

# Efficiency Savings

09 March 2023

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# Summary

## Introduction

1. Against a backdrop of budget pressures and ambitious Government plans, the States Assembly agreed in 2019 that the Council of Ministers '*bring forward detailed proposals each year, to be included as a separate paragraph within the Government Plan proposition, seeking the Assembly's specific endorsement of each of the efficiencies contained in the Government Plan*'.
2. The Efficiencies Plan 2020-23 and subsequent Government Plans have set out the Government's approach to the delivery of efficiencies and targets for the achievement of efficiency savings. Exhibit 1 contains more details of the targets set. In total, a goal of £120 million of savings has been set across the period 2020 to 2026.

### Exhibit 1: Efficiency savings targets

Document	2020 £000	2021 £000	2022 £000	2023 £000	2024 £000	2025 £000	2026 £000
Efficiencies Plan 2020-23	40,000	20,000	20,000	20,000			
Government Plan 2021-24		20,000	20,000	20,000	20,000		
Government Plan 2022-25			20,000	20,000	20,000		
Government Plan 2023-26				10,000	10,000	10,000	10,000
<b>Final in year target</b>	<b>40,000</b>	<b>20,000</b>	<b>20,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>

Source: Jersey Audit Office analysis

3. During 2020 and 2021, the COVID-19 pandemic had a significant impact on Government finances and required the Government to use multiple approaches to balance its finances. These included a wide range of fiscal measures, borrowing strategies, economic stimulus, treatment of funds and the delivery of savings and efficiencies. During 2020, the Efficiencies Programme became the Rebalancing Programme.

4. The 2020 Annual Report and Accounts for the States of Jersey reported that *'the 2020 plan required the delivery of £40 million of efficiencies in 2020 and this target has been fully met. This figure can be further broken down into around £25 million of recurring efficiencies and a further £15 million of one-off measures, typically a deferral of growth funds. These deferrals were, in large part, as a consequence of prioritising the Government's response to Covid-19.'*
5. The 2021 Annual Report and Accounts for the States of Jersey noted that *'2021 was the second year of the [rebalancing] programme with a cumulative total rebalancing target of £60m. During 2021, £35.5m of that £60m needed to be delivered on a recurring basis including the £15.5m brought forward from 2020 as it was delivered by one-off reductions in spend'*. The 2021 Annual Report and Accounts also states that *'during 2021, £32.2m of the revised re-balancing target of £35.5m was delivered on a recurring basis and £1.8m was achieved on a one-off basis, therefore £3.3m of the target was not delivered but balanced by deferred growth. As a result, £4.8m will be added to the target in 2022.'*
6. My review has focussed on the effectiveness of the Efficiencies and Rebalancing Programmes within the States of Jersey including in non-ministerial departments. It has covered the establishment and operation of the Efficiencies Programme from 2019 to April 2020 and the Rebalancing Programme from April 2020 to May 2022.

## Key findings

7. The key findings from my review are as follows:
  - the definition of what constituted an 'efficiency' cited in the Efficiencies Plan 2020-23 remained generally consistent across subsequent rebalancing measures, the Government Plan 2021-24 and the Government Plan 2022-25. This definition was approved by the Council of Ministers and was made public. As with the 2020-23 Efficiencies Plan, the Government Plans for 2021-24 and 2022-25 include both cost recovery and increasing revenue as efficiency savings. I consider that neither of these is an efficiency saving measure when compared with generally accepted best practice definitions
  - during 2019 there was a short-term focus on identifying efficiency saving opportunities for publication in the Efficiencies Plan 2020-23. Arrangements to develop Government cross-cutting themes to support the identification and achievement of longer-term efficiency savings in effect did not all happen during 2020, being severely interrupted by the COVID-19 pandemic
  - the arrangements to support the identification of efficiency savings have lacked both granularity and data integrity. There was a general expectation that there

should be no service degradation as a consequence of making efficiencies. However the approach adopted lacked the specific identification of current and desired service levels to enable departments to assess their service target objectives. There were also few examples of unit and process cost data and comparisons to aid the identification of opportunities and targets

- the cost of external consultants to support the Efficiencies Programme in 2020 was in excess of £1 million. In addition there has been an investment of £273,000 in the Zero Based Budgeting (ZBB) programme to support the Efficiencies Programme. There is however little evidence of a cultural shift in identifying and delivering efficiencies: the ZBB programme has delivered budget realignment rather than efficiencies
- departmental budgets were reduced for 2021 and 2022 to reflect the savings targets in cumulative terms. These targets included any additional savings required to replace non-recurring ('one-off') savings achieved within the Programme. Target savings between 2020 and 2022 total £86.1 million. At the end of August 2022 the forecast for achievement against this cumulative budget by the end of 2022 was £76.8 million; and
- the Government Plan 2023-26 replaces the Rebalancing Programme with a Value for Money Programme. This Programme will focus on cashable savings targets and delivery plans for each department, a Productivity Improvement Programme and a series of Best Value Reviews.

## Conclusions

8. The States of Jersey's plan to implement an Efficiencies Programme from 2020 was irrevocably interrupted by the impact of the emerging COVID-19 pandemic. During 2020, the Efficiencies Programme was replaced by the Rebalancing Programme. However this Rebalancing Programme has not delivered all of the recurring benefits envisaged in the original Efficiencies Plan.
9. The Value for Money Programme currently being established as part of the Government Plan 2023-26 emphasises the opportunity to re-focus on value for money. This consideration of economy, efficiency and effectiveness provides an opportunity to establish new programme governance arrangements and an appropriate supporting culture shift.

# Objectives and scope of the review

10. The review has evaluated:
  - the definition and measurement of efficiency savings and rebalancing measures by the States of Jersey
  - the effectiveness of the overall management of the Efficiencies and Rebalancing Programmes, including the:
    - design of the programme
    - administration of the programme
    - support provided to States departments
    - oversight of the programme; and
    - internal monitoring and reporting of the programme
  - the effectiveness of the operation of the Efficiencies and Rebalancing Programmes at departmental level, including the:
    - identification and design of efficiency and rebalancing initiatives by a sample of States departments
    - implementation arrangements for a sample of individual efficiency and rebalancing initiatives; and
    - monitoring and reporting arrangements at departmental level; and
  - the effectiveness of the public reporting of performance against efficiency savings and rebalancing targets.
11. The review has focussed on the efficiencies and rebalancing programmes within the States of Jersey including non-ministerial departments. It has covered the establishment and operation of the efficiencies and rebalancing programmes from 2019 to May 2022.
12. The review has not considered arrangements in States owned and States established entities as these are outside the scope of the Government Plan and the Efficiencies Plan.
13. Details of the approach adopted to the audit are contained in Appendix One.

# Detailed findings

## The definition of efficiency savings and rebalancing measures

### Definition of efficiency savings in the Efficiencies Plan 2020-23

14. The approach to the delivery of the efficiencies and other financial rebalancing measures was agreed by the Council of Ministers and was set out in the Efficiencies Plan 2020-23 published in October 2019 (R.130/2019).
15. This Efficiencies Plan included the following definition of an efficiency saving:  
*'Efficiency signifies a level of performance that uses the least amount of input to achieve the highest amount of output. Reflecting the broader strategic and operational objectives of the Government of Jersey, programme efficiencies include:*
  1. *A reduction in revenue spend, delivering better-quality services for less, through:*
    - *reducing non-essential spend and developing lower-cost alternatives*
    - *streamlining processes; and*
    - *integrating services and functions and reducing duplicate activity.*
  2. *More efficient collection of existing income and better debt management.*
  3. *Increasing the Government's revenue through further recovery of existing costs, moving towards full cost recovery of services where appropriate.*
  4. *The extension and increase of existing charges or introduction of new charges as revenue raising measures.'*
16. Should any of the proposals in the Efficiencies Plan not be approved, the Plan allowed for Ministers to seek alternative efficiency plans, replacement efficiencies or reprofiled spending to the same value, to ensure that income and spending remain in balance. The Efficiencies Plan is silent on whether the definition of efficiency savings, as set out in the Efficiencies Plan, applies to any alternative savings which may be sought by Ministers should any of the proposed savings plans not be subsequently approved.
17. I have considered the definition of efficiency savings included in the Efficiencies Plan and compared it with other best practice definitions. The UK National Audit Office in its publication 'Efficiency in Government' (July 2021) states that

*'Government can achieve efficiency gains by carrying out activities faster; with fewer resources, such as people and buildings; or to a higher standard without additional resources ('technical' efficiency).'*

