



**PUBLIC ACCOUNTS COMMITTEE**  
THE STATES OF GUERNSEY

**REVIEW OF  
HSSD'S FINANCIAL MANAGEMENT**

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**FINAL REPORT**

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**JANUARY 2014**

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## Chair's Statement

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I stated in the December 2012 States Assembly that the Public Accounts Committee (the Committee) would undertake a review of the circumstances leading to the announcement by the (then) Minister of the Health & Social Services Department (HSSD), of a potential £2.5million revenue overspend.

It was the intention of the Committee to present an objective report, containing an independent account of the issues affecting the financial management of HSSD during 2012. The Committee is mandated to ensure that proper scrutiny is given to ensure that States Bodies operate to the highest standard in the management of their financial affairs. Accordingly, such an independent review would fit within its mandate.

It is important to note that the Committee has a unique opportunity to take a broader view of the key issues. As such, it is also essential to ensure that the context of the 'overspend' is properly represented. The size of the HSSD budget, together with the unpredictable nature of health & social care and the inherent risk factors that prevail within the financial management of the HSSD budget, are noted. The complexity of the overall health and social care model within which HSSD operates has also been acknowledged.

The Committee welcomes the release of the Finnamore report into Financial Management within HSSD, together with the Internal Audit Unit (IAU) report into Private Patient Income and fully endorses their recommendations. The Committee also notes the Health Systems Workshop review of the Princess Elizabeth Hospital.

It is the implementation of such recommendations that will ensure high quality financial management within the Department in the medium to long term and as such, the Committee looks forward to seeing evidence of a rigorous and robust delivery of the agreed actions. The endorsement of the Finnamore report's recommendations at ministerial level by both HSSD and the Treasury and Resources Department (T&RD), is encouraging.

The Committee's review took place before the recent revelations relating to St John Ambulance & Rescue Service and Bowel Cancer Screening; more specifically, the quality of financial management and governance in relation to these services. However, having undertaken this review, it comes as no surprise to the Committee that such shortcomings exist.

It is against this background that the Committee questions the ability of HSSD to meet its remaining FTP target; clearly this will be a significant challenge in the time remaining.

The Committee has made a number of recommendations, above and beyond those raised by earlier reports, that focus on providing an environment where there is a more rigorous financial management function to improve the quality of HSSD's decision making process. However, in addition, the Committee believes that, given the size of the Department and the fact it represents a third of States expenditure, the overall model of health and social care merits its own separate review as a matter of urgency. The Committee believes this would offer a significant contribution to the debate on the long-term sustainable provision of these services.

The Committee calls upon all parties to embrace the opportunity to forge a robust partnership with HSSD to ensure that support is provided in its ongoing endeavours to address those issues that have been identified. However, in the current economic climate this won't be enough. Irrespective of the financial management in place, the States of Guernsey needs to determine what services it should be providing and how these will be delivered in the most sustainable manner for the future. Until such time, there can be no assurance that we are getting value for money from our health and social services provision.

A handwritten signature in black ink, appearing to read 'H. Soulsby', written in a cursive style.

**Deputy H.J.R. Soulsby**  
**Chair, Public Accounts Committee**

## 1. Executive Summary

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1.1. The purpose of the Committee's Review was to consider the standard to which the HSSD managed its financial affairs in 2012. Specifically, the circumstances which led to the Minister's statement in the November 2012 States Assembly with regard to HSSD's envisaged £2.5million revenue overspend.

1.2. The focus of the review was:

- HSSD's management of its financial affairs in 2012 against the allocated revenue budget;
- The financial management information produced;
- The financial oversight provided by T&RD; and
- Identification of the reasons leading to the Minister's statement.

**It should be noted that a full review of the HSSD financial function has not been undertaken.**

1.3. It was the intention of the Committee that the review provided an independent, evidence-based account of circumstances leading to the Minister's statement, which took a considered view of the issues that had been identified.

1.4. The PAC acknowledges that this report has not been produced in isolation, but in addition to the Fynamore, Internal Audit Unit (IAU) and Health Systems Workshop reports into related areas. The PAC also acknowledges that HSSD has produced its own Financial Management Improvement Plan (FMIP).

1.5. The complexity of the health and social care model in which HSSD operates and the direct impact this has on effective financial management, has been taken into account during the Review. The Committee accepts that accurate financial forecasting in this area is complex and challenging. It also acknowledges the nature of providing health and social care services means that very expensive services must, on occasions, be purchased at short notice.

1.6. The Committee also notes that HSSD did contain the increase in their expenditure, during the years 2009-2011.

1.7. However, a number of observations were made:

- The examination of the management of the allocated revenue budget did not give the PAC confidence that a satisfactory level of financial control, appropriate quantification of financial risk, and accurate forecasting, was present;
- The financial management and activity information produced at HSSD, did not meet the standards in terms of clarity, detail and accuracy, that the PAC would expect when managing a budget of this size and complexity; and
- The oversight provided by T&RD did not fully mitigate the problems previously identified in HSSD financial management and that communication could be enhanced between the Departments.

1.8. In addition, the key report which advised the HSSD Board on the actions to be taken in December 2012 was limited and lacked rigour. Accordingly, the advice provided to the HSSD Board was not based on sufficiently robust evidence and analysis to enable appropriate decision making.

1.9. The PAC has made a series of recommendations which can be summarised as follows:

- That any major decisions to significantly reduce the level of services must be undertaken after considering a detailed Business Case incorporating, as a minimum, strategic, financial and risk analysis, together with a detailed implementation plan;
- That the recommendations within the Finnamore and IAU Private Patient Income Reports are implemented along with the continued progress of HSSD's Financial Management Improvement Plan. Financial Board Reports should contain not only core data but appropriate insight and analysis;
- That the implementation of robust FTP projects is undertaken, in conjunction with the States Treasurer's Team;
- That T&RD continue to provide an oversight role with a clear focus on continuing to enhance inter-departmental communication; and
- That during the transition of Board membership there is a need for focus on the process of knowledge transfer; specifically with regard to financial matters.

1.10. Furthermore, broader conclusions have been drawn and the following additional recommendations have been made:

- That a review of the recruitment & retention of clinical staff within HSSD is considered, to establish a long-term sustainable model ensuring that the reliance on agency staff is reduced; and
- That the overall health and social care model merits a separate review to support HSSD in delivering a long-term sustainable financial model.

## 2. Background to the Review

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- 2.1. On 29 November 2012, Deputy Hunter Adam, the (then) Minister of HSSD, made a statement to the States Assembly, announcing a potential revenue overspend within the Department for 2012. The Minister explained that a number of actions had been agreed by the Board to 'contain' this overspend.
- 2.2. The Minister informed the States Assembly that HSSD would be presenting an emergency States Report to the December meeting, requesting authorisation for an increase in revenue expenditure budget, by a maximum of £2.5million.
- 2.3. An emergency States Report was submitted to the December 2012 States Meeting. A motion of 'No Confidence' in the HSSD Board was subsequently placed. Following the debate of the emergency States Report, the (then) HSSD Board resigned en-masse and, as such, the motion of 'No Confidence' was not debated. A new Minister and Board were duly elected at that same December States Meeting.
- 2.4. Deputy Heidi Soulsby, Chair of the Public Accounts Committee made a statement to the Assembly, at the December meeting, that the Committee would undertake a review of the overspend in HSSD within its mandate:

*'To ensure that proper scrutiny is given to the States' assets, expenditure and revenue to ensure that States' bodies operate to the highest standards in the management of their financial affairs'.*

- 2.5. The scope of the review was then defined by the Committee to include:
  - Assessment of the HSSD's management of its financial affairs against the allocated 2012 revenue budget;
  - Assessment of the Financial Management Information produced at HSSD<sup>1</sup>;
  - Assessment of the financial oversight provided by T&RD during 2012; and
  - Identification of the reasons for the HSSD Minister's Statement, with regard to the envisaged £2.5million overspend in 2012.
- 2.6. The outcome of the Review would be an independent evaluation of the management of HSSD's financial affairs during this period.

