assists with statement scoring – these are outlined in Appendix 1. Scoring rises from 0 to 4 in increments of 0.25. Scoring is represented at a high level with a "traffic light" (RAG Rating) approach associated with the following ranges:-

Rating	Qualifying Scoring	
*****	4.0	World Class
	3.75	Totally evidenced
	3.50	Strong
****	3.25	Highly evident
	3.0	Highly evident
***	2.75	Evident
	2.50	Mostly
**	2.25	Competent
	2.0	Basic
*	1.75	Lower than basic
	1.5	Minimal
	1.25	Weak
	1.0	Weak
	0.75	Inadequate
	0.5	Inadequate
	0	Not at all

Evidence and statement scoring

2.7 It should be recognised that this assessment work is carried out on a significantly limited set of evidence and should be seen as specific to the GP as submitted rather than an indicator of the overall strength of financial management capability at the Government of Jersey. Having carefully considered all the relevant available evidence, our scoring for each of our relevant statements in relation to the GP is as follows:

Statement	Statement narrative	Gov. Plan 2020-23 Indicative scoring	Global Average scoring
L3 Delivering Accountability	**Within an annual budget setting process the organisation's leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation's financial and activity performance in delivering planned outcomes.**	**2.75**	**3.00**
L4 Supporting Performance	**The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.**	**2.25**	**2.50**
L6 Enabling Transformation	**The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.**	**2.75**	**2.25**
PR1 Delivering Accountability	**Budgets are accrual-based and robustly calculated**	**2.00**	**2.50**
PR10 Supporting Performance	**The organisation's medium-term financial planning process underpins fiscal discipline, is focussed upon**	**2.75**	**2.50**

	the achievement of strategic priorities and delivers a dynamic and effective business plan.		

2.8 The statements within the FM Model are configured to fit a matrix on Financial Management styles and management dimensions. On Financial Management styles the FM Model has three – Delivering Accountability, Supporting Performance and Enabling Transformation. The model has four Financial Management Dimensions of Leadership, People, Processes and Stakeholders.

2.9 In our experience Delivering Accountability style of financial management scores best. This is an area that is heavily regulated and prescribed by HM Treasury and Cabinet Office best practice. Delivering Accountability is also most closely related to the traditional role of financial capability. Typically there should be a pattern of progression in scoring with the highest being Delivering Accountability style and the lowest being Enabling Transformation with a stepped progression between the financial management styles. However the above indicative scoring is slightly different in that elements of Enabling Transformation and Supporting Performance appearing to be comparable with some core Delivering Accountability attributes – albeit that this exercise has significant limitations. This is typically a feature of those organisations who have prioritised transformational change.

Leadership – Delivering Accountability/Supporting Performance/Enabling Transformation

2.10 Based on the evidence presented to date our high level comments underpinning our scoring are outlined below.

Delivering Accountability	**L3**	Within an annual budget setting process the organisation's leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation's financial and activity performance in delivering planned outcomes.	**2.75**
Supporting Performance	**L4**	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	**2.25**
Enabling Transformation	**L6**	The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	**2.75**

2.11 Statement L3 has 3 strands, bringing together the matching of resources to organisational priorities, monitoring to ensure those priorities are achieved and the establishment and review of financial management policies. In this respect our evidence derived from the GP, supporting documents and oral evidence from our meetings suggest that, at a high level, (and for perhaps the first time) corporate priorities have been identified and incorporated within a financial strategy in a way that seeks to determine clarity of objectives and secure the accountability of the services to deliver required outcomes through an allocation process. The

GP is well set out and appears to be comprehensible to the non-financially aware reader – minimising technical terms where possible.

2.12 For L4 the FM Model expects there to be a clear integrated strategy with appropriate linkage between business plans, workforce strategy, and underpinning financial strategies (including procurement strategy, asset management strategy etc.), i.e. a medium-term financial strategy, that demonstrates that resources are in place to deliver the planned actions. Whilst high level direction of priorities are well set out and a delivery approach is core to the GP, there is no evidence that the financial model is built from operational service planning and the allocation of resources appears driven by a top down approach rather than bottom up in the formulation of budgets and allocations. The allocation and detail relating to the figures for current year priority revenue investment (CYP), efficiency savings, capital investment and core base estimates appear to be aspirational rather than formulated at a granular level. The degree to which efficiency savings are deliverable as well as the containment of expected budget pressures will significantly determine the extent that outturn will come within the expected budgetary position. This will include the deliverability of CYP and capital investment.

2.13 A key supporting question is "Does the medium-term financial plan draw together realistic estimates of funding to support the achievement of strategic objectives?" We have requested information on Income Tax yields as we envisage that tax generation will be significantly influenced by the prevailing macro-economic position as well as potential transformational change impacts to the public services in Jersey itself. At presented we are unsighted on the detail behind tax yields. The latest Fiscal Policy Panel's key economic metrics (September 2019) forecast a downward trend and income estimates were formulated by the Income Forecasting Group (IFG) using the FPP's spring indicators. Such spring indicators reflected a more buoyant position. We are also unsighted on the current year's overall actual income tax position. This lack of evidence on the robustness of income estimates is problematic and our scoring is reflective of that position.

2.14 Whilst the GP is well constructed, the lack of alignment with service planning and its lack of granularity in terms of the lack of supporting workings is its principal weakness. A significant contributing factor may be the lack of operational financial strategies that should integrate with operational activities i.e. Service Plans without adequate financial information. The fact that the financial estimates appear to be embryonic and are being developed using a 'top down' vision approach may well be contributing factors.

2.15 For the transformation style, statement L6 covers the integration of financial management approach and resources driving the change agenda. This statement considers issues such as performance and cost measures or risk. It is recognised that for some organisations with robust internal controls and entrenched cultural barriers to change, the ability to stimulate transformational capacity can be difficult due to the inherent inflexibility of internal controls which restricts transformational capability. A feature of transformational capability is the ability to look at alternative (often radically different) delivery models. The GP is strong on setting out the change agenda at a high level and tries to provide a balance between the required investment and financing that additionality. The lack of granularity is certainly a challenge to meeting the attributes associated with this statement and our scoring is lower than it would have been had a basic level of detail had been available. That said, scoring specifically on the GP within this exercise is markedly higher than our global average.