18. Put simply, improving efficiency means Government being able to spend less to achieve the same or greater outputs, or to achieve higher outputs while spending the same amount.
19. While I note that the definition used by Government was approved by the Executive Leadership Team and by the Council of Ministers, two of the measures the Government has included in its efficiency savings definition are not considered as efficiency measures when compared with generally accepted best practice definitions. These are:
  3. *Increasing the Government's revenue through further recovery of existing costs, moving towards full cost recovery of services where appropriate.*
  4. *The extension and increase of existing charges or introduction of new charges as revenue raising measures.*
20. These measures are income generating measures rather than efficiency saving measures. Whilst income generating measures can be effective in recouping costs, they are not in themselves measures that improve the effectiveness of how Government operates.
21. The Efficiency Review Panel report in 2019 identified this issue. It noted that *'The Review Panel maintains its concerns about the Government's original definition of efficiencies, and its ongoing concern about the broadening of the Government's definition of 'efficiencies' into 'rebalancing' measures'*.
22. The Efficiency Review Panel recommended that *'Efficiencies should only be defined as genuine saving measures. A separate definition should be used for increased fees or charges.'*

### **Consistency of definition used in subsequent years**

23. The 2020-23 Efficiencies Plan Six Monthly Review more clearly articulated how Ministers may seek alternative efficiency plans should proposed plans not be approved or achieved. This is called the Plan A, B, C approach with each described as:
  - Plan A: the efficiency had been delivered or is on track for delivery on a recurring basis
  - Plan B: an alternative efficiency had been or will be developed to cover any shortfall on a recurring basis; and



- Plan C: Government Plan growth will be deferred to cover any shortfall although other one-off approaches could be used where appropriate.
24. However, Plan C allows for growth to be deferred to cover planned efficiency saving shortfalls. This does not fall within best practice definitions of efficiency saving measures.
25. The Government Plan 2021-24 introduced the need for multiple approaches to balance Government finances in light of the COVID-19 pandemic. Efficiency saving plans were considered under the wider umbrella of '*Rebalancing Government Finances 2021*' which recognised that multiple approaches would be required to balance Government finances, including a wide range of fiscal measures, borrowing strategies, economic stimulus, treatment of funds and the delivery of savings and efficiencies.
26. Although the need for a broader set of measures was recognised, the Efficiency Plans as stated in the Government Plan 2021-24 focussed on the following areas:
- a reduction in revenue spend, delivering better quality services for less
  - more efficient collection of existing income and better debt management
  - increasing the Government's revenue through further recovery of existing costs, moving towards full cost recovery of services where appropriate; and
  - the extension and increase of existing charges or the introduction of new charges as revenue-raising measures.
27. These areas fall into the same savings categories as identified in the 2020-23 Efficiencies Plan.
28. The Government Plan 2022-25 included a reduction in revenue spend through ZBB as an efficiency saving measure. However, revenue savings from such reviews may or may not result in savings through improved efficiencies.
29. The Government Plan 2022-25 introduced a further category to the Plan A, B, C approach for the delivery of efficiencies:
- Plan D: non-pay inflation available to departments is reduced by the same value as undelivered targets.
30. In summary, the definition cited in the Efficiencies Plan 2020-23 and subsequent rebalancing measures remained generally consistent across the original 2020-23 Efficiencies Plan, the Government Plan 2021-24 and the Government Plan 2022-25. As with the Efficiencies Plan 2020-23, the Government Plans for 2021-24 and 2022-25 include cost recovery and increasing revenue as efficiency savings. As

noted earlier, I consider that neither of these is an efficiency saving measure when compared with generally accepted best practice definitions.

31. The Government Plan 2023-26 replaces the Rebalancing Programme with a Value for Money Programme. This Programme will focus on three areas:
  - Cashable Savings Targets and delivery plans for each department
  - a Productivity Improvement Programme; and
  - a series of Best Value Reviews.
  
32. The Government Plan 2023-26 includes the following financial principle in respect of efficiency savings: *'The Government should continue to identify and deliver recurring efficiencies every year, but only rely on the reduction in spend if it is clear how they will be achieved.'* The Plan includes what is described as *'a refreshed approach to reducing the cost of Government, which focuses on delivering all elements of Value for Money (VFM), including cashable efficiencies, improved productivity and detailed reviews of specific services to drive best value.'*

## Recommendation

- R1 Distinguish between income generating measures as a means of mitigating cost and efficiency measures as a means for either reducing costs or improving service quality, or both, when setting out public targets and measuring and reporting performance publicly.

## The establishment of efficiency targets

33. During 2019 the demand for efficiency savings from 2020 onwards arose from:
  - the identification of a budget gap of around £30 million to £40 million from 2020 and beyond
  - 2020-23 Government Plan ambitions; and
  - the desire to develop an organisational culture of continuous efficiency and effectiveness improvement.
34. An expectation was developed that £100 million could be achieved over four years from 2020-23 through an efficiencies programme, which would deliver £40 million in 2020 and £20 million in each year thereafter from 2021 to 2023.
35. Consultants were appointed during 2019 to develop the Efficiencies Programme and to oversee its implementation during 2020. The consultants worked with senior Government officers and their teams to identify the initial £40 million of savings to be delivered in 2020. Having carried out an initial project scoping exercise, the consultants identified four stages of the Efficiencies Programme:
  - Stage 1 – baseline efficiency review (milestone 30 March 2019): working with the then Directors General and their teams to identify potential efficiency saving areas
  - Stage 2 – Sprint 1 Review, Refresh, Implement (milestone 30 April 2019): implementation of quick wins and scoping of new projects
  - Stage 3 – Sprint 2 Review, Refresh, Implement (milestone 31 August 2019): implementation of projects scoped in Sprint 1, scoping of new projects; and
  - Stage 4 – Sprint 3 Review, Refresh, Implement (milestone 31 December 2019): implementation of projects scoped in Sprint 1 and Sprint 2.
36. The Director of Business Change was allocated to work with the consultants and together they formed the Efficiencies Team.
37. Based on initial data analysis, workshops undertaken with Directors General and existing best practice, the Efficiencies Team identified 20 potential savings areas for further consideration. These covered three key areas highlighted for detailed planning and action: structure, process and continuous improvement.
38. The Council of Ministers was consulted on the establishment of the Efficiencies Programme, its development and on the emerging areas for efficiency review. It agreed the Efficiencies Plan’s principles and targets prior to approving the Plan at

its meeting on 16 October 2019, prior to the Plan's publication on 21 October 2019.

39. The Efficiencies Plan 2020-23 set out aims, principles, governance, political oversight, integration with other Government initiatives, approach to risk and details of both departmental and cross-cutting efficiencies schemes.
40. Key features of the Efficiencies Programme were set out in the Efficiencies Plan 2020-23. These included:
  - the Government's definition of an efficiency
  - four core areas where, in the Government's view, efficiencies could be made: workforce, systems and processes, commercial operations and organisational structures
  - the efficiencies target for 2020 (£40 million) and in 2021-23 (a further £20 million each year for a further three years)
  - core principles under which the Efficiencies Programme would operate, central to which is the principle that efficiencies would be made without cutting important public services
  - programme governance:
    - individual Minister's approval of efficiencies proposed by (the then) Directors General; and
    - political review and challenge on behalf of the Council of Ministers by the OneGov Political Oversight Group
  - approach to risk
  - identification of both departmental and cross-cutting risks
  - integration with other Government initiatives such as the technology transformation programme
  - Government-wide programmes aimed at enabling the identification and delivery of efficiencies: zero based budgeting, data analytics, communication and culture; and
  - details of each efficiency project identified, together with a summary of the project, key milestones and actions, key risks, impact assessment on services, workforce and Government Plan investment.

41. The Efficiencies Plan 2020-23 set out the initial target of the programme to sustainably reduce expenditure by the end of 2020 by £40 million, with a further £20 million to be delivered in each of the three subsequent years. It identified four key areas where efficiency savings of £40 million were to be targeted in 2020, as shown in Exhibit 2.

**Exhibit 2: Key areas identified for efficiency savings 2020**



*Source: Efficiencies Plan 2020-23*

42. Targets were set for four areas within the Efficiencies Plan 2020-23 as shown in Exhibit 3. No target was set for modern and efficient processes and systems but instead a target was set for departmental efficiencies.

