OFFICIAL REPORT

OF THE

STATES OF GUERNSEY

PUBLIC ACCOUNTS COMMITTEE

Financial Transformation Programme Phase 2 Review

HANSARD

Victor Hugo Suite, St Pierre Park Hotel, Guernsey, Wednesday, 3rd February 2016

No. 1/2016

All published Official Reports can be found on the official States of Guernsey website www.gov.gg

Members Present:

Panel Chair: Deputy Heidi Soulsby
Deputy Peter Harwood
Deputy Robert Jones
Deputy Roger Domaille
Mr Paul Hodgson

Business transacted

Public Accounts Committee

Financial Transformation Programme
Phase 2 Review

The Committee met at 2.30 p.m.
in the Victor Hugo Suite, St Pierre Park Hotel

[DEPUTY SOULSBY *in the Chair*]

Procedural –
Remit of the Committee

The Panel Chair (Deputy Soulsby): Welcome everybody to this Parliamentary Committee hearing into the Financial Transformation Programme, single largest project the States of Guernsey has ever undertaken. The sheer scale, benefits, the whole importance place on fundamental change to the culture of the States of Guernsey has meant this Committee has taken a good deal of interest in the Programme over the last four years.

The session today represents a second phase of the Committee's Review into the FTP and what we intend focusing on are the concerns highlighted by KPMG into its review of costs and benefits last year; the value for money associated with the managing of the programme, the governance structure and, last, but not least, lessons learned.

Following the session, the Committee will consider whether it needs to bring out a separate report, but aside from that, the Hansard transcript of the proceedings will be available as soon as we can get them out there into the public domain.

In terms of house-keeping, filming, photography are not allowed whilst the Committee is in session. Please can you switch your mobile phones to silent and just have silence within the public area, if that is possible, so as we can hear the witnesses and the witnesses can hear us.

Without further ado, can I ask the witnesses to introduce themselves for the record, please.

EVIDENCE OF
Deputy Gavin St Pier, Policy Council FTP Champion and Treasury & Resources Minister and Ms Bethan Haines, States' Treasurer

Deputy St Pier: Deputy Gavin St Pier. I am here as the FTP champion for the Policy Council.

Ms Haines: Bethan Haines, States' Treasurer, and I was the SRO for the FTP.

The Panel Chair: Thank you very much, Deputy St Pier and Ms Haines. Thank you for attending this hearing.

I think we are going, without further ado, straight to questions. First we are focusing on the amount saved from the FTP and the financial rules, but my first question is: you claim that £28.7 million of annual recurring savings have been made out of a planned total of £31m, are they recurring and can you prove it?

Deputy St Pier: Well, I think the question of ensuring that those savings are recurring has been best achieved by the fact that those sums have been taken away from the cash limits of the departments concerned. So, in terms of the ongoing monitoring of the financial benefits that have been achieved, actually removing the cash is perhaps the best way to achieve that. That, of course, is precisely how the programme was run.

The Panel Chair: Do you say that they are sustainable, though?

Deputy St Pier: Yes, I think the programme was pretty robust at testing the value and the sustainability of the savings before they were accepted as being accredited towards the £28.7 million and, of course, the one example of that is the Shared Transactional Services Centre where we were constantly revisiting the value attributed to that part of the Programme.

The Panel Chair: We will go into further detail on that particular project later. Are they all real cash savings?

Deputy St Pier: If you look at something like the Vacancy Factor, as one of those which was attributed, was that a real cash saving? I think that is a legitimate question to ask but, again, actually what happened was those sums have been removed from departments' budgets. They are not available to be used anywhere else. So I think there is evidence to suggest that it was perhaps prior practice that at least a portion of the sum that had been set aside for Vacancy could well have been used, perhaps, towards the end of the year or on other projects or other purchases.

So, I think, we have achieved real cash savings as a result of the reduction of those cash limits for each of those departments.

The Panel Chair: Again, we will move on. We will discuss Vacancy Factor a bit later. I think I will move onto the second question that we have. The KPMG Cost Benefit Report, which was commissioned by Public Accounts Committee, reviewed the FTP during 2015 and you were quoted at the time as commenting that this Report was very reasonable and its recommendations would be incorporated into the next Change programme.

One of the key findings within the KPMG Report was a lack of financial rules. The KPMG Report stated that:

> '…the lack of defined financial rules at the outset of the Programme has led to debate as to whether certain savings, and related reward fees to the consultant, can be approved.'

Can I ask why the rules were not set at the outset?

Deputy St Pier: I think there were clear rules, actually, at the outset, and I think they were clearly understood, certainly between the Programme and the consultant. I do not think there was necessarily ambiguity there.

Could the rules have been more clearly defined and communicated? Yes, I think that probably is the case and I think was there, as a result, some uncertainty, some of the key people around the States in terms as to what or could not be classified as an FTP saving, then I think that probably is the case as well.

Undoubtedly, there are lessons to be learned in relation to the rules, but I think to say that there were no rules at the outset would be overstating the case.

The Panel Chair: I do not think it was the fact there were no rules, it was just that they were very unclear. I think, as KPMG picked out, the contract does not clearly specify what constitutes a saving or whether any associated costs were able to be offset in calculating the savings banked by States of Guernsey, from which a consultant's reward fee was calculated.

What rules were there, then, if they were not clearly set out?

Ms Haines: I think that there are two issues here that you are referring to. One is the contractual definition of savings and, although those were not probably as clear as they could be in the contract, there was a very clear understanding between the States and the contractor, for example, that any savings would have to be net savings, net of any additional costs.

I think the fact that there were no disputes between the contractor and the States is probably evidence that they were reasonably well understood.

Then there is the issue of whether there were rules well understood across the organisation, which is a different matter.