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<sup>1</sup> The review scope included financial management information from 2010 – 2013.

2.7. The following areas were **not** considered as part of the Review:

- An assessment of the funding mechanisms for the health and social care system as a whole;
- An assessment of the appropriateness of budget allocation to HSSD to meet its mandated duties;
- The allocation and monitoring of Capital funding and related projects;
- The Financial Transformation Programme (be it the delivery mechanism within HSSD and/or verification of the benefits assigned to HSSD); or
- The provision of non-Financial Management Information.

2.8. Further to the publication of the States of Guernsey Accounts for 2012, the HSSD 2012 outturn was confirmed as £111.06million representing a £2.19million or 2% overspend (£3.84million / 3.6% net increase from 2011).<sup>2</sup>

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<sup>2</sup> Billet d'État XVI, 2013, (States Accounts 2012), <http://www.gov.gg/CHttpHandler.ashx?id=83539&p=0>

### 3. Assessing HSSD's Management of its Financial Affairs

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#### Section Overview

- 3.1. This section provides analysis on the financial management within HSSD during 2012. Whilst focusing on 2012, comparisons were made with the stated outturns from the 2009, 2010 and 2011 Accounts.
- 3.2. Key findings within this section are:
- The overall health and social care system in Guernsey is complex and would therefore appear to merit a separate review;
  - Implementation of SAP and 'The Hub' were undertaken during 2012, which diverted resources away from mainstream work;
  - There is no evidence that the current budget is structurally incorrect to deliver the current level of services; and
  - Areas that were consistently identified as of financial high risk during 2012 were:
    - Efficiency savings (FTP);
    - Private Patient Income;
    - Use of agency staff; and
    - Off-Island care provision.

#### Health and Social Care Model

- 3.3. During its review, the Committee established that the structure of the overall health and social care model was complex and may not represent an optimal system for the delivery of health and social care.
- 3.4. The provision of the overall model of health and social care is a mixture of provision from the States, grant aided organisations (e.g. St John Ambulance and Rescue Service), commissioned providers (e.g. Medical Specialist Group, Primary Care, University Hospital Southampton) and a significant contribution from the third sector. HSSD has a multitude of roles within this overall model, which include legislative, regulatory, strategy & policy development, commissioning and direct service provision.
- 3.5. **The Committee concluded that it is important that HSSD delivers a long-term sustainable financial model, which was recommended as part of the 2020 Vision framework for Health and Social Services and approved by the States Assembly; most recently in January 2013.<sup>3</sup>**

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<sup>3</sup> Billet d'État, No I, 2013, Resolution, IX, 2 (i), <http://www.gov.gg/CHttpHandler.ashx?id=81021&p=0>

## HSSD Budget

- 3.6. The Fynamore report into Financial Management in HSSD dated June 2013 included the view expressed by some HSSD budget holders that the current budget is insufficient and the Department lacks control over key areas of spending. These are strongly influenced by the medical staff contracted to the Medical Specialist Group and Primary Care Company Limited.<sup>4</sup>
- 3.7. The influence of the medical staff can be observed within the admission and discharge process; together with referrals to off-island providers. This has a direct impact on the cost of service provision and the budget of HSSD.
- 3.8. However, the States Treasurer attended a Committee hearing on 8 August 2013 and was of the view that there was no evidence currently available to suggest that HSSD's budget is not sufficient to deliver the existing services. In addition, the notion of the budget being structurally incorrect was not supported by evidence in the Fynamore Report or the feedback received from any T&RD sponsored management consultant. It is also the States Treasurer's view that, via robust management and appropriate communication, HSSD could exert an appropriate level of control over the spending influenced by medical staff contracted to MSG specifically.
- 3.9. The unpredictable nature of health and social care was duly noted by the Committee and that 'exceptional' situations would inevitably occur. It is acknowledged that there is a process for departments to apply to T&RD for extra funding should such a situation occur during the year. The 2011 Budget clarifies the process to apply for funds in such circumstances:

*"....and any unanticipated / 'emergency' expenditure where there is a clear business case and the expenditure cannot be met by reprioritising existing budgets."*<sup>5</sup>

- 3.10. **It is within this context that the financial management of HSSD needs to be considered.**

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<sup>4</sup> Financial Management Review, Health and Social Service Department, Fynamore, June 2013, section 1.3

<sup>5</sup> Billet d'État XXII, December 2011, (Budget 2012), section 5.21,  
<http://www.gov.gg/CHttpHandler.ashx?id=3957&p=0>

### **Mitigating Circumstances**

- 3.11. It should be noted that a significant project was underway during 2012 that impacted on the HSSD finance function: the establishment of the Hub to centralise transactional services and the implementation of "new" SAP, which went live in January 2013. As a result, resources were diverted from mainstream work into project work to support this implementation.
- 3.12. Due to the election in April 2012, there was a new HSSD Board. There was also a change of Board and Minister in December 2012 following the resignation of the Members, which meant that there were 3 different HSSD Board membership configurations during the year (see Appendix 3).
- 3.13. **The PAC is conscious that periods of transition from one Board membership to another inevitably leads to an increased risk with regard to the continuity of knowledge. As such, the Committee is mindful that there is a need for an increased focus on the process of transition and, where deemed necessary, training of Board members specifically on financial matters. The implementation of robust processes in this regard within all Departments is encouraged.**

### The Initial 2012 Position

3.14. The 2012 total revenue cash limit for HSSD was agreed through the budget setting process at £106.9million (after income of £8.7million and the FTP efficiency target of £2.35million) plus £2million for routine capital expenditure. It should be noted that the 2011 figures were £107.5million and £2million respectively. A central Budget Reserve made provision for pay awards but there was no allowance for inflation in non-pay expenditure. The budget variations during the year (e.g. for pay awards) led to a final budget allocation for HSSD of £108.9million.

### Budget Analysis

3.15. Reviewing the accounts from 2010 - 2012 (together with the outturn / authorised limit for 2009 as a baseline), it became apparent that the outturns for HSSD plateau at circa £107million throughout a 3 year period.

3.16. Within the emergency States Report presented with the Billet d'État XXVIII December 2012<sup>6</sup> there is reference to substantial absorption of costs since 2009. Comparisons with the UK and other jurisdictions to benchmark the assumptions used within this report need to be taken with caution. However, there must be some acknowledgment of a significant level of additional cost avoidance by HSSD (claimed to be £13million<sup>7</sup>) over this period.

3.17. The outturn for 2012 was the first significant increase in actual net spend since 2009 as outlined below. The outturn for 2012 is £111.055million which represents an increase on 2011 of £3.842million (3.6%).<sup>8</sup>

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>
<b>Outturn</b>	107.197 <sup>9</sup>	107.651	107.213	111.055
<b>Authorised Limit</b>	107.197	105.477	108.874	108.861*

*\*prior to the allocation of additional authorised budget*

<sup>6</sup> Billet d'État XXVII December 2012, <http://www.gov.gg/CHttpHandler.ashx?id=79851&p=0>

<sup>7</sup> Billet d'État XXVII 2012, p 2238, <http://www.gov.gg/CHttpHandler.ashx?id=79851&p=0>

<sup>8</sup> States of Guernsey Accounts, 2009, 2010, 2011 and 2012.

<sup>9</sup> It should be noted that a significant increase in expenditure occurred between 2008 and 2009. The actual spend for 2008 was £94.176million compared to £107.197million in 2009.