### Exhibit 3: Efficiency targets set for 2020

Area	Target £000
Modern and efficient workforce	10,071
Departmental efficiencies	15,861
Efficient commercial operations	12,755
Efficient organisational structures	1,329
<b>Total</b>	<b>40,016</b>

Source: *Efficiencies Plan 2020-23*

43. The modern and efficient workforce target included a 'vacancy factor' which was applied to budgets. This vacancy factor meant that vacant positions (some of which were key for service delivery) were frozen to enable a reduction in the budget. While this use of a vacancy factor did result in budgets being reduced it is not in my view an efficiency saving.
44. The arrangements to support the identification of efficiency savings lacked both granularity and data integrity. There was a general expectation that there should be no service degradation as a consequence of efficiencies. However the approach lacked the specific identification of current and desired service levels to enable departments to assess their service target objective. There were also few examples of unit and process cost data and comparisons to aid the identification of targets. Other than in some parts of Health and Community Services (HCS) there was little evidence of any arrangements in place to measure value for money by relating resource input to service output and effectiveness in order to identify efficiencies.
45. During 2019, there was a short-term focus on identifying efficiency savings for publication in the Efficiencies Plan 2020-23.
46. Arrangements to develop States-wide cross-cutting themes to support the identification and achievement of longer-term efficiency savings in effect did not happen during 2020, being severely interrupted by the COVID-19 pandemic.
47. Planning for the 2021 Government Plan was undertaken in the midst of the COVID-19 pandemic. As a consequence, the focus of Government moved away from supporting efficiency savings initiatives. The total savings target required was identified by the Executive Leadership Team (ELT). It then became the responsibility of (the then) Directors General and their departments to identify their expected efficiency savings for 2021. The shortfall between the target and the departmental savings identified was made up by adding some general

Efficiencies Programmes such as management of inflationary pressures and apportioning corporate savings (such as on procurement and contract management) to individual departments.

48. Many of the efficiency savings projects initially established during the identification stage in 2019 contributed to the 2020 and subsequent savings plans. There were also several significant programmes of work which were anticipated to deliver value towards the end of the 2021-24 Government Plan period, including:

- Office Modernisation
- Technology Transformation Programme
- Technical Services
- Sports Facilities and Services
- OneGov Property Estate and Strategic Property Functions
- Shaping Demand
- Commercial Services; and
- Fees and Charges Framework.

49. For 2021, the original target of £20 million of efficiency savings was increased by £15.5 million to reflect the one-off, non-recurring savings achieved in 2020. The revised targets for each year after 2020 were therefore as shown in Exhibit 4.

**Exhibit 4: Revised efficiency targets 2021-24**

	2020 £000	2021 £000	2022 £000	2023 £000	2024 £000
Efficiencies plan	40,000	20,000	20,000	20,000	
Reported as delivered on a recurrent basis	(24,500)				
Carried forward	(15,500)	15,500	1,700		
Revised target	-	35,500	21,700	20,000	20,000

Source: Government Plan 2021-24 Mid-Year Review 2021

50. Departmental budgets were reduced for 2021 and 2022 to reflect the savings targets. The States of Jersey Annual Report and Accounts for 2021 stated that *'£32.2m of the revised re-balancing target of £35.5m was delivered on a recurring basis and £1.8m was achieved on a one-off basis, therefore £3.3m of the target*

*was not delivered but balanced by deferred growth. As a result, £4.8m will be added to the target in 2022!*

51. The Government Plan 2022-25 was approved prior to the delivery of the 2021 efficiencies being reported in the 2021 Annual Report and Accounts. The Government Plan 2022-25 set out the detail of the 2022 plan to deliver the original target of £20 million of efficiencies and other rebalancing measures. It provided details of some of the activities and programmes of work aimed at supporting the rebalancing of finances over the remainder of the Government Plan 2022-25. The savings plans quantified for 2022 totalled £21.7 million. The target set out in the Government Plan was as shown in Exhibit 5.

**Exhibit 5: Revised efficiency targets 2022-24**

	2021 £000	2022 £000	2023 £000	2024 £000
Target	35,500	20,000	20,000	20,000
Reported as delivered on a recurrent basis	(30,700)			
Carried forward	(4,800)	4,800		
Revised target	-	24,800	20,000	20,000
Schemes outlined in Government Plan 2022-25		21,678	-	-
Remaining target		3,122	20,000	20,000

*Source: States of Jersey Annual Report and Accounts 2021 and Government Plan 2022-25*

52. For 2022, each department was asked to make a percentage efficiency saving in order to achieve £20 million overall target. There was however little guidance or control on what should or should not be classified as efficiency savings.
53. The Government Plan 2023-26 has revisited the timing of planned efficiencies as part of the establishment of the Value for Money Programme. Exhibit 6 summarises the current efficiency targets for the period 2022-26.



## Exhibit 6: Revised efficiency targets 2023-26

	2022 £000	2023 £000	2024 £000	2025 £000	2026 £000
Previous target	24,800	20,000	20,000	-	-
Re-allocation to future periods	-	(10,000)	(10,000)	10,000	10,000
Revised target	24,800	10,000	10,000	10,000	10,000

Source: Jersey Audit Office analysis and Government Plan 2023-26

54. The Government Plan 2023-26 states that *'In 2023, £7 million of the £10 million target will be achieved through restraint in the allocation of non-pay inflation, with a further £3 million delivered through the Value For Money programme.'*

## Programme governance

### Initial governance structure

55. In November 2019, the Efficiencies Programme Board was set up to oversee the Efficiencies Programme and its workstreams and to support the delivery and realisation of efficiencies as set out in the Government Plan. The Efficiencies Programme Board reported to the OneGov Executive Board, OneGov Political Oversight Group (POG) and Council of Ministers.
56. Working groups were set up to identify, develop and take forward cross-cutting efficiency savings themes and enabler themes.

#### *Cross-cutting themes:*

- Modern and efficient workforce
- Efficient organisational structure
- Efficient commercial operations
- Modern and efficient processes and systems; and
- Prevention and care.

#### *Enabler themes:*

- Zero Based Budgeting (ZBB)
  - data analytics
  - communications; and
  - culture.
57. Members of the working groups were drawn from officers and other staff groups across the States of Jersey. Each working group was allocated a Director General level Sponsor, a Critical Friend and workstream team members.
  58. The role and membership of the Efficiencies Programme Board and of each of the working groups are set out in the Efficiencies Programme Project Initiation Document (PID) dated 20 November 2019.
  59. Ministers approved efficiency proposals made by (the then) Directors General. The OneGov POG reviewed and challenged proposals where appropriate.
  60. The Efficiencies Programme Board remained in place until April 2020.

## Programme governance since April 2020

61. The planned Efficiencies Programme for 2020 was irrevocably interrupted by the emerging COVID-19 pandemic. The Efficiencies Programme Board was disbanded in April 2020 and the efficiencies programme was formally closed.
62. Instead a 'Rebalancing Government Finances Programme' was established to address the financial impact of the COVID-19 pandemic and the development of future efficiencies. Monitoring the delivery of efficiencies was transferred to Government and departmental 'business as usual' project and financial monitoring processes which included:
  - monthly project reporting using the 'Perform' performance management platform with each efficiency line tracked as a project; and
  - financial monitoring embedded within the monthly budget monitoring process run by the Treasury and Exchequer department.
63. After the Efficiencies Programme closed, a project closure report was produced. This report in June 2020 identified that £15.8 million (nearly 40%) of the £40 million target for 2020 efficiencies was at risk of non-delivery. Departments were required to address the shortfall using the established Plan A, B, C approach noted above.
64. The direct costs of implementing the programme were estimated to be in the region of £1.4 million. Lessons learnt from the Efficiencies Programme implementation were identified within the programme closure report.
65. External consultants were retained from 1 July 2020 until 30 September 2020 to:
  - support the reporting of progress being made within the Rebalancing Programme and align it with the Government Plan 2021-24 process; and
  - support the accurate reporting of opportunities (spend reduction/ income generation) identified as part of the Government's Rebalancing Programme.
66. The rationale for retaining external support at this stage is unclear except that it provided a resource. There is no assessment however of what resource was needed and whether the decision to retain external support represented value for money.
67. The resource required to respond to the ongoing COVID-19 pandemic meant that there was little capacity available to undertake an impact assessment using a structured process to consider the implications of the revised approach to efficiency savings.

68. The cost of external consultants to support the Efficiencies Programme was in excess of £1 million. In addition there had been an investment of £273,000 in the ZBB programme to support the Efficiencies Programme. There is however little evidence of cultural change in respect of efficiencies and the ZBB programme has delivered budget realignment rather than efficiencies.