Again, although we acknowledge that maybe we could have been clearer from the outset, two comments on that would be: one, I do not think it would have been possible to write the rules on day one that would have survived the entire length of the Programme and these things would have had to evolve; and, secondly, we did not have multiple disputes or misunderstandings about whether savings could be classed as FTP savings.

So, although we did not have a documented set of rules, I think it is clear that there was common understanding as to what those rules were.

The Panel Chair: Regarding the Transformation and Transition funds, I think you will be aware that the Public Accounts Committee has called on the rules to be published as soon as possible, so we do not get into the same situation. I understand they are now available. Have they had political endorsement yet?

Deputy St Pier: Not yet, no.

The Panel Chair: But they are out to stay? They are now being used within the States of Guernsey?

Ms Haines: They have had political endorsement at Treasury & Resources Department level. Obviously, Treasury & Resources Department has the delegated authority to authorise spending from the fund, so they have been agreed by T&R, they have not had any wider political authorisation at this point.

The Panel Chair: Is the intention that they are fixed as they are? They are not going to change, or are people going to experience new versions coming out, which change the goalposts?

Deputy St Pier: I think it would be foolhardy to say that anything is perfect on day one and is not capable of improvement as a result of use and experience. Clearly, one of the comments which has come back throughout this process is can the process be improved? So I would expect there to be comments on the rules in due course and, yes, I think it would be unreasonable to say that they are fixed.

The Panel Chair: Is there a process to enable the change and feedback?

Ms Haines: What we have encouraged through the publication, and you will see if you read the rules, is that they are subject to review. We invite, at any time, any suggestions for improvement or issues that people find with them and I think we have been very clear in stating that within the rules. We would not see any major changes, but refinements as we go through.

The Panel Chair: What intention is there for there to be appropriate training, so that people actually understand the rules before they get deeply into the whole Transformation process?

Ms Haines: We do not have any training planned at this point in time. We have actually been talking to those who are with programmes that are likely to call on the fund in the early stages, to ensure there is adequate dialogue and understanding through that means and promoting that people actually read the rules and come and talk to us if they have got any areas of uncertainty.

The Panel Chair: I am just bringing in what the Minister said about problems with communication of the rules for the FTP, ensuring that if we have proper training for the Transition Transformation fund that those same errors will not happen again so lessons are learned. Is this something that you would consider?

Deputy St Pier: I think, as Bethan said, the priority has to be at the moment. We have obviously got a limited number of projects which have been approved for access to the Transformation and Transition Fund, so we know where those projects are and who is involved. The priority is that those people who are likely to need to access the fund in the shorter term have an understanding of what the rules are and how they go about seeking to access it.

That is where the effort has been to date, but I would certainly agree to the extent that we are expecting the Transformation and Transition Fund to be self-renewing as benefits are accrued as a result of Transformation. Therefore, we expect this to be an ongoing fund that will have wider and sustained use that people will need to know.

So I would agree that it will be necessary to ensure that there is a good level of understanding, which is, as you said, one of the learnings from KPMG's Report. But, at the moment, our priority is on those that immediately need to access the fund. Is that a fair summary of where we are?

Ms Haines: Absolutely, yes.

Deputy Domaille: Madam chairman, just following on from the communication and, given the importance of the Transformation Fund and, clearly, the lessons learned from the FTP programme, will these rules be communicated or available to the general public. In particular, will they be made known and communicated to States' Members, not only an initial thing but as you develop them and change them?

Deputy St Pier: I am struggling to think whether there is any reason why they could not be, in terms of their current format, in terms of the commercial sensitivity or any other reason. I think that is a reasonable request and suggestion. If, indeed that is what you are suggesting, for us perhaps to take away and consider.

As a freestanding document it may mean little on its own, but in terms of the openness and transparency and wider understanding, then I think it –

Deputy Domaille: I think it would avoid misunderstandings in the future.

Deputy St Pier: I would suggest yes. Thank you.

The Panel Chair: Thank you, could we move on. I think move to Deputy Harwood, who has a question for you.

Deputy Harwood: Thank you. The KPMG Report oversaw nine higher profile projects, which together accounted for over one third of the total savings of the FTP and, interestingly, the Public Accounts Committee noted at the time that KPMG did not find any fundamental issues. However, as has been acknowledged in the recent Public Sector Reform Policy Letter, there was limited tangible evidence of truly transformational projects. Possibly claims management and SAP/STSC being the exception. Do you believe this is representative of the FTP programme as a whole, that a lot of the projects were not really transformation?

Deputy St Pier: Yes, and I think in saying that, I am not actually saying anything different to that which I have said on a number of occasions in public forums over the last few years. I think the Financial Transformation Programme quite quickly, and I am sure we will come onto this when we talk about the governance changes and so on, became focussed on the delivery of a financial target and, again, I think your observation on that in your Report is a valid comment; that it became about the delivery of a target and, for all the good reasons that were understood, and less about transformation.

As we know, when the Programme was originally conceived, it was originally going to be a States' Transformation Programme and it, subsequently, became more narrowly focussed on the financial transformation. So I think, and again it is acknowledged in the Policy Council's final Report on the FTP, one of the disappointments was the delivery of the so-called cross-cutting, the inter-departmental savings which again would really have been an indication of the transformation element of the Programme.

I think, because it had a slow start, because it then became a question of catch up and deliver what needed to be delivered, it became much more focussed on how can we achieve that financial target and I think that largely, as we know, achieved its objective on the financial piece, but the transformational piece lagged. That has been well recognised and acknowledged as being the reason.

I have said many times that we needed to have a successor programme which, of course, I think we now have.

Deputy Harwood: In retrospect, and I appreciate you were not there at the outset of the FTP programme, do you believe that actually the cross-cutting projects were never deliverable? Was there are political will to deliver? Do we know?

