Review of the Efficiencies Plan and Government Plan 2021-2024 Rebalancing Measures

Government Efficiencies Review Panel

14th December 2020

S.R.17/2020

States of Jersey
States Assembly

États de Jersey
Assemblée des États

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Government Efficiencies Plan Review Panel membership

The Review Panel comprised the following States Members

Deputy Geoff Southern

Chair

Deputy Mike Higgins

Connétable Richard Vibert

Chair's Foreword

The Review Panel is firmly of the belief that the key drivers for efficiencies should be to reduce waste, duplication of work, and to utilise and maximise use of the considerable assets of the States of Jersey. Islanders want to see Government spending on the areas that matter most to them – including health, education, training and skills, the environment, protecting the vulnerable and delivering a strong economy with diverse job opportunities.

Equally, Islanders are keen to ensure that any efficiencies don't widen the inequality gap or further disadvantage those who already have the least. It is important to remember, when considering the Government's aggressive drive for efficiencies, especially for savings in health, education and children's services, that this comes against a backdrop of the Government's borrowing strategy which has been formulated to help finance the cost of Covid-19, estimated to exceed £400 million, in addition to infrastructure investment including the building of the future hospital, which is projected to cost over £800 million.[1]

The Review Panel is aware there is a need to reduce costs, and of course it accepts that there is a need for some borrowing but it is concerned that the greater the borrowing, the longer it will take to service and repay and the more pressure there will be to continue to deliver an aggressive efficiencies programme, further disenfranchising the most vulnerable in our community. The Review Panel has seen little evidence of how the Government's proposed efficiencies complement the Common Strategic Priorities:

1. Put Children First;
2. Improve Islander's wellbeing and mental and physical health;
3. Create a sustainable, vibrant economy;
4. Reduce income inequality and improve the standard of living; and
5. Protect and value our environment

Neither has it seen a concerted effort on behalf of the Government to maximise the potential of the assets it already owns, including a huge property portfolio worth approximately £1 billion. By not delivering an asset strategy, it is still spending hundreds of thousands of pounds on maintaining disused property and keeping hold of property which otherwise could have been sold to make up the shortfall of revenue caused by the Covid-19 pandemic. Instead of repurposing existing buildings for office use or putting our estate to better use for the community, it leases privately owned properties, wasting even more money. We rent premises at 28-30 The Parade, at over £1.1 million a year for the next 4 years and yet the Government is asking for the care-leavers programme, a service to help children leaving residential care to find homes, to be reduced by £100,000.[2]

The Review Panel is concerned that the Government displays profligacy on the one hand, for example by renting premises outside its already vast estate, and penny-pinching on the other by reducing some services to the already hard-hit Islanders – the continuation of an aggressive efficiencies programme can only lead to cuts in services. We strongly recommend that the Government does not impose any efficiency which runs counter to improving Islanders' wellbeing and their standard of living.

[1] Government Plan 2021-2024 Annex, page 89

[2] At the time of finalising this report, we note the Council of Ministers has lodged an amendment to its Government Plan, to effectively adopt the Children, Education and Home Affairs Scrutiny Panel's amendment, to reinstate funding for the scheme.

Executive Summary

COVID-19 has had a huge impact on the economy and it has made it extremely difficult for the Efficiencies Review Panel to track the efficiencies originally identified, especially as the Government removed the identified savings from the departmental budgets, then, as the Covid-19 pandemic took hold, merged its ongoing efficiencies plan into a 'rebalancing' programme. This changed how the 2021 Efficiencies programme would be developed. Where departments could not meet the efficiencies originally agreed, they were expected to deliver alternative efficiencies (described by the Chief Minister as 'Plan B'), or adopt 'Plan C', which was to defer projects or growth expenditure in order to 'get across the line' of achieving efficiencies.

The Review Panel was originally established to receive 6-monthly reports from the Board, then publish a 6-monthly report of the Panel's findings to the States Assembly. However, with the onset of Covid-19, the Efficiencies Programmes Board Director advised that the pursuit of the Efficiencies Programme, namely the delivery of £40 million of efficiencies identified in the Government Plan, and the identification of £20 million of efficiencies to be delivered in 2021, had been fundamentally impacted, rendering the original assumptions on which the Efficiencies Programme was based, 'invalid'.

The Efficiencies Review Panel therefore needed to also reconsider its approach. It agreed it would need to refocus its time on trying to not only monitor the efficiencies already made but also try to investigate the ongoing drive for efficiencies, now termed 'rebalancing'. Those investigations inform this Report.

The Efficiencies Review Panel takes issue with the way in which the figure of £40 million of efficiency savings for 2020 had been arrived at. It would seem as though it was identified as the target amount rather than analysis being undertaken regarding what could be reasonably achieved[3] and appeared to be a series of aspirational targets for the Government to impose[4] upon departments.

The Review Panel has seen little evidence of planned efficiencies aligning with the Common Strategic Priorities that the States Assembly signed up to, in particular 'Putting Children First', 'Reduce Income Inequality or 'Improve Islander's Wellbeing'. Furthermore, the results of surveys and other feedback from Islanders have been largely ignored, in the Government's pursuit of efficiency savings. The Review Panel found that the Government paid scant regard to people's concerns about where savings could be made without further detriment to Islanders most in need.

The lack of detailed analysis behind the business cases for efficiencies was also a major concern. There is little evidence that the ongoing programme of rebalancing measures is based on a strict value for money approach, or that it has been weighed in favour of closing the inequality gap. Rather, it is the opinion of the Efficiencies Review Panel that many efficiencies or rebalancing measures have been driven by the acute demand for the realisation of cashable savings to bridge the budget setting gap, irrespective of the impact on vulnerable members of the public.

[3] At the 'fact-checking' stage of this report, the Programmes Director commented on the draft report and stated that £40 million 'could reasonably be achieved in an organisation the size of the Government of Jersey' (by email 14 December 2020) - the Efficiencies Review Panel stands by its wording.

[4] At the 'fact-checking' stage of this report, the Programmes Director commented on the draft report and stated that 'all departments proposed and agreed the efficiencies themselves, they were not imposed' (by email 14 December 2020) - the Efficiencies Review Panel notes that the budget was cut according to pre-Covid-19 impact considerations and therefore stands by its wording.

Summary of findings and recommendations

Key Findings

FINDING 1

The Efficiencies Panel considers that the £40 million efficiency savings had been identified as the target amount, rather than analysis undertaken, regarding what can reasonably be achieved.

FINDING 2

Not only is the original definition of an 'efficiency' flawed, it has been widened to encompass a swathe of cost cutting measures.

FINDING 3

The change towards a 'rebalancing' narrative suggests that efficiency savings are not achievable. There is insufficient evidence to suggest the Government has carried out in-depth impact assessments of the continuation of the aggressive Efficiencies Programme.

FINDING 4

It has been impossible to isolate the impact of any efficiency itself from the significant impact that the pandemic has had on vulnerable groups.

FINDING 5

There is insufficient data to support the deferral of the Care Needs at Home project, and this is an efficiency that would have an unacceptable impact on Islanders' well-being.

FINDING 6

The last minute amendment by the Council of Ministers to reinstate the funding for the Office of the Public Ombudsman is yet more evidence that the Government simply proposed reduced budgets without truly considering or understanding the impact on already disenfranchised members of the community and without due regard for Common Strategic Priorities, especially Improving Islanders' Wellbeing and Improving Islanders' Standard of Living.

FINDING 7

It has been impossible to isolate the impact of any efficiency itself from the significant impact that the pandemic has had on customers, colleagues and services. We are unable to conclude whether the efficiencies planned for 2021-2024 are appropriate.

FINDING 8

The Efficiencies Panel considers there is too great an emphasis on broad efficiency measures without acknowledging the 'human' impact of these efficiencies, especially where they appear to run counter to Common Strategic Priorities.

FINDING 9

The Government has not placed enough emphasis on its own surveys including '*Listening to Islanders'.*

Key Recommendations

RECOMMENDATION 1

The Council of Ministers should ensure that there is detailed analysis behind the business cases for efficiencies before imposing them upon departments.

RECOMMENDATION 2

The efficiencies should be easier to track and identify as 'A, B, or C,' measures and also whether they run counter to Common Strategic Priorities.

RECOMMENDATION 3

The Government should ensure there is sufficient data to support an ongoing Efficiencies programme, including societal impact assessments as well as budgetary considerations.

RECOMMENDATION 4

The Government should halt any efficiencies which negatively impact on children and young people and ensure any further planned efficiencies do not negatively impact on this sector of society.

RECOMMENDATION 5

The Government should not defer the 'Care Needs at Home' project unless and until it can provide evidence to support such a move, including a societal impact assessment.

RECOMMENDATION 6

The Government should not defer any project which runs counter to the Common Strategic priorities, unless and until it can provide evidence to support such a move, including a societal impact assessment. It should consider innovations such as outcomes-based contracting, social impact bonds and social impact investing to deliver upon its commitment to the Common Strategic Priorities, before undertaking further efficiency measures and develop its final approach to a sustainable wellbeing impact assessment as a matter of urgency.

RECOMMENDATION 7

The Government should make it easier to track, analyse and assess what the impact of any efficiency measure, including the projects which are halted, deferred or reduced, is on customers, staff and services.

RECOMMENDATION 8

Some of the budget for retaining expert consultants to drive efficiencies programmes should be used to research and develop social impact assessments and the consultants should also be asked to consider the ‘human’ impact any proposed efficiency might have, so as to more closely align them with the Common Strategic Priorities.

RECOMMENDATION 9

The Government should invest in, monitor, and truly reflect on surveys and other indicators, to fully understand and better reflect the priorities of Islanders in any efficiency or rebalancing programme.

Background

Government Plan 2020-2023

The first Government Plan (the Plan)[5] was published in 2019 and replaced the previous Medium-Term Financial Plan (MTFP). It aimed to shift the general focus from income and expenditure to the underlying projects and strategic priorities being funded and included a definitive plan for the first succeeding financial year (2020) and similar projections for the following three financial years.

Budget Forecasts Pre-COVID

In the first Government Plan 2020-2023, it had been agreed that there would be £824 million of spending on public services in 2020 by States departments. This compared to a budget of £735 million in 2019[6], was a 12% increase in spending. The amount included new spending totalling £81 million[7] in 2020, and £40 million of efficiency savings[8].

Government Plan Review Panel 2020

The Government Plan Review Panel (GPRP) was formed in 2019 to coordinate the scrutiny of the Government Plan. The Scrutiny review of the Plan took a thorough approach, looking at each Action, Business Case for Additional Revenue Expenditure, and Business Case for Capital Expenditure in as much detail as possible with the information provided by Government. The GPRP also reviewed the proposed Efficiencies Programme through interaction with Ministers and Departments, and reviewed relevant statements required through the Public Finances (Jersey) Law 2019 (such as 6-monthly statements required under Part 23).

Recommendations Made in 2019 for the First Government Plan

The Government Plan Review Panel, in 2019, made several findings and recommendations relating to the proposed efficiencies and one major amendment, as below:

FINDING 1.9

The detail of the efficiencies programme was released too late for adequate scrutiny to occur and the Government's definition of efficiencies is flawed.

RECOMMENDATION 1.10

Detail on efficiencies should be released at the same time as the Government Plan is lodged.

RECOMMENDATION 1.11

Efficiencies should only be defined as genuine saving measures. A separate definition should be used for increased fees or charges.

RECOMMENDATION 1.12

The full Efficiencies Programme, including business cases for planned savings measures, should form part of the Government Plan and be approved by the Assembly.

RECOMMENDATION 1.13

Detailed analysis is required on how efficiencies have been scoped and calculated.

[5] Proposed Government Plan 2020-2023
[6] See Government Plan Table 56, p196-197. It should be noted that actual spending in 2019 was forecast at £801 million.
[7] See Government Plan Table 56, p196-197
[8] See Government Plan p110

Amendment – Temporarily Remove the Efficiencies Programme from the Government Plan:

The Panel will lodge an amendment to temporarily remove the Efficiencies Program from the Government Plan and ask that the Council of Ministers reintroduces the Program as an amendment to the approved Government Plan, to be voted on by the Assembly. This will allow for a full and proper debate on the Efficiencies Program by the Assembly and a standard scrutiny period[9].

Efficiencies Plan (2019 for 2020)

The first version of the Efficiencies Plan 2020-23 (R.130/2019) was published on 21st October 2019[10] and approved by the Assembly on 22nd October 2019. It had been developed to demonstrate how joining up services, being more commercial and cutting waste would help free up the investment to fund the Government Plan priorities over four years.

This timeline was a source of considerable frustration among Scrutiny Panels and other States Members, as it allowed only 3 weeks for States members to consider the proposed efficiencies before the deadline for lodging amendments to the Government Plan 2020-2023. Although Scrutiny Panel Chairs received an initial briefing on 19th September, they only received a high-level summary of the efficiencies and did not have a public document on which to question ministers.

In addition, by the time the plan was published in October 2019, most Scrutiny Panels were already finalising their reports on the Government Plan and therefore did not have the opportunity to analyse or take evidence on the proposed efficiencies.

The departmental allocations that States Members approved on 26th November were before the efficiencies had been applied. This means that there was no legal requirement for Ministers or departments to implement the efficiencies they had committed to.

Ongoing Scrutiny of Efficiencies

P.88/2019, the proposition which effectively separated the consideration of Efficiencies from the rest of the Government Plan, also laid out the intentions for ongoing scrutiny of efficiencies, namely that:

(a) the Scrutiny Liaison Committee, throughout the life of the Government Plan, to undertake, commission or oversee detailed 6-monthly assessments of the planned efficiency savings, specifying the expected impact on the ongoing delivery of public services, by Minister, Department and CSP priority, accompanied by a comparable comprehensive review of the real impact of the previous 6 months' efficiencies;

(b) to agree that the Council of Ministers is requested to bring forward detailed proposals each year, to be included as a separate paragraph within the Government Plan proposition, seeking the Assembly's specific endorsement of each of the efficiencies contained in the Government Plan.

The Chief Minister responded in comments of October 2019, that he recognised the legitimate interest of States Members in how efficiencies were likely to affect services and Islanders. He agreed the efficiency plan for 2021 would be included within the 2021 Government Plan, intended to be lodged in July 2020. This meant that the departments' proposed heads of expenditure in the Government Plan would be after efficiencies were deducted. He stated:

> *…Changes in how we deliver efficiencies may arise in the period after the lodging of the plan, and over the course of the financial year. For example, the Accountable Officer of a department may identify an additional course of action that improves financial efficiency … It would seem detrimental to good public services and delivering*

[9] Govt Plan 2020-2023 7th Amendment: Remove Efficiencies Plan from Government Plan
[10] Government Plan: assessments of planned efficiency savings (P.88/2019), as amended

value for money for the taxpayer if the Accountable Officer could not pursue efficiencies across the department's budget … The longstanding requirement on Accountable Officers to use resources economically, efficiently and effectively is intended to promote departments finding ways to go under budget.

Ministerial Response to Government Plan Review Panel

In his published Ministerial Response[11] in January 2020, the Chief Minister set out, amongst other things his response to the findings and recommendations of the GPRP relating to efficiencies.

Finding No.	Finding	Ministerial Response
9	The detail of the Efficiencies Programme was released too late for adequate scrutiny to occur and the Government's definition of efficiencies is flawed.	The time available for Scrutiny was approximately five weeks from when the Efficiencies Plan was published. It should be noted that Scrutiny received most of the efficiencies earlier than the formal document's publication, in tranches, shortly after each was seen by the Council of Ministers. In addition P.88/2019 has also been adopted by the Assembly.
Recommendation No.	Recommendation	Ministerial Response
10	Detail on efficiencies should be released at the same time as the Government Plan is lodged.	P.88/2019 has already been agreed and adopted by the Assembly.
11	Efficiencies should only be defined as genuine saving measures. A separate definition should be used for increased fees or charges.	General definitions of efficiencies, and classifications of each proposed efficiency, will continue to be clearly set out in future plans.
12	The full Efficiencies Programme, including business cases for planned savings measures, should form part of the Government Plan and be approved by the Assembly.	Detailed efficiency proposals will be published with the Government Plan. Each proposal will include: description of the current state and proposed efficiency description of the financial context - impact analysis on customer service, workforce, CSP alignment certain efficiencies will also be impact assessed against economic impact and patient safety – risks and mitigating actions requirement for legal or regulatory changes approach to measurement. This may or may not include individual business cases.
13	Detailed analysis is required on how efficiencies have been scoped and calculated.	As stated in response to the Government Plan Review Panel, rather than business cases (which will continue to be used to propose revenue and capital

[11] Ministerial Response to GPRP Report, 9 January 2020, S.R. 13/2019. Res

		growth bids) detailed efficiency proposals will be published with the Government Plan. Each proposal will include: - description of the current state and proposed efficiency – description of the financial context - impact analysis on customer service, workforce, CSP alignment – certain efficiencies will also be impact assessed against economic impact and patient safety – risks and mitigating actions requirement for legal or regulatory changes approach to measurement.