### Internal controls and programme assurance

69. Neither the Efficiencies Programme nor the Rebalancing Programme was defined as a major project within the Government Plan. As a consequence there was no expectation for the programmes to follow the requirements of the Public Finances Manual (PFM) Major Project section.

70. While a PID was produced for the Efficiencies Programme, it did not fully cover the areas I would have expected given the scale of the programme. For example, consideration of the following elements was not documented explicitly in the PID:

- Project planning
  - consideration as to which tasks are best undertaken in house and which should be outsourced; and
  - estimates for all resources required (not just the financial budget), in line with the breakdown of the task including in house resources which may not be costed within the Project (for example, the Senior Responsible Officer's staff time)
- Risk management strategy, including:
  - planned use of internal audit for assurance purposes, including proposed timings and scope of reviews; and
  - a strategy to deal with issues that may arise; and
- Plans for the use of external advisors, including:
  - the nature, extent and timing of engagement of external advisors, focussing on both current patterns of service delivery and potential changes in patterns of service delivery
  - identification of data and information already available (and so will not need to be provided externally at further cost); and
  - arrangements for monitoring against the plan.

71. In my view, activities to ensure adequate internal control and assurance over the completeness, accuracy and timeliness in the reporting and monitoring of the

Efficiencies Programme and of the Rebalancing Programme have been under-developed. For example, there has been no consideration of how internal audit could be used for assurance purposes. In addition, I have identified opportunities for improvement in:

- the accuracy of data reported as part of the programmes; and
- the consistency of measurement and reporting.

### Internal oversight and monitoring

72. The November 2019 PID for the Efficiencies Programme identified that there were two main types of benefits which it sought to realise:
  - improved services for customers (internal and external); and
  - efficiencies (recurring savings or income achieved from 2020, laying foundations for greater efficiencies across the Government Plan 2020-23 period).
73. Characteristics of accepted good practice in reporting on efficiency plans include establishing robust measures of success that reflect purpose and outcome and are consistently assessed against baselines for the cost, quality and level of service.
74. One clear measure that was set for each efficiency scheme was cost compared with estimated savings. Other than an overall requirement that efficiency savings should not affect service levels, no other measures of success were established. Measures of service quality were not defined either at a baseline level nor at a service target level.
75. An Efficiency Savings Tracker is used to monitor the achievement of planned efficiency savings compared to actual. A Red, Amber, Green (RAG) rating is given to each project. The Efficiency Savings Tracker is completed by the departmental Finance Business Partners. Completion of the Tracker is monitored by the Head of Group Reporting within the Treasury and Exchequer Department.
76. Consolidated reports are provided to the ELT which track the achievement of savings of each efficiency savings project. These reports include RAG rated progress on both individual efficiency saving projects and the programme as a whole. Quarterly reports are also presented to the Council of Ministers.
77. Reporting of performance has taken place on a monthly basis, by project. However, as no guidance has been provided on how an efficiency should be measured, it is not clear what criteria departments are using or how the savings measure has been derived. As shown later in Exhibit 9 of my report, budget

holders are not confident that consistent measures are being used to report efficiency savings.

78. Lessons learnt from the Efficiencies Programme have been collated and considered at various stages in the programme, although it is not clear how these lessons have been applied. Opportunities to share good practice were available as part of the efficiency savings workshops, ELT and the Efficiencies Programme Board. However, there have been no formal arrangements to share any good practice approaches that have been identified.
79. The governance structure that was established in 2020 provided the opportunity for both political and senior management challenge to shape the Efficiencies Programme. Despite this opportunity, the Efficiencies Programme was developed with a prior assumption that efficiencies could be made across the board, without identifying the baseline and desired levels of service as driven by the States' Strategic Priorities. Consequently, the ability to challenge may have been hampered by a lack of efficiency and productivity indicators and comparative data, complicated by a lack of clarity over the size and shape of the Government services needed to deliver strategic priorities.

## Departmental and individual programme governance and delivery

80. I have reviewed in detail the savings achieved by the Infrastructure, Housing and Environment (IHE) Department, the Judicial Greffe Department and the cross-cutting workforce programme.

### IHE

81. IHE had an efficiency target of 14.8% of its budget for the period 2020 to 2022. At the time of my fieldwork in August 2022, IHE was forecast to achieve 92.1% of this target.
82. The department set up a Savings Board to manage the savings programme, but this was stood down at the end of 2021. Almost all of the savings in IHE have been achieved within two broad areas:
- reducing the property maintenance budget; and
  - a vacancy factor as a consequence of the department not recruiting to all vacant posts during the year.
83. Whilst these measures have resulted in reduced expenditure, neither of these two broad areas of budget reduction meet the recognised good practice definition of what constitutes efficiency savings. In addition, both are non-recurrent savings measures and do not represent ongoing efficiencies or ongoing sustainable savings strategies.

### Judicial Greffe

84. Non Ministerial Departments were not required to make efficiency savings until 2022. The Judicial Greffe department had an efficiency target of £496,000 (5.54% of the 2022 budget). At the time of my fieldwork in August 2022, the department was forecast to achieve savings of £486,000 for 2022 (98% of the target).
85. The savings have been achieved by realigning the budgets for Court costs to reflect a trend over the last five years and to reflect an increase in charges. I consider these items to be budget realignment and income generation. While I note that they fall within the definition of efficiency savings adopted by the Efficiencies and Rebalancing Programmes, they are not items that meet the recognised good practice definition of efficiency savings.

## Cross-cutting workforce programme

86. A modern and efficient workforce was one of the key four areas identified for efficiency savings in the Efficiencies Plan 2020-23. A target of £10.07 million was identified for 2020 of which £4.49 million was allocated across Government departments. HCS, having the most staff, was allocated a target of £2.81 million, 62.6% of the £4.49 million. A £5.58 million target was held centrally.
87. A detailed workstream governance structure was put in place to manage the programme during 2020. At the end of 2020 £6.52 million of savings was reported as achieved by vacancy management and £3.55 million (35.2%) was reported as not achieved. HCS was responsible for £2.72 million of the £3.55 million reported as not achieved.
88. It was clear by the middle of 2020 that the savings target would not be achieved and various options for payroll cost reduction were considered. These included pay increment freeze, pay freeze, salary reduction and staff reduction. All of these were rejected and the areas for reduction identified in 2020 continued for 2021 and 2022.
89. For the period 2020-22 the target for workforce savings was £14.86 million. At August 2022, £12.02 million was forecast to be achieved against this target by the end of 2022.
90. Vacancy management and staff growth reduction have contributed significantly to this forecast. However while savings have undoubtedly been achieved, vacancy management and staff growth reduction do not meet the recognised best practice definition of what constitutes an efficiency saving.

## Recommendations

- R2** Review the current efficiency savings plans and develop a clearly articulated strategic approach to delivering efficiency, innovation and improvement, that:
- is closely linked to the States' wider strategic objectives for service improvement and organisational development
  - analyses service performance in terms of resource input, service output and service outcome to identify the greatest opportunities for efficiency savings; and
  - focusses on long term sustainability gains and service improvement, alongside shorter term savings.

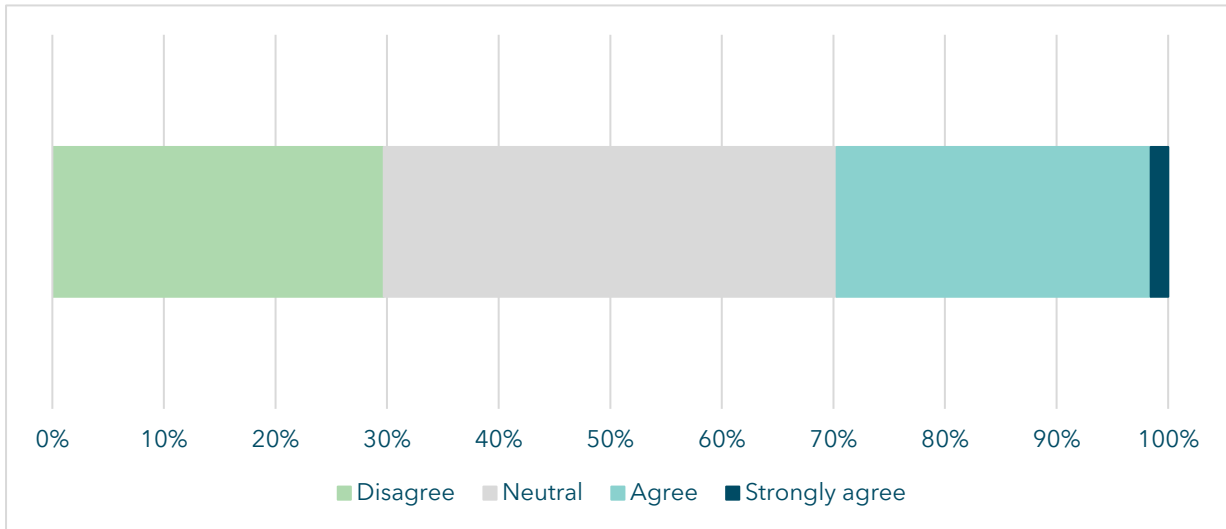


- R3** Assess at the outset of the Value for Money Programme the need for internal controls and assurance activities to ensure completeness, accuracy and timeliness in reporting and monitoring. This assessment should consider the involvement of internal audit, an assessment of the need for standard guidance and the nature and type of communications needed for those involved.