Deputy St Pier: I think that is a very difficult question for me to answer because I was not in the system at the time so I cannot describe the political will.

Deputy Harwood: I was wondering whether perhaps your colleague might have some views.

Deputy St Pier: Would you like to answer that question?

Ms Haines: I do not think I can comment on the political will at the time. There was certainly a will in some quarters of the civil service to make that happen. I think what was underestimated at the outset of the Programme was this shared commitment to that kind of transformational change and probably an underestimate of what a big change it was and the change-readiness of the organisation.

I think that there was a commitment to deliver them but I am not sure that, had we known then what we know now, that there would have been so much confidence that they could be delivered.

The Panel Chair: Do you think the organisation is in change readiness now?

Ms Haines: I think that the efforts made over the last 18 months to two years, under the new Chief Executive, in order to prepare the ground for public service reform and the next phase of change, along with the progress made as part of the Financial Transformation Programme have put us in a much better starting position for change readiness.

Deputy Harwood: SAP, I think, was described as an enabling project. I am not quite sure, KPMG on page 22 of their report also referred to 'enabling project' in the context I think, and I am reading from their project implementation:

> 'Other projects with expected savings of £9.4 million were reliant on the successful implementation of this project….'

Being the SAP/STSC

> 'The implementation and realisation of savings from these other projects has not been verified as part of this project review.'

Have you been able to verify, actually, whether the SAP as an enabling project has delivered those further savings or expected savings originally contemplated?

Ms Haines: I think it is clear that not all of those benefits have been delivered, in fact by quite some way. Many of those benefits that were enabled by SAP/STSC were the cross-cutting projects.

Deputy Harwood: So it was really the cross-cutting ones that were referred to. That is what you would mean by enabling project?

Ms Haines: Things evolved throughout the Programme but, at the outset, the idea of enabling projects was that they were not going to deliver cashable benefits, but they were necessary in the round in order to deliver the overall objective.

Deputy Harwood: So, going back to the earlier question, they were more transformational than purely financial? Or that was the expectation?

Ms Haines: They were more preparatory, in order to get that readiness there, so things like having the systems in place. I would say of the SAP project, the system element was referred to as the enabling part, the creation of The Hub, the Shared Transactional Services Centre, was the transformational element which could not have happened without the enabling element.

***Deputy St Pier*:** So improving, for example, the quality of management information available to enable each department to better manage key issues within a department, whether that is leave and indeed things like credit control *et cetera*, having that centrally controlled.

Deputy Harwood: You would acknowledge then that, as an enabling project, SAP has not yet been able to deliver the expected savings of £9.4 million.

Deputy St Pier: I do not think that has been sought to quantify it in those terms.

Deputy Harwood: But do you think that is a fair comment that there is no evidence yet that it has been able to deliver those?

Deputy St Pier: I think that is a fair comment.

Deputy Harwood: SAP and the creation of the Shared Transactional Services Centre, now known as The Hub, could be identified as the major transformation process within the FTP programme. However, the envisaged savings did not appear to materialise, according to the KPMG report, dropping from an initial estimate of £1.7 million to £673,000. Why was this this the case and should we expect to see further savings in the future from the project?

Deputy St Pier: I think the expectation is that further savings should come through.

Ms Haines: We have not got numbers assigned to the future savings as yet.

Deputy Harwood: Do you have a means of monitoring and testing those future savings or assessing the future savings?

Ms Haines: We would be looking for process efficiency, for process redesign, as a result of the enabling hardware and software we have got; and also, potentially through that process redesign, staff efficiencies.

Deputy Harwood: Who, within the organisation, will be responsible for actually following up on that and procuring that those are delivered, those further efficiency savings?

Ms Haines: My estimate is that it would become part of the civil service reform programme, within public service reform, to ensure that any future initiatives are properly managed and monitored.

Deputy Harwood: KPMG highlighted that benefit calculation did not include the capital cost associated with SAP and The Hub, but you estimate about £7.9 million. Can you explain why this was the case, given there was a specific clause for the contract that if used would have potentially meant the States of Guernsey need not pay out unnecessary consultancy fees because, if that capital item had been taken into account and netted off, it would have been an overall reduction? It seems surprising that was not done.

Deputy St Pier: I think the decision at that time was of course the expectation of the direct savings that would be generated and the payback period that would apply to the capital spending was such that it was a given as concept of what was reasonable, which comes back to the terms of the original contract.

In that case, that judgement was made that it was reasonable to exclude the capital because of the payback period that was anticipated.

Deputy Harwood: Who, actually, at the end of the day took that judgement call? Was that at a political level or a civil service organisation level? It was a specific clause in the contract, they identified that particular item.

Ms Haines: I have got to say I do not recall. I am not able to answer that question. I am not sure whether there was a political decision on that.

Deputy Harwood: KPMG in fairness on the projects they looked at actually felt that the fees were properly counted. Are you satisfied there was adequate or robust challenge on the performance fee element, or the reward fee element?

Deputy St Pier: Certainly, the contract management was really dealt with at a civil service level, rather than a political level. Those contract negotiations or discussions over fees, with perhaps the one exception, which was around the rather more high-profile issue of the reversal on the –

Ms Haines: The visiting consultants

***Deputy St Pier:* –** for example the consultants between the Social Security, HSSD. With that exception, which we know obviously was rather more high profile political involvement, the rest of the contract management did not involve political input on an item by item basis.

Deputy Harwood: Were you satisfied there was sufficient independence, then, for actually verifying the consultancies?

Deputy St Pier: Independence? I am not sure –

Deputy Harwood: Clearly there was a management team which was working quite closely with the consultant and familiarity can breed contempt. I am just slightly concerned there may have been a too-cosy relationship to give a proper challenge.