Establishment of an Efficiencies Review Panel

In keeping with P.88/2019, the Scrutiny Liaison Committee commissioned the Government Plan Efficiencies Review Panel (Efficiencies Review Panel or ERP)[12] to:

1. Undertake, commission or oversee detailed 6-monthly assessments of the planned efficiency savings outlined by the Council of Ministers through the Government Plan process (as agreed through P.88/2019).

2. Assess the expected impact on the ongoing delivery of public services, by Minister, Department and Common Strategic Policy (CSP) priority, accompanied by a comparable comprehensive review of the real impact of the previous 6 months' efficiencies.

3. Consider the financial, social and administrative implications that these efficiencies may have on islanders, especially those in receipt of public services.

Original Timescale

The Efficiencies Review Panel had originally expected to progress work on its review according to the following timetable:

February 2020 – April 2020 - Evidence gathering, including requests to Ministers and Departments for information, as well as to other identified stakeholders.
April 2020 – May 2020 - Continuation of evidence-gathering, with public hearing to be held with Minister and, if required, other identified stakeholders.
May 2020 – June 2020 - Preparation and presentation of the Panel's first Report.

Revised Timescale

With the onset of Covid-19 in March 2020, and the Government's need to divert resources to respond to it, it became clear that the original timetable would have to be significantly revised.

[12] The Scrutiny Liaison Committee commissioned the Efficiencies Review Panel to undertake the 6 Month assessments of planned efficiencies following the adoption of the 2nd amendment to P.88/2019.

The Efficiencies Plan 2020-2023

Definition of Efficiencies

The Efficiencies Review Panel recalled that in 2019, the Government Plan Review Panel had significant concerns surrounding the entire efficiencies programme, leading to the main finding in its consolidated Scrutiny Report on the Government Plan 2020-2023 (November 2019), that the Government's definition of efficiencies was flawed.[13] The Efficiencies Review Panel also had doubts about what had been termed as an 'efficiency', noting that the Government had, for example, included increased revenue as efficiency savings:[14]/[15]

The Efficiencies Review Panel noted that the expenditure efficiencies to realise the Government's ambition to achieve £100m of efficiencies, with the first £40m to be achieved in 2020, had been defined and categorised as follows:[16]

> *Definition of an efficiency*
>
> *Efficiency signifies a level of performance that uses the least amount of input to achieve the highest amount of output. Reflecting the broader strategic and operational objectives of the Government of Jersey, programme efficiencies include:*
>
> *1. A reduction in revenue spend, delivering better-quality services for less, through:*
>
> - *reducing non-essential spend and developing lower-cost alternatives*
> - *streamlining processes*
> - *integrating services and functions and reducing duplicate activity.*
>
> *2. More efficient collection of existing income and better debt management*
>
> *3. Increasing the Government's revenue through further recovery of existing costs, moving towards full cost recovery of services where appropriate.*
>
> *4. The extension and increase of existing charges or introduction of new charges as revenue raising measures.*

The Chief Minister, in a hearing with the Government Plan Review Panel in October 2019, had accepted that the definition was not accurate in terms of the true meaning of efficiencies:

> **The Chief Minister:**
>
> *We were very clear, I think I have said all the way through, that we have got to be demonstrating that we are seeing efficiencies and I accept from that terminology is that going to be 100 per cent efficiencies or majority efficiencies using the proper term of "efficiencies" by the way and there are always some tweaks around this…*[17]

The Review Panel maintains its concerns about the Government's original definition of efficiencies, and its ongoing concern about the broadening of the Government's definition of 'efficiencies' into 'rebalancing' measures.

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[13] Government Plan Review Panel (consolidated) Scrutiny Report
[14] Government Plan Review Panel (consolidated) Scrutiny Report
[15] Efficiencies Plan 2020-23
[16] Efficiencies Plan 2020-23
[17] Transcript of Government Plan Review Panel hearing with the Chief Minister – 10th October 2019

Role of the Efficiencies Programme Board

The Efficiencies Plan had set out £100 million of efficiencies over four years including nearly £40 million to be saved in 2020, and an Efficiencies Programme Board had been established which comprised Jonathan Williams, Programme Director, Efficiencies Programme Board and John Quinn, Chief Operating Officer, Chief Operating Office (COO), with the Chief Minister as the Chair of the attendant Political Oversight Group.

The original intention had been for the Efficiencies Review Panel to receive 6-monthly reports from the Board, then publish a 6-monthly report of the Panel's findings to the States Assembly. However, with the onset of Covid-19, the Efficiencies Programmes Board Director advised that the pursuit of the Efficiencies Programme, specifically the internal governance and processes to develop plans for 2021 and beyond, had been:

> *'fundamentally impacted by Covid-19, which has had a significant impact on the financial performance of the Government of Jersey. The significance of this impact rendered the original assumptions, on which the Efficiencies Programme was based, invalid'.*

However, the plan to deliver £40 million for 2020 continued. The Efficiencies Review Panel therefore needed to also reconsider its approach. It agreed it would need to refocus its time on trying to not only monitor the efficiencies already made but also try to investigate the ongoing drive for efficiencies, now termed 'rebalancing'.

Collecting Evidence

In order to review the progress of the Efficiencies Plan and understand the new approach the Government was taking, the Review Panel:

- held private briefings with the Efficiencies Programmes Board and the Chief Minister (in his role as the Chair of the attendant Political Oversight Group)
- received responses to questions posed by the Review Panel, from the Ministers of Children and Housing, Environment and Education
- held a public hearing with the Chief Minister on 12th November 2020
- exchanged correspondence with the Chief Minister and senior officers on numerous occasions, as referenced throughout this report.

Key Issues

The Efficiencies Review Panel refocused on the following issues which form the basis of this report:

- How were efficiency savings identified and were they on track?
- What additional savings have been identified?
- Where a saving target was not met, what alternative saving was implemented?
- How have impacts (including Covid-19) been identified and measured, and have there been any unintended consequences because of efficiency savings?
- What is the intended programme of efficiencies going forward and how will this be monitored?

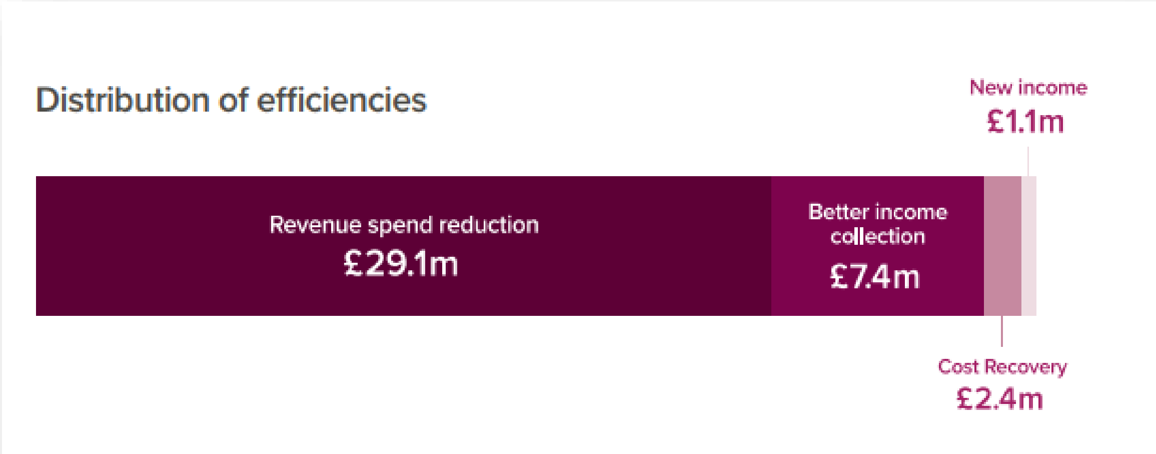
The Review Panel was keen to avoid the significant risk of duplication of work, given that the standing Panels would follow up on outcomes in their subsequent Government Plan Reviews. Many of the efficiencies would need to be analysed by the standing Panels as part of their ongoing programme of work throughout the year.

The following table links to the Government Plan 2021-2024 Reviews undertaken by each Scrutiny Panel, whose reports each contain a review of the efficiencies achieved in 2020 and detailed analysis of the further efficiencies to be imposed by the Government Plan 2021-2024, together with an overarching review of the Government Plan 2021-2024:

Scrutiny Panel	Government Plan 2021-2024 Review (link to Report)
Government Plan (Review Panel)	Government Plan Review 2021-2024
Corporate Services	Corporate Services
Children, Education and Home Affairs	Children, Education and Home Affairs
Health and Social Security	Health and Social Security
Economic and International Affairs	Economic and International Affairs
Environment, Housing and Infrastructure	Environment, Housing and Infrastructure

Progress on Efficiencies Plan of 2020

As of October 2019, the Government's 'Distribution of Efficiencies':



In 2019, CIPFA[18] had been provided with an early version of the Efficiencies Plan, which contained details of £32.78 million of the efficiencies. They drew attention to the lack of detailed information to support the proposed efficiencies and highlighted that the savings need to be cashable.

> *Our concerns in this area focus on the lack of detailed information to support each strand of measure … there is an absence of detail which we would expect to see that would provide some indication as to the maturity of 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 as opposed to 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 exist that can be delivered in one year 2020.*[19]

Closure Report

The Government's Efficiencies Programme formally ended in April 2020 and the Board produced a 'closure' report which was not published. Prior to receiving a copy of the Efficiencies Programmes Board Closure Report, the Government Efficiencies Plan Review Panel held a briefing on 12th June 2020 with the senior officers. The officers explained that the Government were putting forward a 'recovery plan' which would incorporate a revised Government Plan with a new 'financial envelope', a reduced budget. The Chief Minister, in his role as political overseer of the Efficiencies Programme, advised:

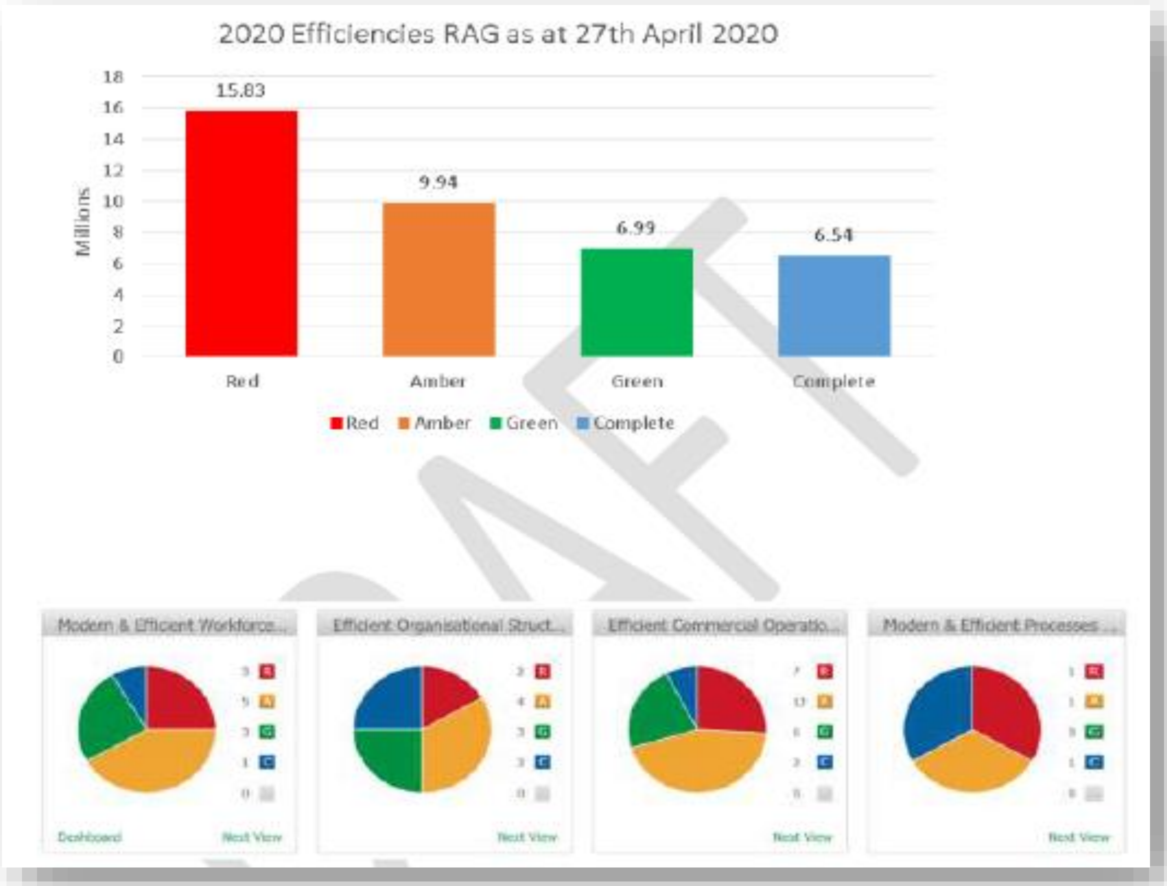
> *As the financial impact of Covid-19 emerged in 2020, it was clear that immediate action was required to manage the short-term impacts of the pandemic on government finances and that longer-term measures were also required to maintain sustainable*

[18] Charted Institute of Public Finance and Accountancy – commissioned by the Government Plan Review Panel in 2019 to review elements of the Government Plan
[19] Government Plan Review Panel (consolidated) Scrutiny Report

> *public finances. At this point, the efficiencies programme was subsumed into the 'rebalancing' workstream to broaden the scope with that aim.*[20]

The Review Panel asked the Chief Minister about the diagrams depicting a Red/Amber/Green status of efficiencies, contained with the Efficiencies Programmes Board closure report as at 27th April 2020. This showed that nearly £7 million of efficiencies had been marked as complete but there was over £15 million outstanding. The Efficiencies Review Panel noted that, by April 2020, few of the efficiencies had been achieved, even though the money had already been removed from the budgets, and the Executive Leadership Team had driven the savings in any event:

> The delivery of the 2020 efficiencies was materially affected by the impact of COVID-19. At programme closure the RAG status on delivery of efficiencies was as set out below. ELT concluded it was important to retain focus on delivering these efficiencies in 2020 and, in the event, this was not possible to develop alternative strategies to remain within cash limits.



[20] Letter from Chief Minister to Chair of Efficiencies Review Panel, via email 1st October 2020

The Review Panel also noted that, in the 'Lessons Learned' part of the report and even by the Board's admission, in most cases, the data collected, and impact assessments were inadequate in relation to the efficiencies drive:

Lessons Learned

A lessons-learned exercise was conducted with key stakeholders at the end of 2019; the following feedback was provided with some consistency:

1. Impact analysis is important to confirm alignment with Common Strategic Priorities
2. Short timescales drive a tactical approach (inevitable in year one), drive for a more transformational approach in the future
3. Short timescales also created implementation challenges, particularly alongside ambitious Government Plan investments
4. Deep dive into departments worked well (will become ZBB in 2020) although risked detracting from OneGov focus
5. Shift of ownership from programme team to ELT (2021 activity led by Director Generals) important to drive ownership and delivery
6. More work required to create quality data on which to base proposals
7. Early allocation of centrally held and/or OneGov efficiencies to departmental budgets
8. More focus on, and scrutiny of, OneGov opportunities and application of OneGov principles
9. Bottom up approach (rather than application of a % saving target) is considered the right approach although challenging to deliver.
10. Managing the double count risk is a continuous process (risk created by co-development of OneGov and Departmental efficiencies)
11. Before approval proposals should contain sufficient detail to substantiate both the magnitude and delivery of each efficiency.

