

Efficiency Savings

Project Specification

Background

The Efficiencies Plan 2020-23 and reported performance in 2020

In 2019 the States Assembly agreed 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'*.

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):

'Ministers [also] agreed that if any of the efficiencies are not subsequently approved [or delivered], they will seek alternative departmental efficiencies to the same value to replace them and/or reduce or reprofile some of the planned spending by the equivalent amount, in order to ensure that income and spending remain in balance.'

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.

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

The 2020 Annual Report and Accounts for the States of Jersey noted that, *'during 2020 the focus on delivering efficiencies was incorporated into the broader challenge to rebalance Government finances. The 2020 plan required the delivery of £40 million of efficiencies in 2020 and this objective has been fully met. The delivery of £40 million is broken down into £25 million of recurring efficiencies and a further £15 million of one-off measures, typically, but not wholly a deferral of growth funds'*.

The Public Accounts Committee (PAC), in its report on the States of Jersey Annual Report and Accounts 2020, found that *'transparency between one-off and recurring efficiency savings is not clearly provided within the 2020 Annual Report and Accounts'* and that *'some efficiency savings have only been achieved by deferring spending from 2020 to 2021'*. The PAC recommended that *'greater clarity should be provided to distinguish 'efficiency savings' from the deferral of growth and other rebalancing and savings measures within future Annual Reports and Accounts'*.

The Government Plan 2021-24 and reported performance in 2021

The Government Plan 2021-24 added a further £20 million efficiency objective in 2024, bringing the total to £120 million of efficiencies to be delivered across 2020 to 2024.

The term 'rebalancing measures' was introduced in the Government Plan 2021-24 as part of measures to restore public finances following the COVID-19 pandemic. The Government Plan Review Panel and Government Plan Efficiencies Review Panel however noted in their reports on the Government Plan 2021-24 that *'efficiency measures were not separated from rebalancing measures and rely on uncertain definitions'*.

The 2021 Annual Report and Accounts for the States of Jersey noted that *'2021 was the second year of the [efficiencies] 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'*.

The Government Plan 2022-25

The Government Plan 2022-25 set out the detail of the 2022 plan to deliver £20 million of efficiencies and other rebalancing measures and 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.

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.'*

The Functions of the Comptroller and Auditor General (C&AG)

Article 11 of the Comptroller and Auditor General (Jersey) Law 2014 requires the C&AG to:

- provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Public Finances (Jersey) Law 2005
- consider and report to the States on:
 - the effectiveness of internal controls of the States, States funded bodies and funds
 - the economy, efficiency and effectiveness in the way the States, States funded bodies and funds use their resources; and
 - the general corporate governance arrangements of the States, States funded bodies and funds; and
- make recommendations to bring about improvement where improvement is needed.

Objectives of this review

The review will evaluate:

- the definition and measurement of efficiency savings and rebalancing measures by the States of Jersey
- the effectiveness of the overall management of the rebalancing and efficiencies programme, 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 rebalancing and efficiencies programme 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.

Scope

The review will focus on the rebalancing and efficiencies programme within the States of Jersey including non-ministerial departments. It will cover the establishment and operation of the efficiencies programme from 2019 to May 2022.

The review will not consider arrangements in States owned and States established entities as these are outside the scope of the Government Plan and the Efficiencies Plan.

Approach

The review will commence with an initial documentation request. The findings of the document review will be followed up by interviews with key officers.

The review will commence in June 2022.

The detailed work will be undertaken by affiliates engaged by the C&AG.



JERSEY AUDIT OFFICE

LYNN PAMMENT

Jersey Audit Office, de Carteret House, 7 Castle Street, St Helier, Jersey JE2 3BT
T: +44 1534 7168800 E: enquiries@jerseyauditoffice.je W: www.jerseyauditoffice.je