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25 April 2022

Dear Connétable

Follow-Up Letter to Public Hearing with the PAC

Thank you for your letter of 13 April 2022. Please find answers below.

1. Please could you provide an update on the publication of the States Employment Board section of the Public Finances Manual, which was set to be published by year-end 2021?

Publication is planned to be approved by the Minister in May 2022. Should this not be the case it is likely that the decision will be held for the new Minister in August or September 2022.

2. The PAC notes that it has previously recommended that greater clarity should be given to distinguish efficiency savings from the deferral of growth and other rebalancing and savings measures. How have you achieved this?
a. What remaining work is left to deliver in this area?
b. How have you distinguished between an efficiency and a rebalancing measure in the 2021 Annual Report and Accounts?
c. How have you specifically identified the deferral of growth within the 2021 Annual Report and Accounts?
d. You note in the Annual Report and Accounts that you intend to simplify reporting measures to classify terminology into either a reduction in expenditure or increases in income, with further descriptions of recurring or one-off budget impacts. Does this risk making it harder to distinguish between efficiency and rebalancing measures?

The monitoring of rebalancing is an area that the Treasury has sought to improve in the 2021 Annual Report and Accounts (ARA), and will continue to look to review in line with our aim to continuously improve reporting. This is a complex area, and the distinction between efficiencies and other rebalancing measures can be subjective.

The ARA gives descriptions of all measures that have been delivered, including the assessment against the 'Plan A, B or C' delivery established in the 2020 efficiency report and referred to in all subsequent Government Plan 6 month progress reports and Annual Reports and Accounts. This is designed to provide a good level of information for readers to understand the actions that have been taken to achieve the targets.

Offsetting the underspends of growth where projects were delayed or deferred was the exception with only limited instances of 'Plan C' approved by Ministerial Decision and reported in the 2021 Accounts.

3. The accountability report highlights a number of governance issues and risk themes. What are these main governance and risk themes?
a. What action is being taken to mitigate these risks?

The main themes and mitigating actions are set out in the Accountability report, but I would be happy to give further detail on specific areas if useful.

4. How have you sought to incorporate new performance reporting tools, such as Service Performance Measures, into the Performance Reporting of the 2021 Annual Report and Accounts?
a. How have you incorporated performance measurements from previous years into the 2021 Annual Report and Accounts to improve the transparency around whether services have improved or not compared to pre-pandemic levels?

We have worked with colleagues in SPPP to develop the performance section, and the 2021 ARA is an incremental improvement on previous years. It includes more information on programme performance, as well as more (and better presented) data on service performance measures.

In response to a PAC recommendation on the 2020 Annual Report and Accounts, the Service Performance Measures are now presented in a tabular format. This has allowed for inclusion of three years' worth of data (2019, 2020 and 2021) where it was available, rather than just the current and prior year data reported in the 2020 Annual Report and Accounts.

b. What work has been undertaken to develop statistically robust baselines to support these comparators and drive increased use of trend analysis within States of Jersey reporting?

The Service Performance Measures are owned by departments and ultimately the department and Director General is responsible for their Service Performance Measures – they know their business best. The Service Performance Measures framework includes both baselines (e.g. of past performance) and targets ('what we want to achieve') for the current year.

The Director of Statistics and Analytics works with departments to develop their service performance measures. This has included ensuring that for 2022:

- **service performance measures can be measured (this wasn't the case for some measures in 2020 or 2021);**
- **measures are focused on 'what matters' rather than 'what is available';**
- **baselines are provided for all measures where available, but that the lack of previous year data does not prevent the inclusion of new service performance measures (for 2022 a number of new service performance measures do not have baselines but do have targets).**

The Director of Statistics and Analytics has worked with departments on defining baselines. Setting sensible baselines is as much an art as a science; they should be stretching whilst still achievable. If a department is on a service improvement path it is not sensible to set the end-goal as the short-term target; it is perfectly reasonable to have stretching, but more achievable, interim goals in the meantime to help drive and motivate that change. At present there are probably too many unrealistically challenging short-term targets which leads to an inability to manage outcomes and expectations.

A more important focus going forward is likely to be on the departmental targets rather than the baselines and whether these targets have been benchmarked to relevant comparators.

c. How did the introduction of quarterly performance reporting influence the composition of this year's annual report and accounts?

Quarterly reporting has had no direct impact on the composition of the 2021 Annual Report and Accounts other than these related outcomes.