The Efficiencies Review Panel took issue with the way in which the figure of £40 million of efficiency savings for 2020 had been arrived at. It would seem as though it was identified as the target amount rather than analysis being undertaken regarding what could be reasonably achieved (the Chartered Institute of Public Finance and Accountancy backed this up in their 2019 report on the proposed Government Plan 2020-2023)[21]. Instead, the £40 million earmarked for efficiencies appeared to be a series of aspirational targets for the Government to impose upon departments. The lack of detailed analysis behind the business cases for efficiencies was also a major concern.

FINDING 1

The Efficiencies Panel considers that the £40 million efficiency savings had been identified as the target amount, rather than analysis undertaken, regarding what can reasonably be achieved.

RECOMMENDATION 1

The Council of Ministers should ensure that there is detailed analysis behind the business cases for efficiencies before imposing them upon departments.

[21] See part 2.16, page 8 of Appendix 8 - Page 501 of report

Six Month Progress Report of the Government Plan 2020-2023

The Review Panel received the published 6-month progress review of the Government Plan 2020-2023 at the beginning of September 2020. It stated that at the half year position, around £28m of the £40m planned efficiencies for 2020 were due to be delivered and included a breakdown per department of the efficiencies made:

Department	Budget £000	Forecast £000	Variance £000
CLS	2,220	1,276	944
COO	1,523	1,523	0
CYPES	3,576	1,190	2,386
GHE	1,151	323	828
HCS	9,000	4,029	4,971
JHA	1,589	763	826
JHA:SoJP	200	200	0
OCE	675	675	0
SPPP	283	283	0
T&E	1,310	740	570
Department sub total	21,527	11,002	10,525
General Revenue Income	7,350	6,350	1,000
Centrally held	11,140	10,440	700
Grand total	**40,017**	**27,792**	**12,225**

The Review Panel recalled that the Efficiencies Plan had set out efficiencies of £40 million in 2020, with £21.5 million in departments, £11.1 million held centrally and £7.4 million in tax income.

Plan A, B, C

The 6-month progress report seemed to confirm the Review Panel's concerns in how the efficiencies were arrived at. In describing the impact of Covid-19 on the efficiencies drive and the intention to replace the original plan with a rebalancing programme, it stated:

> *Therefore, going forward efficiencies will form but one part of the overall financial re-balancing activity of the Government's fiscal position … It is important to restate the approach to the delivery of the efficiencies agreed by the Council of Ministers as set out in the original Efficiencies Plan. 'Ministers [also] agreed that if any of the efficiencies are not subsequently approved [or delivered], they will seek alternative departmental efficiencies to the same value to replace them and/or reduce or reprofile some of the*

> *planned spending by the equivalent amount, in order to ensure that income and spending remain in balance.'*

This approach was subsequently described as:

Plan A: The efficiency has been delivered or is on track for delivery in 2020

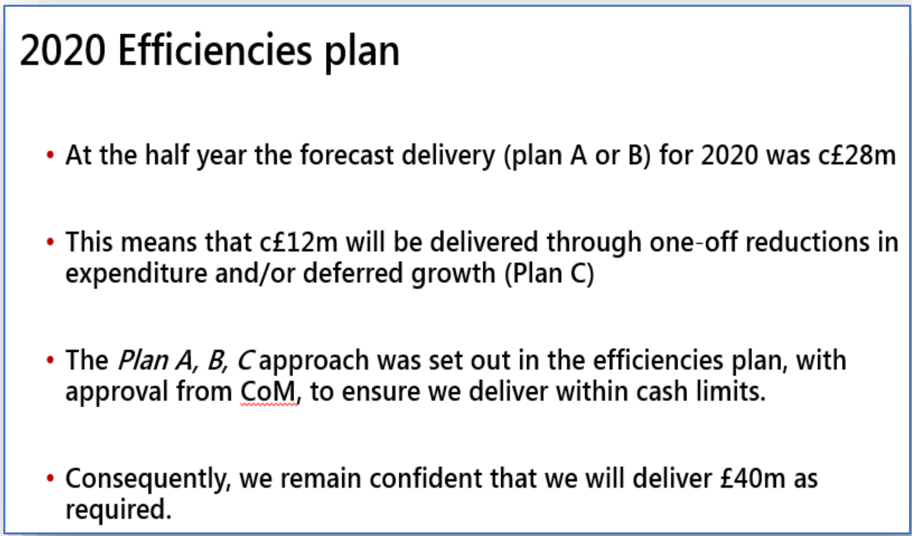
Plan B: An alternative efficiency has been/will be developed to cover any shortfall

Plan C: Typically, Government Plan growth will be deferred to cover any shortfall although other one-off approaches can be used where appropriate.

The Report went on:

> *This combination of approaches maintains a sustained focus on the delivery of efficiencies while implementing a backstop which, in the event of non-delivery, ensures that expenditure is delivered within cash limits. It also mitigates the risk that efficiencies will just be delivered through a reduction in service provision. In this update the delivery progress of each efficiency is classified into these plans. It has been particularly important to capture efficiencies classified as Plan C. In this group, the planned recurring efficiencies have not been delivered and consequently both the efficiency and value ascribed will be carried over into 2021. This ensures there is a sustained focus on delivering recurring efficiencies and, in so doing, protects the outcomes that the investments are intended to achieve.*

As part of a series of briefings to States Members in October 2020, on the revised Government Plan, the officers presented a series of slides, headlining the Government position:



Impact of Covid-19 and Continuation of Efficiencies Programme

The Review Panel is aware that the Covid-19 pandemic has had a significant, sometimes devastating, impact on peoples' lives in Jersey. With such a huge change in circumstances from last year when the efficiencies had been identified for each Government department, the Review Panel wanted to explore with the Chief Minister[22] why money was still taken from

[22] Efficiencies Review Panel Public Hearing with the Chief Minister 12th November 2020

budgets even when the department could not make the efficiencies it had previously agreed. The Chair asked the Chief Minister why the decision to cease the current Efficiencies Programmes Board and to alter the agreed set of efficiencies as set out in the Government Plan Report 2020-2023 had not been brought to the States Assembly, so that a new set of efficiencies could be devised and debated. The Chief Minister replied that the 'efficiencies' as previously established would continue, however the Government response to Covid-19 had become a priority.

The Review Panel pressed the Chief Minister to explain why (and by whom) the decision had been taken to simply 'press on' with efficiencies:

> **The Connétable of St. Peter**
>
> *Last year you identified efficiencies to be made by each department, then the money was taken from the budget but … due to changing circumstances, including Covid, … Instead of simply agreeing to such a huge change with the Council of Ministers, why did you not bring the decision back to the States for approval?*
>
> **The Chief Minister:**
>
> *I think the point is, is that the target that had been set by the States was a sum of money … Therefore that was the target that was set out to be achieved. We were not saying we are not going to make the target, we are just saying we are going to be doing it in a different way, which was laid out in the plan. It was what we call A, B, C. So plan C in that case was measures to get it over the line.*
>
> **The Connétable of St. Peter:**
>
> *Is that not just a sort of smash-and-grab way of cutting budgets?*
>
> **The Chief Minister:**
>
> *No, it is all very much under ministerial control.*

The Chief Minister added that the financial impact might not be seen in 2020, for example, a planned efficiency of £7 million of additional tax revenue which would have been saved due to improved tax compliance might not be fully realised in this year partly because officers assigned to undertake this work had been re-assigned to other areas to support the Covid-19 response.

> **Group Director, Treasury and Exchequer:**
>
> *Just to add to that, if I may … we will make some savings on some of the investment, which will naturally offset some of the reductions in the efficiencies. But they will be in the budget in 2021 and we absolutely need to make them as recurrent as we possibly can, that is the intention.*

The Chief Minister[23] confirmed that if departments could not achieve the previously anticipated efficiencies as set out in the Government Plan Report 2020-2023, they were expected to deliver alternative efficiencies (he referred to this as 'Plan B'), or adopt 'Plan C', which was to defer projects or growth expenditure in order to 'get across the line' of achieving efficiencies.

He said that in most conversations he had held with Department heads, they had chosen 'Plan C', that is to defer growth expenditure, for this year. He cited as an example that there could be a delay in the recruitment of personnel to deliver a planned service where the service itself had been delayed because of Covid-19.

When asked how much of the £40 million efficiencies target outlined in R.130/2019 Efficiencies Plan were met, the Chief Minister responded:

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[23] Efficiencies Review Panel Public Hearing with the Chief Minister 12th November 2020

The short answer is all of the £40 million has been delivered but that splits into 2. One is what is being delivered on a recurring basis, which is around £28 million … Then a balance of £12 million, which will be a mix of things but basically are a number of one-off things to get us across the board. Part of that will have been the impact of COVID but we are always clear that there was a … plan A, B, C essentially. So plan A was to achieve the recurring efficiencies (as) laid out in the report (of) efficiencies that was attached to the Government Plan last year. B was an alternative measure and C was something else that basically got us across the line as a one-off because sometimes there are things that needed slightly longer to embed. The intention is still to achieve the £40 million recurring but we have banked about £28 million.

The Review Panel questioned the Chief Minister on why the £21.5 million had already been removed at the beginning of the year, from the departmental budgets in line with the Programme. The Chief Minister replied that this was done only when 'everyone had signed up' to achieve that efficiency and it was a way to make sure that the efficiencies were indeed achieved, and that it should not impact on service levels. The Chair asked the Chief Minister to explain, where efficiencies could not be achieved in a certain area, why departments were under pressure to deliver efficiencies in another area because the budget had been cut anyway.

The Chief Minister responded that the cuts had been made, not to basic spend, but rather to growth expenditure.

The Chief Minister:

The £12 million intention is that, as in the one-off items, will get us across the line this year, so £40 million will be achieved this year. But the intention then is to get the recurring items or replacements, if something has changed, but a recurring item that will add up to that extra £12 million will need to be achieved such that by the end of the whole Government Plan process we have got for 2020 £40 million has been banked and recurring.

Deputy G.P. Southern:

How much of that has been taken away from the base budget and (you have) said: "Get on with it. If you cannot deliver these savings then make your own up"?

Director, Business Change:

£40 million was removed from the base budget of the Government, you are correct, at the outset of this plan. The majority of that came out of departmental budgets but there are a couple of smaller items that were held centrally. As the Chief Minister, has set out, the intention was always to deliver per plan A or B but it was important to have a backstop in the event that some of those efficiencies could not be delivered in the period of time that was set out. Those are the one-off items which will be carried forward into 2021 to deliver.

Deputy G.P. Southern:

My question is then: what percentage of the total package is made up of these backstop measures, last-minute measures?

Director, Business Change:

£12 million out of the £40 million

The Review Panel noted that the majority of the £12 million 'Plan C' delivery came from underspends and deferred growth (as a result of Covid:19), for example:

- Delay in implementation of Target Operating Models (TOMs)
- Reduction in income streams
- Longer retention of contract and agency staff

The Review Panel asked the Chief Minster about the largest single efficiency in the Efficiencies Plan 2020-2023 (R.130/2019): £10.07million detailed in Efficiency 1.1 (Employee Terms). The Chief Minister advised that work had been undertaken on monitoring and delivering efficiencies in:

- Overtime
- Sickness
- Voluntary Redundancy and early retirement
- Agency & fixed term contracts
- Vacancy management

The Review Panel noted that income collection targets and improved debt management arrangements had been largely delivered as originally planned. The money had already been removed from the departmental budgets, but even with different measures implemented to achieve the efficiency targets, reductions of some services and the costs of temporary staff to support the response to Covid-19 meant that not all of the original programme had progressed as planned. Nevertheless, despite the huge changes, through the application of the Delivery Plan A, B, C approach, the 'savings' were being deemed 'achieved' by the end of 2020.

The Review Panel further noted that the plan was to 'carry forward' that £12 million into 2021 to ensure the recurring reductions in base expenditure and increases in income were delivered. Assuming that all of the variance represents either one-off delivery or deferred Government Plan growth, this means that an additional £12m of efficiencies will need to be added to the existing objective to deliver £20m in 2021.

The Review Panel noted that not only had the original definition of 'efficiencies been flawed, but it was now being broadened to encompass budget cuts or reductions which did not appear to be complementary to Common Strategic Priorities. The Review Panel concluded the efficiencies should be easier to track and identify as 'A, B, or C,' measures and also whether they run counter to Common Strategic Priorities.

FINDING 2

Not only is the original definition of an 'efficiency' flawed, it has been widened to encompass a swathe of cost cutting measures.

RECOMMENDATION 2

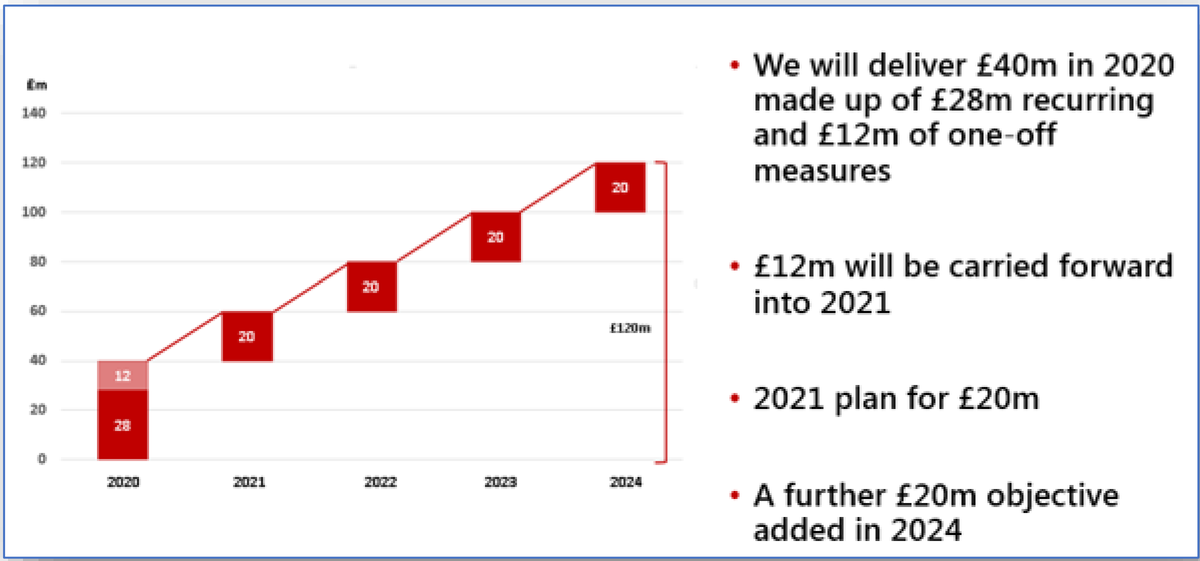
The efficiencies should be easier to track and identify as 'A, B, or C,' measures and also whether they run counter to Common Strategic Priorities.

Rebalancing or Efficiencies from 2021 Onwards

Due to the onset of Covid-19, the Efficiencies Review Panel's work programme was delayed and complicated significantly in trying to track not only the delivery of the efficiencies but also the impact of Covid-19 response on their delivery. The Government made clear in the Government Plan 2021-2024, that multiple approaches would be required to balance the finances, not just delivering savings and efficiencies. This approach represented a shift to a broader set of financial rebalancing measures, into which the 'efficiencies' have been subsumed.

Identifying New Efficiencies

The Chief Minister confirmed to the Review Panel that it was his intention to pursue the efficiencies programme, or rebalancing, in part to offset the cost of Covid-19, summarised in the table below:



When asked what work had been carried out on identifying new efficiencies for the Recovery Plan, the Chief Minister explained that he had commenced preliminary conversations with most Ministers about identifying whether more efficiencies could be achieved, and how they might prioritise projects going forward to produce £20 million of efficiencies for 2021.

He advised that the (former) Department of Growth, Housing and Environment[24] (GHE) had set itself a challenge to achieve at operational level, efficiencies of close to 20% of its budget, around £9 million. He advised that workshops were currently taking place with Ministers in order to consider a revised 'financial envelope', in other words, what further efficiencies could be achieved post Covid-19.