Processes – Delivering Accountability/Supporting Performance

Delivering Accountability (PR1) **Supporting Performance (PR10)**	**PR1**	Budgets are accrual-based and robustly calculated	**2.00**
	PR10	The organisation's medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	**2.75**

2.16 Statement PR1 covers with the mechanics of Budget Setting in depth, however our evidence, or the lack of it, does suggest the deployment of a largely incremental budget setting process with savings plans being largely formulated using a 'salami sliced' approach. There appears to be a lack of a 'bottom up approach to base budget setting. During the course of our meetings we were advised that some elements of zero based budgeting and outcomes based budgeting were being used – however we have not received any evidence on the deployment of these techniques or even a hybrid approach.

2.17 Efficiency savings and CYP investment have been allocated to the services. However, it is difficult to determine the level of detail behind the sums involved and the robustness/efficacy of the figures. Key supporting questions include:

"Are forecast or actual budget variances and trends reflected in the budget setting process?"

"Are cost reductions, growth and savings options identified and reliably costed as part of the budget process?"

"Does a risk assessment of material items of income and expenditure inform budget setting, and their reporting to the board with financial implications, mitigating actions and contingency provisions?"

"Are managers fully involved in setting their budgets, working with finance staff, so that they take ownership?"

2.18 We had some difficulty in positively identify attributes that adequately answer these questions in the affirmative. In the absence of supporting evidence the figures presented within the financial modelling component of the GP suggest that the foundational budgets and allocations are more aspirational than being formulated on a stress tested and challenged business cases for service change.

2.19 PR10 addresses the critical area of medium term financial planning and how financial strategy is underpinned by key funding assumptions, strategic service planning and analysis. PR10 can be linked to statement L4, however the focus on PR10 is more about the actual processes used in crafting in Medium Term Financial Plan component within the wider GP. Whilst we have scored this at 2.75 we are largely basing our scoring upon the 'strapline' of the statement in the absence of key evidence. There is some significant evidential issues to be addressed so our scoring should be treated with some caution. For example, the link between investment led service changes and required staffing implications remains unclear. Financial strategy does not appear to be fully informed by a bottom up analysis of costs and income. We are not sighted on any service business planning. The CYP and Efficiency Savings components of the financial modelling appears to set more indicative/aspirational targets rather than developing a step by step guide on how re-engineering is going to be achieved. There is the sense that there is difficulty in establishing, with any precision, an optimal staffing structure for any planned level of service reengineering and eventual service delivery. In this respect the GP as a Medium Term Financial Plan appears to be more conceptual than founded upon a fully integrated and detailed approach. However, whilst formulated on a 'top down' high level approach, the GP is comprehensive and the plan appears to allow some agility in recalibrating activity.

2.20 The absence of real connectivity with supporting strategies on the detailed numbers is problematic (referred to in L4 comments) and suggests that significant elements of detail are still to be 'worked up'. A major challenge will be overcoming negative perceptions on the ability to deliver savings and related service change against the backdrop of previous difficulties encountered across MTFP I and MTFP II. However, a real improvement over the approaches used in the construction of previous MTFPs is the attempt to model corporate priorities alongside their financing with a focus on the delivery of outcomes. Such an improvement is reflected within our scoring.

3 Strengths and specific areas of concern

Strengths - summary

3.1 The Government Plan 2020-2023 is a bold and ambitious plan. It is essentially a fiscal framework which incorporates unparalleled levels (in respect of Jersey) of transformational change. High level strengths which include the following:

- Architecture/structure of the Government Plan is comprehensive and well presented
- In context the information is presented in a user friendly format, is intelligible and accessible to non-expert users
- The Government Plan clearly outlines service priorities in a way that previous MTFPs have not and attempts to integrate priorities with estimated/planned financial exposure – this is not commonly evident within UK equivalents
- On financial strategy formulation there is clear strategic direction, strong corporate co-ordination and for the first time real direction on performance management delivery and officer accountability
- Concentration on cross cutting approaches to efficiencies
- Elimination of the reservation of funds for Capital Project approval
- Incorporation of Balance Sheet management within the Plan (we had been previously critical of the absence of this within previous MTFP reviews)

Specific areas of concern

3.2 From an interim assessment of the available evidence we would draw the Panel's attention to the following five areas of concern –some of which may be dealt with by additional evidence.

- Budget construction
- Income estimates – optimism bias
- Delivering required savings – lack of detail
- Investment capability – Capital as well as CYP Revenue
- Corporate Finance Strategy

Budget construction

3.3 We were unable to obtain service business plans or specific service budgets formatted within a subjective analysis. For example:

Expenditure
Employee Costs
Property Costs
Supplies and Services
Transport Costs
Administrative Costs and other overhead
Financing costs

Income

Service Income
Recharges
Grants etc.
Other income

3.4 Best practice advocates a ‘bottom up’ approach to budget construction including aspects of zero based and outcome based budget methodologies. The Government Plan 2020-2023 appears to be predominately constructed using a ‘top down’ approach. This type of approach is commonly used when organisations find themselves constrained by time and capacity issues. The main concern with this approach is that budgets are not constructed with an acceptable level of precision and that final positions are aspirational rather than founded on actual commitments. Key assumptions may lack validity and not be adequately stress tested. A key problem within UK Local Government Budget setting is a lack of robustness in setting of the ‘balanced’ annual budget. In some cases there has been an undue reliance on the achievement of unrealistic efficiency savings and income growth. Whilst the Government Plan has obvious strengths there are aspects that bear some similarities to the challenges currently faced within the UK local authority environment.