- **The value of quarterly collation and publication of Service Performance Measures is helpful in embedding performance management as an ongoing process with Departments and the Executive Leadership Team (ELT).**
- **It encouraged departmental management boards to review performance quarterly (if they were not already doing so), with a view to spotting issues and making management interventions earlier.**
- **The Service Performance Measures are reported to ELT once a quarter giving greater and earlier transparency on of outcomes.**

The ARA is designed to be a summary of the year, presenting both performance and the financial outturn. The quarterly process has supported the quality of the performance measures.

d. It was outlined in the Executive Response to the PAC's report on last year's annual report and accounts that only 'highlights' of service performance measures would be included in this year's edition. Do you intend to provide greater levels of detail in the 2022 Annual Report and Accounts and, if so, how?

The ARA 2021 runs to 411 pages and provides a significant amount of performance information for the public. This includes the Performance Report (which includes notably the 'Highlights' and Departmental Annual Reports), the additional information on the progress of Major and Strategic Projects (published at the same time as the ARA - States of Jersey Annual Report and Accounts 2021 (gov.je)**) and the Service Performance Measures (**Performance Measures 2021 (gov.je)**). In addition, it is possible to provide specific additional performance information to PAC on request. We will continue to work with colleagues in SPPP to improve the content and format of the ARA to ensure that it is useful, understandable, digestible and proportionate .**

e. How do you intend to account for performance measurements in the coming years, to ensure that they are benchmarked against years that are not disrupted by COVID-19? What is the long-term plan for this?

Most Service Performance Measures are baselined against a previous year or against Q4 in the previous quarter. There is no blanket solution for taking account of Covid-19 in setting baselines and targets. As an example, for exams such as GCSE and A-Levels it will be more appropriate to baseline to pre-pandemic levels of achievement rather than results from the last two years. In contrast, for bus passenger volumes it would not make sense to baseline against pre-pandemic levels of performance given the potential permanent shift to hybrid working (and thus less travel to work). For some measures (such as customer experience) the pandemic should not be a great influence. Departments generally understand their data and can make sensible judgements but, where needed, the Director of Statistics and Analytics works with departments to advise on sensible approaches on a measure-by-measure basis.

The Service Performance Measures have increased from around 150 in the 2020 Annual Report and Accounts to around 225 measures for 2021. Such growth is probably not

sustainable. We intend to review what is the best balance of government level data to publish in the Service Performance Measures, as compared to data published via Departmental dashboards as already happens with some departments (e.g. the HCS Quality and Performance Report).

Given that the Service Performance Measures are already published on the website quarterly, it might be more efficient to add the annual data to the website pages and refer to these from the Annual Report and Accounts whilst perhaps continuing to provide the departmental commentary on performance within the Annual Report and Accounts.

And finally, an important part of reporting of Service Performance Measures is to explain the in-year context, which could include identifying the impacts of COVID on measures.

5. The PAC notes that the States of Jersey spent £727,634 on exit packages for 21 individuals in 2021, compared with £1,282,709 for 34 individuals in 2020.
a. The PAC notes that the Voluntary Release Scheme saw 17 approved business cases from 129 applications. Is the difference between the number of applications and approved cases unexpected and/or unusual?

In developing the scheme, adapting a similar scheme from previous years, the States Employment Board consulted with Treasury and Exchequer to ensure unambiguous rules were applied to business cases. This included a first stage of review by the employing department. It should also be noted that some business cases were rejected at the first stage (by the employing department) for a variety of reasons including capacity to deliver services, hard to recruit positions and financial savings already committed.

The number of applications received was not seen as unusual given thatmany of these came from people who had either previously requested, were known to have been considering leaving or those thinking about retirement. The number of applications is less than 2 per cent of the total workforce, which is in line with expectations.

b. When can the PAC expect settlement agreements to be approved?

These are already approved, and that is why they are reported in the Annual Report and Accounts (ARA) for 2021.

Since the completion of the ARA, one individual has now withdrawn their application.

c. Do you intend to provide a separate cost of the severance packages in the 2022 Annual Report and Accounts to assist in determining the overall performance of this Scheme, and how the size of these packages compares to severance packages agreed outside of this scheme?

A scheme for use in 2022 has not yet been agreed. Any costs incurred will relate to the 2021 scheme.

6. Have any recommendations for improvement been provided to you by Mazars regarding the quality or transparency of the 2021 Annual Report and Accounts? If so, please provide details.