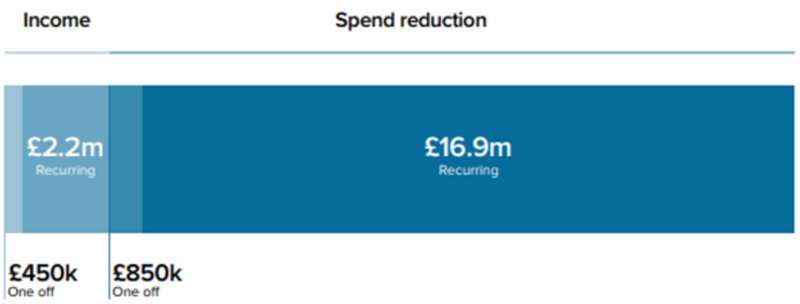
The Chief Minister confirmed that the scope of efficiencies had been broadened to include other measures, such as in 2021, the inclusion of 'one-off' items (e.g. selling of property assets) and the whole rebalancing programme would include a wide range of fiscal measures, borrowing strategies, economic stimulus, treatment of funds and the delivery of efficiencies, as summarised in the 'headline' table below:

[24] Now IHE; Infrastructure, Housing, Environment

- Increased magnitude of financial challenge requires broader response
- Efficiencies subsumed by this broader programme of work
- Continued inclusion of income from fees and charges
- Permitted one-off items (deferred expenditure, asset sale)
- Focus on recurring measures through 2021 to replace one-off items

The Chief Minister confirmed that as part of the 'rebalancing programme', substantial savings would have to be made in 2021, beyond the £20+ million originally planned, throughout departments:

Classification of measures



- Income includes domestic tax compliance (£1.25m), fees and charges (£950k), asset sale (£450k)
- One-off measures to be replaced by recurring measures during the year
- For illustrative purposes, excludes £365k incremental spend

Summary of Plan

Allocation by Minister	2021 (£)
Chief Minister	1,303,000
Council of Ministers	5,418,000
Minister for Children and Housing	555,000
Minister for Health and Social Services	5,000,000
Minister for Home Affairs	765,000
Minister for Infrastructure	4,500,000
Minister for Social Security	442,000
Minister for Treasury and Resources	1,280,000
Ministers for Infrastructure , Environment, EDTSC	750,000
Grand Total	**20,013,000**

Table 1 – Efficiencies and rebalancing measures 2021 - allocation by Minister

Aspirational Targets

The Government Plan 2021-2024 sets out a total of £100m of recurring efficiencies or rebalancing measures by measures by 2023, and there is an 'incremental' additional efficiencies plan for 2024, thereby making a total of £120m of recurring measures by 2024. The Treasurer of the States had indicated to the Review Panel that the Government was minded to continue the efficiencies drive to find another £20 million through 2024:

> Treasurer of the States:
>
> *In terms of the additional rebalancing plan out to 2024 we could add a fairly modest £20 million to that for 2024. While the number in total looks large it is not that large compared to the total spending over that period*[25]

The Review Panel noted a report[26] by the Principal Consultant at CIPFA, commissioned by the Corporate Services Scrutiny Panel. The Principal Consultant commented on the Government's Efficiencies to Rebalancing Programme:

> *The Plan advises that central to rebalancing budgets over the period to 2024 is the delivery of the package of efficiencies totalling some £20m targets for 2021, in addition to a £100m target or annual recurring savings per annum by 2023. The change towards a rebalancing narrative suggests a tacit acceptance that the required quantum of efficiency savings are no longer achievable. Additionally, the extent to which efficiencies are to be delivered from deferred growth does not provide confidence that efficiencies were actual management interventions specifically capable of being efficiency savings in nature.*

The Review Panel concurs and, aware of the Government's ambitious plans to drive efficiencies of around £20 million each year to at least 2024, is concerned that this drive will therefore result in the Government broadening its definition of 'efficiencies' even further. Notwithstanding that there is a 'note' on each GP 2021 efficiencies/re balancing project, in the relevant section of the Government Plan 2021-2024, section, the Review Panel cannot find evidence to suggest the Government has carried out sufficiently in-depth impact assessments of the continuation of the aggressive[27] Efficiencies Programme.

FINDING 3

The change towards a 'rebalancing' narrative suggests that efficiency savings are not achievable. There is insufficient evidence to suggest the Government has carried out in-depth impact assessments of the continuation of the aggressive Efficiencies Programme.

RECOMMENDATION 3

The Government should ensure there is sufficient data to support an ongoing Efficiencies programme, including societal impact assessments as well as budgetary considerations.

[25] Government Plan Review Panel Public Hearing with the Chief Minister 20 November 2020
[26] Government Plan Covid-19 Recovery Response November 2020 (commissioned by CSSP)
[27] At the 'fact-checking' stage of this report, the Programmes Director commented on the draft report, that, '£20m represents approximately 2.25% of an estimated base budget spend of circa £890m. It is entirely reasonable to expect this level of efficiencies from a budget of such a size. The word aggressive is used incorrectly' - the Efficiencies Review Panel stands by its wording.

Impact of Efficiencies/Rebalancing Programme

As previously mentioned in this report, the Efficiencies Review Panel was anxious not to duplicate the excellent work of the Scrutiny Panels in assessing the impact of the continuing efficiencies programme. It wanted to highlight areas, however, where the proposed efficiencies appear to be in direct contrast with the Government's 5 stated common strategic priorities (CSPs):

1. Put Children First
2. Improve Islanders' wellbeing and mental and physical health
3. Create a sustainable, vibrant economy
4. Reduce income inequality and improve the standard of living
5. Protect and value our environment

Putting Children First

Therapeutic Unit for Young People in Care

The Children, Education and Home Affairs Scrutiny Panel (CEHA) expressed concerns over the proposed change to a pop-up therapeutic unit for young people in residential care with complex needs rather than a full-time unit.[28] The decision to make this change came from a needs assessment which had not yet been completed. Concerns have also been raised by key stakeholders about the rationale for this change, the independence of it and whether consultation with young people has taken place.

The Review Panel agrees with the recommendation of the CEHA Panel that the Minister for Children and Housing should pause the rebalancing measure until the needs' assessment is fully completed and a full consultation has taken place with key stakeholders.

Care Leavers' Entitlement Offer

This offer was launched in February 2020 as part of the Government's commitment to supporting care leavers with access to services and funding in line with its approach to Corporate Parenting. As part of the efficiencies programme, the CEHA Panel found that, due to a low uptake in the service at this stage, it had been proposed that the funding for the care leavers offer be reduced by £100,000 in 2021. However, upon investigation by CEHA, it became apparent that the low uptake was probably due to the initiative being poorly communicated rather than it being non-essential.

Minister for Children and Housing	CYPES	Review and realign the budget for care leavers with demand. Note there will be no reduction to the service	Recurring	Spend Reduction	100,000

The Review Panel notes that the proposed efficiency saving received significant feedback from Jersey Cares, and heartfelt comments were received by the CEHA Panel from young people with experience of care in relation to the proposed savings:

> *"I feel it is another example of the Government going 'well you are not that important, not as important as other budgets, or other things because we can reduce this by a huge amount. Goes into how they already feel about us anyway'".*

[28] CEHA Review of Government Plan 2021-2024, published December 2020

> *"The Care Leavers' Offer is not being 'actively promoted' at all, not one bit. Well promoted, but hardly put into practice."*
>
> *"What you are doing ensures that care leavers like I contribute to the ugly statistics of failure among Care Experienced young people, you are helping to add to the stigma that we all apparently try to fight." – Young care leaver trying to secure a home before the new academic year.*[29]

This view was also shared by the children's charity Brightly who stated that it was widely accepted that the offers for those in care and leaving care have not been implemented at all well.[30]

The Review Panel was disappointed to note that when the CEHA Panel questioned the Minister for Children and Housing whether there had been any consultation with care leavers or looked after children in relation to the proposed savings from the scheme, he could not confirm whether this had taken place.[31],

It was suggested in the submission from Brightly that instead of reducing the level of funding, the £100,000 would be better used to provide private mental health appointments for care leavers and mental health support for young people in other ways.[32] The CEHA Panel questioned this and were told that the Department had outstanding efficiency savings from 2020 that would need to be met in 2021:

> *Director General, Children, Young People, Education and Skills:*
> *That would have been one outcome … but we have an outstanding efficiency target to meet from 2020, which, as you know, we have not met by delivering those efficiencies in full and therefore have had to find other ways of doing that. Going into 2021, we now have the challenge of making those efficiencies recurrent and therefore the approach that has been taken by the Council of Ministers, and therefore with civil servants, is that we need to meet our efficiency savings in order to balance the Government's books, rather than recycle those efficiencies into further investment.*[33]

The Review Panel shares the concerns of the CEHA Panel that the approach adopted through this efficiency appears to overlook the concerns and issues that have been raised directly by service users.

The Review Panel is mindful that the Chief Economist at CIPFA commented[34]:

> *Wider inequalities across age, gender and race will warrant more robust policy frameworks in Jersey as well. While young people may be less susceptible to the Covid-19 virus, they have shouldered the weight of job losses and reduced job prospects, not to mention disruptions in their education and the prospect of higher taxes that will endure for years to come. According to the Jersey Opinion and Lifestyle Survey*[35] *(JOLS), 43% of respondents under the age of 35 reported high levels of anxiety or stress since the start of the pandemic – more than double the average rate of cohorts aged 55 and over.*

The Review Panel notes that whilst these amounts of efficiency savings might represent a relatively small sum, they should be weighed against the enormous negative impact such a

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[29] Submission – Jersey Cares
[30] Submission – Brightly
[31] Transcript – Minister for Children and Housing – 30th October 2020 p.29
[32] Submission – Brightly
[33] Transcript – Minister for Children and Housing – 30th October 2020 p.30
[34] Jeffrey Matsu, Chief Economist, CIPFA – Report on Jersey Government Plan 2021-24 Covid-19 Recovery Planning Response - EIA November 2020
[35] Jersey Opinions & Lifestyle Survey Report, September 2020

saving can make on the already disadvantaged Islanders. It agrees with the CEHA Panel's recommendation that the Minister for Children and Housing should not take forward the proposed rebalancing initiative in relation to the Care Leavers Offer and should seek to make the efficiency saving from within other budgets, and is pleased to note the CEHA Panel have sought an amendment to the Government Plan to that effect.[36]

The Review Panel notes that at the time this report was being finalised, the Council of Ministers essentially adopted the CEHA amendment by proposing its own last-minute amendment to reinstate the funding.[37] It welcomes this move, although it sees it as an example of how the Government simply reduced budgets before truly considering or understanding the impact on already disenfranchised members of the community.

Jersey Premium

Jersey Premium is a targeted funding scheme which provides funding to schools in order to offer support to children and young people that fall within specific criteria (including those in care, in families on income support and those who would qualify for income support if they had lived in the Island for more than 5 years). The CEHA Panel has found that the funding for this is due to be reduced by £159,000 in 2021 as part of the rebalancing programme. The CEHA Panel expressed concern about this reduction given the abundance of evidence highlighting the impact of the Covid-19 pandemic on learning and attainment for vulnerable children. It has therefore brought an amendment to retain the additional £159,000 for 2021 and subsequent years in order that it can be used to address any additional needs which may arise as a result of the pandemic[38].

This view accords with the Chief Economist at CIPFA, who stated:

> *In addressing the CSP Priorities, a more thorough appraisal of existing data can help the Jersey government direct funds where inequalities are the greatest. Outcomes relating to education, health, housing and income are highly correlated with an individual's personal background yet many of these indicators are either absent in surveys such as the JOLS or not reported in a useful way in the official statistics (e.g. "place of birth" in the national census). By improving the kinds of statistics that are collected, particularly along the dimensions of race and ethnicity, Jersey can enable the framework for a fairer society that would enhance resident well-being.'*[39]

The Review Panel notes that at the time this report was being finalised, the Council of Ministers essentially adopted the CEHA amendment by proposing its own last-minute amendment to reinstate the funding.[40] It welcomes this move, although it sees it as another example of how the Government simply reduced budgets without truly considering or understanding the impact on already disenfranchised members of the community.

The Review Panel remains extremely concerned about the ongoing impact of what it considers to be an aggressive programme to cut the budgets of several departments, including those who serve the most vulnerable people or those who have already suffered inequality and hardship. It is mindful that a critical aspect of assessing the delivery of each efficiency is understanding the impact of its delivery, particularly on disadvantaged people. It has been impossible to isolate the impact of the efficiency itself from the significant impact that the pandemic has had on them. Similarly, due to staff redeployment to the emergency pandemic response, the Government has not developed its final approach to a sustainable wellbeing impact assessment. This needs to happen as a matter of urgency before the inequality gap widens further.

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[36] https://statesassembly.gov.je/assemblypropositions/2020/p.130-2020%20%20amd(3).pdf
[37] CoM amendment to 3rd amendment, lodged 7th December 2020
[38] CEHA Review of Government Plan 2021-2024, published December 2020
[39] Jeffrey Matsu, Chief Economist, CIPFA – Report on Jersey Government Plan 2021-24 Covid-19 Recovery Planning Response – commissioned by the EIA Scrutiny Panel, November 2020
[40] Council of Ministers amendment to 2nd amendment, lodged 7th December 2020

FINDING 4

It has been impossible to isolate the impact of any efficiency itself from the significant impact that the pandemic has had on vulnerable groups.

RECOMMENDATION 4

The Government should halt any efficiencies which negatively impact on children and young people and ensure any further planned efficiencies do not negatively impact on this sector of society.

Improve Islanders' Wellbeing

The Review Panel noted that last year, the Minister for Health and Social Services was asked to make £9 million worth of efficiencies in 2020. At a Public Hearing in October 2020[41] the Health and Social Services Panel (HSSP) was advised that, of that £9 million, £5 million worth of efficiencies had been delivered. Of the £5 million worth of efficiencies made, £3.5 million have been realised through the offset of 2020 growth and £1.5 million resulted from direct efficiency savings across all business units following a budget review.

In total, the Minister for Health and Social Services has been asked to make £5,227,000 worth of efficiencies in 2021. £5 million is due to be made through the implementation of proposals from a Zero-Based Budgeting exercise and £227,000 through recurring reductions in the non-staff budget.

The Minister for Social Security has been asked to make £442,000 worth of efficiencies in 2021. £400,000 is due to be made from deferring the implementation of the care needs at home project by one year and £61,000 will be made through regularly reviewing and improving customer services. Furthermore, £19,000 is due to be deducted from the Minister's budget and paid to Justice and Home Affairs to support Health and Safety Inspectorate resources.

Regarding the efficiencies that have been made, the Minister for Health and Social Services assured the HSSP[42] that they were delivered after a clinical assessment was undertaken to ensure that there would be no impact on the health of patients.

Zero-Based Budgeting

At the public hearing with the Chief Minister on 12 November 2020, the Efficiencies Review Panel wanted to be clear about the rationale behind these cuts to the budget:

> **Deputy G.P. Southern:**
> *The department that is doing some zero-based budgeting is the Health Department again. They have got the biggest budget, delivering £5 million of savings. The exercise, they say, has identified further potential opportunities. They have delivered £2 million and they have £3 million outstanding, which is subject to action or decisions by the service, for example, strategies to reduce the use of overtime or contingent workforce in the workforce … This proposal, it says, is at an early stage and detailed plans, along with benefits and impacts, will be shared as the plans evolve. We are talking about something that is still evolving and yet we have seen this document here, as delivered. It is not delivered, is it?*
>
> **The Chief Minister:**
> *… This is the Government Plan for next year, so it is in the plan. I think the latest update is £4 million … Yes, it is £4 million identified.*

[41] Health and Social Security Scrutiny Panel Public Hearing with Minister for Health and Social Services, 26 October 2020
[42] Health and Social Security Scrutiny Panel Public Hearing with Minister for Health and Social Services, 26 October 2020

Deputy G.P. Southern:
So only £1 million less.

The Chief Minister:
Yes, so we are getting there.

Deputy G.P. Southern:
Where is that £4 million coming from?

Group Director, Treasury and Exchequer:
It is coming from a variety of areas. This is at officer level at the moment ... when a plan is issued it will never put a penny on every proposal, but it is a totally deliverable number. On pay, they are looking at off-Island placements, they are looking at their corporate team, can they be more efficient and effective, and they are looking at their contract management, all the things you would expect them to look at.