3.5 Overall we would expect the Plan to provide evidence that departmental operational plans are ‘welded’ to financial planning in a way that ensures that operational planning and financial planning synchronise and are both realistic and achievable. At this stage, we did not get sense that the Government Plan has been constructed in this way. The risks on the potential lack of precision cannot be overstated.

Income Estimates

3.6 Incorporated within our previous review work on MTFP 1 and 2 we raised concerns about the formulation of income estimates in the context of prevailing economic trends and suggested that there may have been an element of optimism bias in the budget setting process. We recognise the work of the Income Forecasting Group (IFG) including the robust advice provided by the Fiscal Policy Panel (FPP), shapes and influences the determination of key income forecasts and estimates. However, at this point in time we are of the view that there may be significant risks in running with current income tax yield estimates embedded within the Government Plan. The IFG based income forecasts were influenced by the FPP’s spring economic assumptions. The table below highlights the expected movements and revised forecasts for taxation and duty for spring 2019 together with a comparison with the Budget 2019 (September 2018) forecast per r107-2019 [2].

[2] IFG - Income Forecast Group (“IFG”) Report on the Revised Forecast of States Income from Taxation and Duty for Spring 2019 Page 3

States Income from Taxation and Duty	Actual	Spring 2019 forecast				
	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000
- Income Tax	544,444	586,000	614,000	645,000	675,000	707,000
- GST	92,937	93,443	95,519	97,554	99,750	101,888
- Impôt Duties	62,463	65,756	65,741	65,686	65,694	65,764
- Stamp Duty	34,502	35,891	37,118	38,105	39,770	41,020
Higher Scenario	*734,346*	*804,886*	*847,129*	*898,441*	*951,000*	*1,007,430*
Central Scenario	**734,346**	**781,090**	**812,378**	**846,345**	**880,214**	**915,672**
Lower Scenario	*734,346*	*757,276*	*777,783*	*794,907*	*810,896*	*826,503*
Annual Growth %		***6.4%***	***4.0%***	***4.2%***	***4.0%***	***4.0%***
Budget 2019 (Sept 2018) Forecast	716,362	756,509	788,169	818,000	850,101	885,159
Budget 2019 measures adopted	-	*1,303*	*1,176*	*1,176*	*1,176*	*1,176*
Budget 2019 Forecast incl adopted Budget measures	716,362	757,812	789,345	819,176	851,277	886,335
Variation to Budget 2019 (Sept 2018) Forecast incl adopted Budget measures	*17,984*	*23,278*	*23,033*	*27,169*	*28,937*	*29,337*

3.7 Using a central scenario approach there was an expected overall upward shift of 6.4% from 2018 to 2019 outturns then a further 4% upward movement from 2019 to 2020.

3.8 As we are currently unsighted as to current 2019 income yield performance it is difficult to validate the base transition from 2019 to 2020 and beyond. In previous scrutiny work we have been previously critical of what we saw as a failure to adjust financial strategy in line with the very latest intelligence. This had particular resonance with the projected deteriorating Income Tax yield position at the time.

3.9 We note that a change in accounting treatment of personal income tax to recognise all personal income tax in the year it arises is incorporated within the income estimates – effectively a move to current year assessment tax yield for the purposes of states income. This accords with the matching principle embedded within prevailing Internal Financial Reporting Standards (IFRS) and we note that it transfers the impact of income tax liability into current year income with current year liability being assumed to be higher than the previous years. The impact of this acceleration has been quantified as being £11 million in 2020 rising to £13 million. Whilst we would welcome improved alignment with accounting standards it is important that the estimate formulation methodology for Personal Tax figures within the Budget and GP accurately reflect the actual impact. Arguably, using previous year liability figures should have provided more certainty with Personal Income Tax yield estimates. In this context it will be interesting to assess the accuracy of the assumptions behind the revised tax estimate bases set going forward.

3.10 The Government Plan makes some modifications to the IFG presented figures and page 153 outlines the finalised figures:

2019 Forecast (£000)	Tax/duty	2020 Estimate (£000)	2021 Estimate (£000)	2022 Estimate (£000)	2023 Estimate (£000)
586,000	**Income Tax**	614,000	645,000	675,000	706,000
93,443	**GST**	95,919	98,353	100,551	102,689
65,756	**Impôt duties**	70,365	72,806	75,313	77,025
35,891	**Stamp duty**	37,118	38,105	39,769	41,020
781,090	Central scenario	817,402	854,264	890,633	926,734
4.70%	**Annual growth %**	4.60%	4.50%	4.30%	4.10%
2,000	**Domestic Compliance**	7,000	9,600	11,900	13,000
783,090	General Tax Revenue	824,402	863,864	902,533	939,734

3.11 An obvious area of concern is the expected 7.6% growth in Income Tax between the 2018 actual of £544,444 and £586,000 base for 2019 (the current year) particularly in the context of the FPP's latest September economic metrics forecasts. This is approximately £42 million of growth. The latest key metrics taken from the FPP's latest September Bulletin are outlined below together with the relative shifting from the March position used to construct the Government Plan's income assumptions by the IFG:

1. **Updated base case forecast**

% change unless otherwise specified	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Trend 2023+**
Real GVA	0.4	2.5	0.9	1.0	1.3	0.8	0.6
RPI	3.1	3.9	2.8	2.4	2.6	2.7	2.6
RPIY	3.2	3.5	2.6	2.3	2.5	2.6	2.5
Nominal GVA	3.6	6.0	3.5	3.3	3.8	3.4	3.1
GOS (including rental)	-0.7	7.7	3.3	3.0	3.5	3.2	3.2
Financial services profits	-6.6	8.3	2.0	2.0	3.1	3.3	3.4
Compensation of employees	7.6	4.7	3.6	3.5	4.0	3.5	3.1
Employment	2.3	1.4	1.0	0.2	0.8	0.5	0.4
Average earnings	2.6	3.5	2.6	3.3	3.2	3.0	2.7
Interest rates (%)	0.3	0.6	0.7	0.6	0.5	0.5	0.5*
House prices	2.9	7.1	6.3	5.4	4.5	3.6	2.7
Housing transactions	6.7	7.2	7.0	3.0	3.2	2.3	1.5