While no formal recommendations have been made at this stage, we have a constructive relationship with Mazars and will work with them in the planning of the 2022 ARA as part of the continuous improvement of the content. The C&AG, Risk and Audit Committee and Mazars all provided feedback on earlier drafts of the 2021 ARA, most of which recognised the positive steps taken over recent years to develop the content. Some feedback did lead

to enhancements in the final version and points were recognised to take forward into future year developments.

The key feedback from the C&AG that will be considered for future reports was around providing effective reporting against the planned activities in the performance report to ensure readers understand performance in context. Likewise, it was recognised that there is an element of duplication as a result of including individual departmental commentaries. We are considering ways of addressing this including referencing more detailed reporting hosted on the gov.je website.

7. Do you believe that the revenue received by the States of Jersey from the sale of assets such as JT's Internet of Things is clearly presented within the Government Plan, and how could this be improved?
a. What areas of improvement do you believe could be made to tracking and reporting on the sale of assets within future Annual Reports and Accounts?

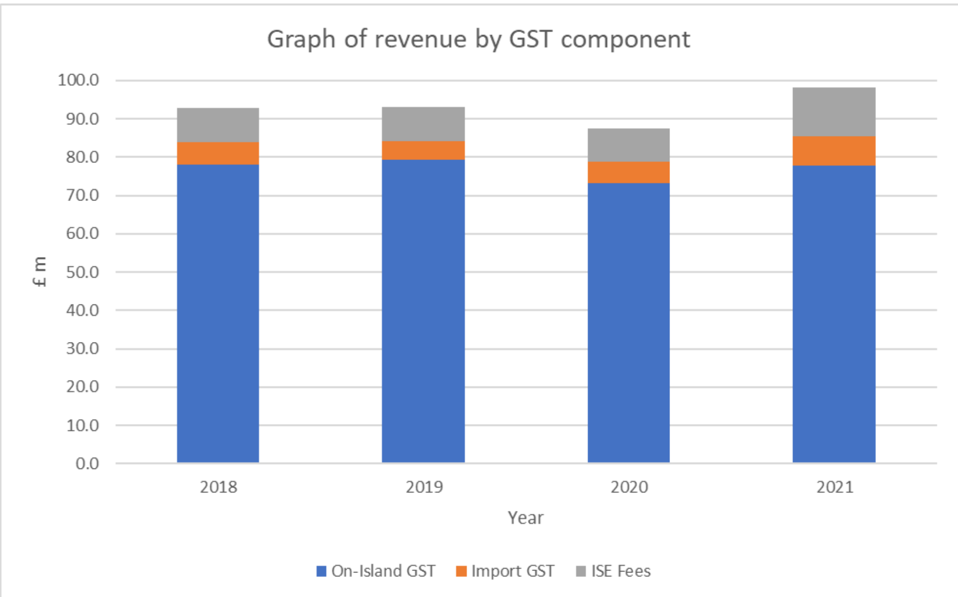
I believe that these matters were clearly presented in the narrative of the report, with sales of assets being accounted for in line with accounting standards.

8. Please could you provide to the PAC a breakdown of the key sources of revenue raised through GST, and would you intend to publish this?

The three main components of GST are:

- **On-Island GST – for example that applied to goods purchase in a local shop**
- **Import GST – GST incurred on items imported into the Island**
- **ISE fees – a fee payable by an entity who mainly serves non-resident of Jersey. (https://www.gov.je/TaxesMoney/GST/InternationalServiceEntities/Pages/Understanding.aspx)**

Where available the following information is based upon actual returns received for a year of assessment and therefore may differ to that shown in the States Accounts.



Category	2018	2019	2020	2021
	£ m	£ m	£ m	£ m
On-Island GST	78.1	79.2	73.3	77.8
Import GST	5.8	4.9	5.6	7.6
ISE	9.0	8.9	8.7	12.6
Total	**92.9**	**93.0**	**87.6**	**98.1**