3.18. Further detailed analysis of the outturn for 2012 by service area is shown in the table below:<sup>10</sup>

<b>Revenue Expenditure</b>	<b>2011 £millions</b>	<b>2012 £millions</b>	<b>Change 2011 to 2012 £millions</b>	<b>Change 2011 to 2012 %</b>
Administration and Corporate Services	33.940	34.873	0.933	2.8%
Health & Social Care Services	52.595	55.180	2.585	4.9%
Off Island Treatments	15.803	15.677	(0.126)	(0.8%)
Office of Children's Convenor	0.390	0.497	0.107	27.4%
Public Health Strategy	2.422	2.685	0.263	10.9%
St John Ambulance Grant	2.063	2.143	0.080	3.9%
<b>Total</b>	<b>107.213</b>	<b>111.055</b>	<b>3.842</b>	<b>3.6%</b>

3.19. In terms of the overspend on the agreed budget, the final cash limit (prior to the allocation of the authorised additional budget) for 2012 was £108,861,000. Therefore the 2012 outturn would represent an overspend of £2,194,000 (2.0%) which, whilst less than the highlighted £2.5million, it is not fully within the target stated in the Billet d'État XXVIII 2012:

*"HSSD is forecasting a year-end overspend against its authorised budget of up to £2.5m..... However, the Department is continuing to take action to try and contain this overspend to below £2m."*<sup>11</sup>

3.20. Taken from the 2012 States of Guernsey Accounts, a summary of the areas where costs have significantly increased from the previous year are shown below:<sup>12</sup>

<b>Service Area</b>	<b>Amount</b>	<b>Comment</b>
<b>Health and Social Care Services</b>	£1,600,000	Agency premium
	£800,000	Medical Supplies
<b>Finance &amp; Performance</b>	£475,000	Transfer / appointment of additional staff <sup>13</sup>
	£295,000	Consultants <sup>14</sup>

<sup>10</sup> 2012 States of Guernsey Accounts

<sup>11</sup> Billet d'État XXVIII 2012, p2246

<sup>12</sup> 2012 States of Guernsey Accounts

<sup>13</sup> Refers to the transfer and appointment of staff within Systems and Performance Improvement.

<sup>14</sup> Refers to management consultants within Bowel Cancer Screening, MSG service reviews and procurement.

## Financial Risk

3.21. With regard to control of financial risk, the HSSD Board's 2012 monthly financial reports emphasised high risk areas of potential concern. These were consistently:

- Efficiency & Savings Target (FTP);
- The level of private patient income;
- Agency fees; and
- Off-Island spend.

## The Financial Transformation Programme (FTP)

3.22. HSSD's implementation approach to FTP is not within scope of the review. However, it is duly noted that the impact of not attaining the desired target is having a significant 'knock-on' effect on the cash limit of the Department and that one-off savings have been required to remain within the budget.

3.23. The objective of the FTP is to achieve a minimum £31million (10%) reduction in States wide expenditure by 2015. The initial process for making Cash Limit adjustments was that budgets were only adjusted when business cases had been prepared and approved.

3.24. In 2012, an additional "General Efficiency Target" was allocated to States Departments, of which £2.35million was apportioned to HSSD's 2012 revenue budget.

**3.25. The Committee is appreciative of the resource difficulties that implementing such a programme of initiatives would cause HSSD. However, it would encourage leadership and commitment to the implementation from those parties involved in the process.**

## Private Patient Income

3.26. The IAU report on HSSD's Private Patient Income identified a series of issues representing, in the view of the PAC, an overall management failure in the related processes.

**3.27. In light of the identified issues, including the disclosure through a response to a 'Rule 6 Question' that potential income of some £100,000 per month is being foregone<sup>15</sup>, the PAC fully endorses the report's 26 recommendations.**

3.28. Given the significant potential impact on the finances of HSSD of improved systems for collection of Private Patient Income, the PAC consider that this issue should be pursued as a matter of priority.

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<sup>15</sup> Rule 6 Question 2013-65, Activity of HSSD in first 6 Months of 2013, Deputy Adam to HSSD, <http://www.gov.gg/CHttpHandler.ashx?id=84090&p=0>

### **Agency Fees**

- 3.29. The level of expenditure for agency fees in 2012 was £4.65million (£4.93 million in 2011). This was off-set by underspends in the permanent staff budgets resulting in a net staff overspend of £1.07million.<sup>16</sup>
- 3.30. Whilst recognising that a certain level of agency staff is a necessity within health and social services, there appears to be an opportunity to reduce the reliance of the use of agency staff through an improved focus on the recruitment and retention of staff.
- 3.31. This area provides an opportunity for improved management to reduce costs without a negative impact on the quality of frontline services.
- 3.32. It is duly noted that the resolution to this issue is multi-dimensional and complex; this would need to be addressed at strategic / policy level and may require cross-departmental co-operation.
- 3.33. The Committee concluded that this is a substantial area of concern in terms of being a significant cost pressure. A fundamental review of the recruitment and retention of resources (staff) within the HSSD is recommended to attempt to reduce the high level of spend in this area.**

### **Off-Island Costs**

- 3.34. Whilst noting that Off-Island spend came within budget for 2012, it is acknowledged that this area is high risk for HSSD.
- 3.35. The PAC concluded that strong management and procurement within this area is highly desirable; though it is acknowledged that even with such controls in place, there may be 'exceptional' situations which could give rise to adverse variances to HSSD's budget and lead to requirement for additional funding.**

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<sup>16</sup> 2012 States of Guernsey Accounts, <http://www.gov.gg/CHttpHandler.ashx?id=83539&p=0>

## 4. HSSD's £2.5million Overspend

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### Section Overview

- 4.1. This section seeks to clarify the “who, what, where, why and how” of the chain of events which lead up to the November 2012 statement by the Minister of Health & Social Services which revealed the potential £2.5million unbudgeted overspend for the 2012 financial year.
- 4.2. Key findings within this section are:
- Early indications that there were concerns were raised within a HSSD Financial Report in September 2011, together with the submission of an amendment to the 2012 Budget;
  - There was significant fluctuation of forecasted overspend throughout 2012, which ‘peaked’ twice in the year - May and October;
  - Drafting of an Emergency States Report was decided upon in September 2012 at HSSD Board level but not presented until 27 November; and
  - The actions taken to contain the overspend in November 2012 were based on a brief report with no evidence of a related business case to support the recommendations to significantly reduce the level of service in certain areas.

### Early indication

- 4.3. Members of the Board of HSSD were first alerted to the potential for the Department to overspend its 2012 Budget in a report entitled ‘HSSD Financial Report – Revenue and Capital Budget 2012’ dated 21 September 2011 (“the September 2012 Revenue and Capital Report”), which was discussed at a HSSD Board Meeting on 04 October 2011.
- 4.4. The September 2012 Revenue and Capital Report advised the HSSD Board that the risk that the Department would fail to meet the proposed Budget for 2012 was “medium to high”. At this point the following areas of concern were raised by a senior official:
- Private Patient Income described as a ‘challenging target’;
  - Off Island Complex Needs remaining a high risk;
  - Off Island acute provision being inherently volatile;
  - Agency staff which were not generally budgeted for;<sup>17</sup>
  - There was a vacancy factor<sup>18</sup> of 3% included within the budget;
  - Cost pressures were associated with the potential introduction of new drugs; and

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<sup>17</sup> It was stated within the report that close management of the nursing establishment and recruitment in particular would be needed to mitigate this.

<sup>18</sup> A percentage reduction against the full cost of employment of staff on the basis of a predicted number of vacancies throughout the year.

- No allowance for price inflation.<sup>19</sup>

4.5. The States Treasurer received this report on 22 September 2011. This was the first formal indication of HSSD's concerns (Ref Section 6: Financial Oversight by T&RD).

4.6. The minutes of the HSSD Board Meetings on 4 October 2011 HSSD Board indicate that Senior Officers advised the Board that the proposed 2012 budget was balanced, whilst continuing to support the Financial Transformation Programme and the 2020 Vision. Quoting from the HSSD Board minutes,

*"The Chief Officer said he was confident that, with the support of the Chief Accountant, the Department could manage within the anticipated 2012 revenue budget."*

4.7. **Following consideration of that report, the Committee is of the view that the risk statements and the above quote from the minutes appear to be inconsistent.**

#### **2011 Financial Transformation Programme (FTP) Amendment**

4.8. The HSSD Board placed an amendment to the Budget report within the Billet d'État XXII December 2011 requesting a reduction of the efficiency target from £2.35million to £1million.