2. **Change since March 2019**

	2017	2018	2019	2020	2021	2022	Trend 2023+
Real GVA	0.0	+0.9	-0.1	-0.4	0.0	0.0	0.0
RPI	0.0	0.0	-0.3	-0.2	+0.1	+0.1	0.0
RPIY	0.0	0.0	-0.3	-0.2	+0.1	+0.1	0.0
Nominal GVA	0.0	+0.9	-0.4	-0.6	+0.1	+0.1	0.0
GOS (including rental)	0.0	+1.9	+0.1	-0.6	0.0	0.0	0.0
Financial services profits	0.0	+4.3	0.0	-0.9	0.0	0.0	0.0
Compensation of employees	0.0	+0.2	-0.9	-0.7	+0.1	+0.1	0.0
Employment	0.0	+0.4	+0.5	-0.5	0.0	0.0	0.0
Average earnings	0.0	0.0	-1.4	-0.2	0.0	+0.1	0.0
Interest rates (%)	0.0	0.0	-0.1	-0.3	-0.5	-0.6	- 0.6*
House prices	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Housing transactions	0.0	0.0	+4.0	-1.0	0.0	0.0	0.0

*Interest rate assumption for 2023 only

3.12 Whilst GVA has shifted down a marginal 0.1 to 0.9%, it is significant that Average Earnings retrenches by 1.4% to 2.6% from 4.0%.

3.13 Income Tax (Personal and Corporate) accounts for approximately 74.5% of all General Tax Revenue. The expected Income Tax achievement of £586 million this year (2019) from £544 million in 2018 is expected to grow further to £614 million for 2020. This appears accelerated increase appears to be extremely optimistic – particularly in a climate of significant uncertainty. The FPP state that "Growth in average earnings slowed markedly in 2019 to 2.6%. In real terms, after inflation, earnings fell for a second consecutive year." Similarly, due to increasingly challenging trading conditions it is not certain that previous tax measures on large Corporate Retailers[3] will deliver expected yields. The impact of widening the definition of a Financial Services company to enhance a 10% capture on profits was also geared at generating additional tax income. It is not clear at this point in time if both these measures, which were estimated as bringing in an additional £8.7 million in 2019 will deliver such income expectations.

3.14 It should also be noted that if public sector reform produces a significant reduction in public sector staffing numbers this may have a material impact on future tax yields covered by the plan as well as the impact on pension fund contributions.

3.15 Whilst we acknowledge that the IFG have taken a central scenario we would, at the time of writing, suggest that it may have been more prudent to take a midpoint position between the Lower and the Central Scenario in order to formulate the base income estimates. Given the overall level of economic uncertainty it would be our view that the current income tax revenues estimates within the plan are optimistic and there will be downside risks of expected income tax levels not being fully achieved. We would recommend that in light of the latest FPP metrics the income figures should be subject to downward revision.

[3] Large Corporate Retailers are subject to tax at a higher rate from Year of Assessment 2018 if they have taxable profits of at least £500,000 per annum. Where taxable profits are more than £500,000 but less than £750,000 per annum, tapering relief is applicable with the effective rate of tax will increase on a sliding scale from 0% to 20%. Where the taxable profits are £750,000 or more per annum, the applicable tax rate will be 20%. A larger corporate retailer is a company where 60% of its trading turnover is from retail sales to customers in Jersey; and retail sales to customers in Jersey are equal to or greater than £2m per annum. Retail sales will not include wholesale supplies or the provision of services.

Delivering required savings

3.16 The Government Plan sets out some high level detail of £19.7m of efficiency savings which has recently been increased to £32.78m as part of an overall target of £40m to be delivered for 2020. These savings are within an expected achievement of an overall objective of £100m over the duration of the plan to 2023. We understand that there is further work underway to identify the remaining £7m of the £40m savings but at this point in time there is no available evidenced based outcome of such work.

3.17 We are advised that the planned efficiencies comprise a range of proposals at both departmental and cross cutting level. The introduction and identification of cross-cutting initiatives is a marked improvement from change proposals incorporated within previous MTFPs and suggests a strong corporate drive to eliminate duplication and provide more effective outcomes for public service users.

3.18 The 2020 Efficiencies update highlights the spread of efficiency savings across departments. Undoubtedly there has been significant background work in trying to assess the extent of efficiencies and how these can be delivered/achieved.

3.19 Our concerns in this area focus on the lack of detailed information to support each strand of efficiency saving measure. Whilst there has been a good breakdown of source between spend reduction, cost recovery and income, there is an absence of detail which we would expect to see that would provide some indication as to the maturity of the approach used to 'work up' each efficiency measure. Given that the financial modelling with the overall Government Plan expects the realisation of the planned sums in efficiency savings, we are assuming that such efficiency savings are fully cashable savings rather than counter-factual saving. For example, detailed workings on the proposed Hospital efficiencies of £3.53m and other Health efficiencies of £2.47m would be extremely helpful. Given unrelenting service demand it is difficult to conceive that such level of cashable efficiencies can be delivered in one year 2020.

3.20 Overall we simply do not have any detail that would allow a robust assessment on the efficacy of the critical assumptions underpinning each strand of the efficiency savings programme and the relative risks attached to such assumptions. Historically there has not been a great track record of achievement of cashable savings in Jersey relative to the expectations around achievement.

3.21 Whilst we fully appreciate that some of the efficiencies will arise through the investment programme, (for example the utilisation of digital/new technologies, service integration and a revised Target Operating Model (TOM)), the detail should be embedded within the investment proposals. In the cross-over between investment and efficiency savings through transformational change we would expect to see a sufficiency of detail on both capital/investment outcomes and investment related efficiency savings that will be realised. Unfortunately, there does not appear to be the detail on either within the Government Plan or supporting documentation.