Deputy St Pier: I suppose the real challenge came about which projects were accepted as having delivered savings into the programme and, of course, that did have political oversight. That was really what drove the largest portion of the fee.

Mr Hodgson: I wonder whether perhaps this whole issue does not come back to that question at the beginning about the clarity around the rules, because in order to have that level of tension within that commercial relationship really does depend on both parties being able to point very directly to something specific to justify their claim for increasing or decreasing the fee in a particular case, to the extent that it is not so clear you have to work with each other to come to a mutually agreeable outcome. Question: is that a fair analysis of that situation?

Deputy St Pier: I guess, as is often the case with the benefit of hindsight, could the contract have been different and therefore have provided the greater clarity that you are referring to then yes, perhaps, but from our perspective it was a contract that was inherited and was being delivered. From the contractor's point of view, it was for them as well. They took over, there was acquisition wasn't there, through the programme?

So in a sense, we in this political term inherited one half of the contract and they, from their side, inherited the other half. Would it have benefited from greater clarity at the outset? Yes, that probably drives us back to the first question.

Deputy Harwood: The SAP project was very complex and clearly affected the whole organisation of the States. What lessons have been learned from the implementation of this project, I understand a post-implementation review has been carried out? Is that going to be published, is that going to be made generally available or is that purely an internal matter for you? That was the one transformational issue project in the whole programme.

Deputy St Pier: The biggest lesson that sticks in my mind from that was perhaps in terms of expectation management. There was, across the whole organisation, within the civil service and at a political level, an expectation built up that this thing would be turned on 1st January, 2013, and suddenly the world would be transformed and I do not know, it sounds a daft question to ask again with the benefit of hindsight, how on earth we managed to get ourselves into that position that that appeared to be the expectation.

It appeared to be a systems project. A switch would be flicked and all in the world would be bright and shiny and, of course, actually, because it was so much more than a systems project, because it was an enabling, transformatory project, in terms of changing modes of operation, the interaction between the departments, changing a whole series of processes and culture, it was so much more than a switch being flicked. I think that was perhaps the biggest lesson.

The Panel Chair: Can I just ask on the back of that, then, if the mindset was that it was a systems issue, it did not really affect anybody except when they switched their computer in the morning, was that known at the time of go-live?

Ms Haines: I do not think it was perceived as a systems project, but I think all the focus became about go-live date, as things often do when you have got a system that needs to switch on. There probably was not sufficient attention paid to what needed to happen post go-live.

There was a huge amount of project structure put in place around change management, change readiness, *et cetera,* but I think the systems element towards go-live probably took over.

The Panel Chair: Was go-live date the right date in hindsight?

Ms Haines: The right go-live date?

The Panel Chair: Yes.

Deputy St Pier: It is a very hard question to answer. It is clearly very easy to look back and say self-evidently would it not have been to have done more preparation and therefore, Q.E.D., perhaps it should have been later. Sometimes these things have greater clarity with hindsight.

Deputy Harwood: Was the go-live date critical to be at a year end, from an accounting perspective from the control perspective.

Ms Haines: It was highly desirable.

Deputy Harwood: So if it had not been done at that particular go-live date, you would have had to wait a year?

Ms Haines: Yes, and that was part of the pressure, although we had considered non year-end go-live. In fact, we had previously planned to implement pre year-end, but I think that added to the impetus to keep to the go-live date that it was at year end.

The Panel Chair: Can I just follow up a question to Deputy Harwood's Would you be happy for the PIR for the SAP/STSC project to be made public?

Ms Haines: I think the decision taken at this stage was that a Post Implementation Review is a project learning document and, although it is important that the lessons are learned and the lessons are communicated, that maybe the PIR document is not the right document to put into the public domain, if that answers your question.

Deputy Harwood: Is that the general view for all Post Implementation Reviews?

Ms Haines: That is a view that has recently been discussed, but the importance alongside that to ensure that actually we do learn the lessons, that people feel free to speak out as part of the PIR we need acknowledgement that we need a mechanism to feed back the lessons learned and the success or otherwise of major projects.

Deputy Harwood: And to spread that across the entire States? There is not point just holding it within one department, it needs to be expressed across other departments.

Ms Haines: Yes.

Deputy Domaille: A very quick question. When you say a view has been taken, is that a staff level view or a political view?

Ms Haines: At the moment that is being discussed by the Chief Executive's management team.

Deputy Harwood: Could I just move on to Vacancy Factor, I think we have just touched on that. I think you query whether it is a genuine saving, because I appreciate it has influenced budgets, but is there a net reduction in baseline expenditure for the States resulting from that Vacancy Factor.

Deputy St Pier: Yes, I think because the commitments have been reduced, that is a reduction generally in spending. Directly or indirectly, whether it is from Vacancy Factor or the inability to use it for other things, it has been a reduction in spending.

Deputy Harwood: The project potentially saved up to £3 million or which I believe £1.6m has been banked as a saving. What is the explanation for the difference between the £3 million and the £1.6 million?

Ms Haines: We took out 5 per cent of established staff as a Vacancy Factor, that was just under £3.3 million. We banked £1.6m as a saving, but we retained a further £1.6m in the budget reserve, acknowledging that in some instances people are fully established during the year. If there are not any vacancies they should not be disadvantaged by that.

That element of the budget reserve has since been reduced to £1 million, having run the system for a couple of years and understanding that we do not need the entirety of that. That additional £0.6 million has not been banked as an FTP saving.

Deputy Harwood: So the amount that originally banked has been reduced because people have actually had to draw on –

Ms Haines: No the amount that was originally banked has been increased.

Deputy St Pier: By £0.6 million.

Deputy Harwood: So if a department has to draw down because it has no Vacancy Factor at all, then that element of budget reserve then gets reduced?

Ms Haines: It would in-year, but there is a recurring element of the budget reserve.