Deputy G.P. Southern:
How many times do you think you can go through a process that looks at efficiency of deliverability for your staff … Can you do it 5 times and still squeeze some extra out or does it get more difficult?

The Chief Minister:
My principle is that certainly in ... many organisations in the private sector - once you get into a change mentality, you are in a cycle of change, … Just because you have done it 3 years ago, for the sake of argument, does not mean you should not be doing it now. You are not going to do the same area every year … but if you get people who are into that change regime and … (with) technology particularly changing so much. You think about us as States Members and in terms of the changes we have been through since even February. I think of when Office 365 came out and people were going on about Teams … for us, documents are being prepared, it is a group thing, now all the remote working that is going on. That is us having changed in 6 months, 8 months. That is a massive change in technology. That in itself changes behaviour-

Group Director, Treasury and Exchequer:
People use the phrase "continuous improvement." We must keep looking at all these areas on a continuous basis. We are only targeting 2 per cent. You could take it every 3 or 4 years you should be looking at 10 per cent, 15 per cent, even 20 per cent sometimes. Any organisation will keep doing it. It can be technology driven. You cannot have every new innovative idea just once and people develop and they move and improve things. That is absolutely the way it goes, otherwise if you stop, behaviours go back and it just becomes routine and expenditure just incrementally creeps up, whereas if we continue doing this on a regular every year basis you will find new ideas every time. It is a positive environment because people do not want to waste money and people want to be efficient and effective. If they can do this and see they are helping the Island, helping keep taxes down, helping deliver better services, it generates its own momentum and it generates its own enthusiasm in staff. It is a good thing, I would suggest.

Care Needs at Home

However, the Review Panel was concerned that, despite all the assurances that efficiencies would not impact patient services, it noted that, following initial planning of the "Care Needs at Home" project, investigations with individual families had to be postponed due to the pandemic, and this project has now been deferred until 2021. £400,000 worth of funds that had been allocated to the "Care Needs at Home" project for 2021 have been identified as efficiencies.

The Review Panel noted that whilst the HSSP is content with the proposals that were contained within the business case for the 'Care Needs at Home' project last year, it concluded that until it knew the outcome of the pilot scheme (that has been deferred to 2021) it was unable to conclude whether the resources allocated for 2022-2024 were appropriate. It has recommended that the Minister for Health and Social Security ensures that the pilot scheme for the "Care Needs at Home" project recommences as soon as considered appropriate and the current situation allows.

The HSSP wrote to the Jersey Association of Carers regarding the delay of this Programme and its views regarding the proposals. The Chair of the Association confirmed that they had not been contacted, or consulted, with about the Programme and was concerned about the burden put on carers this year and the impact this had had on their stress levels and mental health.[43]

The Review Panel shares those concerns and notes that they also align with opinions expressed by the Chief Economist of CIPFA, who wrote in his report[44] to the Economic and International Affairs Panel, that:

> *Performance measurement based on outcomes will be key to ensuring that stimulus-related projects deliver efficiency and value for money. Traditional cost benefit analyses in determining the allocation of public funding may prove insufficient to influencing the range of social and environmental challenges presented in the Government Plan's Common Strategic Policy (CSP) Priorities. Jersey has an opportunity to consider innovations such as outcomes- based contracting, impact bonds[45] and social impact investing to deliver upon these commitments.*

The Review Panel agrees and considers that until such time as there is proper data to support the deferral of the Care Needs at Home project, this is an efficiency that has an unacceptable impact on Islanders' wellbeing.

FINDING 5

There is insufficient data to support the deferral of the Care Needs at Home project, and this is an efficiency that would have an unacceptable impact on Islanders' well-being.

RECOMMENDATION 5

The Government should not defer the 'Care Needs at Home' project unless and until it can provide evidence to support such a move, including a societal impact assessment.

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[43] Written Submission, Jersey Association of Carers

[44] Jeffrey Matsu, Chief Economist, CIPFA – Report on Jersey Government Plan 2021-24 Covid-19 Recovery Planning Response - EIA November 2020

[45] Impact bonds are outcomes-based contracts which focus on the outcomes rather than specific inputs or activities, therefore designed to achieve measurable outcomes specified by the commissioner (the Government): https://golab.bsg.ox.ac.uk/the-basics/impact-bonds/

Public Service Ombudsman

The Review Panel was concerned to note that the Government Plan 2021-2024 indicated that an efficiency had been identified by deferring the appointment of a Public Ombudsman. However, it was noted that no analysis has been completed. The Review Panel was concerned that the deferment would delay customer benefits and complaints handling, areas the Government had already been criticised for in the C&AG's Report on Handling Complaints.

The Review Panel noted that the project came forward as a result of the Independent Jersey Care Inquiry and the need to provide an independent service to assist in the resolution of complaints against Government of Jersey departments. The original intention was for the legislation to underpin the Ombudsman to be brought forward in 2020 with a view to implementing it in 2021. However, this was delayed due to the Covid-19 pandemic and associated response requiring policy officers to be redeployed. An efficiency saving of £378,000 is therefore identified for 2021. The intended timeline for debate of the legislation is now in early 2022 and implementation in 2023.

The Review Panel questioned the Chief Minister at its public hearing on 12th November 2020:

> **The Connétable of St. Peter:**
>
> *How does the continuing impositions of efficiencies fit with your promise to prioritise the health and well-being of Islanders? I will give an example of, for instance, deferring the appointment of the public ombudsman. You state: "No analysis has been completed." Surely these delays, customer benefits and complaint handling … you agree that Islanders need to be heard.*
>
> **The Chief Minister:**
>
> … *(we) had to make a decision between some of the things like investment that we need to do … What we have said on the ombudsman, look, there are priorities, at the end of the day. …The intention is hopefully the States approve it during the time between and before the elections, so it is done and in, but the actual implementation just takes place later.*

The Review Panel notes that the CEHA Panel received significant evidence raising concern about this delay[46], both during its review of the Government Plan and within the Care of Children in Jersey Review Panel's review of Redress and Accountability Systems in Jersey[47]. The CEHA Panel has recommended that the Chief Minister brings forward the legislation to underpin the Ombudsman for debate by quarter three 2021, with a view to implementing the office by 1st January 2022. The Review Panel notes and agrees with the CEHA Panel's amendment[48] to Government Plan, which would remove the planned efficiency saving in order to provide additional funding to progress the legislation at pace, and also provide funding to establish the Ombudsman's office in 2021 if that is achieved.

The Review Panel notes that at the time this report was being finalised, the Council of Ministers essentially adopted the CEHA amendment by proposing its own last-minute amendment to reinstate the funding for the Office of the Public Ombudsman.[49] It welcomes this move, although it sees it as yet another example of how the Government simply proposed reduced budgets without truly considering or understanding the impact on already disenfranchised members of the community.

[46] CEHA Review of Government Plan 2021-2024, published December 2020
[47] Care of Children in Jersey Review Panel: current review of Redress and Accountability Systems in Jersey, launched June 2020
[48] CEHA amendment to Government Plan (1st) lodged 27 November 2020
[49] CoM amendment to CEHA amendment - Ombudsman - lodged 7 December 2020

FINDING 6

The last minute amendment by the Council of Ministers to reinstate the funding for the Office of the Public Ombudsman is yet more evidence that the Government simply proposed reduced budgets without truly considering or understanding the impact on already disenfranchised members of the community and without due regard for Common Strategic Priorities, especially Improving Islanders' Wellbeing and Improving Islanders' Standard of Living.

RECOMMENDATION 6

The Government should not defer any project which runs counter to the Common Strategic priorities, unless and until it can provide evidence to support such a move, including a societal impact assessment. It should consider innovations such as outcomes-based contracting, social impact bonds and social impact investing to deliver upon its commitment to the Common Strategic Priorities, before undertaking further efficiency measures, and develop its final approach to a sustainable wellbeing impact assessment as a matter of urgency.

Impact of COVID-19 on the Workforce

The Review Panel queried the premise of the restructured programme for 2021, which would concentrate on cross cutting measures in five key areas:

- modern and efficient workforce
- organisational structures
- shaping demand (volume and methods of customers accessing services)
- processes and systems
- commercial operations (including cost recovery and working with Arms'-Length Organisations (ALOs)

The Chief Minister stated that, in terms of cost recovery, historically the Government had not been recouping the full cost of items or services and had only dealt with the cost of staffing the service delivery. He told the Panel that the Government had often not factored in such costs as premises, lighting, heating, or otherwise maintaining the property from where the service was delivered.

The Chief Minister agreed the aim was not necessarily to make a profit from Government-provided services. He confirmed that investment in modernising the IT systems would continue and that security had been strengthened during the pandemic, where most personnel had worked from home and it had been necessary to protect their systems. He said it was unlikely that efficiencies would be gained in this area, but that the modernisation of such systems would help to deliver efficiencies in other areas.

The Review Panel noted from the 6 month progress report of Government Plan 2020, that the plan to reduce staffing costs had been impacted by COVID-19 in departments. For example, a decrease in expenditure derived from an inability to recruit had been offset by an increase in overtime and/or the requirement to retain agency and/or fixed term contract staff. It noted there had been significant numbers of temporary redeployments to support the response to the pandemic. This made the ability to identify the impact of delivering efficiencies difficult.

The Review Panel noted the impact of Covid-19 and the Government's response to the pandemic had led to the following changes to the plan:

- Some One Government target operating models have been delayed due to Covid-19 related activity being prioritised in the short term and the opportunity to revise operating models with a focus on new ways of working
- A reduction in income streams, such as private patient income within Health and Community Services

- Contract and agency staff have been retained longer than originally planned, for example, where target operating models have been delayed or due to additional workloads caused by the pandemic
- The implementation of efficiency plans has been delayed as resources have been redirected to support Covid-19 activities
- Benefit expenditure has increased as a result of a rise in claim numbers and values due to the pandemic.

Overtime

The need for extra hours' work as a result of the response to the pandemic, resulted in an increase in expenditure. For example, there were consecutive monthly reductions in overtime at the start of the first quarter, but the trend stopped as colleagues began working at pace in the emergency pandemic response. The use of overtime enabled the Government to continue to provide key services to customers during a very intense phase of work. Aware of the pressures of sustained working of additional hours by many staff, managers sought to ensure that staff take sufficient breaks and use their holiday allowances.

Effective Management of Sickness

The 6 month progress report of Government Plan 2020 noted that sickness absence trends had been difficult to establish due to Covid-19 related absences. Those with underlying health conditions, or with flu-like symptoms, increased the rate of short-term absences. The main impact during this period was addressed by providing clear communications to staff on how to identify Covid-19 symptoms, and to shield and support those with additional health issues.

Voluntary Redundancy and Early Retirement

Efficiencies were delivered because of staff members leaving the organisation and the implementation of Target Operating Models compensating for the consequent reduction in staff numbers. Through tighter workforce planning arrangements, anticipated retirements have allowed for roles to be re-modelled and work distributed amongst other team members. Any like-for-like recruitment is challenged through a centralised panel. The Review Panel is aware that the loss of these staff can represent the loss of significant corporate memory. While departments prepare for this through training and skills transfer, the risk remains.

Reduction in Fixed Term Contracting (FTC) and Agency Staff

The Panel noted with concern that in some cases, data errors had suggested more opportunities to reduce staff were stated than actually exist.[50] This required alternative efficiencies to be identified or growth reduced. However, the recruitment of permanent staff to replace FTC or agency staff had resulted in efficiencies through reduced expenditure in some areas. Many working assumptions on the release of agency and FTC staff had to be updated to reflect a later release date when it became apparent that recruitment of new staff would either not be possible, significantly delayed or where new services to fight the pandemic were required. The retention of FTC and agency staff has increased staff expenditure. However, it has importantly enabled the continued delivery of services and business as usual activities while also providing the flexibility to deploy the workforce differently to address the challenges of the pandemic.

The Review Panel questioned the Chief Minister, together with senior officers, about these concerns in private briefings and at its public hearing on 12th November 2020.[51]

[50] 6 month progress report of Government Plan 2020
[51] Efficiencies Review Panel Public Hearing with the Chief Minister 12th November 2020

Deputy M.R. Higgins:

I would like to refer to page 26 of the Efficiencies Plan, which is to do with voluntary redundancy, overtime management, reduction in agency staff, fixed-term contracts, et cetera. You stated in your letter that efficiencies or rebalancing measures will not have an impact on working conditions. How are you so confident of that and what steps are you taking to measure, monitor, track any impact?

The Chief Minister:

Just to use an example, if we use agency staff; somebody from an agency is getting more expensive than potentially a member of staff, so if you can replace that agency member of staff with a normal - when I say "normal", a normally employed member of staff - you made a saving but you have not changed your working conditions.

Deputy M.R. Higgins:

I understand that in principle but in fact how are you going to replace the people? Because in many cases the agency staff are filling in gaps to provide the service so unless you have another member of staff you can conjure up and put in their place you are not going to make that saving.

The Chief Minister:

… all this depends on the nature of the work - if the work with the agency staff is important you are not going to get rid of them until you have a person in place. So you are doing recruitment and then over time you will then finish that agency contract because you may redeploy them somewhere else and obviously at the moment there are lots of people being pulled everywhere to deal with things like extra swab testing and tracing and things like that. You may just redeploy people while their contract is worked through.

Review of Investments

During the early stages of the project and programme design, resource requirements were revisited to determine the level and cost of those resources in order to identify if efficiencies could be delivered without any compromise to the Government Plan objectives. It was accepted that the impact of the pandemic had affected delivery of the planned efficiencies.

Vacancy Management

The highest value efficiency – vacancy management – had been easier to deliver with the impact of Covid-19 because recruitment, whether related to Government Plan investment, to vacant posts or turnover, was reduced. Vacancy management also provided one-off opportunities to deliver additional savings where planned efficiencies have not been possible (i.e. Plan C). Given the significant and varied pressures on staff and service provision over the last six months, the Review Panel wanted the Government to assess and analyse the value of recurring efficiencies and one-off savings delivered through vacancy management towards the end of 2020.

The Review Panel asked the Chief Minister[52] to what extent 'vacancy management' was adding to the efficiencies savings, given that it is seen as the biggest element:

The Chief Minister:

… If you say vacancies are around 10 per cent, I think they are slightly more than that, then it gives you a range conservatively of between £30 million and £40 million a year of a chunk of money that is always in department budgets because they always budget to have the full staffing level…

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[52] Efficiencies Review Panel Public Hearing with the Chief Minister 12th November 2020

Deputy G.P. Southern:

Does not the shortage of staff impact the service that you can deliver?

The Chief Minister:

So your vacancy management then is trying to manage that part of the money. But your staff side goes back to that point, it goes down through what the terms and conditions are like, what the culture of the organisation is like, is it regarded as something that is changing and is a good place to work, all those slightly non-financial elements as to why someone would want to work for us. That is where we have got this whole point about changing the culture, changing the way we do things, which then makes it attractive.

Group Director, Treasury and Exchequer:

We always have a level of vacancies so it is not like we have got additional vacancies. An organisation of this size will always carry a degree of vacancies. Again because of the natural turnover point.

Deputy G.P. Southern:

My question still remains: what percentage of that natural churn ends up in what you are describing as savings because we have not appointed? You look at the Health Department, it is something like 194 vacancies last year, the year before, and that has not changed.

Group Director, Treasury and Exchequer:

… *None of this is impacted on the services because of the quantum of people that we have. We can deliver the services we have by simply finessing the vacancy management … If the post gets filled a month later, people can still deliver the service and none of this impacts adversely on the services.*

The Review Panel is not convinced that the negative impact on Health workers, for example, is as insignificant as the Government considers it to be, notwithstanding the recruitment drive for local people to take up nursing. For example, the Health department is known to use a large number of agency staff. The Chief Minister accepted that the goal was to reduce the number of agency staff and to rely on full time workers although he did not elaborate on how this would be achieved.

Public Sector Pay Cuts

The Review Panel pressed the Chief Minister on his previous statement in private session to the Panel that there would be no public sector pay cuts to ensure the delivery of efficiency targets. The Chief Minister commented:

I think at this stage, as I have always been saying, everything is being kept on the table and nothing is off the table, that is not the expectation at the moment, but S.E.B. (States Employment Board) are still meeting and talking so I cannot really comment. … Instead of being in a position in 2020 when we were talking about pay in 2018, 2019 and 2020, now we are talking about pay in 2021 … there are fewer legacy issues to deal with going forward and that makes things a bit better.

