

STATES OF JERSEY



COMPREHENSIVE SPENDING REVIEW: 2012 – 2013 AND DELIVERY (S.R.14/2011) – JOINT RESPONSE OF THE CHIEF MINISTER AND THE MINISTER FOR TREASURY AND RESOURCES

**Presented to the States on 22nd December 2011
by the Chief Minister**

STATES GREFFE

**COMPREHENSIVE SPENDING REVIEW: 2012 – 2013 AND DELIVERY
(S.R.14/2011) – JOINT RESPONSE OF THE CHIEF MINISTER AND THE
MINISTER FOR TREASURY AND RESOURCES**

Ministerial Response to: S.R.14/2011

Review title: Comprehensive Spending Review:
2012 – 2013 and Delivery

Scrutiny Panel: Corporate Services

Introduction

The new Chief Minister and Minister for Treasury and Resources welcome this constructive report, which makes a positive contribution to the CSR debate and endorses the progress that has been made. In addition, it highlights the challenges ahead which the Council of Ministers acknowledges. Work is already in progress to ensure the target savings are achieved in the timescale. We will work through all of the Panel’s recommendations with officials and take forward a number of the positive suggestions that have been made.

Findings

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1	There is no vision between the 2 key Ministers. There is confusion about the objectives, scope and role of the CSR Programme and what is within the scope of other initiatives. The Minister for Treasury and Resources viewed CSR as a programme that was re-defining the shape of the States – what it did and how it did it. It was all-encompassing. However, in contrast, the Chief Minister saw the CSR essentially focused upon achieving £65 million short-term savings within the 3 year period.	The objective of the CSR has been clearly defined in successive Business Plans and Budgets. The 2012 Business Plan stated that <i>‘the CSR is about controlling public spending but it is also about introducing changes intended to extend the States planning horizons and give stability for departments to plan their services over a longer timescale.’</i> However, it is also recognised that, in order to achieve a 10% target saving, the States has to do things differently and the process of change is now embedded. The previous Chief Minister and the Minister for Treasury and Resources, along with an Assistant Minister for Treasury and Resources, comprised the Ministerial Steering Group for the CSR which met every 2 weeks during this year. That Group was clear of its remit in relation to CSR and both Ministers were aligned in the vision and objective of the programme, even if expressed in different ways. The new Chief Minister endorses both the short- and longer-term objectives of the process.

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2	Defining Core Services has only happened in some Departments and not in the context of an overall vision and definition of the role of government in Jersey, despite the initial assurance that it would occur. Even within a “core service” there will be elements of non-core activities which must be identified, costed, and appropriate strategies developed. Soft market testing with private and third sector organisations is an effective way to develop a challenge to the existing services model.	Defining core and non-core services can be helpful when evaluating savings proposals, and the Scrutiny Panel in its report acknowledges that the CSR process suggested Departments ask themselves 7 key questions to assess whether a service should be provided and, if so, by whom and who should pay. Ministers completely agree that market testing is beneficial and helpful, and is currently being undertaken for a range of procurement services with the aim of saving £6.5 million by 2013. However, whether a service is designated as core or non-core does not exclude it from being provided by an external supplier – the critical question is to ensure that service is delivered efficiently and effectively to the public.
3	The Programme Management Office would appear to be effective in <u>managing</u> the CSR Programme, but the Panel questions the value it is offering in providing capability to help Departments really transform.	Although in the first 6 months of this year it is probably true to say the Programme Office was fully engaged in setting up the monitoring and reporting processes for the CSR, it is now actively supporting Departments and projects specifically with project management skills (especially in Health and for the Terms and Conditions Project) and also assisting Departments in identifying required resources as appropriate.
4	The lack of congruence between the vision of the Chief Minister and Minister for Treasury and Resources has contributed to the absence of a clear Business Transformation Programme. The qualities required to run the CSR programme are not the same to those required to run a Business Transformation Programme.	It is agreed that the skills and resources required to change a business will be different from those needed to progress the CSR and the wider and broader Business Transformation Programme is now being considered along with the resources and capabilities required to successfully achieve it. However, many Departments are already actively engaged in transforming their businesses/services, such as – <ul style="list-style-type: none"> • TTS – working with staff to review terms, conditions and practices for new EFW plant. • The Housing Transformation Programme is being progressed in parallel to CSR savings, so the business is modernised ahead of any potential alternative service model being considered. • EDD is progressing an alternative service model for some of its services.