Deputy Harwood: Are you satisfied this is a genuine FTP?

Mr St Pier: Yes.

The Panel Chair: Can I just follow up on that? Yes, we acknowledge there has been a budget reduction but can you actually say this has led to reduced staff costs in cash terms, year on year?

Deputy St Pier: I guess we would have to analyse each department to actually reach a formal conclusion on that, so I am not in a position to answer that.

Ms Haines: I think I would just add that it is not simply staff costs that will have reduced, because I think part of the issue that we were trying to address by taking that Vacancy Factor was the idea as the Minister referred to earlier that then you had more discretionary spend during the year because you had budget that you had not expected to have.

Deputy Domaille: Madam Chair, just a pretty quick question. Are there safeguards in place to protect service delivery, because it must be very easy or very tempting for departments to start attacking even formula-led areas or expenditure and reducing the staff there.So you are losing service delivery. It is very easy just to say we will stop meals on wheels or whatever the service is.

One way of fitting within this Vacancy Factor is to reduce services, so what safeguards are in place to protect services, if any?

Deputy St Pier: My response to that would be that it is now for departments and committees to be managing their budget as they best see fit.

In terms of central FTP-type safeguards, given that is the capacity in which I am being answered the question, the answer is no, there are not any. It is at committee level or department level that those judgements would need to be made if they are seeking to living within their budget.

Ms Haines: Can I just add two things. I think one is it is important to note this only applies to established staff, to civil servants. It does not apply to nurses, doctors, teachers, police, *et cetera.*

Secondly, I think the fact that is a factor that is removed, but we do have the reserve centrally, which should guard against any such action.

Deputy St Pier: Committees therefore should and do feel empowered to come to T&R to seek support from the budget reserve if they need it.

Deputy Harwood: Can I just move on to Beau Sejour Leisure Centre, because this again was subject of a separate report. Significant time and resources were spent on the project even though there were major identified issues which came out of your own T&R Report, which was the Alternative Management Options Report, these included TUPE, lack of tax breaks, *et cetera*.

Notwithstanding that your report came out in 2010, the Alternative Management Options Report. I say yours, I mean you predecessor's. Can you give any comment as to why the project was then pursued for so long after those initial issues were highlighted to the FTP team?

Deputy St Pier: As you said, this is something that was largely going on before I was involved so I do not know if you are able to assist.

Ms Haines: The Options Report was something that was produced by the project team at the time, which was part of the grant and subsidies work stream. When this came before what was then the Transformation Executive, I think what was challenged was some of the assumptions within that options paper.

Specifically, that no UK suppliers would be interested in running Beau Sejour and that was because the only attraction to running centres like that was the VAT benefits that were achievable in the UK. Staff costs were too high in Guernsey as compared to the UK and housing licences would be an issue. The other factor that was highlighted at the time was TUPE.

The advice given at the time was that the TUPE issue could be overcome and the Transformation Executive queried, I think at that point, whether those assumptions were valid, and therefore decided, before making a decision, to run a soft market testing with UK specialist organisations who might be in a position to run a centre in order to test their appetite.

Having been briefed very clearly about the Guernsey context, about the VAT issues, about the cost of employment *et cetera* and about housing licences, it was very clear that there was strong interest from the market and that was when the decision was made to formally constitute a project to explore that.

Deputy Harwood: Do you have any view as to what value of staff time was actually expended on this project, which ultimately did not lead anywhere? Did you have any means of monitoring the amount of staff costs associated with any of the projects going through the FTP?

Ms Haines: No, we did not. That is an issue that was in place at the outset of the programme, which we identified early on and which will be an issue, I think, in the future. We do not in the States routinely time record and so we do not know what portion of people's time is being spent on particular projects, programmes or business as usual.

The Panel Chair: Do you think we should do?

Ms Haines: I think it would be a good discipline, personally, yes.

Deputy Harwood: That links back to an earlier question on the SAP and lessons learned from that. Throughout the whole FTP process, it was assumed that the States of Guernsey would supply certain input and, therefore, the consultants could step back a bit further. They were certainly picked up at various places, I think, that that never really happened and, when we look at the fees that were paid to consultants, there were additional fees that were paid because the States of Guernsey was unable to provide some of the back-up that was originally envisaged.

Are you confident that the States of Guernsey now actually has the ability to manage a project, to provide the back-up, or are you still going to need to rely heavily upon external consultants to carry a project through?

Deputy St Pier: I am not sure I agree with the beginning part of that question. I think that is a mis-characterisation. Certainly at the outset, there was considerably more consultant time than there was towards the end. I cannot remember the numbers of consultants originally involved, but certainly by the end there was only one who was engaged. I think that one of the core ambitions of the programme was this skills-transfer and to help build up knowledge and experience within the States of being able to do this ourselves and I think that has been acquired.

Our ambitions for the delivery of public service reform are dependent upon us being able to do that, largely. Yes, in certain areas we are clearly going to need some assistance, but that is more about the limit on the number of people as opposed to the skills and the process.

I think that has been one of the benefits of the programme.

Ms Haines: I absolutely agree. I think that it did take us longer to build our internal capability than we had maybe thought at the outset, which was why we had that increase in the PMO element, if you like, of the contract, which I think was more than offset in the savings that we ensured we delivered on the expenses budget,

The Panel Chair: That is quite useful, to lead us on to questions from Deputy Domaille, if you do not mind. Thank you.

Deputy Domaille: Thank you. Turning now to the value for money in the operating programme and indeed per Capita or Tribal, depending upon which programme we are into. I will first of all talk about the fees.