4.9. A letter from the HSSD Minister to all Deputies dated 2 December 2011 stated:

*"The Department has identified £1million of further efficiency savings that will reduce spend in 2012 .... the full £2.35million cannot be found from on-going efficiency savings within 2012 without reducing services."*

4.10. The letter goes on to highlight a number of potential FTP and one-off efficiencies, including deferring the States Strategic Plan (SSP) proposals, together with savings in the areas of Estates & Facilities, Training, Health & Social Care (administration, management and central services) and Public Health & Strategy.

4.11. Following debate in the States Assembly, the amendment was **not** approved, leaving the HSSD committed to achieving the £2.35million efficiency savings.

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<sup>19</sup> HSSD Board 'Financial Report – Revenue and Capital Budget 2012' dated 21 September 2011.

## HSSD Financial Report during 2012

- 4.12. The HSSD Financial Report for February 2012, presented to the HSSD Board on 5 April 2012, indicated that year-to-date variance showed an underspend of £8,000; although private patient income was below budget.
- 4.13. The HSSD Financial Report for March 2012, presented to the HSSD Board on 26 April 2012, raised a concern that there was potential for an annual overspend of £1.1million; £0.6million related to the general efficiency (FTP) savings.
- 4.14. A report on the general efficiency savings presented to the HSSD Board at the same meeting, provided further detail on the proposed efficiency and one-off savings, to meet the £2.35million target.
- 4.15. *It should be noted that a new political Board was constituted following the April 2012 Election. As can be seen within Appendix 3, there was limited continuity between the previous Board and that constituted from May 2012 with only the Minister present on both Boards.*
- 4.16. The HSSD Financial Report for April 2012, presented to the 'new' HSSD Board on 29 May 2012, indicated a year-to-date underspend of circa £515,000. However, it was noted in the minutes that whilst this was 'encouraging', the Board was advised that the Department had been notified of one exceptional situation that might cost between £1.3million and £1.9million (which had not been budgeted for).

### Table of Forecasted Overspend from May 2012

Report Month	Date Reported to HSSD Board	Forecasted Overspend
May	26 June	£2.5million
June	24 July	£2.25million
July	28 August	£1.5million
August	25 September	£1.3million *
September	25 October	£1.6million
October	27 November	£2.4million

*\*presented with caveat that this might be closer to £1m by the end of the year*

- 4.17. The HSSD Financial Report for May 2012, presented to the HSSD Board on 26 June 2012, indicated a year-to-date underspend of £199,000. However, a number of factors were highlighted at this point which indicated a potential overspend of £2.5million in 2012.

The basis for this assessment was:

- £0.7million of efficiency savings that were unlikely to be delivered;
- £1million emergency cost pressures (exceptional circumstance);
- £450,000 on Off-Island Services; and
- £250,000 in respect of St John Ambulance and Rescue Services (SJARS).

4.18. The HSSD Financial Report for June 2012, presented to the HSSD Board on 24 July 2012, indicated a forecast overspend of circa £2.25million. The potential outturn had been reduced by £250,000 due to the loan agreement made by T&RD to SJARS.

4.19. The HSSD Financial Report for July 2012, presented to the HSSD Board on 28 August 2012, indicated that the projected overspend of £2.25million identified the previous month, had now reduced to £1.5million. This was attributed to a reduction in the projected level of spending on the Off-Island services.

4.20. The HSSD Financial Report for August 2012, presented to the HSSD Board on 25 September 2012, projected an overspend of £1.3million, but indicated that it might be closer to *“£1million by the end of the year.”*<sup>20</sup>

4.21. Whilst noting the report, the HSSD Board discussed the need for an emergency States Report on the projected overspend against its 2012 budget; under Rule 10 of the States’ Rules of Procedure. It was agreed that the Minister would make a statement to the States Assembly in November 2012 regarding the likely overspend. This was subsequently supported at the 9 October 2012 HSSD Board meeting where it was agreed that a draft emergency States Report would be submitted for consideration by the States Assembly.

4.22. The HSSD Financial Report for September 2012, presented to the HSSD Board on 25 October 2012, projected an overspend of £1.561million against an adjusted authorised cash limit of £108.86million.

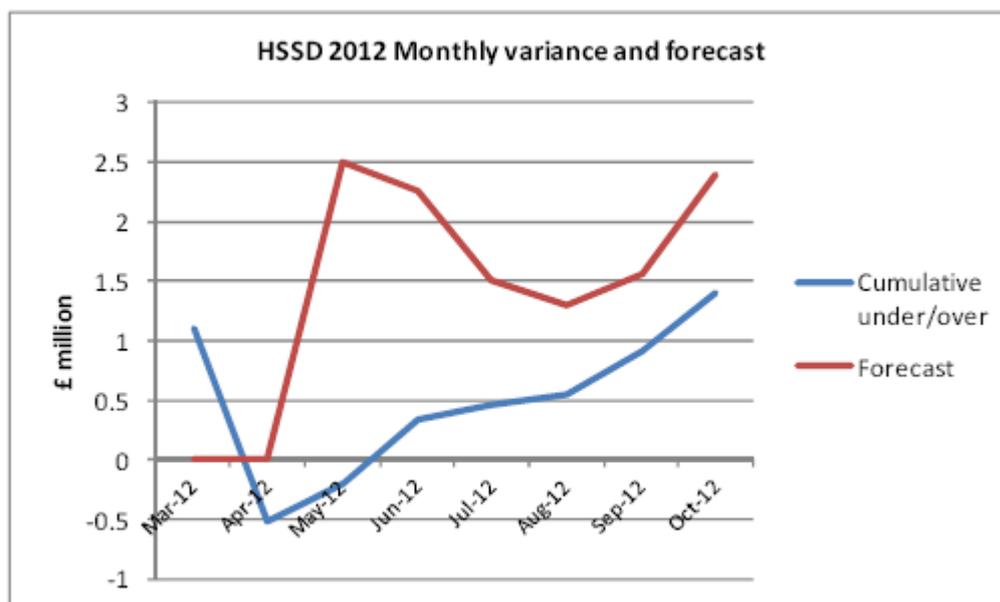
4.23. The HSSD Financial Report for October 2012, presented to the HSSD Board on 27 November 2012, projected an overspend of £2.4million for 2012. The HSSD Minister confirmed to the Board that HSSD had written to the Bailiff requesting that an urgent States Report from the Department be considered at the December States meeting.

4.24. The Fynamore Report noted that the trend of the cumulative actual monthly position between April and August 2012 was significantly different to the projected overspend.

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<sup>20</sup> HSSD Board Financial Report for August 2012

4.25. As shown below, the pattern of the actual cumulative figures from April 2012 onwards, was steadily increasing, whilst the projected overspend was steadily falling from the initial May peak.<sup>21</sup>



4.26. A significant factor in the deterioration of the position from September 2012, was the limited processes and financial controls within the Department. Invoices were not being entered on a timely basis onto the SAP system which gave rise to under-accruals of expenditure. This was a fundamental obstacle to accurate departmental financial forecasts and prediction of the departmental outcomes.