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		<ul style="list-style-type: none"> • The Treasury is now actively managing the Balance Sheet and not just the departmental expenditure/income elements. • The Tax Transformation project is now underway and will transform the way that Department does its business.
5	Some Departments are doing better than others regarding making their savings. Some Departments have rated nearly their entire CSR 3 year programme as green; therefore, they are confident in achieving their savings targets. However, we also note that in March 2011, 54% of the overall total was defined as red. We would therefore question the likelihood of the CSR achieving its overall target by the end of 2013.	It was true that in March this year over 50% of the target saving was rated as Red. However, at present, only 18% is Red rated and this includes the £7 million unidentified savings in Education, Sport and Culture [ESC] as a result of the States' debate on P.72/2011 as amended. CSR target savings for 2011 were over-achieved by nearly £500,000 – more than compensating for the ESC schools subsidy saving that wasn't delivered.
6	The average total compensation package for the public sector now significantly exceeds the equivalent for the private sector.	Accepted; and that is one reason why the Terms and Conditions Review was implemented. However, the average may conceal significant variance at different salary levels.
7	The review of Staff Terms and Conditions is one of the most critical indicators to the CSR Programme's success, and there are significant risks attached to the realisation of this saving.	The Ministers agree with this finding and the CSR Programme Office is now actively supporting the Project Team to assist in this proposal.
8	It appears that the biggest spending Departments are unlikely to achieve their targets which will endanger the success of the CSR Programme objectives.	It is true that Education, Sport and Culture now has £7 million unidentified out of its £11 million target, and that the other bigger Departments have some red-rated projects, but only £4.7 million out of the total of £65 million. The CSR Programme Office is working with these Departments to mitigate against the risks of not delivering, including identifying alternative proposals should they be required.

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9	We have found examples of Good Practice that should be shared more widely amongst Departments.	Agreed and accepted and, although the Scrutiny Report cites 6 Departments where success has been recognised, the report of Panel's Independent Advisor attached at Appendix A to the Scrutiny Report cites 9 Departments where good practice has been identified. The 3 not specifically mentioned include the larger Departments – Home Affairs, Health and Social Services and Education, Sport and Culture. In addition, and as mentioned in the advisor's report, departmental officers involved in the CSR process now meet on a regular basis to discuss successes and issues and share best practice.
10	The evolution of the public service is an ongoing process. In some Departments, the priority has been to make savings until 2013, with no vision for 2014 and beyond.	Agree that the evolution of the public service is ongoing and, although the current CSR Programme covers the 3 years 2011 to 2013, the period thereafter will be fully discussed in Strategic Plan deliberations with the new Council of Ministers and States Assembly.
11	Ministers need to acknowledge the importance of cross-cutting initiatives. Cross-cutting initiatives are fundamental to the CSR process. The Panel believe that there is insufficient evidence of resources being allocated to allow for significant cross-cutting savings to be initiated.	The Ministers acknowledge the importance of cross-cutting initiatives and the Scrutiny Panel has recognised the work being undertaken on procurement, building maintenance and ICT. Funds from the Restructuring Provision have been allocated in 2011 to support the Procurement Transformation Programme, together with the Terms and Conditions Review and support for organisational review, and a requirement has been highlighted in 2012 to support ICT initiatives.
12	Although frontline staff are able to suggest savings through their managers, the Panel has found insufficient evidence that Managers are working "with" their staff in order to make significant cultural changes. The command and control philosophy still permeates the States' system.	There are areas of excellence across the States, and many staff are making suggestions either to their managers, through the Value Jersey initiative or via the CSR e-mail address. In fact, over 500 suggestions have been received and are being considered. Furthermore, staff engagement is considered vitally important in transforming how the States works. To this end, work is underway to enhance engagement – Treasury's recent 'We All Count' training day for staff in support services across the States was a great success in identifying and sharing best practice, team work and engagement.

Recommendations

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1	<p>The Panel recommend that the CSR Programme, as a matter of urgency, clarifies the objectives, scope and role of the Programme. It is also recommended that this is within the context of a wider discussion to determine the vision for the Island and the role of government. To this aim, the Panel recommend that there should be a public debate, led by Executive politicians about the role of the States.</p>	<p>Discussions on the new Strategic Plan will incorporate the current CSR and a vision for the future. This will be widely consulted upon before a States debate.</p>
2	<p>A clear statement must be produced from the Council of Ministers on the direction they intend to take the Island, and a vision for the level of government expenditure and priority areas for that expenditure.</p> <p>This vision may relate to the provision of the most effective public services in Europe as a catalyst to attract further inward investment. Such a vision could clearly be a mechanism to stop the benchmarking of practice in mainland UK (often to find reasons not to change) and make Jersey the ultimate benchmark.</p> <p>It would also reinforce the concept of CSR being with the States for life, not just 3 years.</p>	<p>The Strategic Plan will provide this.</p>
3	<p>The Panel recommends that it is imperative for all Departments to once again revisit what are the Core Services to their Department – which services are no longer required and which services are mandatory or political necessities. Also if they <u>are</u> required, who is best to deliver them – the Department, another Department, the private sector, or the third sector. There should be no areas that are not open to challenge.</p>	<p>The Ministers agree that there are no areas not open to challenge – the CSR was implemented on the basis of ‘no sacred cows’. Although the analysis of core and non-core services is not considered particularly helpful, answering the 7 questions as originally put forward by CSR and included in the Scrutiny Panel Report is completely supported and, if appropriate, this exercise can be facilitated within Departments to ensure all service areas are challenged as to whether they should be provided, by whom and who should pay.</p>

