

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

5<sup>th</sup> November, 2019

**Proposition No. P.2019/104**

**POLICY & RESOURCES COMMITTEE**

**THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2020**

**AMENDMENT**

Proposed by: Deputy E A McSwiggan

Seconded by: Deputy D A Tindall

To replace Proposition 10 with the following Proposition:

- "10. To vary the authority delegated to the Policy & Resources Committee by Resolution 33 on Billet d'Etat XXIV of 2018 in respect of funding Organisational & Service Design (up to a maximum of £8m) from the Transformation & Transition Fund, such that the Committee may reprioritise some or all of the remaining balance available to it through that delegated authority, in order to fund any of the six Public Service Reform initiatives (listed in the table at paragraph 4.8 of the policy letter) which fall directly or predominantly within its mandate, as well as the oversight of Public Service Reform as a whole, in accordance with its priorities and to the extent that these fall within the criteria for Transformation & Transition funding."

**EXPLANATORY NOTE**

This amendment has a brief supporting report. Please see below.

## AMENDMENT to P.2019/104 – THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2020

### IN RELATION TO PUBLIC SERVICE REFORM

#### SUPPORTING REPORT

##### **Introduction**

This report is submitted in accordance with Rule 24(1) – "A supporting report may be attached to the secondary proposition at the time of submission."

##### **Public Service Reform – The Promise**

In Section 7 of the 2019 States' Budget (approved in November 2018), the Policy & Resources Committee set out a range of initiatives which fall under the umbrella of Public Service Reform. It forecast that these initiatives could deliver over £20million in savings across the next 3 years.

The following table was set out at Paragraph 7.28 of the 2019 Budget:

<b>Initiative</b>	<b>2019 Savings (£'000)</b>	<b>Total 2019-21 (£'000)</b>
Organisational & Service Design	1,670	10,000
Future Digital Services	900	3,600
Procurement	900	3,400
Managing Sickness, Overtime & Allowances	295	535
Property Rationalisation	100	395
Revenue Service	180	1,470
Transforming Education & Training Services	105	1,405
Transforming Health & Care Services	945	945
Home Affairs Improvement Programme	150	1,085
<b>TOTAL</b>	<b>5,245</b>	<b>22,835</b>
Less: Amounts already within savings targets	(625)	(2,225)
<b>NET ADDITIONAL SAVINGS</b>	<b>4,620</b>	<b>20,610</b>

The first six rows of this table relate to initiatives that were wholly or predominantly within the oversight of the Policy & Resources Committee. In other words, P&R invited the States to endorse its ambition to deliver £19.4million of savings over the next 3 years.

The final three relate to initiatives within the oversight of the Committee *for* Education, Sport & Culture, the Committee *for* Health & Social Care, and the Committee *for* Home Affairs respectively.

##### **Public Service Reform – The Reality**

Paragraph 4.8 of the 2020 States' Budget shows that, in fact, these savings have been realised much more slowly than P&R anticipated:

Initiative	2019 Savings Budget (£'000)	2019 Savings Forecast (£'000)
Organisational & Service Design	1,670	110
Future Digital Services	900	0
Procurement	900	610
Managing Sickness, Overtime & Allowances	295	10
Property Rationalisation	100	110
Revenue Service	180	75
Transforming Education & Training Services	105	105
Transforming Health & Care Services	945	945
Home Affairs Improvement Programme	150	30
<b>TOTAL</b>	<b>5,245</b>	<b>1,995</b>
Less: Amounts already within savings targets	(625)	(520)
<b>NET ADDITIONAL SAVINGS</b>	<b>4,620</b>	<b>1,475</b>

This leaves a widening gap between the target for 2021 (set out in the 2019 Budget) and the actual achievement of savings, as follows:

Initiative	Total 2019-21 (£'000)	2019 Savings (£'000)	Outstanding (£'000)
Organisational & Service Design	10,000	110	9,890
Future Digital Services	3,600	0	3,600
Procurement	3,400	610	2,790
Managing Sickness, Overtime & Allowances	535	10	525
Property Rationalisation	395	110	285
Revenue Service	1,470	75	1,395
Transforming Education & Training Services	1,405	105	1,300
Transforming Health & Care Services	945	945	0
Home Affairs Improvement Programme	1,085	30	1,055
<b>TOTAL</b>	<b>22,835</b>	<b>1,995</b>	<b>20,840</b>
Less: Amounts already within savings targets	(2,225)	(520)	(1,705)
<b>NET ADDITIONAL SAVINGS</b>	<b>20,610</b>	<b>1,475</b>	<b>19,135</b>

Based on the 2019 forecast, the States would have had to achieve an average of £6.9m in savings each year for 3 years, in order to achieve the forecast of £20.6m additional savings by the end of 2021.

In practice, less than £2m of savings were achieved this year. In order to achieve the remaining £19.1m forecast last year, the States would have to find a way to save an average of £9.55m in each of 2020 and 2021. There is no indication in the 2020 Budget that anything like that scale or pace of change can be achieved within such a timeframe.