### November Decision Making Process

4.27. At a Board Meeting of HSSD on 27 November 2012, a report was presented entitled “Budget Challenge 2012 – Proposed Action” in which it was noted that the proposals would be ‘painful’ though:

*“taking these actions will send a clear message to the States, staff and the public, that HSSD means business in dealing with the overspend.”<sup>22</sup>*

4.28. The proposals put forward had a combined indicative value of a reduction in spend of £900,000 to the end of December 2012, although it was acknowledged that:

*‘the values have not been reviewed and (are) based on simplistic assumptions’.<sup>23</sup>*

<sup>21</sup> Financial Management Review, Health and Social Service Department, Finnamore, June 2013, section 4.3.1

<sup>22</sup> HSSD Board Report Budget Challenge 2012 – Proposed Action presented 27 November

<sup>23</sup> HSSD Board Report Budget Challenge 2012 – Proposed Action presented 27 November

- 4.29. The PAC notes that there were limited success criteria – financial or otherwise – relating to the decisions made, therefore effective evaluation of these decisions is difficult.
- 4.30. The Minister of HSSD subsequently brought to the attention of the Members of the States Assembly, through a statement on Thursday 29 November 2012, that due to unavoidable pressures, there was a likely overspend of up to £2.5million.
- 4.31. The Minister’s statement also highlighted that the agreed actions were to take effect from 1 December 2012 as follows:
- defer all non-emergency and non-urgent Off-Island treatment until January 2013;
  - close a surgical ward and a theatre and postpone all elective, contract surgery until January 2013;
  - close Divette Ward and relocate patients to other appropriate placements;
  - cease recruitment to vacant posts, unless the post was demonstrated to be essential for patient, service user or public safety, and a business case is approved by all Directors;
  - minimise the use of agency staff to provide cover, and increase the use of bank and part-time staff wherever possible; and
  - minimise weekend overtime duties and defer weekend work to weekdays wherever this was clinically appropriate.
- 4.32. A significant number of questions were raised by Members of the States Assembly, during which time the Minister for HSSD clarified that his statement and the agreed actions had the unanimous support of the (then) HSSD Board Members. He also confirmed that the actions taken were to “contain” the overspend.
- 4.33. The subsequent emergency States Report was laid within Billet d’État XXVIII 2012 and debated on Wednesday 12 December 2012. The Report, highlighted the actions taken and clearly stated that the cost reduction of implementing these actions would be approximately £500,000.<sup>24</sup>
- 4.34. **Following its review of HSSD’s “Budget Challenge 2012 – Proposed Action” report, the Committee is of the view that it was overly brief and lacked adequate detail. This raised concerns as to whether the appropriate depth of analysis associated with investment / disinvestment decisions of this nature, was undertaken. Given that there is evidence of HSSD being able to draft detailed business cases for other matters within the scope of this review, it would seem reasonable to expect that, at the very least, a business case should have been produced.**

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<sup>24</sup> Billet d’État XXVIII 2012, P2251, <http://www.gov.gg/CHttpHandler.ashx?id=79851&p=0>

4.35. **The Committee notes that certain aspects of the ‘savings’ were no more than moving costs into 2013. Whilst there is acknowledgment that aspects of transference of spend to the following year can, in certain circumstances, be justified to contain budgets, the effects of the specific actions taken impacted directly on service provision, with limited evaluation of the consequences.**

4.36. The decision to close the De Saumarez Ward has subsequently caused significant issues, specifically with regard to bed capacity in Victoria Ward, the private wing of the PEH. As indicated within the Internal Audit report<sup>25</sup>, the loss of potential revenue as confirmed in a Rule 6 Response<sup>26</sup> from the HSSD dated 22 August 2013, is significant.

4.37. **In conclusion, the Committee finds little evidence to suggest that the decision making process in November 2012 was robust.**

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<sup>25</sup> HSSD Private Patient Income, Internal Audit Unit, 11 June 2013

<sup>26</sup> Reply by the Minister of the Health and Social Services to Rule 6 Question, 2013-65, <http://www.gov.gg/CHttpHandler.ashx?id=84090&p=0>

## 5. Assessing the Financial Information

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### Section Overview

- 5.1. This section seeks to analyse the financial information provided to the HSSD Board throughout 2012 and related factors which affected its production.
- 5.2. The UK National Audit Office describes a series of key criteria for effective financial management information within their 'Reporting Financial Management Information to the Board' guidance<sup>27</sup>.
- 5.3. These are contained within 5 principal concepts:

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#### Concept

- 1: The scope of the information provided clearly matches the requirements of the Board.
- 2: Financial information presented to the Board meets the level required to effectively run the organisation.
- 3: Financial information is of sufficient quality to be trusted by the Board.
- 4: The presentation of financial management information is easily understood by the Board.
- 5: The financial information presented engages the Members of the Board.

#### 5.4. Key findings within this section are:

- The financial management information report template varied over the period reviewed (2009 – 2012), though was relatively consistent throughout 2012;
- Whilst it is acknowledged that core financial information was provided within the 2012 reports, there was minimal analysis and forecasting;
- There was limited resources within the HSSD Financial Team to provide the level of analysis required; and
- There are signs of improvement during 2013 with a newly designed financial management report and monthly activity report.

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<sup>27</sup> Reporting Financial Management Information to the Board, National Audit Office, 2008, [http://www.nao.org.uk/wp-content/uploads/2013/03/Reporting\\_financial\\_management\\_information\\_Board\\_2012.pdf](http://www.nao.org.uk/wp-content/uploads/2013/03/Reporting_financial_management_information_Board_2012.pdf)

## Financial Reports

- 5.5. The PAC review covered a 3 year period during which there were 3 Directors of Finance and multiple changes to Board Members. During this period there was also an on-going 'evolution' of the HSSD Board's financial reporting documentation.
- 5.6. In 2010, the HSSD Financial Report to the Board would routinely contain a large number of appendices; a quantity of information that would normally be more appropriate to have been dealt with at Management level.
- 5.7. Following the appointment of an interim Director of Finance (November 2010), there is evidence of the reports changing with consistent use of a "traffic-light / RAG (Red, Amber, Green)" system of warnings.
- 5.8. This notification system was not adopted by the next Financial Director, who was appointed in June 2011.
- 5.9. The report style for 2012 was of a relatively consistent format, providing core data. However, detailed analysis of predicted year-end outturn and variance per department, was only evident in the mid to late part of the year. This was preceded by a profiled budget and year-to-date variances.
- 5.10. **The Committee acknowledges that the 2013 Quarter 1 report is an improvement on 2012 reports.**

## Activity Data

- 5.11. Some activity data is now being reported alongside the financial information though there is still no link between the two sets of data. Linking these data sets is essential to fully understand the underlying cost drivers.
- 5.12. Currently, HSSD does not have the resources with the necessary capacity and/or skillsets to develop this level of analysis as highlighted within the Finnamore report<sup>28</sup> and reaffirmed by the States Treasurer.
- 5.13. **The activity data presented in the Billet d'État XXVIII 2012 was reviewed by the Committee which concluded that the figures may need to be considered with some caution. It was surprising to see such significant increases; 30% up in activity within one of the areas with little rationale for this increase.**

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<sup>28</sup> Financial Management Review, Health and Social Service Department, Finnamore, June 2013, section 4.4.7

### **HSSD Financial Team**

- 5.14. The HSSD Financial Team had limited resource and expertise which restricted their ability to provide financial analysis for the HSSD Board during the period under review.
- 5.15. In 2012 there was significant emphasis on the implementation of the new SAP system which required a considerable amount of senior finance officers' time and key individuals left the HSSD Finance team.
- 5.16. A Business Case requesting significant additional resource was approved by the HSSD Board in December 2012. The States Treasurer stated at a PAC meeting in August 2013 that the Business Case was the first formal indication of the need for additional resources during 2012 and confirmed that HSSD had not asked for any support whilst the Business Case was being completed.
- 5.17. HSSD has now taken on interim support to help drive through improvements linked to the Financial Management Improvement Plan (FMIP) particularly in forecasting which, as previously stated, is showing signs of improvement.
- 5.18. **The Committee accepts the need for interim additional staff to ensure that the financial management within HSSD continues to improve and begins to move the Department up the 'credibility curve'. It is noted however, that this can only be justified with further implementation of the Finnermore Report, the IAU Private Patient Report and the FMIP; specifically a significant increase in the quality of the management information provided to the Board.**

## 6. Financial Oversight by Treasury and Resources Department

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### Section Overview

- 6.1. This section seeks to clarify the financial oversight provided by the T&RD in the period leading up to the statement made by the HSSD Minister in November 2012. The Committee notes that Departments are mandated to deliver against their agreed cash limit and that there is currently no formally mandated oversight role of T&RD.
- 6.2. Key findings within this section are:
- No formal indication of concern was raised to T&RD from HSSD until September 2011;
  - Following awareness of the May 2012 forecasted overspend, monthly meetings were scheduled between the Chief Executive, States Treasurer and the Chief Officer of HSSD;
  - The T&R Board was made aware of the potential overspend and monitoring process as part of the Q2 2012 and then Q3 2012 general reviews;
  - Communication between Departments was predominantly at Officer level with limited Board level communication; this has since been addressed in 2013 with regular Ministerial meetings;
  - There is evidence of increased support by T&RD being provided in 2013; and
  - Communication of early notification of a potential overspend in 2013 was provided by HSSD.