## The culture supporting the efficiencies programme

91. Although some staff were included in the development of the Efficiencies Programme and in its working groups through senior management, it is not clear to what extent frontline staff and service user views were considered or incorporated into the development of efficiency savings plans.
92. The working groups set up when the programme commenced were disbanded between March and April 2020 due to the COVID-19 pandemic. Consequently, there was little additional support for departments to develop their cross-cutting and departmental efficiency saving plans during and after the COVID-19 pandemic.
93. As part of my fieldwork, I undertook a survey of budget holders within the States of Jersey. In total, 67 budget holders responded to the survey, of which 48% worked in frontline services, 24% worked in support services and 28% worked in overall financial management roles.
94. The results of the survey confirm that service and performance measures are largely centred around service costs. 79% of respondents indicated that they monitor budgeted income and costs, with 21% using other financial performance measures such as unit cost, activity, productivity and efficiency measures. However only 13 of 67 (19.4%) responses to the survey indicated that efficiency indicators were used to measure efficiency effectively.
95. Whilst respondents are clear about the need to achieve efficiency savings their responses indicate that they are not clear about what the States' overall objectives are in relation to the efficiency savings /rebalancing plans. As shown in Exhibit 7, only 28% of respondents agreed that objectives of the States' efficiency savings / rebalancing plans for 2020-23 and onwards are clear. I note that the survey was undertaken prior to the publication of the proposed Government Plan 2023-26.

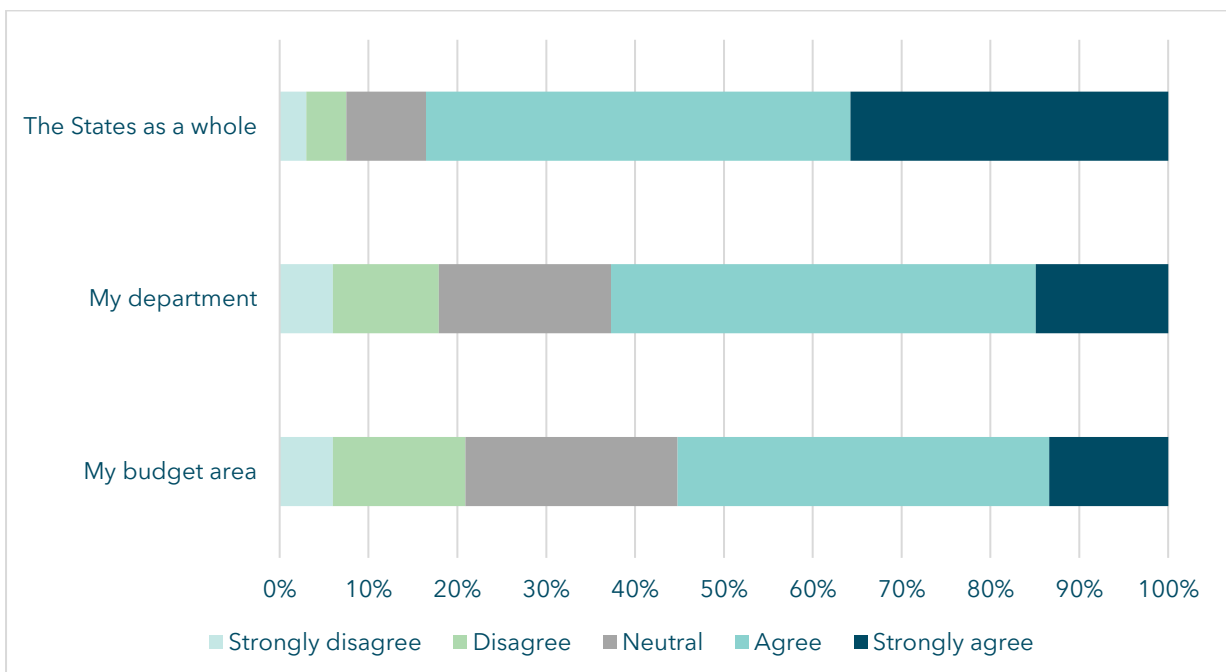
**Exhibit 7: Percentage of respondents who agreed the objectives for the efficiency savings/rebalancing plans for 2020-23 and onwards are clear**



Source: Jersey Audit Office survey of budget holders

96. While a high proportion of respondents agreed or strongly agreed that it is important that planned efficiency savings / rebalancing plan savings are delivered by the States as a whole, this level of agreement reduced when considering their department and reduced further when considering their budget area. Exhibit 8 contains more details.

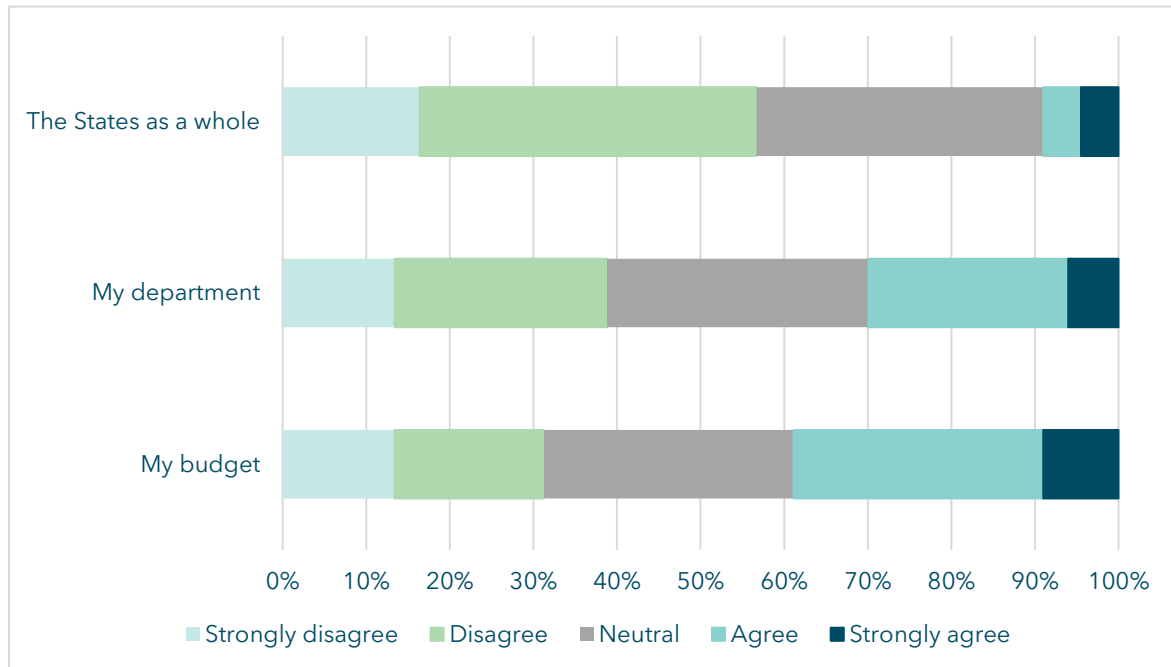
**Exhibit 8: Percentage of respondents who agreed that it is important that planned efficiency savings/rebalancing plans are delivered, by area**



Source: Jersey Audit Office survey of budget holders

97. More respondents were confident however of the delivery of savings in 2022 in their budget area than they were of the delivery of savings in 2022 by their department or by the States as a whole. Exhibit 9 contains more details.

