

STATES OF JERSEY

r

ANNUAL BUSINESS PLAN 2007 (P.92/2006): ELEVENTH AMENDMENT

**Lodged au Greffe on 29th August 2006
by the Deputy of St. Ouen**

STATES GREFFE

ANNUAL BUSINESS PLAN 2007 (P.92/2006): ELEVENTH AMENDMENT

(1) *In paragraph (a)(i) after the words “pages 8 to 10 of the Annex” insert the words –*

“except that –

(i) in Objective 1, on page 8 of the Annex, after the existing performance/success criteria, insert the following new items –

- *The development of any new initiatives, policies or strategies supported by all cost and revenue implications.*
- *New policies prioritised within approved revenue and manpower resources.*
- *States income and expenditure maintained within the financial constraints /cash limits agreed in the Annual Business Plan.*

(ii) in Objective 5, on page 9 of the Annex, after the existing performance/success criteria, insert the following new items –

- *An improved management reporting, risk management and overall accounting system to support transformation project established.*
- *All public sector pension obligations properly monitored and accounted for.*
- *Annual Business Plan delivered and monitored within financial constraints.*

(2) *In paragraph (a)(x) after the words “pages 114 and 115 of the Annex” insert the words –*

“except that –

(i) in Objective 1, on page 115 of the Annex, after the words “*Strategic Reserve*” in the last performance/success indicator insert the words “*and submitted to the States for approval in 2007*”

(ii) after Objective 1 insert the following new Objective and associated performance/success criteria, and renumber subsequent Objectives accordingly –

Objective 2: Managing the States’ finances

Performance/success criteria

- *Clear financial targets by which performance can be monitored developed.*
- *Improved financial reporting systems and performance measures developed in conjunction with the Comptroller and Auditor General and the Public Accounts Committee.*
- *Revenue consequences of all capital projects and the legislation programme fully quantified prior to approval by the States.*
- *Whole life costing for all capital projects implemented.*

(iii) in Objective 3, on page 115 of the Annex, after the existing performance/success criteria, insert the following new item –

- *An asset register for all States property which shows initial costs, depreciation and replacement value created.*

(iv) in Objective 4, on page 115 of the Annex, after the existing performance/success criteria, insert

the following new items –

- *Efficiency statements and use of resource statements introduced to assess departmental performance.*
- *Resource accounting implemented by 2008.*

DEPUTY OF ST. OUEN

REPORT

Amendment 1(i)

The reason for including these new performance /success criteria is to underline the importance the States has placed on financial discipline throughout the States. The Annual Business Plan focuses on the forward planning for all States resources within the constraints of the annually approved expenditure. It is therefore important that clear performance measures are included which will help to improve overall financial discipline. In the past new policies and strategies have been proposed and subsequently approved without the supporting overall cost and revenue implications. If the States expenditure is to be managed effectively then all costs associated with any new initiative, what ever that might be, need to be quantified and understood. This however is only part of the picture as the States not only need to understand all of the cost implications, but those initiatives or new policies, then need to be prioritised within the approved revenue and manpower resources as agreed by the States in the Annual Business Plan. By including these performance measures in the Plan the Council of Ministers and the States as a whole will be able to assess how well they are being achieved whilst encouraging a coordinated approach to financial planning.

Amendment 1(ii)

Currently, the Chief Minister's Department is implementing a transformation project to improve the way our public services are delivered. The States have also committed approximately £9 million to this project in order to deliver efficiency savings of £20 million. It is therefore extremely important that this whole area is managed in an appropriate and efficient way. Concerns have been raised as to the quality of the financial controls in place and therefore it is essential that these are improved.

Another issue that has caused concern for both the public and States members has been the issue of the States pension obligations and how these are accounted for. In recent times the States have been faced with increased ongoing revenue expenditure in this area in order to address pension deficits. It is essential if the States are to address future pension provision that all financial implications are known and understood. It is for this reason that I have added this performance measure. Finally, the final performance measure focuses on the delivery of the Annual Business Plan within agreed financial constraints. This highlights the commitment made by the Council of Ministers to do everything possible to improve efficiency and deliver value for money.

It is true to say that quarterly reporting to the Council of Ministers has already been established. This should enable the Ministers to monitor the delivery of the Business plan and improved public sector efficiency.

Amendment 2(i)

This amendment simply places a timescale on the development of a policy for the Strategic Reserve.

Amendment 2(ii)

The importance attributed to managing the States finances cannot be under estimated which is why I am proposing to introduce this new Objective. Good financial management is the foundation on which any financial framework should be based.

The new Public Finances (Jersey) Law 2005 empowers the Treasurer of the States, with the approval of the Minister, to issue Financial Directions. These directions can cover any matter which the Treasurer considers necessary for the proper administration of Jersey's public finances. This mechanism is at the heart of the Treasury's work to ensure proper standards are observed in the day to day financial management of States' departments, therefore it is extremely important that there is full compliance.

Although there have been improvements in the financial controls used by individual departments and the States as a whole, there are still areas which need to be improved. This has been recognised by the Treasury and Resources Minister who is keen to introduce an integrated strategic and business planning process which will reflect the full financial implications of particular objectives.

There is also an opportunity to take advantage of the experience and knowledge of both the Comptroller and Auditor General and the Public Accounts Committee to bring forward the necessary financial and budgetary structures. Meaningful financial performance measures and targets are key to the development of an efficient public service which must be the aim of any government.

Legislation programme and capital projects

The Treasury and Resources Minister has commented that any new business planning process must incorporate the capital and legislation programmes and require departments to consider more carefully the revenue and manpower resource implications of their bids. He also highlights the fact that in the Strategic Plan there is a specific requirement that any new resource implications of new initiatives should be identified such that they could be included in the proposed financial framework. This is also the case regarding whole of life costings for all capital projects. Sadly the States are still not at this point which is why these performance measures have been proposed.

Amendment 2(iii)

There has been a requirement since 1995 for all departments to have a comprehensive asset register, however this requirement has not been followed by all departments. This relatively basic requirement is one that you would expect to have in place if a department is to ensure proper control over its fixed assets. A department can only properly calculate the costs of its services if they have access to comprehensive information about its fixed assets, their costs and their depreciation. It is for these reasons that I include this performance measure in to this business plan.

Amendment 2(iv)

If we are to have greater transparency and financial accountability throughout the States we need to provide the right tools for the job. Efficiency statements and use of resource statements do just that because by using these methods one is able to assess departmental performance. It also allows for clearer accountability and enables joined-up operations. The aim is to set a high standard of financial management where all financial considerations are fully taken into account in the decision making process. This in turn will allow for the efficient and effective use of all available resources. Resource accounting enables a critical scrutiny of output and value for money to ensure the best use of resources both consumed internally or those made available to organisations outside of the department or States body. The overall effect of introducing these performance measures is to enhance the overall transparency and comprehensibility of the accounts.

Financial and manpower implications

It is my view that all the proposed new performance measures are achievable by utilising existing staff and resources and I do not therefore believe that there are any additional implications arising from these amendments.