### Early Indication

- 6.3. Initial liaison between T&RD and HSSD commenced during 2011, through the budget setting process. A memorandum from the States Treasurer dated 8 July 2011 to all Chief Officers requested that Departments advise T&RD by 12 August 2011 of any cost pressures that could not be met within the Department's allocation.
- 6.4. It was clarified by the States Treasurer that no such notification was forthcoming from HSSD.
- 6.5. It is understood that T&RD's first indication of concern within HSSD was upon receipt of the HSSD 'Revenue and Capital Budget 2012 Report' received by the States Treasurer on 22 September 2011.
- 6.6. Following receipt of this report, the States Treasurer met with the HSSD Chief Officer and Director of Finance & Performance on 30 September 2011 and advised them of the potential to apply for budget reserve if required. The senior officers of HSSD were advised that the Department could submit a budget that was not within its cash limit, if the existing budget forecast was deemed to be too high risk.

- 6.7. No formal request was forthcoming from the HSSD for either of these options.
- 6.8. This aligns to the statement within the HSSD minutes from the 4 October 2011, where there is evidence that the Chief Officer advised the Board that the budget proposed was balanced.
- 6.9. Further early indication of concern can be referenced through the HSSD amendment to the Billet d'État XXII December 2011, requesting a reduction of the efficiency target from £2.35million to £1million. However, as already highlighted within this report, the amendment was unsuccessful. This inferred that HSSD would rely on the delay of its 2011 States Strategic Plan bids in order to help achieve its savings target for 2012. This approach was not challenged until the new T&R Board was constituted in May 2012.

### **2012 Liaison**

- 6.10. Following receipt of the May 2012 HSSD Financial Report, which identified the initial £2.5million potential overspend position, concerns were raised immediately by the States Treasurer with the Chief Executive and monthly monitoring with the Chief Officer of HSSD was put in place from July 2012 onwards. This potential overspend position was based on a number of specific perceived financial risks (ref 4.17), namely:
- £0.7million of efficiency savings that were unlikely to be delivered;
  - £1million emergency cost pressures (exceptional circumstance);
  - £450,000 on Off-Island Services; and
  - £250,000 in respect of St John Ambulance and Rescue Services (SJARS)
- 6.11. The Chief Executive and the States Treasurer advised the HSSD that if an overspend was forecast, a States Report would need to be submitted to the States Assembly for its consideration.
- 6.12. The HSSD Director of Finance & Performance confirmed to the Committee that monthly financial information was then shared with the States Treasurer and quarterly information with the Chief Officer Group.
- 6.13. The States Treasurer has informed the Committee that the situation at the HSSD was highlighted at the T&R Board when both the June and October quarter-end general positions were discussed.
- 6.14. However, the originally identified risks shown above did not all materialise. The forecasted trend had been downwards from the £2.5million position in May, before increasing sharply in October.

6.15. The actual overspend came to light in the autumn with the reported financial position.

6.16. **It is noted that the focus on monitoring the initial “perceived risks” may have hindered the identification and mitigation of the actual areas of concern:**

- **Efficiency & Savings Target (FTP);**
- **The level of private patient income; and**
- **Agency fees.**

**This is a lesson to be learnt. Departments should ensure that they are continually reappraising financial risks, to ensure that the correct risks are being managed.**

6.17. In the autumn of 2012 with the support of T&RD, an external management consultant was appointed to support the ‘HSSD Budget Challenge’.

6.18. According to information provided by HSSD, the external management consultant indicated concerns with regard to the present HSSD financial structure and outlined the following deficiencies:

- No costing expertise;
- No internal audit;
- Limited financial planning and forecasting capability;
- Low grade management accounting support;
- Only two professionally qualified accountants (one only having been in post one month);
- No financial management advisory function to work with senior managers to help shape and reshape services as well as deliver efficiencies;
- Limited procedure manuals and process mapping;
- Little in depth variance analysis and risk assessment of financial issues; and
- Reliance on the now departed expert on income and charges without any explanation of how they are calculated and assessed.<sup>29</sup>

### **2013 Liaison**

6.19. With regard to the relationship between T&RD and the HSSD during this period, the States Treasurer stated that the T&RD position was that the ‘door was open’ for the Departments to discuss their concerns.

6.20. With regard to the 2013 Budget setting process, there was evidence of early communication between the Ministers of HSSD and T&RD.

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<sup>29</sup> Interim report, external management consultant, 21 November 2012

6.21. A letter from the Minister of HSSD to the Minister T&R dated 31 August 2012, highlighted a number of 'pressures' facing HSSD including exceptional circumstances which could potentially jeopardise the budget being met. The letter requested that:

*"I am therefore asking for T&RD to either increase HSSD's cash limit by £2million, or more appropriately to hold back within the budget reserve an amount of £2million earmarked specifically for 'exceptional circumstance' which I would be happy to submit a Business Case for the release of ongoing funds once the precise care packages and the total cost has been able to be properly established."*<sup>30</sup>

6.22. The Minister of Treasury & Resources replied in a letter dated 17 October 2012 that,

*"Members (of T&R Board) recognised that the Health and Social Services Department is facing unique challenges including unpredictable demand-led spending ..... My Department will therefore include an appropriate reference to this in the Budget Report".*<sup>31</sup>

6.23. The PAC acknowledges that this has been duly noted within the Budget Reserve section of the States of Guernsey Budget 2013 report.

6.24. Whilst there is a forecasted overspend for 2013, the HSSD formally notified Policy Council at an early stage which the PAC acknowledges as a step forward.

6.25. Furthermore, support has been provided for 2013 by "reversing" the FTP targets for 2013 and 2014. In addition, it is understood that robust FTP projects are now being developed giving increased level of confidence to T&RD.

**6.26. The PAC was concerned that the discussions in 2012 were predominantly focused at officer level and that the Minister of HSSD was not present at a number of the discussions. The PAC has been advised by the States Treasurer, 12 August 2013, that the lines of communications are now improved with the Ministers meeting monthly, indicating that this issue has been acknowledged and addressed.**

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<sup>30</sup> Letter from the Minister HSSD to the Minister Treasury & Resources, dated 31 August 2012

<sup>31</sup> Letter from the Minister Treasury & Resources to the Minister of HSSD, dated 17 October 2012