The Review Panel reminded the Chief Minister that the December 2019 Labour Market report indicated that since December 2016 there has been an increase of 4.8% in public sector jobs, of which a high proportion, 27.5%, had been ‘zero hour’ employee contracts. The Chief Minister advised that although he favoured secure employment, there was always a need for zero-hour contracts in certain situations.

The Chief Minister was asked about the impact that the efficiencies were having on the workforce, both qualitatively (such as health issues, time off, staff morale) and quantitatively (job cuts/reduction in hours) or if there had been any unforeseen benefits from most of the workforce now working from home. He told the Review Panel that there was anecdotal evidence that sickness levels had dropped and that some staff had increased their productivity and were happier working from home. However, the Programmes Director confirmed that there was no performance benchmark data against which to measure productivity.

The Review Panel was concerned at this lack of data and noted that it has been impossible to isolate the impact of any efficiency itself from the significant impact that the pandemic has had on customers, colleagues and services. It was unable to conclude whether the efficiencies planned for 2021-2024 are appropriate.

FINDING 7

It has been impossible to isolate the impact of any efficiency itself from the significant impact that the pandemic has had on customers, colleagues and services. We are unable to conclude whether the efficiencies planned for 2021-2024 are appropriate.

RECOMMENDATION 7

The Government should make it easier to track, analyse and assess what the impact of any efficiency measure, including the projects which are halted, deferred or reduced, is on customers, staff and services.

Reviewing and Monitoring

Governance

The 6 month progress report of Government Plan 2020 stated that the performance management of the 2020 plan had transitioned into the enhanced monthly financial review process (Budget Monitor):

This has provided the Executive Leadership Team (ELT) with monthly financial performance information for each efficiency, enabling appropriate management challenge and intervention. This is supplemented by monthly reporting on the Perform system which provides qualitative updates on delivery.

The Review Panel questioned the Chief Minister[53] about tracking the efficiencies and their impact:

> **The Connétable of St. Peter**
>
> *How do you track these efficiencies that are, in effect, replacement of efficiencies that have not been achieved?*
>
> **Director, Business Change:**
>
> *There is a detailed monthly budget monitor process … that goes down to individual line items of each efficiency, so we can spot what somebody has committed to … which helps you with the line item in the accounts and also the value attributed to that. We can spot therefore at quite a detailed level where things have been successful and things have not been successful in the terms of the plan A. Those items will be then lifted and brought forward into 2021 because in many cases the Efficiencies Plan is for a good plan, it is just it has not been delivered in 2020. For example, there were some intentions to undertake some activity in Health and Community Services, still a great plan, they have been diverted and will just be delivered in 2021.*
>
> **The Connétable of St. Peter:**
>
> *That sort of covers plan A but what if it is a plan B or plan C item? Those efficiencies that have replaced other efficiencies in plan A, and unintentional efficiencies, how do you track those?*
>
> **Group Director, Treasury and Exchequer:**
>
> *Exactly the same way …We do the budget monitor, we do it every month end … We have a tracker that not only identifies every efficiency, it identifies all the growth and it identifies precisely what you have described.*

The Group Director assured the Review Panel that it was not only financial management that was tracked, but also high-performance management looking at outputs and outcomes, although he accepted that this "will develop over the next year or so".

The Review Panel was concerned that there was too great an emphasis put on the budgetary monitoring and not enough on the 'human' impact of delivering those efficiencies. For example, it recalls the written answer to questions it posed to the Chief Minister[54]:

53 Efficiencies Review Panel Public Hearing with the Chief Minister 12th November 2020
54 Letter from Chief Minister, reproduced in full at Appendix 3, 1 October 2020

2. **Your Efficiencies Board Programme Director told us that a restructured programme for 2021 would concentrate on cross cutting measures and be run by the Executive Leadership Team, which was made up of the Director Generals. He told the Review Panel that the Team would concentrate on five key areas:**
- **modern and efficient workforce**
- **organisational structures**
- **shaping demand (volume and methods of customers accessing services)**
- **processes and systems**
- **commercial operations (including cost recovery and working with Arms'-Length Organisations (ALOs)**

How and why have you prioritised these, and how much in efficiencies are you going to make?

These 'key areas' offer lenses through which to look at the organisation to identify efficiencies and other rebalancing measures. They continue the methodology described in the Efficiencies Plan 2020. They are not exhaustive and have been neither prioritised at a Government of Jersey nor departmental level.

The objective set for 2021 is to deliver a further £20 million of efficiencies and the proposed approach to this, applying the broader scope of rebalancing measures, will be presented in the Government Plan.

The Review Panel concurs with the Chief Economist at CIPFA, who stated:[55]

> *Tackling complex social issues such as homelessness and chronic unemployment will require access to, and the better understanding of, community data. Utilising algorithms that run large datasets against demographic and other risk factors has the potential to guide better decision-making from how to distribute benefits to rapidly identifying citizens whose support needs may escalate due to the pandemic.[56]10 Global initiatives such as the International Network for Data on Impact and Government Outcomes (INDIGO)[57] can help Jersey learn from the experiences of other jurisdictions as well*.

Expert Advice

The Review Panel was keen to understand the use of consultants or other experts in identifying efficiencies and asked the Chief Minister and officers how they had been utilised:

> **Deputy M.R. Higgins:**
>
> *When we asked you what expert advice you relied on to continue with the efficiencies you stated in your letter that you had specific support on development of business support models. I would like to know who carried out that work for you and can we, as a panel, see it?*
>
> **Director, Business Change:**
>
> *We had retained the services of a couple of people from EY to work on business support models and they will continue through, I think, until February next year; just one individual helping with the development and the proposal to the Director General and the Minister for a model within the non-education part of C.Y.P.E.S. (*Children, Young *People, Education and Skills). That is being developed at the moment.*

[55] Jeffrey Matsu, Chief Economist, CIPFA – Report on Jersey Government Plan 2021-24 Covid-19 Recovery Planning Response – commissioned by the CSSP Scrutiny Panel, November 2020

[56] https://www.cipfa.org/services/data-analytics/Covid19-oneview-service

[57] https://golab.bsg.ox.ac.uk/toolkit/INDIGO-Intro2020/

The Chair also asked about the value for money of the accounting firm (Ernst & Young, or EY) in delivering budget efficiencies. The Chief Minister[58] advised he considered that the EY officers had provided excellent value for money:

> **Director, Business Change:**
>
> *In the context of the use of EY to help sight the relevant business support model, I think it is a £40,000 cost until the end of February. The belief is that is good value investment in that there has been a good negotiation around the cost of that service and also the belief that the value of efficiencies derived from that work is multiples of their cost.*
>
> **Chief Minister:**
>
> *Without going into details around what individual contracts are, for the sake of argument, if you spend £100,000 on a consultant and they genuinely deliver £100,000 of savings which are recurring, it is worth doing. If they deliver more than that, it is definitely worth doing. Even if they deliver £50,000, but it is recurring, so 10 years' worth, that is £500,000 you have saved for the spend of £100,000. What we have got to make sure, we have to deliver it, not just as a report that sits on somebody's shelf.*
>
> **Group Director, Treasury and Exchequer:**
>
> *We also, in every one of these, get them to upskill our own people where appropriate. We have some really good skilled accountants, but equally we are doing some training with EY to make sure everybody gets the skills, for instance.*

The Efficiencies Panel considers there is too great an emphasis on broad efficiency measures without acknowledging the 'human' impact of these efficiencies, especially where they appear counter to Common Strategic Priorities. It agreed to recommend to the Chief Minister that some of the budget for retaining expert consultants to drive efficiencies programmes should be used to research and develop social impact assessments. The consultants should also be asked to consider the 'human' or societal impact any proposed efficiency might have.

FINDING 8

The Efficiencies Panel considers there is too great an emphasis on broad efficiency measures without acknowledging the 'human' impact of these efficiencies, especially where they appear to run counter to Common Strategic Priorities.

RECOMMENDATION 8

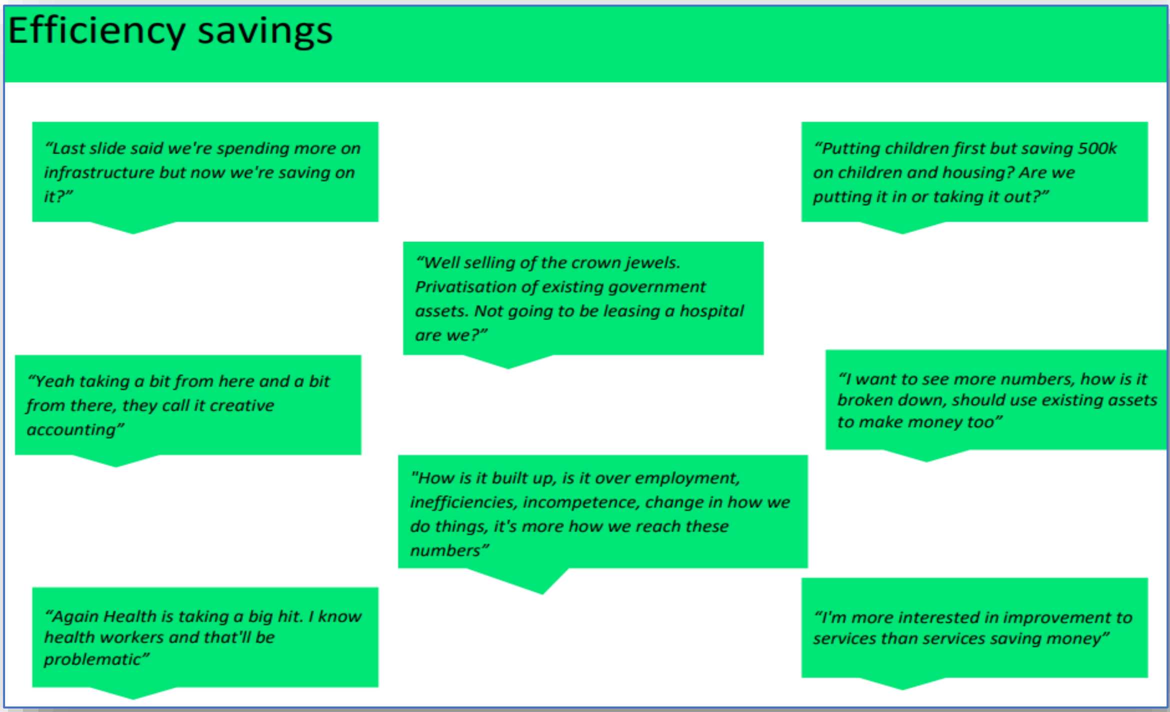
Some of the budget for retaining expert consultants to drive efficiencies programmes should be used to research and develop social impact assessments and the consultants should also be asked to consider the 'human' impact any proposed efficiency might have, so as to more closely align them with the Common Strategic Priorities.

[58] Efficiencies Review Panel Public Hearing with the Chief Minister 12th November 2020

Listening to Islanders

Public Engagement

The Review Panel wanted to know how the views of Islanders had been taken into account as the Government pursued its Efficiencies programme. It noted that the Corporate Services Scrutiny Panel had engaged with focus groups[59] and targeted submissions in order to understand the public's view. Some of the comments are displayed below:



[59] The full methodology used and the report from 4insight in relation to the focus groups is published on the Scrutiny website, under the Corporate Services Scrutiny Panel's Government Plan 2021-2024 Review

The Review Panel noted the following 'headline' results:

Efficiency savings

- Many people were confused about the premise of efficiency savings. They wondered how a department could be investing a lot of money and simultaneously saving
- The wording 'efficiency savings' was preferred to 'rebalancing' or 'recovery plan'
- Some confusion as to 'Putting Children First' whilst also saving money in the Children and Housing sector
- Respondents worried about cuts to Health given the current circumstances, the ageing population and the need to recruit more medical staff
- Some respondents wanted more details regarding how the savings were made and how these numbers are reached. As well as which assets were to be sold off
- Some were sceptical of whether this section is truly made through cutbacks or whether it is an accounting exercise

Furthermore, the Review Panel noted that the overall view of the focus group had been that the new Government Plan 2021-2024 would be so much better, if *"there was comprehensive digestible data behind the efficiency savings data and clarity regarding the proposed additional £20 million saving*." The Review Panel agrees.

It pressed the Chief Minister on his programme of public engagement[60]:

> Deputy M.R. Higgins:
>
> *When we ask you about public engagement or consultation to inform the continued efficiencies or recovery programme, specifically for the Government Plan 2021 to 2024, you said your approach is described on page 28, "Listening to Islanders". When we look at page 28: children, education, well-being, mental and physical health, economy and skills, nowhere does it say spend an enormous amount on a new office space for the government. How would you like to respond to that? How do reconcile the priority of office space for government…?*
>
> The Chief Minister:
>
> *I would have said it would have been covered under what I call the overall target proficiencies, would have been the main thing, and about organisational change, which is certainly referenced elsewhere in the plan.*

The Review Panel does not consider this to be a satisfactory answer and recommends that greater emphasis is placed on the views of Islanders when reviewing the Efficiencies Programme.

[60] Efficiencies Review Panel Public Hearing with the Chief Minister 12th November 2020

FINDING 9

The Government has not placed enough emphasis on its own surveys including '*Listening to Islanders'.*

RECOMMENDATION 9

The Government should invest in, monitor, and truly reflect on surveys and other indicators, to fully understand and better reflect the priorities of Islanders in any efficiency or rebalancing programme.

Conclusion

The Review Panel has been alarmed at the lack of evidence demonstrating that the ongoing Efficiencies Programme is not simply budget cutting by another name. Although it accepts there are efficiencies to be made, it is concerned that a process which continuously looks to squeeze money throughout Government departments will inevitably have a negative effect on services and ultimately the people they serve. The Review Panel fears that not enough has been done to relate the efficiencies to the Common Strategic Priorities, thereby limiting their effect on the already vulnerable and under-served members of the community. It notes that even though there is a Performance Framework [61]in place, which seeks to show how Jersey is doing 'on the journey to achieving sustainable wellbeing' it lacks sufficient data to be utilised properly.

The Review Panel notes that the Government intends to continue an aggressive Efficiencies Programme. The Chief Minister advised that this is a sign of a positive environment because:

> "*People do not want to waste money and people want to be efficient and effective. If they can do this and see they are helping the Island, helping keep taxes down, helping deliver better services, it generates its own momentum and it generates its own enthusiasm in staff. It is a good thing, I would suggest.*"[62]

The Review Panel does not agree. In the absence of defined programmes, we do not recognise a 'salami sliced' approach as meeting good practice. Failure to meet a revised expenditure/income target on the efficiency savings will eventually have negative implications on the ability of departments to meet service standards, to the detriment of the very people they are working to serve. We have shown in the report that already, in the drive to save relatively small amounts, the Government is deferring services to vulnerable people. There is little evidence that the programme of efficiencies is based on a strict value for money approach or that it has been weighed in favour of closing the inequality gap. Rather, the changes have been driven by the acute demand for the realisation of cashable savings to bridge the budget setting gap, irrespective of the impact on services. The Review Panel concurs with the CIPFA consultant advisor to the Corporate Services Scrutiny Panel:

> *The larger components of the scheduled 2021 savings appear to be highly aspirational. For example, the £5m to be released from a zero based budget review at HCS, the release of funds from GHE in respect of the hospital maintenance programme of £4million, managing inflationary pressures around Government generating savings of £3.7million and £0.9 million associated with OneGov Modernisation Programme. In context, these broad estimates do not appear to be realistic and we have yet to see evidence that demonstrates that a high level of assurance can be obtained that shows that recurring 'cashable' savings can be sustained from these initiatives.*[63]

[61] Performance Framework
[62] Efficiencies Review Panel Public Hearing with the Chief Minister 12th November 2020
[63] Government Plan Covid-19 Recovery Response November 2020 (commissioned by CSSP)

Appendix 1 – Answer to Scrutiny Question at the Request of the Efficiencies Review Panel and Corporate Services Scrutiny Panel

Answer to Scrutiny Question

At the request of the Efficiencies Review Panel and CSSP

14th July 2020

Data explained

The December 2019 Labour Market report indicated that since December 2016 there had been an increase of 4.8% in public sector jobs.