Can I just raise one question which I do not expect you to answer now.. The total amount of fees paid, according to KPMG's Report, which was based on figures provided by Treasury, was

£5.14 million. The End of Programme Report refers to £5.5 million, that is on page 996, and actually in the End of Programme Report – which incidentally as a personal review I thought was a very well-written Report and very honest and very objective – if you look at the breakdown of the £5.5 million, it refers to £2.5 million of fees, £1.8m of reward fees and £1.65m of expenses, they actually total £5.95 million. I have three figures that I have looked at in terms of these fees.

If you look down the breakdown of the figures, KPMG's figures are different again, so there seems to be some discrepancy in the figures, so I would be grateful, at a later date, if perhaps you could clarify them. Unless you can do so now, of course.

Deputy St Pier: I am certainly not able to provide reconciliation on those.

Deputy Domaille: That is fine. Let us just work on the fact the fees were in excess of £5 million. Of that £5 million or so, £1.8 million related to the so-called risk and reward element. For the record, having said what I have just said, PAC acknowledges that KPMG validated these figures, which is important, and found no significant issue, according to the contract.

On reflection, did the risk and reward approach offer value for money?

Deputy St Pier: Personally, I think it did. Looking at the programme as a whole and the benefits as a whole and the fact that those, subject to us being satisfied that they are indeed recurring, which we believe they are, that means we have probably banked about £80 million of recurring savings by now for a reward fee of £1.8 million. I think that is a reasonable cost benefit trade-off.

Deputy Domaille: As a supplementary to that, there was a change in the governance arrangements, which has been raised before, about mid-programme. As I understand it, at that point, there was the opportunity to re-negotiate several elements of the contract, and I think we have touched on some of that earlier.

Bearing in mind the risk and reward fee is only roughly a third of the amount paid, was any thought given at that time, despite your first answer, to actually looking again at this risk and reward element and changing that portion?

Ms Haines: We did look at it at the time and that was not as a result as a change in the governance arrangements, but it was as a result of a change in the contract, with Tribal becoming part of Capita. At that point, we did re-examine the contract in some detail and I think it is fair to say that Capita were nervous about the risk and reward element.

I think that we could still see the benefit of it to us at that time. The fact that we got something like 7,900 consultant days for that £1.8 million and, if you do the sums on that, and you compare it to what you get on a day rate for a consultant, I think it actually worked in the States' favour.

The Panel Chair: Can you see, though, from a taxpayers' point of view, or members of the pubic, seeing a consultant getting quite a hefty fee for reducing the amount of contributions that are provided to help parents get their children through university, or for college funding, how very difficult that is for the public to understand?

Deputy St Pier: Yes. Certainly, if you start to drill down at a project by project level then those kind of questions become more difficult to answer in terms of their public acceptability and perception, which is why I guess I answered the question at the macro level because that was what the programme was designed to deliver, total amount of time input by the consultant to deliver it, total amount paid, actually that is a reasonable trade off.

I certainly accept, and again perhaps in terms of expectation management communication, there are lessons to be learned about this kind of contract and making sure there is a good understanding by all of those involved, politically and in the public domain, as to what the consequences of that are.

That probably was not well understood at the beginning of the programme, which is exactly why those kind of challenges would appear.

Deputy Domaille: We acknowledge that the consultants must have performed work that was not billed. Could you give any examples of where they added value above what they were actually paid?

Ms Haines: I think some of what were referred to earlier on as the enabling projects, all of those projects that we progressed in the early days, there was no fee at all payable to Capita on any of those. So anything that did not have a financial benefit to the States, although we got significant time from them, I am thinking of things like we did quite a lot of work on our value for money framework, on business case development, on multi-criteria analysis, on our business and financial planning, and we got significant input from consultants from all of those projects without having to make any payment to them at all.

Deputy Domaille: Carrying on with the risk and reward fee element and the visiting consultants, Capita gave back the risk and reward fee, but the programme has continued to claim the £650,000 as a saving. Do you still accept this was a correct course of action?

Deputy St Pier: Within the criteria, within the rules as originally set down, as we understood them from our side, this was all about cutting general revenue, yes I think it definitely fitted that criteria.

Again, the optics of it, which was in the public domain, I can absolutely understand the difficulty in understanding that, but within the terms of the scheme and its objectives, I think it is a valid claim.

The Panel Chair: Do you not think that showed the weakness of the rules to start with? For instance, the airline subsidy, cutting so many hundred thousand from that and the consultants getting a nice reward fee for that, at the same time Aurigny were the biggest losers in that process for losing that subsidy, and yet that element of it is not considered.

Deputy St Pier: I think the trade-off between the consequences of where costs may have been passed onto and the airline subsidy is perhaps one example of that, again I can understand the challenge. But, of course, on the basis that the objective was to reduce taxpayer spending and the user pays principle applied, then it was entirely reasonable that actually it should be passed on to the users of the services, which was ultimately those that were flying.

Of course, there is no particular expectation, necessarily, that there would be a direct consequence of, for every pound of subsidy taken away that would lead to a pound increase in air fare, because again the opportunity for the airlines – moving it away from just Aurigny – to manage that within their cost base and so on is a consequence which they had to manage and that is not necessarily for government to consider in making that decision.

Deputy Domaille: Can I turn now to the cost of running the Project Management Office, which was set up to co-ordinate and support the FTP? This was a not inconsiderable cost. The End of Programme Report states it as being £6.6 million. Simple question, why did it cost so much?

Ms Haines: I would just like to clarify that the project management office was not just about co-ordinating and overseeing the programme. Actually, the majority of that cost was for project managers who actually worked with the departments on projects to deliver those benefits, so I think that is important. It was not a PMO in its traditional sense.

We made every effort to control those costs, as the Minister said, a key part of the partnership that we entered into Tribal and subsequently Capita was about knowledge transfer, so it was always the intent to build an internal capability for that programme and for any subsequent programmes and, luckily, we have now built quite some capability within the States and most of those people are working on other projects and programmes across the organisation.