## 7. Conclusions

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- 7.1. The report provides an independent account of the events leading to the November 2012 statement and takes a considered view of the issues that were identified.
- 7.2. The Committee notes that the HSSD revenue outturn was sustained at £107million for 3 years prior to a 3.6% increase to £111.06million in 2012. Therefore, it accepts that there was some level of cost absorption from 2009-2012 (Ref 3.16). It also notes the view of the States Treasurer that there is no evidence that the budget is structurally incorrect to provide the **current** level of services (Ref 3.8).
- 7.3. With regard to the HSSD Board Report in November 2012, which advised on the potential actions to be taken, the PAC noted that there was limited information on which to make an informed decision. In the view of the PAC, this led to a questionable decision making process in November 2012 (Ref 4.37).
- 7.4. In relation to the HSSD financial reports, the Committee notes that the information presented to the HSSD Board, whilst providing core data, had minimal insight, analysis and forecasting (Ref 5.9). It is acknowledged that there were limited staff resources within the Financial Team at the HSSD to undertake this work. Weaknesses in financial analysis and forecasting would need to be addressed to justify any additional investment (Ref 5.18).
- 7.5. The Committee welcomes the Fynamore report into the Financial Management within the HSSD and its detailed recommendations; together with HSSD's Financial Management Improvement Plan. The implementation of the Fynamore recommendations and the FMIP will provide significant improvement within HSSD in the medium to long-term (Ref 5.17).
- 7.6. The loss of Private Patient Income of circa £100,000 per month<sup>32</sup> is of concern to the Committee. The recommendations made within the IAU report are fully supported by the PAC and prompt progress on its implementation is expected. As such, the PAC will continue to provide high-level oversight and anticipates significant improvements within this area (Ref 3.27).
- 7.7. Whilst the implementation strategy for FTP is not within scope of this review, it is duly noted that the impact of not attaining the desired target is having a significant 'knock-on' effect to the cash limit of the Department and that one-off savings have been required to contain the budget. The lack of progress is affecting the Department's ability to maintain its costs within budget and the Committee would therefore

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<sup>32</sup> Reply by the Minister of the Health and Social Services to Rule 6 Question, 2013-65, <http://www.gov.gg/CHttpHandler.ashx?id=84090&p=0>

encourage strong leadership and commitment from the Department to ensure delivery (Ref 3.25).

- 7.8. Whilst noting that Off-Island spend came within budget for 2012, it is the view of the Committee that this area remains high risk for the HSSD. Strong management and procurement within this area must remain a high priority; though it is acknowledged that even with such controls in place, there may be 'exceptional' situations that require additional funding (Ref 3.35).
- 7.9. The cost of agency staff of £4.65million within the HSSD is of concern to the Committee. Recruitment and retention of staff needs to be addressed at strategic and operational levels through a fundamental review within the HSSD which may well require cross-departmental co-operation. To incur such costs on an on-going basis may be unsustainable (Ref 3.33).
- 7.10. There was on-going liaison during 2012 between the HSSD and T&RD. However, this oversight did not fully mitigate the issues identified within the HSSD. The Committee welcomes the steps taken to improve the lines of communication between T&RD and the HSSD; specifically the increased focus on regular Ministerial communication (Ref 6.26).
- 7.11. In summary, the Committee appreciates the inherent difficulties involved with financial management within the HSSD given limited resources. However, there are areas of concern that can be addressed in the short, medium and long term. In addition, the Committee believes that, given the size and complexity of the overall model of health and social care, this area merits its own separate review as a matter of urgency.
- 7.12. The Committee calls upon all parties to embrace the opportunity to forge a robust partnership with HSSD to ensure that support is provided in its on-going endeavours to address these issues.
- 7.13. However, in addition, the States of Guernsey needs to determine which services it should be providing and how these will be delivered in the most sustainable manner for the future. Until such time, there can be no assurance that taxpayers are getting value for money from the health and social care provision.

## 8. Recommendations

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Ref	Recommendations
1	That any major decisions to significantly reduce the level of services must be undertaken after considering a detailed business case incorporating, as a minimum, strategic, financial and risk analysis; together with a detailed implementation plan (Ref 4.34).
2	That financial board reports should not only contain core data, but contain appropriate insight and analysis (Ref 5.9).
3	The HSSD should implement the recommendations within the Finnamore Report as soon as possible and continue to progress the actions within its FMIP in a timely manner (Ref 5.18).
4	That the recommendations contained within the IAU's Report into Private Patient Income are implemented without delay (Ref 3.27).
5	That the robust implementation of FTP projects is undertaken, working closely with the States Treasurer's Team (Ref 3.25).
6	That T&RD should continue to provide an oversight role with a clear focus on continuing to enhance communication (Ref 6.26).
7	That, during the transition of Board membership, there is a need for focus on knowledge transfer, specifically with regard to financial matters (Ref 3.13).
8	That a review of the recruitment and retention of clinical staff within HSSD is considered to establish a long-term sustainable model, ensuring that the reliance on, and cost of, agency staff is reduced (Ref 3.33).
9	That the overall health and social care model merits a separate review to support the HSSD in delivering on producing a long-term sustainable financial model as part of the 2020 Vision framework (Ref 3.5).

## Appendices

## Appendix 1 - Approach to the Review

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The Public Accounts Committee agreed to the Review's 'Terms of Reference' at its February 2013 meeting and a Panel was established to develop this workstream.

The Health & Social Services Department and the Treasury & Resources Department were advised of the potential review in a letter from the Committee dated 18 February 2013. The HSSD Director of Finance & Performance was called to attend the 25 February Panel Hearing to provide context to the review.

Following the scoping and planning of the review, a 'Call for Evidence' was submitted to the HSSD on 6 March 2013, for information related to Financial Management for the period January 2010 to December 2012. This included relevant HSSD Board minute extracts, HSSD Board Financial Reports together with relevant reports and correspondence. The documents were received by the Committee's Office throughout April 2013.

An 'Evidence Summary Report', emphasising the pertinent points, was provided to the Panel for their consideration during June. Also presented to the Panel were a number of key reports, amongst which were the November 2012 report that proposed the actions taken as at 1<sup>st</sup> December 2012 and examples of the 'typical' Financial Reports presented to the HSSD Board during 2012. A newly formatted version for 2013 was also presented for consideration. In addition, the HSSD business case for the number of resources necessary to ensure that the financial department was 'fit for future' was also presented to the Panel.

It is important to note that the Panel completed its initial consideration in June 2013, based on the evidence provided by the HSSD throughout April 2013.

The States Treasurer was invited to present further evidence at a Panel Review Hearing on 12 August 2013, following consideration of the information previously presented.

Steps were taken to ensure that due process was appropriately followed. Following drafting of the final report, a request to HSSD and T&R was submitted to ensure that the report was factually correct; with responses received in November and early December.

Authorisation for release of the report was sanctioned at the December Public Accounts Committee.

It should be noted that information related to St John Ambulance & Rescue Service, Bowel Cancer Screening and the Health Systems Workshop review of the Princess Elizabeth Hospital has been noted but was received by the Public Accounts Committee too late to be considered as evidence within this report.

**It must be acknowledged that the HSSD and T&RD have engaged with the Review in a wholly professional manner, responding fully and in a timely manner to requests for information. This is duly noted and welcomed.**