Investment capability

3.22 Over the course of the Plan it is anticipated that some £349 million of capital investment will be achieved. This is outlined within the overall modelling below with some £90.6 million of capital investment planned for 2020 and £80.7 million of revenue investment CYP:

	2020 (£000)	2021 (£000)	2022 (£000)	2023 (£000)
Opening base budget	**734,845**	**823,775**	**858,695**	**895,584**
New investment in CSP priorities	**80,693**	**27,753**	**20,712**	**6,357**
Inflation and Legislative Decisions	**41,237**	**24,567**	**33,877**	**40,810**
Efficiencies[1]	**(33,000)**	**(17,400)**	**(17,700)**	**(18,900)**
Total net departmental expenditure	**823,775**	**858,695**	**895,584**	**923,851**
Capital programme	**90,640**	**91,801**	**87,478**	**78,868**
Total Government Net Expenditure	**914,415**	**950,496**	**983,062**	**1,002,719**

3.23 We do not have sight of the current 2019 Capital expenditure (CapEx) outturn but the 2018 equivalent was approximately £18 million excluding trading funds and the 2017 figure was £47.6 million with £40.9 million in 2016. Expected levels of investment over the plan of £349 million have never been higher. Given the level of natural slippage across most capital programmes and the extent that departments will need to 'gear up' for such increased levels, it is difficult to envisage that this level of investment will be delivered to plan. Unlike the proposed level of efficiency savings there is some (but variable) granularity on the individual programme workstreams. These are included as appendix 4 of R.91/2019 - further information in respect of the additional revenue and capital expenditure referred to in the Government Plan.

3.24 In terms of Capital Investment activity the following table summarises the main investment activities[4]:

Capital Programme area	2020 £0	2021 £0	2022 £0	2023 £0	Totals £0
Pre feasibility vote	11,200.00	1,700.00	250.00	0.00	13,150.00
Discrimination law, safeguarding and regulation of care	2,500.00	2,600.00	2,600.00	2,000.00	9,700.00
Schools extensions and improvemnts	2,000.00	5,701.00	5,650.00	1,750.00	15,101.00
Infrastructure including the Rolling Vote	24,050.00	22,370.00	20,650.00	23,150.00	90,220.00
Information Technology	25,461.00	31,393.00	23,871.00	10,100.00	90,825.00
Replacement Assets	10,085.00	8,360.00	5,884.00	8,627.00	32,956.00
Estates including New Schools	14,344.00	18,177.00	26,773.00	31,241.00	90,535.00
Central Risk and Inflation Funding	1,000.00	1,500.00	1,800.00	2,000.00	6,300.00
Totals	**90,640.00**	**91,801.00**	**87,478.00**	**78,868.00**	**348,787.00**
Jersey Fleet Management	1,000.00	1,000.00	1,000.00	1,000.00	4,000.00
Jersey Car Parking	553.00	22.00	6,040.00	3,058.00	9,673.00
Total Trading Funds	**1,553.00**	**1,022.00**	**7,040.00**	**4,058.00**	**13,673.00**

[4] R91 – 2019 – Appendix 3 Summary –Pages 126 to 129

3.25 Key projects reflect Government priorities. Notable investments include:

Investment	£,000
Integrated Technology Solutions	28,000
Cyber	13,800
Sewage Treatment Works	11,850
Health Service Improvements	20,000
Rouge Bouillon Site review outcome	14,000

3.26 The management of capital contracts across the UK public services has been historically difficulty with optimism bias and failure to manage complex projects with specialist contractors being consistent contributing factors. There is a real risk that with the level of expected staffing change that there will be difficulties in finalising robust project costed specifications, applying optimal procurement and applying efficient performance management awarding to ensure projects are effectively delivered. For example, should a number of key people leave the service as a result of workforce planning change measures through planned public sector reform, it may be possible that there will be a loss of experience and corporate memory that could potentially impair optimal investment specification formulation. Such enhanced levels of capital programme delivery require additional capacity in terms of skilling and availability of suitable/contractors/suppliers. We remain to be convinced that such attributes will be fully available to deliver the size and complexity of the investment programmes included within the Government Plan. For example, there does not appear to be a realistic overall appreciation of programme slippage/optimism bias.

3.27 We are advised that Departments spent £30.7 million on net CapEx in the first 6 months of 2019 and are forecasting to spend £70.9 million by the end of the current year[5]. This includes significant projects which have been running over a number of years including the new Les Quennevais School and the Sewage Treatment Works. Expanding total capital expenditure from approximately £18 million to £71 million in successive years is a considerable achievement although we are unsighted on the detail behind the key assumptions that underpin the 2019 forecasted outturn of £70.9 million. Despite the significant increase in planed 2019 CapEx we would still have concerns around the available capacity and capabilities to deliver the capital investment of £349 million over the relevant four year plan in addition to any scope to move forward on the Our Hospital Project[6].

CYP

3.28 In relation to CYP, the additional £80.693 million has been allocated and incorporated within the objective analysis contained within the GP. However, we are unsighted on how this revenue expenditure is being spent on a subjective analysis basis. As a consequence it is extremely difficult to categorise this additional investment into revenue type staffing, property and supplies inputs etc. In respect of budget construction we have already highlighted that there is a lack of evidence that points to a bottom up approach being taken in the construction of revenue estimates and this would include CYP investment. We would naturally expect that the £80.693 million CYP investment is capable of being broken down into

[5] https://statesassembly.gov.je/assemblyreports/2019/r.115-2019.pdf
[6] £349 million includes some £6.6 million of Pre-feasibility Vote capital expenditure on 'Our Hospital'

a subjective analysis and that key staffing and supplies expenditure resources can be readily identified.