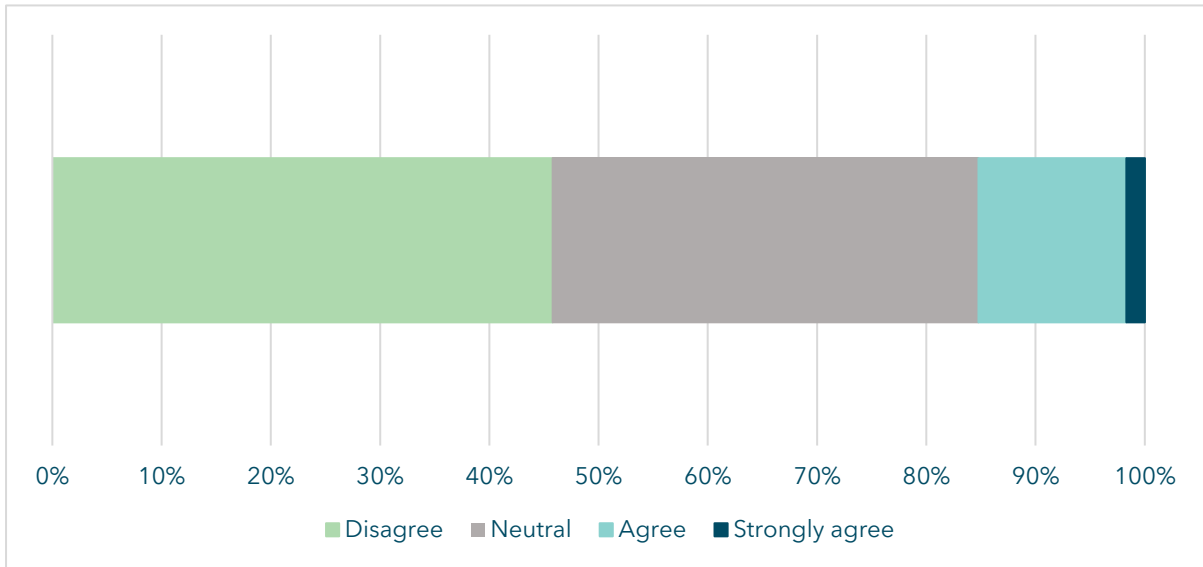
**Exhibit 9: Percentage of respondents who are confident that planned efficiency savings/rebalancing plans will be delivered, by area**



Source: Jersey Audit Office survey of budget holders

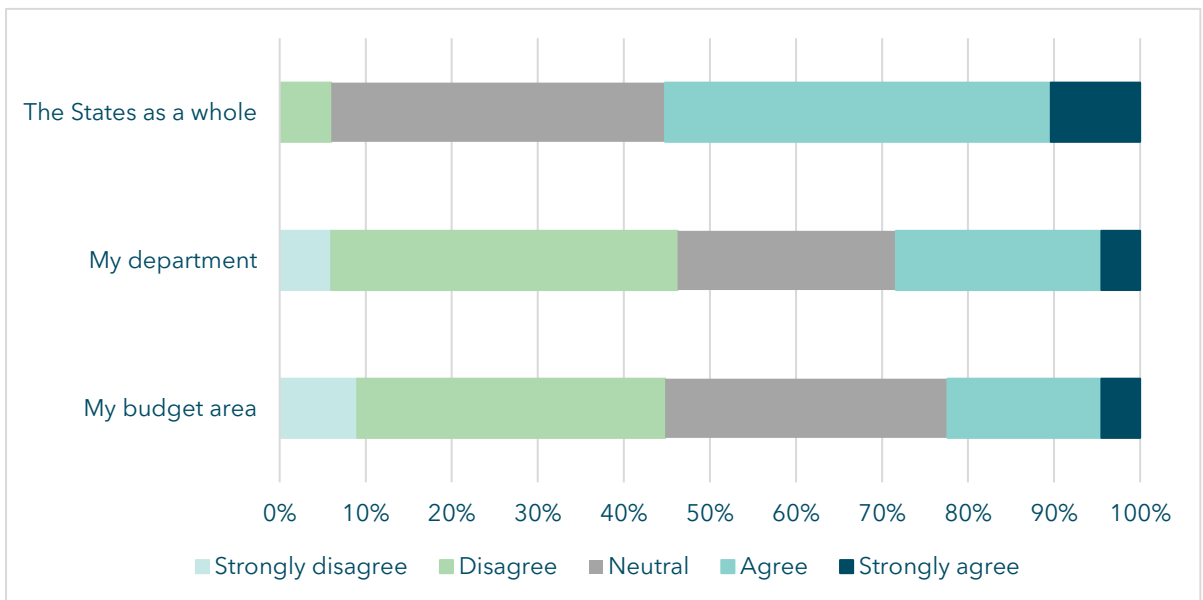
98. Although respondents considered that there was a lack of comprehensive and helpful guidance available on how to report efficiency savings / rebalancing plan savings, the majority of respondents believe that there was consistent reporting of efficiency savings across their budget area and their department. They are however less confident that reporting was consistent across the States as a whole. Exhibits 10 and 11 contain more details.

**Exhibit 10: Percentage of respondents who consider that comprehensive guidance is available on how to report efficiency savings/rebalancing plans**



*Source: Jersey Audit Office survey of budget holders*

**Exhibit 11: Percentage of respondents who believe that efficiency savings/ rebalancing plans are not reported in a consistent way**

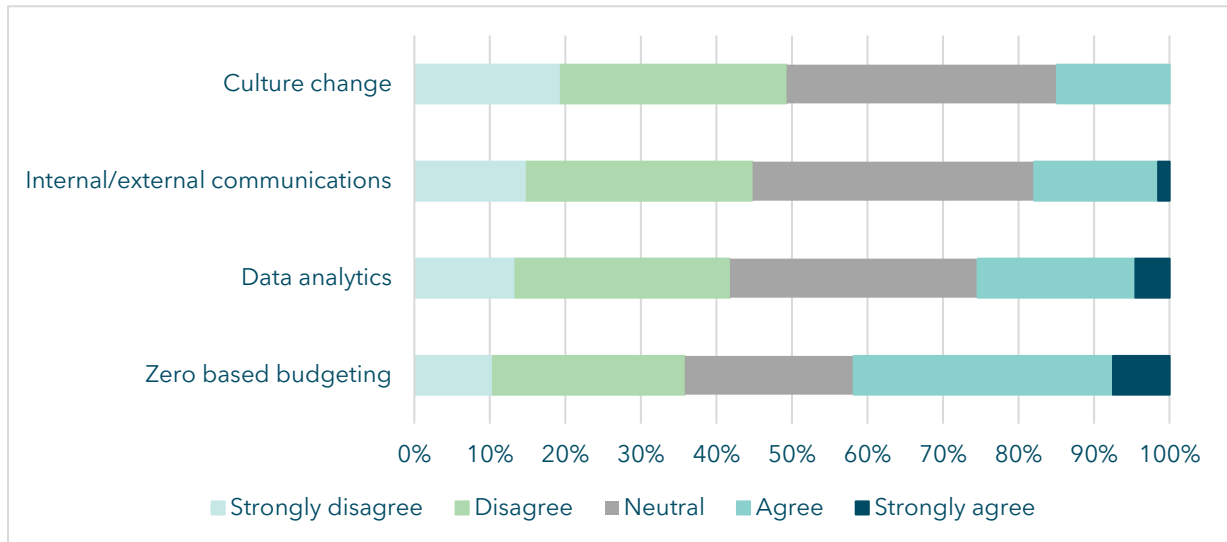


*Source: Jersey Audit Office survey of budget holders*

99. Whilst some respondents appreciated the role of the Finance Business Partners in helping to achieve efficiency saving / rebalancing plans, some respondents felt there was a lack of political and executive leadership, prioritisation, management and wider support provided.

100. Less than half of the respondents to the Jersey Audit Office survey of budget holders agreed that support was provided to address the enabler themes intended to support efficiency savings / rebalancing plan. Exhibit 12 contains more details.

**Exhibit 12: Percentage of respondents who agreed that support was provided for key enabler themes**



Source: Jersey Audit Office survey of budget holders

101. Less than 20% of respondents believe that good practice is shared across the States as a whole in relation to making and reporting efficiency savings / rebalancing plan savings.

102. The substantial change in circumstances created by the COVID-19 pandemic provided an opportunity to reconsider and review whether the existing efficiency saving plans remained appropriate and sustainable.