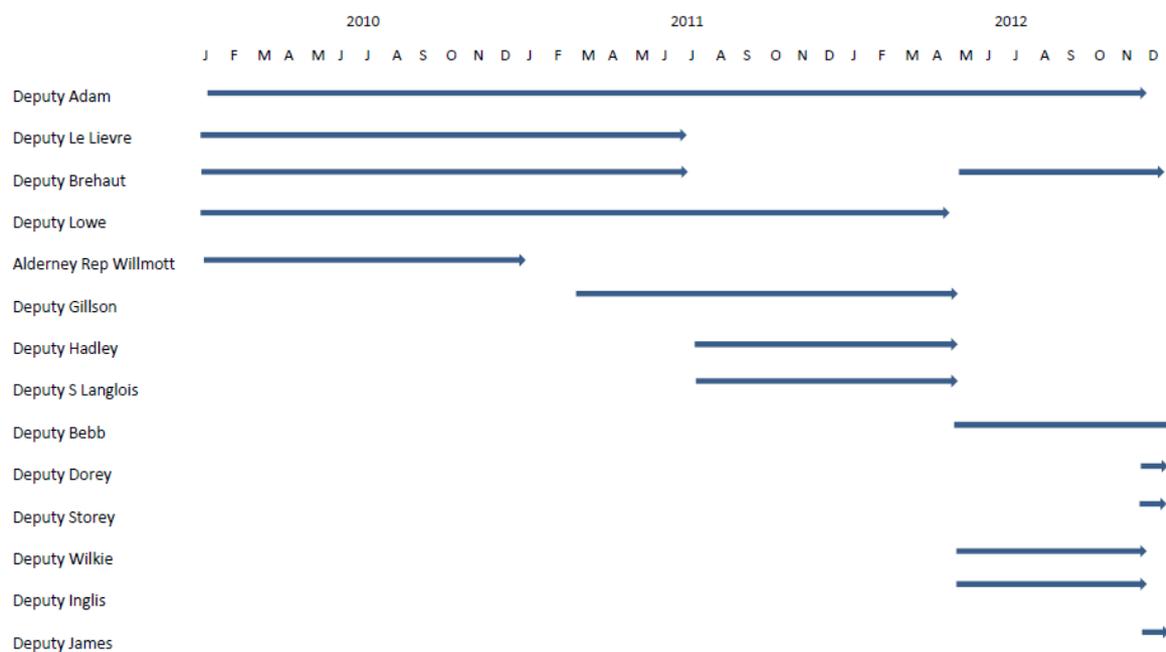
## Appendix 2 - Acronyms

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<b>Acronym</b>	<b>Definition</b>
CMT	Corporate Management Team
FMIP	Financial Management Improvement Plan
FTE	Full Time Equivalent
FTP	Financial Transformation Programme
GP	General Practitioner
GPG	Guernsey Physiotherapy Group
HSSD	Health and Social Services Department
IAU	Internal Audit Unit
MSG	Medical Specialist Group
NAO	National Audit Office
NHS	National Health Service
PAC	Public Accounts Committee
PEH	Princess Elizabeth Hospital
RAG	Red, Amber & Green
SSD	Social Security Department
SSP	States Strategic Plan
STSC	Shared Transaction Service Centre (AKA the Hub)
T&RB	Treasury and Resources Board
T&RD	Treasury and Resources Department
YTD	Year to Date

## Appendix 3 – Membership of the HSSD Board and Corporate Management Team

### HSSD BOARD MEMBERSHIP:



#### **January - December, 2010**

Deputy A H Adam, Minister  
 Deputy A R Le Lievre, Deputy Minister  
 Deputy B L Brehaut  
 Alderney Representative R G Willmott  
 Deputy M M Lowe

#### **January - February, 2011**

Deputy A H Adam, Minister  
 Deputy A R Le Lievre, Deputy Minister  
 Deputy B L Brehaut  
 Deputy M M Lowe

#### **March - June, 2011**

Deputy A H Adam, Minister  
 Deputy A R Le Lievre, Deputy Minister  
 Deputy B L Brehaut  
 Deputy M M Lowe  
 Deputy P L Gillson

**July, 2011 – April, 2012**

Deputy A H Adam, Minister  
Deputy P L Gillson, Deputy Minister  
Deputy M M Lowe  
Deputy M P J Hadley  
Deputy S L Langlois

**May, 2012 – 11 December, 2012**

Deputy A H Adam, Minister  
Deputy B L Brehaut, Deputy Minister  
Deputy E G Bebb  
Deputy D A Inglis  
Deputy A M Wilkie

**12 December, 2012 – To Date**

Deputy M H Dorey, Minister  
Deputy M J Storey, Deputy Minister  
Deputy B L Brehaut  
Deputy E G Bebb  
Deputy S A James

## **CMT MEMBERSHIP:**

### **January, 2010 – February, 2010**

David Hughes, Chief Officer  
Richard Evans, Director of Corporate Services  
Jim Harley, Director Finance  
John Mackey, Director of Services for Adults  
Wilma Edwards, Director of Human Resources  
Jacqui Gallienne, Director of Services for Children and Young People  
Stephen Bridgman, Director of Public Health

### **February, 2010 – November, 2010**

Mark Cooke, Chief Officer  
Richard Evans, Director of Corporate Services  
Jim Harley, Director of Finance  
John Mackey, Director of Services for Adults  
Wilma Edwards, Director of Human Resources  
Jacqui Gallienne, Director of Services for Children and Young People  
Stephen Bridgman, Director of Public Health

### **November, 2010 - December, 2010**

Mark Cooke, Chief Officer  
Richard Evans, Director of Corporate Services  
John Mackey, Director of Services for Adults  
Wilma Edwards, Director of Human Resources  
Jacqui Gallienne, Director of Services for Children and Young People  
Stephen Bridgman, Director of Public Health  
Philip Oldfield, Interim Director of Finance

### **January, 2011 – May, 2011**

Mark Cooke, Chief Officer  
Richard Evans, Director of Corporate Services  
Wilma Edwards, Director of Human Resources  
Jacqui Gallienne, Director of Health and Social Care Services  
Stephen Bridgman, Director of Public Health  
Philip Oldfield, Interim Director of Finance

### **June, 2011 - December, 2011**

Mark Cooke, Chief Officer  
Richard Evans, Director of Corporate Services  
Wilma Edwards, Director of Human Resources  
Jacqui Gallienne, Director of Health and Social Care Services  
Stephen Bridgman, Director of Public Health  
Tom Niedrum, Director of Finance and Performance

### **January, 2012 - December, 2012**

Mark Cooke, Chief Officer  
Richard Evans, Director of Corporate Services  
Jacqui Gallienne, Director of Health and Social Care Services (*Director of Health, Social Care and Nursing Services from October, 2012*)  
Stephen Bridgman, Director of Public Health  
Tom Niedrum, Director of Finance and Performance

## Appendix 4 – Timeline of Events

Date	Event
<b>2011</b>	
July	Memorandum from States Treasurer requesting Chief Officers to advise T&RD of any cost pressures that could not be met within the draft 2012 budget – August deadline.
September	HSSD Board receive the ‘Revenue and Capital Budget 2012’ highlighting the budget as medium to high risk. Report received by T&RD which is first indication of concern.
September	Meeting between States Treasurer and HSSD Chief Officer where budget options were discussed.
October	Notification that General Efficiency targets would be deducted from Departmental budgets (£2.35million for HSSD). HSSD Board advised by Chief Officer that the budget is balanced.
December	Amendment to the Budget to reduce the FTP target - not resolved.
<b>2012</b>	
April	Election HSSD Board report indicates forecasted £1.1million overspend.
May	Appointment of Minister and new Board.
June	HSSD Board advised of a £2.5million forecasted overspend.
July	Monthly meetings between Chief Executive, States Treasurer and HSSD’s Chief Officer.
July	T&R Board aware of situation and monitoring process.
July	HSSD Board advised that forecasted overspend was £2.25million - T&RD providing a £250K loan to St John Ambulance and Rescue Service.
August	HSSD Board advised that forecasted overspend was £1.5million.
August	2013 Budget Setting Process - Minister of HSSD writes to T&RD Minister acknowledging £1million cash limit increase to cover cost pressures. Furthermore requesting a potential £2million to mitigate any ‘exceptional circumstance’ should they arise.
September	HSSD Board advised that forecasted overspend was £1.3million but might be closer to £1million. HSSD Board discusses the need for an emergency States Report and agreement that Minister would make a statement in the November States.
October	HSSD Board advised of a £1.6million forecasted overspend. HSSD Board agree that an Emergency States Report be drafted
November	HSSD Board advised of a £2.4million forecasted overspend. Confirmation that the Bailiff had been informed that an urgent States Report be considered for the December States Assembly. HSSD ‘Budget Challenge 2012 – Proposed Action’ considered by HSSD Board.
November	Deputy Adam, Minister of HSSD makes statement to the States Assembly informing of an emergency States Report in December 2012 and the actions to be taken.
December	Implementation of agreed actions including closure of wards
December	Emergency States Report debated in the States Assembly. Resolution passed to authorise up to an additional £2.5million. HSSD Board resign and new Minister and Board elected. Deputy Soulsby, Chair, PAC commits to a review in States Assembly
<b>2013</b>	
January	SAP and the ‘Hub’ go live
January	2020 Vision debated in the States Assembly. Resolved to produce a long-term sustainable financial model
May	2012 States Accounts confirms a £2.2million overspend