Deputy Domaille: Are you able to give some idea of the proportion spent upon the nuts and bolts and then the skills transfer and the project management elements? By nuts and bolts I mean simply adding up the figures.

Ms Haines: In terms of the nuts and bolts we had one member of staff.

Deputy Domaille: Out of?

Ms Haines: Out of a team, I think at its height, was – I do not want to misquote – I think it was roughly 10 people.

Deputy Domaille: Thank you. So, roughly 10 per cent.

The States of Guernsey put a significant investment into this office, £2.4 million, I understand, and following the closure of the FTP at the end of 2014, can you clarify if the Project Management Office was discontinued and when?

Ms Haines: The members of the team were kept on for six months, not all of the team but some of the members of the team were kept on for six months following the end of the programme in order to close the programme down, write the End of Programme Report, make sure all the documentation was cleared for passing on and help deliver some of the projects that were approaching completion.

Six months after the end of the programme, that team was disbanded.

Deputy Domaille: With the disbandment of this team, have the staff now continued in similar roles, presumably across the States?

Ms Haines: The majority of them have found roles elsewhere in the States in a project or programme management capacity.

Deputy Domaille: The total recurring benefits of the FTP was acknowledged as £28.7 million, are you able to give an indication that the total further savings you are forecasting will be achieved as a direct result of FTP?

Deputy St Pier: You mean subsequent to the programme?

Deputy Domaille: Subsequent, yes.

Deputy St Pier: Of course, we are still targeting a number of departments who have not achieved what was expected of them by 2014 and I think that is set out in the end of term report.

The Panel Chair: I think it was in your press release quite recently. Education, £662,000; Home £313,000; Policy Council £120,000 and Treasury & Resources £25,000. I suppose what I would like to know is when do you believe those targets will be achieved?

Deputy St Pier: Those are the figures as at this year and that gap has closed since the end of the programme, which was the figure that I was originally looking for, which I think is in the end of term report.

In terms of the numbers you have just quoted, again it will vary department by department. Certainly, Treasury is expecting to deliver it this year, Education is this year and next year, Home –

Ms Haines: Should all be this year. And Policy Council, I think the majority of that has now actually been signed off and there is only £30,000 left to deliver.

Deputy St Pier: Which will be this year.

Deputy Domaille: My final question on this section. At the beginning of the whole process, I certainly remember Tribal as it was then, and a view being expressed generally, that a 10 per cent saving on expenditure was a modest target. I think if I recall correctly, something like 107 initiatives originally.

Clearly we have not reached the 10 per cent savings target. My question: is the organisation now lean or are there more efficiencies to be made?

Deputy St Pier: I think you probably know the answer to that question, but you are obviously looking for my answer to that question, otherwise you would not have asked.

Deputy Domaille: Correct.

Deputy St Pier: I think the answer to the question is, is further reform of efficiencies are available that is exactly what Public Service Reform was all about and what that means is that we probably have some resources in the wrong places and that's what we needed to change is in some cases we had too few resources and in other places we probably had people who were doing things they should no longer be doing. So, overall is the States of Guernsey fat, the opposite of lean? NO, it isn't but are there further efficiencies to be made, YES there are and that is precisely what Public Service Reform was about and we have to continue to pursue it.

The Panel Chair: Thank you for that. This is the end of the first session and we will just take a 10-minute break to freshen up and we will be back in 10 minutes.

The Committee adjourned at 3.30 p.m. and resumed at 3.40 p.m.

The Panel Chair: Deputy Jones, can you ask your question please?

Deputy Jones: Thank you Chair. The general themes of these questions is the change within the governance arrangements and the sustainability of savings. We were aware that the governance structure and approach to the Programme changed significantly in late 2011, with a focus on departmental targets rather than delivery of the original projects.

What were the reasons for this change in governance structure?

Deputy St Pier: I think, again, it obviously pre-dates my involvement, but certainly my understanding of the history of this at the time that I became involved was it was struggling to get traction because it was struggling to have the ownership that was needed to really deliver and that is why I think the whole programme such a slow start, because it felt very much like this was something that the Transformation Executive was doing to other people and, therefore, everybody else could sit back and wait for it to be done to them, as opposed to recognising that it was a shared problem that required everybody to roll up their sleeves and get on with it.

That is my understanding of the history but, again, you were probably much closer to it.

Ms Haines: I do not think I can add anything else. I think that summarises the problems.

Deputy Jones: That was, I guess, ownership at both chief officer level and political level. There was no real ownership at either level, really, was there?

Deputy St Pier: Again, it is quite difficult for me to comment on either, but certainly I felt that it took a while even after 2012 and the change in the States for there to be the traction and the political interest which, of course, is why I took on the role as FTP champion, to provide a focal point for leadership, rather than it just being a nebulous Policy Council project. Where did you look on Policy Council? That was really why I took on that role, to provide that.

I do not think it had that focus beforehand, which cannot have helped. At the political level, that would be my observation but, again, at officer level

Deputy Jones: Do you think this change of focus reinforced the silo mentality behaviours that we were trying to eliminate?

Deputy St Pier: Yes. I do not think I can add much.

Ms Haines: I think as a result of the changes, what we may have lost as a result of the changes, it was that the focus on the organisational cross-cutting element, shifted being to one that was largely about departments delivering within their sphere and not looking across the organisation.

Deputy Jones: Given the acknowledged slow start of the FTP, leading to the changes as we have just discussed, the FTP delivered some £28.7 million of the anticipated £31 million savings. We have touched upon this a little bit earlier, but can you assure us that the £28.7 million claimed savings have been sustained during 2015?

Deputy St Pier: Yes, we believe so and we do not believe that any of those projects which were signed off have been reversed in that period.