A breakdown by department is not possible as during this same period departments underwent significant re-organisational change moving towards their new Target Operating Model. The most significant of which was the creation of Strategic Policy, Performance & Population Department which brought in staff from other Government of Jersey departments and externally.

The table below shows an overall increase in headcount of 4.8%. The highest proportion, 27.5%, being in our zero hour employee population within Children, Young People, Education and Skills (+92 headcount) and Health and Community Services (+51 headcount). In addition, we saw an increase of 4.2% of full-time employees, the majority of which were from Teaching Assistants, Allied Health Professionals, Workforce Modernisation (Ambulance, Family Support Workers, Residential Child Care Officers & Youth Workers) and Civil Servants.

Please note that the overall increase in Public Sector Jobs (4.8%) as quoted includes the Jersey Development Company and Parish Workers.

Employment status	Dec-16	Dec-19	Change	
Full-time	6,150	6,410	+260	+4.2%
Part-time	1,030	990	-40	-3.9%
Zero-hours	510	650	+140	+27.5%
Exempt	10	0	-10	-100%
Public sector jobs	7,690	8,060	+370	+4.8%

Appendix 2 – Examples of Plans A/B/C in the Government Plan 2021-2024

Project: Changes to staff rotas in children's residential homes

Progress: The restructure of the service has released unfilled posts. A revised approach to rostering is still being assessed for potential additional savings (anticipated seven posts to be removed) plus efficiencies from home closure.

Impact: The impact on both staff and service users in meeting this efficiency is negligible; the total amount has been identified from obsolete posts such as cooks and cleaners as well as team leader posts that the service do not use under the current model of smaller residential homes. Looking ahead, the Government has commissioned the Independent Children Home Association (ICHA) to conduct a review of both our residential and shorts breaks home; pending the review, the Government will be rolling out a targeted improvement plan in which the implementation of a more standardised rota pattern managed through the eRostering system.

Status: Efficiency has already been delivered (Plan A)

Value: £0.50m

Forecast: £0.50m

Project: Accommodation rationalisation

Progress: Alternative rent-free options are not available for all Education department staff. A range of options have been explored but nothing is currently available. Deferral of growth will be required in 2020 and alternative recurring efficiencies from 2021.

Impact: N/A

Status: Government Plan growth deferred to make up shortfall (Plan C)

Value: £0.18m (£0.13m in 2020)

Forecast: NIl

Mental Health

Delivery of efficiencies through contract reviews with off-island providers has been significantly impacted through COVID-19.

Schemes and placements are being reviewed again and incorporated into the Mental Health operational recovery plan post-COVID-19 and the benefits from this revised approach should be realised in 2021.

Acute Floor

This has been delivered as planned.

Off-island acute services

Some recurrent efficiencies have been delivered through scrutiny and review of contracts for services.

There have also been additional non-recurrent benefits in year as a result of modifications made to pathways during the pandemic and these will support under-delivery of other efficiency schemes in 2020.

These revised pathways are being reviewed from a quality, safety and patient experience perspective to determine what elements can be carried forward into 2021 to further support delivery of recurrent benefits.

Impact: As described in the Efficiencies Plan 2020-23 all efficiency schemes go through a Quality Impact Assessment (QIA) gateway to ensure no schemes adversely affect services or patients and risks are identified and managed throughout the entirety of the programme.

Any consumable or medicines changes used directly in patient care also go through a rigorous clinical review process before being changed over. Consequently, there are no adverse effects on patients or services.

Status: Mix of on track delivery (Plan A) with balance funded from deferred growth (Plan C).

Value: £3.67m

Forecast: £2.51m

Strategic Policy, Performance and Population

Project: Recovery of policy costs

Progress: This income is collected by CLS as part of the Control of Housing and Work Law (CHWL) fees. This is now at risk due to the COVID-19 pandemic and consequent reduction in this income stream.

Impact: There is no impact on the delivery of public services.

Status: Alternative Efficiency to cover shortfall (Plan B)

Value: £0.11m

Forecast: £0.11m

Treasury and Exchequer

Project : Additional tax revenue

Progress: £3.68m additional revenue collected to date.

Impact: The impact of the efficiency on the delivery of public services over the last six months has not resulted in a cut to services and the same is expected over the next six months.

Status: Efficiency largely on track for delivery in 2020 (Plan A)

Value: £7.35m

Forecast: £6.35m

Project: Reduction in costs arising from system transformation of finance function

Progress: Work is ongoing to deliver efficiencies. The department has a number of vacancies across all areas which will be used to manage any delay in achievement.

Impact: The impact of the efficiency on the delivery of public services over the last six months has not resulted in a cut to services and the same is expected over the next six months.

Status: Government Plan growth deferred to make up shortfall (Plan C)

Value: £0.23m

Forecast: Nil

Appendix 3 – Letter from Chief Minister to the Efficiencies Review Panel, 1 October 2020

Chief Minister

Government of JERSEY

19-21 Broad Street | St Helier
Jersey | JE2 4WE

Chair
Government Plan Efficiency Savings Review Panel
Scrutiny Office
States Greffe
Morier House
St Helier
Jersey
JE1 1DD

1 October

Dear Chair,

Thank you for your letter dated 21st September. I hope the below answers each of the questions you have raised:

1. **We were told that the £40 million in planned efficiencies for 2020 comprised £21 million in specific department budgets, £11 million of central Government controlled items and approximately £7.5 million of incremental tax compliance work. We have seen revised figures in the 6-month progress report. The Efficiencies Programme commenced in December 2019 but was paused in March 2021, so that resources could be reallocated to respond to theCovid-19 outbreak. £21.5 million had already been removed from the departmental budgets in line with the Programme.**

   At that stage, with States-wide agreed plans and budgets in disarray, why did you not bring the Plan back to the States Assembly for discussion?

The Government Plan and budgets are not in disarray. A plan was swiftly developed to manage the impacts of COVID-19 with departments still delivering the efficiencies objectives for 2020 either as planned or through deferred expenditure, an approach approved by the Council of Ministers. Efficiencies offset by deferred expenditure will be delivered on a recurring basis from 2021. This approach aligns with the published Efficiencies Plan 2020, does not amount to a significant deviation and it was therefore not necessary to return to the States Assembly.

To recap, the States Assembly agreed the Government Plan for 2020 setting out spending limits for departments and reserves which included efficiencies objectives. Regardless of the pressures emerging through 2020, the first priority is to manage within those limits agreed within the Government Plan.

As the financial impact of COVID-19 emerged in 2020 it was clear that immediate action was required to manage the short term impacts of the pandemic on government finances and that longer term measures were also required to maintain sustainable public finances. At this point, the efficiencies programme was subsumed in to the 'Rebalancing' workstream to broaden the scope with that aim.

Whilst the operational and financial impacts of COVID-19 have caused delays in the delivery of some of the 2020 efficiencies, departments are still operating within the cash limits agreed net of the efficiencies objectives. A number of specific additional budget allocations have been made by the Minister for Treasury and Resources to manage the financial impacts of COVID-19 in 2020.

2. Your Efficiencies Board Programme Director told us that a restructured programme for 2021 would concentrate on cross cutting measures and be run by the Executive Leadership Team, which was made up of the Director Generals. He told the Review Panel that the Team would concentrate on five key areas:

- **modern and efficient workforce**
- **organisational structures**
- **shaping demand (volume and methods of customers accessing services)**
- **processes and systems**
- **commercial operations (including cost recovery and working with Arms'-Length Organisations (ALOs)**

How and why have you prioritised these, and how much in efficiencies are you going to make?

These 'key areas' offer lenses through which to look at the organisation to identify efficiencies and other rebalancing measures. They continue the methodology described in the Efficiencies Plan 2020. They are not exhaustive and have been neither prioritised at a Government of Jersey nor departmental level.

The objective set for 2021 is to deliver a further £20 million of efficiencies and the proposed approach to this, applying the broader scope of rebalancing measures, will be presented in the Government Plan.

3. In the 6-month progress report, you've said reducing staffing costs has been impacted by COVID-19 in departments. For example, the decrease in expenditure derived from inability to recruit is offset, by an increase in overtime and/or the requirement to retain agency and/or fixed term contract staff. Can you provide actual numbers?

The response to Q13 sets out approximately £1.62m of one-off efficiencies in 2020 caused by deferral and/or difficulties in recruitment.

Fixed term contract (FTC) full time equivalent (FTE) was 365 in January 2020 and the initial plan, anticipated reducing this volume, often through the recruitment of permanent staff. As a consequence of COVID-19 not only were these FTC retained but further staff were hired resulting in a peak during COVID-19 of 505 FTE. This number has now reduced to near pre-COVID-19 numbers at 387.

Overtime reduced by approximately 10% month on month over the first quarter of the year down to £599k in March. During the early COVID-19 response period it increased to an average of £769k monthly and over the first two months of the third quarter has reduced to £465k.

4. **Reduction in Fixed Term Contracting (FTC) and agency staff – in some cases, data errors have suggested more opportunities to reduce staff were stated than actually exist. This has required alternative efficiencies to be identified or growth reduced. – can you explain?**

There were a small number of coding errors in our people systems relating to FTC classification. During the planning phases initial analysis suggested opportunities to change the contracting terms for some roles and/or move between contract and permanent hires to generate efficiencies. On more detailed analysis it became clear this was not the case.

5. **We have noticed that there appears to be a push for efficiencies in areas that will, in fact, post- COVID-19, need more investment, for example Children and Young People Education and Skills – why are you doing this? Why do you not halt such efficiencies and prioritise your previously stated aims such as putting children first or helping the many people who will now be unemployed, retrain and reskill?**

By definition, efficiencies will not reduce services – they will enable the same services to be provided with less or a greater level of service with the same resources. Delivering efficiencies in these areas enables more investment in expanding the provision of services and is entirely separate to the specific investment in priority areas agreed in the Government Plan.

6. **Mental Health: Delivery of efficiencies through contract reviews with off-island providers has been significantly impacted through COVID-19. Schemes and placements are being reviewed again and incorporated into the Mental Health operational recovery plan post- COVID-19 and the benefits from this revised approach should be realised in 2021 – As above, why do you not halt such efficiencies and prioritise and invest in the mental health services, given there will be an increased need of the service in the coming months?**

There has been further investment in Mental Health services to support the Jersey population with their Mental Health and Wellbeing for example investment in the Listening Lounge.

Our aim is to significantly improve access to mental health services, bringing parity of esteem to the mental health agenda, invest in our mental health environment and building infrastructure, implement initiatives for crisis support, a 'listening lounge', complex trauma, Child and Adolescent Mental Health Services and mental health legislation.

However, it is important to continue to ensure we are using our existing resources effectively by improving the quality of care provided and achieving best value in our contractual arrangements. This will enable us to improve quality and invest further in our mental health service provision.

7. **Until recently, the Jersey Care Model was considered an essential framework for the delivery of health and the provision of a new hospital in the Island, now it has been pushed back for at least a year – can you explain why it is no longer deemed so important?**

The Jersey Care Model (JCM) is a 4 to 5-year transformation programme. We will still look to deliver the JCM as originally presented, however rollout of the programme is to be phased over three risk assessed tranches: Tranche 1 2021, Tranche 2 2022 – 2023 and Tranche 3 2023 – 2025.

Key aspects of the JCM were accelerated and implemented during COVID-19, as we needed to change the way we supported Islanders and delivered care. In particular, supporting self-care and empowering individuals to identify symptoms and manage their own care; driving a greater amount of care, and therefore resources, into the community; sharing of data and information; enhancing the pathways between primary, intermediate and secondary care; and, collaboration between teams across health and care. There was also a lot of innovation seen, including changes in how we delivered care. For example, the development of a temporary Urgent Treatment Centre, and greater use of technology including telemedicine, 'apps' and digital information including the use of social media platforms

However, in light of the emerging challenges the Island is facing post COVID-19, phasing of the programme has been amended to allow time for stabilisation, and for capacity in the immediacy to respond to a second wave.

In developing a realistic and achievable implementation plan we reviewed the deliverability of the JCM. Schemes have been assessed through a framework whereby quality, safety and benefits realisation were assessed in order to validate that the proposed schemes are suitable for implementation, and which schemes would be selected for the first year.

The phasing of JCM investments (and their associated benefits) has been updated to reflect the revised implementation plan and scheme prioritisation work.

This demonstrates a planned and achievable approach to the transformation of health and care services whilst recognising the challenges to implementation, to enable the benefits to be delivered.

8. **Commercial operations - reduction in the benefits forecast: COVID-19 has resulted in a spike in income support costs and so the planned efficiency will not be achieved. It is anticipated that it will be funded from reserves through the COVID-19 Business Case Process. The shortfall in the Income Support budget is subject to a COVID-19 business case for a £10.3m forecast overspend. Is it not possible to offset this with other savings? If not, why not?**

The £944k saving was removed from the Income Support budget for 2020. For the first quarter of 2020 Income Support expenditure was within this reduced budget i.e. the savings reduction was being delivered as expected. However, the impact of COVID-19 on unemployment and Income Support was rapid, by April 2020 the monthly budget run rate was exceeded and the expenditure for the year was forecast to exceed budget by £10.3m. The speed and scale of the additional income support costs resulting from the impact COVID-19 had on the employment and income status of the population was such that it was not possible to identify savings which could be delivered within 2020 to offset this overspend.

The CLS non-benefit budget is £21.8 per annum, the department has been seeking to manage the additional workload associated with new COVID-19 related support schemes. There is no scope to deliver the £944k of benefit savings from the non-benefit budget.

Additionally, there was no appetite to change eligibility criteria or payment rates associated with the range of Income Support benefits provided at a time of crisis. Many Islanders already rely on these benefits and many more required additional financial support to assist them in managing the impacts of the pandemic. Further, any such changes to benefits to seek to save money would have reduced income to the most financially vulnerable and would have been counter to the economic stimulus programme being developed and implemented by Government in recent months.

Since the time of writing, it does appear that the economy is improving, numbers of individuals actively seeking work are reducing and the forecast spend on income support has reduced. The most recent projection is that spend on tax funded benefits is expected to be around £6.9m greater than budgeted for 2020.

9. **Office of the Chief Executive – this was due to make savings but has not achieved any –why not?**

The Office of the Chief Executive has made a number of savings consisting of, for example, deferred recruitment and hiring of staff and reductions in non-staff spending. In relation to Economy, savings through Modern and Efficient Workforce will be delivered through vacancy management in 2020 pending the finalisation of the new TOM. This process is currently in consultation and due to be completed in Q4 2020 from which time the team will be in a position to confirm any proposed savings for 2021.

Furthermore, growth budget expenditure has been deferred or reduced at circa £2.5m for the full year.

10. **Regardless of this change in the programme management arrangements, the Government 'remains committed to delivering £100m of efficiencies over the Government Plan 2020-23 period.**
    The detailed 2021 Re-balancing/Efficiencies Plan, which will outline
    how the Government will deliver a further £20m, will be presented as part of the Government Plan2021-24'. Why have you not dovetailed your zero-based budgeting exercise to transform services and help those most in need instead of continuing with efficiencies in this way?

The zero-based budgeting programme (ZBB) has already initiated work with both the Treasury & Exchequer and Health & Community Services departments in 2020. Further departments are expected to initiate it's their ZBB work during the latter part of 2020 and into 2021.

The outputs of the ZBB exercise will absolutely support the transformation of services and identification of efficiencies, both within departments, and (once sufficient departments have been through the process), across the government. This will include the identification of where services can work together, consolidating the provision of services and reducing duplication.

Opportunities for efficiencies and other re-balancing measures, alongside opportunities for service transformation, will be identified through that exercise and will inform future service and financial commitments.

However, to get the most out of ZBB, it is necessary to invest sufficient time to link finances to activity and demand data, and there is an immediate need to balance government budgets. The ZBB programme was paused following the onset of COVID-19, but has subsequently restarted. Work is back underway to roll out ZBB across departments during the rest of 2020 and into 2021.

11. In the absence of evidence such as 'exit surveys', how are you measuring the impact that the efficiencies are having on the workforce, both qualitatively (such as health issues, time off, staff morale) and quantitatively (job cuts/reduction in hours) and will this methodology be carried over for the Recovery Plan?