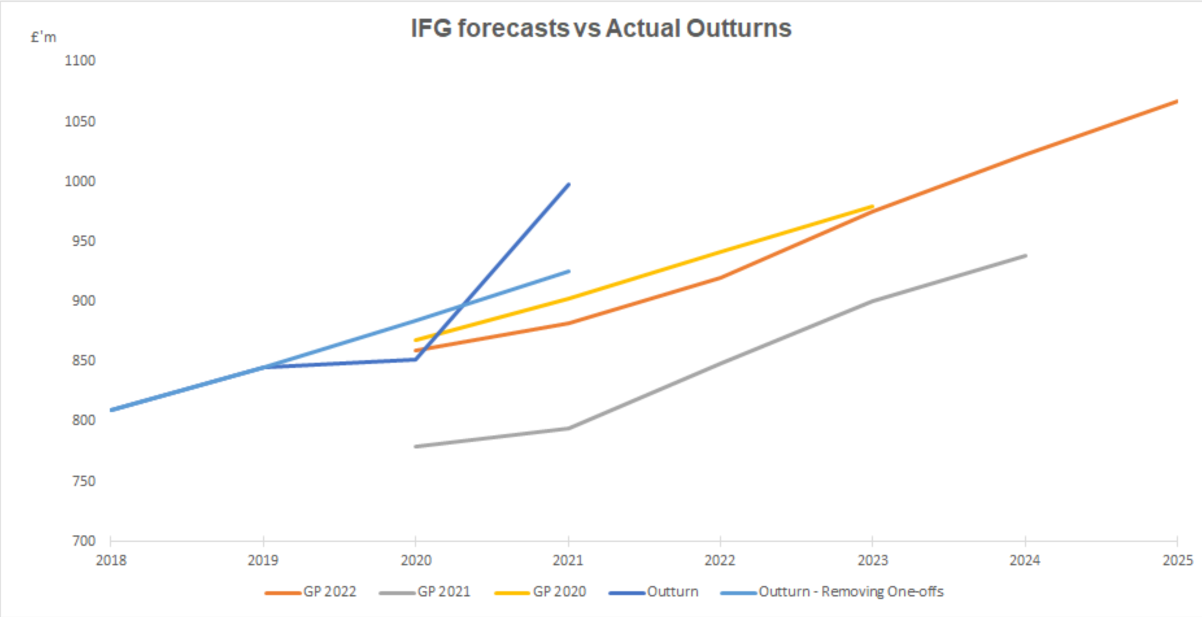
Information by Standard Industrial Classification (SIC) code is only available for On-Island GST as below:

SIC Category	2018	2019	2020	2021
	£ m	£ m	£ m	£ m
A - Agriculture, Forestry and Fishing	0.2	0.1	0.3	0.2
B - Mining and Quarrying	1.0	1.2	1.2	1.1
C - Manufacturing	2.2	2.1	2.1	2.2
D - Electricity, Gas, steam and Air Conditioning Supply	5.4	5.4	5.5	5.9
E - Water Supply, Sewerage, Waste Management	0.8	1.0	1.4	1.4
F - Construction	6.0	8.0	7.0	7.6
G - Wholesale and Retail Trade; Repair of Motor Vehicles	36.1	36.7	36.4	36.6
H - Transportation and Storage	0.3	0.7	0.5	0.3
I - Accommodation and Food Service Activities	6.9	7.3	4.0	5.6
J - Information and Communication	1.6	1.7	1.7	1.7
K - Financial and Insurance Activities	12.6	12.4	12.1	13.8
L - Real Estate Activities	-0.1	-1.0	-0.9	-1.4
M - Professional, Scientific and Technical Activities	4.9	4.7	4.6	5.5
N - Administrative and Support Service Activities	3.7	3.6	3.2	3.4
O - Public Administration and Defence	-4.1	-5.6	-6.7	-7.4
P - Education	0.1	0.1	-0.1	-0.1
Q - Human Health and Social Work Activities	0.3	0.1	0.1	0.3
R - Arts, Entertainment and Recreation	0.8	0.9	0.7	0.7
S - Other Service Activities	0.4	0.5	0.5	0.6
T - Activities of Households as Employers	0.1	0.0	0.1	0.1
U - Activities of Extraterritorial Organisations and Bodies	0.2	0.1	0.1	0.1
Other	-1.3	-0.8	-0.4	-0.4
Grand Total	**78.1**	**79.2**	**73.3**	**77.8**

a. Please could you confirm your intention to provide a graph on comparative financial performance between 2021 and pre-pandemic years, and will this be published?

During the briefings on the ARA 2021 we used the following graph to illustrate the overall income trend throughout the period of the pandemic. Whilst in GP21 income forecasts were significantly lower due to the uncertainties of the pandemic, we reflected an improved

forecast in the GP22. Outturn in 2021 has exceeded these forecasts, and indeed the pre-pandemic (GP20) forecast.



Note: £40m exceptional dividend also removed from the GP 2022 forecast line

Yours sincerely

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