3.29 If there is sufficient maturity in the investment concept that has been established for each CYP, such investment expenditure components should be capable of identification and analysis by Subjective headings. Generally, the nature of Capital expenditure is substantially related to asset creation and the utilisation or economic payback of that asset for periods in excess of one year. The nature of this type of expenditure is usually very different to CYP revenue exposure. The size of the CYP revenue type expenditure investment is highly significant and clearly mapped to corporate priorities. However, the nature of it is such that we don't get a sense of how such CYP investment will translate into outcomes. Best practice would require departmental service plans to detail the construction of this additional revenue expenditure by investment type and by subjective analysis. This information should be wholly embedded within service plans – welding operational and financial plans together. If this information is being currently 'worked up' and lacks maturity it may weaken the level of reliability and assurance which the plan seeks to achieve. Incorporating aspirational and embryonic estimates into the Plan without the detail and challenge is inconsistent with the high level messaging that the GP seeks to achieve.

3.30 On the wider economic prospects for Jersey the FFP's September report highlights an increased vulnerability from both a global slowdown and uncertainties linked to the UK's position within the EU. The downward revision reflects an element of pessimism and that is factored into the downward adjustment on key economic metrics- "With the prospects for Jersey's economy looking somewhat weaker in the short term[7]." Outwith external factors there is also the impact on Jersey as a result of the implementation of the investment programme and in many ways the plan points to investment which should stimulate an element of economic growth. However, we are uncertain about the degree to which the dependency on the 'size' public sector changes in Jersey as a result of the impacts of various strands of the GP including a radical redesign of the workforce to accommodate transformational change. This would include the stimulus effect of investment or indeed potential inhibitors arising from negative impacts on GVA and revenues. Indeed, questions may arise about the availability of market capacity within the island itself and extent of potential 'leakage' of investment outwith the island where external contractors are being deployed for larger projects.

3.31 In summary there is not enough precision and sense of capacity to assess whether the GP will act as a stimulus or otherwise. Indeed, in reality it may have a largely neutral effect if major transformational change is not achieved in the short to medium term.

Corporate Finance Strategy

3.32 The overall interaction of funds and the movement on these key funds is outlined with the Plan, with a marked overall trajectory of growth:

[7] Jersey's Fiscal Policy Panel –Updated Economic Assumptions -23 September 219 – Page 3

Special funds balances	2020 (£000)	2021 (£000)	2022 (£000)	2023 (£000)
Strategic Reserve Fund	**887,200**	**927,200**	**969,800**	**1,014,400**
Stabilisation Fund	**86,500**	**103,400**	**120,600**	**138,000**
The Health Insurance Fund	**107,300**	**116,900**	**126,100**	**135,300**
The Long-Term Care Fund	**44,400**	**63,200**	**79,600**	**93,900**
The Social Security Fund	**101,350**	**100,436**	**102,794**	**113,734**
The Social Security (Reserve) Fund	**1,923,300**	**2,029,000**	**2,142,700**	**2,262,800**
The Currency and Coinage Funds	**115,400**	**115,400**	**115,400**	**115,400**
The Jersey Reclaim Fund	**16,500**	**16,500**	**16,500**	**16,500**
Housing Development Fund	**226,200**	**227,400**	**228,700**	**229,800**
Climate Emergency Fund	**4,455**	**4,005**	**4,705**	**5,405**
Other Special Funds	**24,186**	**18,396**	**18,396**	**18,396**
Total	3,536,791	3,721,837	3,925,295	4,143,635

3.33 Historically Jersey has done exceptionally well with in the management of investments but there now exists a level of uncertainty relative to Brexit, consistently low interest rates and instability within the wider world economies that potentially threaten the size of investment returns. We understand that headroom will be required for 'Our Hospital' and there may be a future requirement to provide finance or underwrite borrowing for public sector housing (Andium Homes). The above extrapolation of the above growth in funds is contingent on the Government Plan 2020-2023 financial model being delivered. Where investment return expectations are not realised in reality there will be the need to consider additional measures such as increasing taxes although we do understand that the Plan restates and expands upon Tax Policy

3.34 Whilst the aggregate year on year increases in the above funds reflect expectations on performance in the delivery of the Government Plan, there will need to be some realism and agility applied to recalibrate expectations on the balances. The current Plan does not readily expand on how that will be achieved in practice.

3.35 On financial strategy and the corporate management of assets we do not see any linkage narrated on how asset replacement investment decisions and the deprecation figures imported within the final accounts are taken into account within the GP.

4 Concluding comments

4.1 Overall the Government Plan 2020-2023 clearly attempts to provide balance between resilience and financial stability over the longer term whilst delivering unparalleled levels of investment and transformational change. The GP is highly ambitious and is, in our opinion, significantly stronger than the previous MTFP versions on bringing together corporate policy delivery within an overall financial model. There is a bringing together of financial and expected operational policy performance in a way that was not evident within MTFP I and MTFP II. Our assessment against CIPFA's Five Star Financial Management Model highlighted some strengths but a number of deficiencies against best practice.

4.2 In terms of strengths the GP is well constructed and we would commend the articulation and incorporation of explicit corporate objectives within a financial plan. The GP seeks to provide the stability to enable such objectives to be delivered over the four year period whilst enabling agility to recalibrate for any unforeseen events or over/underperformance. We are pleased that the Plan incorporates a number of our recommendations relating to previous MTFP scrutiny work including :

- The flexibility derived from adopting a rolling' four year approach
- Elimination of ring fencing of capital investment resources at project approval stage
- Arrangements for improve accountability for the delivery of financial performance at the services – e.g. CYP investment as well as base service budgets
- Improved articulation of service outcomes against departmental/service budgets
- More explicit balance sheet management

4.3 However, there is a marked lack of transparency on the detail behind a number of key components of the GP that should be foundational to a robust Government Plan that includes an embedded MTFP. This lack of transparency covers:

- Detail behind basic departmental service plans (including demographic and economic service demand expectations) including staffing structures
- Base budget construction and how this is integrated within service planning
- Efficiency savings – absence of detail and workforce implications and the extent that such efficiency savings are cashable rather than counter-factual
- Detail behind CYP investment including required additional staffing, consultancy and service enhancement and in-year change costs
- Capital investment –particularly the detail behind significant IT and service change re-engineering investment
- Capital and CYP investment performance management - there does not appear to be a realistic overall appreciation of slippage or optimism bias and how that would impact carry forwards to successive financial years

4.4 In essence, the acute lack of detail and associated levels of assurance on basic departmental service plans and staffing structures cast some doubt on the robustness of the overall GP. As highlighted within our Five Star assessment, the lack of alignment with underpinning service planning and a lack of granularity in terms of the lack of supporting workings are the principal weaknesses. The foundational budgets and investment allocations appear to be more aspirational than being formulated on detailed stress tested business case change plans.