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4	<p>Councils such as Birmingham City Council (Appendix C) have properly constituted, high level teams with political ownership and Directors of the main cross cutting services (Human Resources, Information Technology, Property and Procurement).</p> <p>In order to take Business Transformation forward, there needs to be a high-level team within the States of Jersey taking ownership with effective political leadership.</p>	<p>The Ministers agree that a robust governance structure is required. CSR has a strong political and executive governance structure and any Business Transformation Programme will be established accordingly.</p>
5	<p>The CSR Programme must ensure that there is complete consistency on the application of Red, Amber, Green reporting status definitions.</p>	<p>Agree; although definitions of the RAG ratings to be used were agreed by the relevant groups in the governance structure for the CSR. However, in the future, the CSR Programme Office will ensure that all Departments are working towards the same definitions and interpretations of the rating system so no misunderstandings occur.</p>
6	<p>The easy solution would be to freeze the public sector's wages bill. Evidence has shown that there is an emphasis on "catch-up" once the freeze is lifted, and the net effect is counter-productive.</p> <p>The importance of the terms and conditions revision cannot be stressed too strongly. This is the most difficult area of the CSR to accomplish and it is likely to take some time. It is, however, crucial and it is essential that adequate resources are devoted to this area, and that the implementation plan is fast-tracked to deliver significant and long-lasting changes to terms and conditions.</p>	<p>The importance of the Terms and Conditions Review is paramount, and part of this recommendation has already been implemented with assistance from the Programme Office to ensure the project stays on course, on timescales and dedicated resources are now in place. The Terms and Conditions project has 2 elements –</p> <ul style="list-style-type: none"> • Savings of £14 million to be delivered by 2013 – the 2012 element has already been deducted from the base budget. • Modernisation of the Workforce – this will simplify pay structures throughout the States, review all benefits and allowances and promote performance management to encourage and support a more flexible and responsive workforce to meet the needs of the future and increase productivity.

	Recommendations	Comments
7	Any failure in the Review of Staff Terms and Conditions has the potential to de-rail the entire CSR Programme. There is significant evidence that this can be the case from the UK Mainland, where some authorities have not been managed such reviews effectively, resulting in all other initiatives being put on hold for several months. We would recommend that this is considered as one of the main priorities and appropriate resources in terms of engagement as well as programme management is invested into this area.	Agreed and, as mentioned, improved staff engagement is now being actively progressed and project management resources identified.
8	It is essential that changes in services are monitored to ensure that alternative methods of delivery of services do deliver the savings.	Agreed. The CSR Programme Plan has been developed to ensure the savings made are tracked, identified correctly and sustainable.
9	The Panel recommends that each major element of the CSR programme must have a developed contingency plan in the event of non-delivery of their savings target.	Agreed. It is crucial that alternative proposals be developed in case a current proposal cannot be delivered and some Departments (for example, Home Affairs) have already identified both short- and long-term options for this very reason. The CSR Programme Office will be collating these options for future consideration by the Programme Board and Steering Group.
10	Departments must continue to evolve their services and evolve their thinking in order to make savings in future years and become more efficient. Departments should be planning to make further efficiency savings in 2014, 2015, and 2016 and beyond. There needs to be a cultural challenge to enable continuous challenge and improvement.	Agreed. The CSR is the start of a change in providing States services, and Departments will be working on this. Again, the Strategic Plan will articulate and identify the vision and the targets for the future.

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11	The approach to improving services is an integral part of business transformation. Whilst a leadership programme should be commissioned to develop and coach senior managers to be able to think laterally and deliver services in a more effective way, there must be a change of culture throughout the States.	Business Transformation is key to the future; and the training of senior managers and staff at all levels in helping to change the way services are provided has already been identified and started within Departments. Cultural change takes time, but has started and there are already examples throughout the States where staff are leading the way in changing how services are delivered.

Conclusion

The Ministers agree with most of the conclusions and thank the Scrutiny Panel for recognising the successes within Departments and the progress that has been made. The Ministers also acknowledge that there are still challenges, especially with the Terms and Conditions project, but note that action has already been put in place to minimise the risk of non-delivery. The next stage of Business Transformation needs to be fully discussed within the new Council of Ministers and then consulted on widely, both within the States and with our customers outside, to ensure full support for the shape of public services in the future.