103. The Value for Money Programme currently being established as part of the Government Plan 2023-26 reinforces the opportunity to re-focus on value for money. This consideration of economy, efficiency and effectiveness will provide an opportunity to establish new programme governance arrangements and an appropriate supporting culture shift. As part of this there is a need to consider:

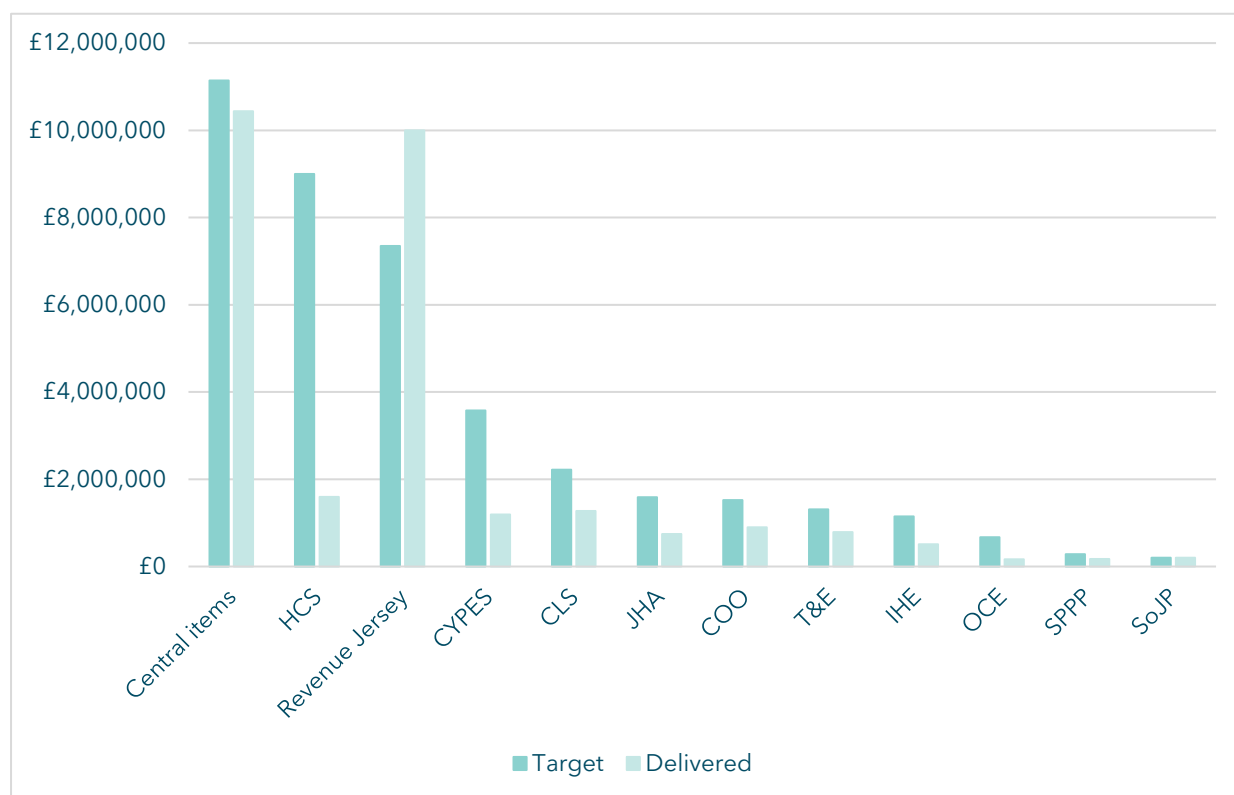
- organisational capability to plan and achieve efficiencies
- political and executive leadership required to deliver the programme
- the availability of accurate data to support the programme
- the skills and technology needed to support the programme; and

- the potential up-front investment that may be required to deliver efficiencies in practice.

## Public reporting the achievement of efficiency savings

104. Performance of the efficiencies and rebalancing programmes was reported in the 2021 mid-year review of the Government Plan and in the 2020 and the 2021 Annual Report and Accounts. However, rather than being a rounded evaluation of each of the programmes, the reporting focussed on the value of efficiencies savings achieved and whether or not they are recurring. It does not evaluate either:
  - the impact on the value for money from service performance; nor
  - the sustainability of the reductions in budgets in relation to priorities and service objectives both in the short and the long term.
105. The Performance Report section of the Annual Report and Accounts for the States of Jersey for 2020 stated that the target of £40 million for efficiency savings had been fully met. This was further broken down as a reported achievement of £25 million of recurring efficiency savings and a further £15 million of one-off measures, typically a deferral of growth funds.
106. Exhibit 13 summarises the achievement against the planned £40 million 2020 efficiency target reported in the Annual Report and Accounts.

### Exhibit 13: Reported achievement against the efficiency target 2020



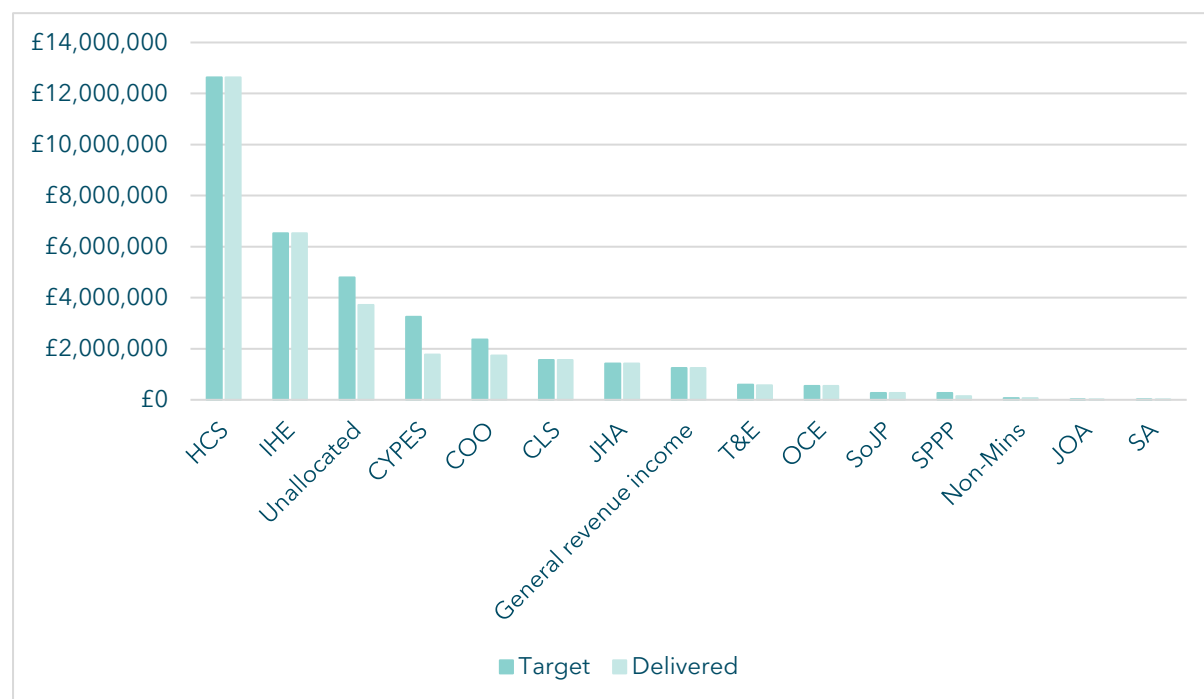
Source: States of Jersey Annual Report and Accounts 2020

107. Taking into account the over-delivery against target of £2.65 million by Revenue Jersey, the reported gap in delivery was £12.04 million. This gap was reported as having been filled through one off deferrals of growth of £11.62 million and other alternative one-off measures of £3.07 million.
108. The Performance Report section of the Annual Report and Accounts for the States of Jersey for 2021 stated that the target of £35.5 million for efficiency savings had been fully met. This was further broken down as a reported achievement of £32.2 million of recurring efficiency savings and a further £3.3 million of one-off measures, typically a deferral of growth funds.
109. The reporting of efficiencies in the Annual Report and Accounts broke down the delivery of the efficiency target as follows:
- Plan A: the efficiency had been delivered or is on track for delivery on a recurring basis
  - Plan B: an alternative efficiency had been or will be developed to cover any shortfall on a recurring basis; and
  - Plan C: Government Plan growth will be deferred to cover any shortfall although other one-off approaches could be used where appropriate.



110. Exhibit 14 summarises the achievement against the planned £35.5 million 2021 efficiency target reported in the Annual Report and Accounts.