4.5 The absence of core detailed workings, core assumption risk testing and service plan information is disappointing as the GP has the potential to be an exemplar in the approach being taken to assimilate financial strategy with corporate objectives. We accept that the GP tries to provide stability over the rolling four year period with only the first year of detail. However, we would be of the view that there is a lack of evidenced based detail for even year one (2020) notwithstanding years 2 to 4 (2021-2023).

4.6 Whilst the available supporting documentation aims to achieve a comprehensive approach, such documentation does not provide the appropriate level of assurance that there is consistently available detailed workings behind investment and savings proposals. However, such is the level of transformational change it is appreciated that it may not be possible at this time to provide detailed financial estimates of change and efficiency programmes. However we were expecting more detail to be available. It may well be the case that in reality Capital and CYP investment forecasts and cost exposure will prove to be significantly over optimistic and this may be matched or 'balanced' by reductions in actual outturns achieved on Tax Yield and other revenues.

4.7 In respect to embedded Income Tax Estimates, given the latest downward revision of economic metrics by the FPP we would advocate a more prudent approach be taken in the formulation of Income Tax Estimates. For example, as highlighted in paragraph 3.15 it may be more prudent to take a midpoint position between the Lower and the Central Scenario in the establishment of the relevant base income figures.

4.8 There is no doubt that the GP strategy keenly focusses on delivering transformational change and value for money. Together with the attributes listed above, the GP as currently constituted highlights a significant change of direction on financial strategy formulation and should be commended on a number of levels.

4.9 The GP should provide high level assurance on financial stability and in many ways it appears to do that, especially through its inherent level of flexibility and visibility on movements on reserves. It should help inform future tax and spend decisions but at this time, the GP may not provide the appropriate level of detailed transparency and level of detail on the impacts of the high levels of transformational change that will allow an accurate appreciation and full consideration of all risks relevant to future tax and spend decisions. It is hoped that any subsequent revisions/modifications of the GP going forward through 2021 and beyond include significantly more granularity.

4.10 Finally we would wish to take this opportunity to record our sincere gratitude to Members of the States Assembly, Management and Staff at the Government of Jersey for the provision of extremely valuable support in the course of our work.

Appendix 1

CIPFA Financial Management Model – Extract of Relevant Statements and Supporting Questions

Delivering Accountability – Leadership	
L3	**Within an annual budget setting process the organisation's leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation's financial and activity performance in delivering planned outcomes.**
1.	The annual budget setting and allocation process is based on sound evidence of costs and income together with an assessment of sensitivities to external and internal influencing drivers of change?
2.	Are taxes, fees, charges and other sources of income including transfers set in accordance with a robust fiscal/ financial strategy in full alignment with the delivery of strategic objectives and outcomes?
3.	Does the budget process demonstrate that resources are allocated in alignment with strategic objectives and facilitates the conversion of strategy into the operational delivery of outcomes?
4.	Does the board review activity levels, actual spend, balance sheet items, and forecast outturn against the budget, at a minimum quarterly, to ensure the organisation will not overspend and that income and expenditure are in line with budgets and agreed policy, and is achieving planned outcomes?
5.	Do the management team review activity levels, key performance indicators, actual spend, balance sheet items, and forecast outturn against the budget monthly, to ensure the organisation will not overspend and that income and expenditure are in line with budgets and agreed policy, and is achieving planned outcomes?
6.	Does the organisation have arrangements which allow the budget and financial strategy to be recalibrated in response to unforeseen fiscal events – eg unfavourable tax yields, reduced external funding, etc?
7.	Are there appropriate arrangements in place for reporting and managing the financial performance of each of the organisation's delivery partnerships and collaborative arrangements?
8.	Does the board/leadership team pack contain a financial summary which transparently highlights performance?
9.	Is financial information relevant, clearly presented, timely and comprehensible to the non-financial reader? Does this apply to board member reports as well as management team reports?
10.	Are there processes to adjust budgets in year and to seek board or management team level approval if activities major programmes are varied by more than pre-set tolerances and are such decisions transparent, justified and made in accordance with the organisation's rules?
11.	Is the board/management team responsive to changes in financial assumptions impacting performance and adapt decision making to deliver corrective action?

12.	Has the organisation a declared policy on treatment of over- and under-spending, including end of year flexibility?
13.	Are financial management policies reviewed regularly and updated?
14.	Are financial management policies communicated to managers and the management team, widely understood and consistently applied?