It is difficult to isolate the impact of efficiencies from the much more significant impact of COVID-19. The potential impacts on staff from implementation of Target Operating Models (TOMs) are assessed through an established governance process that includes review by the Executive Leadership Team, approval by the States Employment Board and noting by the Council of Ministers.

The Be Heard staff survey will report findings in the fourth quarter of 2020. Whilst this will not isolate the staff impacts of specific activities it will provide a significant opportunity to understand and respond to concerns raised by our workforce.

12. What contact have you had with departments regarding efficiency savings and the need to restructure target operating models?

Work on target operating models (TOMs) which has been deferred or delayed as a consequence of COVID-19 has been reinitiated (e.g. CYPES, IHE) and whilst it is unlikely we will undertake this work at a departmental level in the near future (as was required to move towards OneGov model) this is a continuous process and we will keep looking at functions and services as the need arises.

13. What is the total amount in 'unexpected savings' including discretionary spend (such as travel)?

As a result of COVID-19, departments were unable to operate as they had originally intended which has resulted in some one-off efficiencies in 2020. £9.75m are classified as one-off savings of which approximately £1.62m is as a result of pausing recruitment.

14. What work is being carried out on identifying new efficiencies for the Recovery Plan, how is it prioritised in accordance with reinvigorating the health and wellbeing of Islanders and can you provide your methodology for doing so?

Work to identify £20m of efficiencies and other measures to rebalance expenditure are well developed. Proposals have been made by Directors General, approved by individual Ministers and, through a peer review process, by the Council of Ministers. They will be proposed as part of the Government Plan 2021-24, a draft of which has now been shared with Scrutiny.

It is important to understand the potential impact proposals may have on a number of different aspects. To that end proposals include a simple assessment of impact on sustainable wellbeing alongside that on customers, staff and services. It is also important to recognize that the efficiencies and rebalancing measures should be reviewed alongside previously approved and new investments and the recovery measures proposed as a response to COVID-19 to get a more holistic view of our focus on the health and wellbeing of Islanders.

I hope the above answers offer clarity to the issues you have raised.

Yours sincerely,

Senator John Le Fondré
Chief Minister

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Appendix 4 – Letter from Chief Minister to the Efficeincies Review Panel, 30 October 2020

Chief Minister

Government of JERSEY

19-21 Broad Street | St Helier
Jersey | JE2 4WE

Deputy Geoff Southern
Chair, Government Plan Efficiencies Review Panel
BY EMAIL

30 October

Dear Chair,

I am writing in response to the Panel's letter of the 21 October 2020, which set out a number of questions in relation to efficiencies. I have responded to each question in turn, following the format set out in your letter, as below.

Work Sector

1. How much of the £40 million efficiencies target outlined in R.130/2019 Efficiencies Plan were met?

   Focus on delivery of this plan continues to the end of 2020 and we remain confident that £40 million of measures will be delivered.

2. What progress had you made in ensuring the delivery of the 2020 Efficiencies Programme before COVID-19?

   In early 2020 the value of efficiencies at risk of non-delivery was £4.9m. The immediate impact of COVID was to increase the value at risk by £8.6m. This worsened by a further £2.3m in April to a total of £15.8m at risk. Work undertaken over the following weeks reduced the value at risk to c£12m, as reported in the six-month progress review. This will be delivered through one-off measures, typically deferred spending of growth funds as a consequence of the impact of COVID.

   At the end of September, of the £40m target, the forecast value at risk remains approximately £12m. The final update on these efficiencies is anticipated to be published by the end of February 2021. As indicated in the Efficiencies Plan 2020, where the recurring efficiency has not been achieved, an alternative measure will be substituted.

3. Are Departments being asked to consider options to reduce head count?
(Example ref: Govt Plan, p.97, a vacant post reduction of 1% to the police force is counted as an efficiency)

In 2021, as in 2020, measures are proposed by Directors General, approved by Ministers, and peer reviewed by the Council of Ministers before being adopted. Departments have the opportunity to consider both operational workforce planning and the progression of Target Operating Models, amongst other approaches, when developing rebalancing measures.

There is no headcount reduction target.

4. Did you anticipate the rebalancing programme will affect working conditions which you said you were going to target?
(Ref: p.26 of Efficiencies Plan, VR, O/T, management of sickness/reduction in agency staff and fixed term contractors, review of investments and vacancy management)

Working conditions are established though policy developed by People and Corporate Services and with appropriate approvals from, and noting by, the Executive Leadership Team, States Employment Board and the Council of Ministers. These policies have been advanced significantly as part of the Government's response to COVID, for example greater flexibility to work from home.

Notwithstanding these policy developments, working conditions are further influenced by the more consistent application of these policies i.e. improved workforce management.

The impact of the existing and proposed rebalancing measures is not anticipated to have any impact on working conditions.

5. How did you measure the impact that the efficiencies had on the workforce, both qualitatively and quantitatively?

   Impact assessments were included as part of proposed efficiencies in the 2020 plan and these continue through into the 2021 rebalancing proposals. As stated above, it is anticipated the measures will have no impact on workforce.

6. Does the Chief Minister accept that the use of vacancy management (see GP annex p. 131/20 SoJ Police) to produce savings is not an efficiency but a budget cut?

   Vacancy management, and the application of a vacancy factor to workforce budgets, was set out as an approach to deliver recurring efficiencies in the 2020 plan (page 13 – Vacancy factor). A small incremental figure is contained in the proposed measures for 2021 reflecting that managing this factor requires ongoing effort and focus. This more efficient use of funds has not resulted in any reduction in services.

7. You stated in the Efficiencies Plan (p.27) that efficiencies in the above areas would not lead to a cut to services – has that been the case?

   No services have been cut in order to deliver efficiencies set out in the Efficiencies Plan 2020.

8. Are public sector pay cuts being considered to ensure delivery of efficiency targets?

   No

9. Last year you identified efficiencies to be made by each department, then the money was taken from the budget and when the department couldn't make the efficiencies it had previously agreed due to changing circumstances, they were told to find them in any way they could – why?

   This was the process that was agreed with the Council of Ministers during its work on the government Plan.

   a. How was that tracked?

   As previously set out tracking is undertaken through the monthly budget monitor process.

b. Is that what you're planning to do this time?

Yes, this process will continue in 2021

c. How do you separate unintentional efficiencies made because of Covid-19 (such as working from home or consultants unable to travel into the island)

Delivery of the measures set out in the Efficiencies Plan 2020 is tracked monthly: quantitatively via the budget monitor, and qualitatively via the *Perform* project management system. A further distinction is made between recurring and one-off measures. The aggregate value of the latter is carried forward to the following year with an objective to identify new and/or deliver planned recurring measures.

d. What if a Minister pushes back on the efficiencies you identify?

As previously set out, efficiencies are identified by Departments. Ministers have agreed the rebalancing measures for 2021 and these have been peer reviewed by the Council of Ministers before inclusion in the proposed Government Plan 2021 – 24.

e. The efficiencies have already been removed from base budgets. Are all relevant Chief Officers signed up to delivering the efficiencies in their own Departments?

As previously set, out measures are proposed by Directors General.

f. How are Departments going to deal with the negative impact on 'normal' budgets if there is non-delivery of such initiatives and bottom line budgets have still to be delivered?

As previously set out, Departments (through Accounting Officer requirements in the Public Finance legislation) are required to deliver within cash limits and will need to defer growth and/or make other one-off or recurring savings from base expenditure. This is described as 'Plan C'.

Identifying Efficiencies

10. How did you identify new efficiencies for the Recovery Plan?

As previously set out, Directors General proposed rebalancing measures, Ministers subsequently agreed these for 2021 before being peer reviewed by the Council of Ministers and included in the proposed Government Plan 2021 – 24.

A range of activities were undertaken to identify measures including, but not limited to:

- **A review of expenditure considering what could halt, defer, reduce or be transformed**
- **A continued application of the themes set out in the 2020 plan (e.g. Modern and Effective Workforce, Efficient Commercial Operations, etc.)**
- **The application of Zero-Based Budgeting (ZBB) methodology (HCS only)**

a. What expert advice did you rely on to continue with the efficiencies or recovery programme?

Development and delivery of efficiencies and rebalancing measures are within the normal operational business of a department. Where additional support is required Directors General will engage resources as necessary.

Specific support focussed on the development and approval of the fees and charges framework and development of business support models has been provided.

b. What public engagement or consultation has taken place to inform the continued efficiencies or recovery programme specifically for the Government Plan 2021-2024?

Consultation, where deemed necessary, is undertaken by a Department as part of normal operational business. At a Government level the plan to deliver £100m of measures was set out in last year's Government Plan and continued in this year's proposed Government Plan (proposed to increase in £120m including 2024).

This puts the proposed measures in the public domain ahead of the debate on the proposition later this year enabling Islanders to review and comment to States Members as appropriate. Evidence of engagement in 2019 was clear from the amendment to remove changes to chargeable parking hours from the 2020 plan.

With rebalancing measures contained within the proposed Government Plan 2021- 24 the approach to engagement and consultation is described on page 26 – *Listening to islanders.*

11. Zero based budgeting is a way to reassess from the ground up whether a department is delivering what it should – You had already commenced a programme of ZBB across the Treasury but you halted it during Covid – why? (The Review Panel

consider it might have been a good opportunity to use ZBB to assess how to prioritise those in need rather than a salami-slicing approach of efficiencies across the board?

The ZBB programme was paused recognising that a quality process, and therefore outcomes, require thorough and extensive engagement with functional leaders. This, as a proactive exercise, was considered a low priority relative to the urgency of responding to COVID.

The ZBB programme has been re-established and will inform proposals for future rebalancing measures over the remainder of this Government Plan.

The reference to 'salami slicing' is not accepted.

a. P.127 Annex – within Health and Community Services, identified £2million already and a potential £3 million of efficiencies through a Zero-Based Budgeting exercise?

It is inferred that the panel wish to question the progress of the ZBB programme within Health and Community Services (HCS). HCS are the first department to undertake this exercise and, at the time of publishing the proposed Government Plan, are confident of identifying £5m of recurring rebalancing measures.

These will be approved through the established HCS Governance regime before being proposed for Ministerial approval and delivery in 2021.

12. We see you intend to continue with an aggressive efficiencies programme, including an extra £20 million bring the total expected efficiencies to £120million over the next 4 years – but now it is called rebalancing and has been subsumed into the recovery plan – can you explain? –
(ref: Annex p.111/112)

In 2024 £20 million represents approximately 2.25% of an estimated base expenditure of £892m; it is deemed entirely reasonable to expect continued delivery of rebalancing measures to this value/proportion.

The reference to an '*aggressive efficiencies programme*' is not accepted.

13. Is the renaming from efficiencies to rebalancing being used to cover the fact that efficiencies are unachievable?

Since the establishment of the Efficiencies Programme the financial challenge to rebalance Government expenditure has become significantly greater. Consequently, the Government has revisited both the measures and

methodologies that support rebalancing. There will be a continued focus on recurring efficiencies within this programme with examples of approaches described in the response to Q.10. The level of efficiencies proposed are achievable.

Property

14. You're looking to add an extra £20 million of efficiencies on to the total, making £120 million in total over the next five years – wouldn't you have been better off producing a property strategy, considered urgent nearly 2 and a half years ago?

(ref: C&AG Report on Operational Land and Buildings, June 2018)

An estates strategy has been developed and will shortly be presented to Ministers for consideration. The impact of this strategy on Government Expenditure, and more specifically opportunities for rebalancing, will be reviewed once it is approved.

15. How does the continuing imposition of efficiencies fit with your promise to prioritise the health and wellbeing of Islanders, and can you provide examples?

Page 91 of the proposed Government Plan 2021 – 24 describes the development and application of sustainable wellbeing impact assessments on the proposed rebalancing measures. The templates published in the Annex (from Page 112) include the output of these assessments.

The reference to '*continuing imposition of efficiencies*' is not accepted.

16. The Review Panel lists below where the efficiencies sought appear to be inconsistent with your commitment to prioritising wellbeing – could you provide (brief) explanations:

a. Annex p.137/138 – deferring the care needs at home project by one year? Saving £400,000? (This affects 100-200 households and is in direct contrast to the Jersey Care Model)

The care needs at home project was originally planned to start detailed research through home visits to individuals living in their own home with a serious disability and/or long-term health condition. The family would be visited by a health professional and a policy officer to discuss details of their domestic living conditions and their additional domestic costs associated with their health condition (for example, the need to buy particular items of food, use more energy for washing or heating et cetera).

This project was deferred for two reasons:

- **It was inappropriate to continue with home visits as the COVID emergency impacted upon Jersey. It was not considered appropriate to attempt to gather this detailed information using video or telephone calls.**
- **The staff undertaking the project were redeployed to support urgent COVID activities.**

The intention is to maintain the full scope of the original project but to restart the home visits at the beginning of 2021. The saving in the project relates solely to the delay in implementation. The full budget is restored for 2022 and beyond.

Our overriding commitment to well-being was to protect the health of the individuals and families being interviewed. Alternative financial and practical support continues to be available to these families whilst the new scheme is being designed and approved.

The aims of the scheme are fully aligned with the Jersey Care Model and officers across departments will continue to work together closely during 2021 on the design and implementation of this scheme.

b. Deferring the appointment of a Public Ombusdman (p.115/116 Annex) – you state no analysis has been completed (but surely this delays customer benefits and complaints handling, areas you have been criticised for in the C&AG's Report on Handling Complaints?)

The previous Government Plan provided funding for the establishment of a Public Services Ombudsman from 2021, however legislation development was delayed due to Covid-19 so implementation in 2021 was not possible.

It was originally intended that, for the first few years of operation, the Ombudsman would not investigate health care complaints due to the complexities associated with scoping such complaints into law. Deferral until 2024 allows for the Ombudsman to address health complaints from the outset thus providing a more comprehensive service to islanders. In the intervening period the States Complaints Board will continue to investigate complaints about maladministration and GOJ's customer feedback process, as

introduced in late 2019, will continue to provide a more robust complaints management process.

The Government Plan does not show funding in 2024, however it is intended that the Ombudsman will be implemented in 2024 and funding requirements will be addressed in the next Government Plan once more scoping work has been undertaken)

c. We own over a £billion worth of property yet we now need to rent 28-30 The Parade premises, at nearly £1.5 million a year for the next 4 years? (p88, Annex)

The requirement to secure additional office rental is dictated by the condition and nature of our estate. We own insufficient high-grade office buildings, hence when further space is required, we have to look at private sector supply. This is a driving force behind the case to build a new office which will also deliver a noteworthy economic stimulus and a range of benefits for the organisation

d. Could you confirm that you consider the SOJP vacancy as an efficiency rather than a budget cut? Annex p.133/132

Yes, please see response to question 6 above.

e. Can you explain your thinking around the 'New charges/full cost recovery of £950,000 savings as an efficiency?

This is set out on page 97 of the proposed Government Plan 2021 – 24.

I welcome the publication of your letter, and my reply, in the public domain.

Yours sincerely,

Senator John Le Fondré
Chief Minister
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Appendix 5 – Witnesses and Evidence Gathered

A Public Hearing was held with the Chief Minister on 12 November 2020.

A Private Briefing was held with the Chief Minister on 22 July, detailing his role as the Chair of the One Gov Political Oversight Group with oversight of the Efficiencies Programmes Board.

The Following Reports and Affiliate Documents were used to produce this report:

- Government Plan 2021 – 2024 (including proposition P.130/2020)
- Annex to the Government Plan 2021 - 2024
- Government Plan 2020 – 2023 (P.71/2019, R.19/2020)
- Government Plan 2020 – 2023: Further Information on Additional Revenue Expenditure and Major Projects Expenditure (R.91/2019)
- Efficiencies Plan 2020 – 2023 (R.130/2019)
- Government Plan 2020 – 2023: 6 Month Progress Review
- Government Plan Review Panel (consolidated) Scrutiny Report
- The Comptroller and Auditor General's Report on Handling Complaints
- The Comptroller and Auditor General's Report on Operational Land and Buildings
- Public Finances (Jersey) Law 2019
- Efficiencies Programmes Board Closure Report (not published)

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