#### Exhibit 14: Reported achievement against the efficiency target 2021



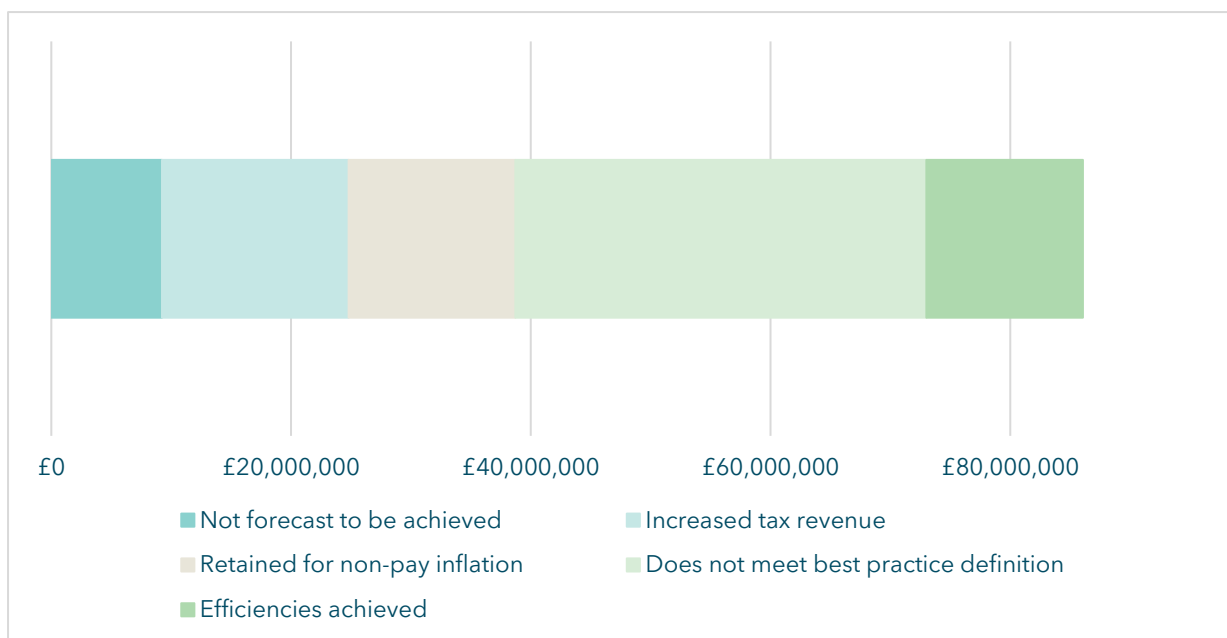
Source: States of Jersey Annual Report and Accounts 2021

111. The reported difference between the target and the value delivered was £3.3 million. This gap between delivery and target was reported as having been achieved through one off deferrals of growth and other alternative one-off measures.
112. In its report on the Government Plan 2022-25, the Corporate Services Scrutiny Panel commented that *'the efficiencies and rebalancing programme continues to use one off savings, both in preidentified items and as back-up measures. It is unclear what will be done to ensure £120 million of recurring efficiencies across 2020 to 2024 and what impact on public services these have had.'*
113. In cumulative terms, target savings between 2020 and 2022 total £86.1 million (including the additional savings required to replace non-recurring savings achieved in earlier years). At the time of my fieldwork, the forecast achievement against this cumulative budget was £76.8 million (at the end of August 2022).
114. A high proportion of the reported delivered savings are 'vacancy factor', budget realignment, growth reduction and retained non-pay inflation. The reported delivered savings includes £15.5 million in respect of increased tax revenue which has been achieved through investment and improvements in risk and compliance

capabilities within Revenue Jersey assessments. It is however difficult to judge the extent to which this increased taxation revenue is due purely to improved efficiency as defined by the UK National Audit Office.

115. Exhibit 15 shows a breakdown of the forecast achievement at August 2022 against the £86.1 million savings target for 2020-22. I have estimated that at least £48.2 million of this forecast (including £13.9 million retained for non-pay inflation) does not meet the best practice definition as to what constitutes an efficiency saving.

**Exhibit 15: Forecast achievement against efficiency savings target 2020 to 2022 (at August 2022)**



*Source: Jersey Audit Office analysis of Government of Jersey Efficiencies Tracker*

116. Many of the programmes identified in the initial stages of the development of the Efficiencies Programme in 2019 were expected to deliver benefits by 2024. These included:

- Office Modernisation
- Technology Transformation Programme (including the Integrated Technology Solution (ITS))
- Technical Services
- Sports Facilities and Services
- OneGov Property Estate and Strategic Property Functions

- Shaping Demand
  - Commercial Services; and
  - Fees and Charges Framework.
117. There is a need to challenge these programmes in order to ensure that they deliver efficiencies and other rebalancing measures in practice. My 2021 Report *ICT Cloud Implementation - Integrated Technology Solution* (October 2021) noted that a strategy and supporting plan for benefits realisation had not been documented. I recommended that a clearly defined strategy was documented and implemented to measure, monitor and report on whether the ITS programme is delivering the intended financial and non-financial benefits and outcomes.
118. Few realisable rebalancing measures have been identified to date for many of the programmes included in 2019.
119. The COVID-19 pandemic clearly had an impact on the capacity of Government to drive through its Efficiencies Programme. At the time of my fieldwork, my assessment of the forecast efficiencies delivered that meet the best practice definition of an efficiency saving was in the order of £13.07 million for the period 2020-22.

## Recommendations

- R4** Assess the impact of the reductions in budgets on service performance and the sustainability of the reductions in relation to service objectives both in the short and the long term.
- R5** Ensure that benefits realisation strategies are documented at the outset of all major and strategic projects.
- R6** Ensure that benefits realisation strategies are implemented, monitored and reported on all major and strategic projects.

## Appendix One

### Audit Approach

The review approach included the following key elements:

- a review of relevant documentation (outlined below)
- a survey of 97 budget holders; and
- interviews with key officers.

The documents reviewed included:

- 2020 Efficiencies Tracker
- 2021 Efficiencies Tracker
- Budget Monitoring guidance
- Council of Ministers - relevant reports 2019 to 2021
- Court Service Business Plan and Annual Report
- Efficiencies Plan 2020-23
- Efficiencies Programme - Board documents and presentations
- Efficiencies Programme - Corporate Portfolio Management Office Closure Report
- Efficiencies Programme - Modern and Efficient Workforce Project Initiation Document
- Efficiencies Programme - Project Initiation Document
- Executive Leadership Team - relevant reports
- Government Efficiencies Review Panel Report (December 2020)
- Government Plans 2020-23, 2021-24, 2022-25 and 2023-26
- IHE Savings Board presentations
- Risk and Audit Committee Rebalancing Programme presentation
- States of Jersey 2020 Six Month Progress Review
- States of Jersey Annual Report and Accounts 2020 and 2021; and

- States of Jersey Mid-Year Review 2021.

The following people contributed information through interviews or by correspondence:

- Business Change Director
- Chief Executive
- Chief Operating Officer
- Director General, IHE
- Greffier of the States
- Group Director Finance Business Partnering and Analytics
- Group Director People and Corporate Services
- Group Director Strategic Finance
- Head of Finance Business Partnering, Non-Ministerial Departments
- Head of Group Reporting
- Specialist Group Reporting
- Treasurer

The fieldwork was carried out by affiliates working for the Comptroller and Auditor General, in the summer and autumn of 2022.

## Appendix Two

### Summary of Recommendations

- R1** Distinguish between income generating measures as a means of mitigating cost and efficiency measures as a means for either reducing costs or improving service quality, or both, when setting out public targets and measuring and reporting performance publicly.
- R2** Review the current efficiency savings plans and develop a clearly articulated strategic approach to delivering efficiency, innovation and improvement, that:
- is closely linked to the States' wider strategic objectives for service improvement and organisational development
  - analyses service performance in terms of resource input, service output and service outcome to identify the greatest opportunities for efficiency savings; and
  - focusses on long term sustainability gains and service improvement, alongside shorter term savings.
- R3** Assess at the outset of the Value for Money Programme the need for internal controls and assurance activities to ensure completeness, accuracy and timeliness in reporting and monitoring. This assessment should consider the involvement of internal audit, an assessment of the need for standard guidance and the nature and type of communications needed for those involved.
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- R5** Ensure that benefits realisation strategies are documented at the outset of all major and strategic projects.
- R6** Ensure that benefits realisation strategies are implemented, monitored and reported on all major and strategic projects.



JERSEY AUDIT OFFICE

LYNN PAMMENT

Comptroller and Auditor General

Jersey Audit Office, de Carteret House, 7 Castle Street, St Helier, Jersey JE2 3BT  
T: +44 1534 716800 E: [enquiries@jerseyauditoffice.je](mailto:enquiries@jerseyauditoffice.je) W: [www.jerseyauditoffice.je](http://www.jerseyauditoffice.je)