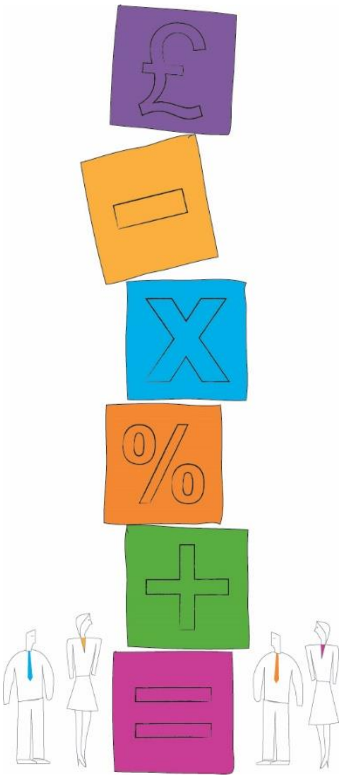
Supporting Performance – Leadership	
L4	**The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focused business objectives and priorities.**
1.	Does the medium-term financial plan project forward the financial position for at least three years and based upon based on analysis of cost and income implications of policy choices?
2.	Is the medium-term/longer-term financial plan embedded within the organisation's corporate business plan?
3.	Does the corporate business plan demonstrate how resources are allocated strategically to deliver the organisation's aims, objectives and priorities?
4.	Are operational plans fully aligned with the medium-term/longer-term financial plan?
5.	Does the medium-term financial plan draw together realistic estimates of funding to support the achievement of strategic objectives?
6.	Is the corporate business plan developed in collaboration and align with delivery partners and stakeholders?
7.	Are outcome focussed targets and performance indicators clearly set out in corporate business plan and related operational plans?
8.	Does the medium-term financial plan examine scenarios to develop financial flexibility, adequate contingency and reserves, based on a risk assessment and sensitivity analysis?
9.	Does the leadership team approve and understand the demand management strategies for demand led services and activities?
10.	Does the board and management team regularly review priorities to enable resources to be redirected from areas of lesser priority, not relying principally on pro rata cuts to generate savings?
11.	Are individual delivery partnerships and related financial impacts evaluated to ensure they are linked clearly to policy objectives and organisational goals/outcomes?
12.	Does the leadership team consider alternative arrangements where performance of a partnership is not meeting expected levels?
13.	Are there clear financial management policies that together underpin sound and sustainable long term finances?

14.	Do financial management policies support strategic business aims, resilience and financial standing?
15.	Does the organisation prepare a workforce strategy and is this aligned and embedded with the corporate plan?
16.	Are workforce related performance, costs and liabilities incorporated within strategic planning formulation e.g. pension liabilities, sickness and absence?

Enabling Transformation – Leadership	
L6: The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	
1.	Does the board and the management team rethink and reformulate its business model to respond to a changing environment incorporating future financial scenarios?
2.	Is an understanding of financial implications, opportunities and risks integral to developing new business models and alternative service delivery mechanisms?
3.	Are performance and cost measures, including comparative and 'best in class' information, used by the board and senior managers to indicate business areas where radical rethinking of delivery is needed?
4.	Does the leadership team actively develop mechanisms to secure new capacity and resources for the organisation?
5.	Are funds earmarked to facilitate innovative or invest to save projects?
6.	Are financial and service benefits clearly defined and integral to the realisation of benefits from change programmes and drawn up, before embarking on such programmes?
7.	Does the board reporting strike an appropriate balance between 'business as usual' and development/change activities?
8.	Is a joined-up/cross-cutting approach adopted in change plans and reflected in budgets and accountability?
9.	Are affordability, value for money and risk transfer/management calculations an integral part of project appraisal and business plans?
10.	Has the organisation a track record in change management, including delivering planned outcomes within budget and realising required service benefits?
11.	Is the organisation prepared to stop projects that lose sight of planned benefits for planned resource inputs?

Delivering Accountability - Processes	
PR1	**Budgets are accrual based and robustly calculated**
1.	Is the budget setting process accrual based and formulated upon a ‘bottom up approach?
2.	Does the budget setting process incorporate aspects of outcomes based budgeting, targeted zero based budgeting and/or activity based costing approaches?
3.	Does the organisation prepare its budget in accordance with its corporate objectives, strategies and medium-term financial plan?
4.	Are forecast or actual budget variances and trends reflected in the budget setting process?
5.	Are revenue and capital budgets based on plans and projections about resource needs, pay and inflation, productivity levels, and income?
6.	Are cost reductions, growth and savings options identified and reliably costed as part of the budget process?
7.	Does a risk assessment of material items of income and expenditure inform budget setting, and their reporting to the board with financial implications, mitigating actions and contingency provisions?
8.	Are fees, charges and concessions, including new options, related to policy objectives and reviewed annually?
9.	Are the revenue consequences of the capital programme and other expenditure commitments, including the consumption of capital (e.g. depreciation) fully reflected in revenue budgets?
10.	Is the reporting of cashable efficiency gains reconciled with and fully reflected in the budget setting process?
11.	Are managers fully involved in setting their budgets, working with finance staff, so that they take ownership?

Supporting Performance - Processes
PR10 The organisation's medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective Business Plan.
1. Does the organisation produce a medium-term financial plan covering a minimum period of three years?
2. Is the medium-term financial plan consistent with the organisation's aims and objectives and is reflective of a business plan for the organisation?
3. Does the organisation use formal processes to link the medium-term financial plan to other organisational plans (e.g. IT strategies, workforce strategy, asset management plans and service development plans)?
4. Does the organisation use formal processes to link the medium-term financial plan to the annual operational budgets?
5. Does the medium-term financial plan fully reflect the implementation of new technology to workflow processes and impacts on the workforce and overheads?
6. Does the medium-term financial plan consider options for new sources of income, new ways of reducing costs and of attracting additional sources of funding?
7. Does the medium-term financial plan incorporate the organisation's asset management planning including an assessment of the condition, sufficiency and suitability of assets in the light of business needs?
8. Does the organisation automatically recalibrate its medium-term financial plan for any changes arising from budget setting, forecasting or actual performance monitoring processes?
9. Does the medium-term financial plan take account of local and national priorities, changing legal requirements, demographic trends and demand levels and national standards?
10. Does the organisation's medium-term financial plan reflect joint planning with partners and other stakeholders - do delivery partners' financial plans link with the medium-term financial plan?
11. Is the medium-term financial plan regularly reviewed and approved by the board?



CIPFA The Chartered Institute of Public Finance & Accountancy

Registered office:
77 Mansell Street, London E1 8AN
T: 020 7543 5600   F : 020 7543 5700
www.cipfa.org