### **Unrealistic Goals, or Underperforming Delivery?**

When a target is not met, there are (simplistically) two reasons why: either the target itself was wrong (perhaps over-ambitious, perhaps based on incomplete or incorrect information) or there was an issue with the performance of those trying to achieve it.

The proposers of this amendment do not intend it as a criticism of the performance of the Policy & Resources Committee, or of its senior officers. However, it appears to us that the savings targets, while put forward with the best of intentions, were over-ambitious and/or based on incomplete information.

This is known to be the case in respect of the savings forecast from the Future Digital Services initiative. The proposers of this amendment understand that, for reasons of commercial confidentiality, there was certain information which could not be shared with Agilisys until a late stage in the tender process – meaning that savings targets initially had to be based on estimates and assumptions, which were inevitably not wholly accurate.

The way in which the forecast savings for Organisational & Service Design were developed suggests that they may also have been based on an incomplete, or insufficiently detailed, evidence base. Further, the extent to which the two programs (FDS, and Organisational & Service Design) rely on each other to achieve their aims further suggests that there is almost inevitably an element of double-counting in the savings attributed to each.

### **The Cost of Falling Short**

If the savings targets were not achieved because of underperformance, then the cost has been borne by other States Committees and by the community in general. The six initiatives which fall within P&R's oversight (from Organisational & Service Design through to the Revenue Service) fell short of their forecast target for 2019 by £3,130,000. If that had been achieved, it would have been sufficient to fund almost all of the important service developments listed in the second table in Appendix VI, if not to lessen the need for revenue raising measures.

On the other hand, if the savings targets were not achieved because they were unrealistic, that too has a cost:

Most States Members recognise that, while there are inevitably pockets of waste and inefficiency across the public sector, as there are in any organisation, there is also a high level of political and public pressure to keep spending low, which translates into rigorous processes within Committees for challenging new developments, which often refuse

requests for funding for new staff or services. Most areas of unnecessary spending have already been addressed, and most easy (and many difficult) opportunities for service redesign have already been, or are being, pursued.

Of course it is possible for the States to continue to make savings across the public sector. But given its past track record of delivering savings, and what we know about the current position of the organisation, it is far more likely that these savings will be slow and steady across the years: the £2m achieved this year sets a far more realistic baseline than the £20m forecast for the next two years.

We have to be honest about this because the States, in January 2020, will debate the funding pressures Guernsey is likely to face from now on, for at least the next couple of decades. If we allow ourselves and the public to believe that there are tens of millions of pounds that can be stripped out of the public sector *quickly* – that is, in time to meet those pressures head-on – then we will fail to confront the real tension between the public demand for more and better services, and the public demand for the same or lower taxes.

The cost of unrealistic targets is that they introduce false hope into one of the most pressing and difficult debates that we face as a States.

### **Return on Investment**

The idea behind the Transformation and Transition Fund is that an investment of cash (on a one-off basis or over a time-limited period) can allow Committees of the States, including the Policy & Resources Committee, to make changes to the way that services are delivered which will lead to costs in a given area being reduced, or even removed, in the long term.

In the 2019 Budget (paragraph 7.51), the States agreed to allocate £8m from the Transformation & Transition Fund towards Organisational & Service Design, and a further £0.5m to Public Service Reform generally. A further allocation of £1m to Public Service Reform and £0.5m to the associated People Plan is proposed in 2020.

Giving P&R the delegated authority to invest up to £10m over two years might seem like an attractive prospect if savings of over £20m can be achieved within three years (as forecast in the 2019 Budget). However, the rate of savings in 2019 has been much slower than forecast, and the Budget offers no evidence to suggest that this will increase materially in 2020.

The return on investment (or the 'reform dividend') from Public Service Reform looks to be much lower, or at least slower, in practice than was forecast in 2019. As such it is appropriate for the States to reconsider whether the costs and benefits of delegating further authority to P&R, to spend on the initiatives it is responsible for, still stack up.

### **So Where Now?**

The table at paragraph 5.74 of the Budget shows that P&R still has delegated authority over £7million of the Transformation & Transition Fund, in respect of Organisational & Service Design. (£8m was allocated in the 2019 Budget, so £1m must already have been spent.)

The rate at which P&R's Public Service Reform initiatives have delivered savings (against their original forecasts) in 2019 does not build a strong case for granting P&R an additional £1.5m of delegated authority to spend on Public Service Reform initiatives this year.

This amendment proposes an alternative, in which P&R can apply its existing delegated authority to a wider range of Public Service Reform-related initiatives, in line with what it considers to be the most pressing priorities. The proposers of this amendment consider it unlikely that P&R will exhaust its current allocation within the Transformation & Transition Fund during 2020; however, if that does happen, the Committee always retains the option of returning to the States with a case for additional funding.