The Panel Chair: Is part of the reason for that being some of the savings were against budget for departments where they would never make their budget anyway, so it really did not have an effect on those departments at all?

Ms Haines: I think, although obviously we reduced budget, so we were using budget as proxy for spend, we also did try to verify the spend on those services prior to and post the changes, so it was not just removing budget.

The Panel Chair: Do you think, therefore, this could have been done as a separate exercise in terms of your zero-base budgeting. Should that have come before the FTP?

Ms Haines: We did, as one of the enabling projects at the outset of the FTP, re-base all departmental budgets, in order to try and avoid the issues of over-budgeting in a certain area and therefore scope for reduction. We did, with one of the early projects at the outset, rebase all. That was done using zero-based methodology.

The Panel Chair: That surprises me, because since then we still hear coming from Treasury & Resources Department the need for zero-based budgeting and we do not understand that that actually exists at the moment. To what extent does zero-based budgeting happen now?

Ms Haines: Well, the approach to budgeting on an annual basis is that the clear policy is to apply zero-based methodology, so we build up, particularly, staff costs from the base. We build budgets from the bottom up. What we have not been particularly strong at in the past is costing services, so we are costing people and widgets, rather than the services that they are providing.

I think that is the evolution that we need to progress onto in order to get our more robust budgeting.

The Panel Chair: Is there a conflict there between that zero-based budgeting and having no real terms increase in expenditure, then?

Deputy St Pier: I am not sure I see a conflict.

The Panel Chair: Only if your budget of every year is to do a certain amount of work and every department says 'we need to do this, that and the other and it is going to cost us this', but then we are told there is no real terms increase in expenditure.

There must be a conflict there. There must be a tension between the two.

Ms Haines: I think there is a tension, but I think that provides transparency as to the decisions that you are making in order to stay within the overall no real terms growth of the overall financial envelope. I think it is positive to be able to see what action is having to be taken to stay within that limit.

The Panel Chair: But that can lead to certain things not being done, certain services not provided, if you have to be within that envelope?

Ms Haines: Yes, although I have got no evidence of that happening to date.

The Panel Chair: Okay.

Deputy Jones: You say that there have been no examples where benefits have been reversed out, but some of the £28.7 million were future savings, which were banked prior to the full effect being known. How are you monitoring the benefits in relation to those?

Deputy St Pier: I think the largest part of that probably relates to Education. Again, those were exceptions, if you like, to the rule of ensuring that the savings were delivered in the year, hence allowing it to extend beyond the end of the programme. But it was on the basis that the decisions had been taken and were irreversible, in particular in relation to the grant systems for the colleges and so on.

Those savings are being delivered each year as those grants are being reduced. So that has ensured that those savings are delivered.

It was an easy one in a sense to accept on that basis because we knew it was going to happen and could be made to happen.

Deputy Harwood: Just to pick up, at the outset you said the only way you have got of monitoring the ongoing success of FTP is through cash limits. Can you perhaps just elucidate the significance between cash limits and budgets?

I know there was confusion and I know there was misuse, I think, particularly with Education, who were getting into a terrible tangle as they were claiming an FTP saving but then they were not acknowledging there was a cash limit.

Ms Haines: The way I would see it is that at the outset of the budget-setting process, Treasury provides a cash limit to each department, the department is requested to build a budget within that and once that is approved by the States, that becomes the revenue expenditure budget of that department, for that following year.

Deputy Harwood: So there can be timing differences? In particular, using Education as an example and parental grants and things like that, because they work in an academic year, which only runs from September through to September, there will always be a slight mismatch in terms of the calendar year. You are looking at a calendar year budgets.

Ms Haines: They work in an academic year, but they budget on a calendar year.

The Panel Chair: Can I just ask a question, going back to sustainability? Linking through to the college grants. At one point costs were reversed in 2013, I think, by £105,000, because they believed after analysis that the impact of decreasing the grants had not been as great as expected.

Do you believe that was hasty, given that the full effects of that reduction had not yet kicked in and they do not kick in until 2018 and it might have a bigger effect on parents once the full contributions have been reduced?

Ms Haines: I think it is very difficult for me, personally, to answer that question. I think it is probably better directed at the Education Department, board or officers, who are managing that project.

Deputy Jones: Do you think that simply taking away the cash limits, particularly when departments traditionally underspend, is the most adequate way of monitoring savings, or could there be better systems in place that we could use?

Deputy St Pier: I guess it is a trade-off between building a process and a methodology to track on an ongoing basis the sustainability of the savings, versus the simplicity of simply the money is no longer there, therefore you cannot spend it.

I suppose the latter approach is the one that has largely been adopted. It has the advantage of being simple.

Deputy Jones: So, there would be no specific guidance, then, in terms of what you would give to departments in terms of them monitoring savings?

Ms Haines: I would say a couple of things. It is fair to say that some departments are still monitoring certain projects, certainly the more complex ones like the Social Security Department claims management, *et cetera*. Those are still being monitored.

Sorry, I have completely lost my place.

Deputy Jones: The question, really, was what specific guidance is given to departments on how to monitor their savings, but you say some of them do that themselves.

Ms Haines: What I was going to say was, further to the Minister's point that you have got to take into account the culture and capability within the organisation, we introduced some quite rigorous performance reporting during the programme, but that was quite new and not something that we had the structures in place to do.

In addition to something being simple and not bureaucratic, it has to be actually deliverable. I think we went with the simple approach to ensure that it was consistently deliverable.

The Panel Chair: Are these ongoing savings and the monitoring, the sustainability, under the mandate of the Policy & Resources Committee from a political point of view?

Deputy St Pier: I do not think so. I do not think the baton has been formally passed on there.

The Panel Chair: So, at the present moment in time, we do not know where the political oversight for this monitoring sits?

Deputy St Pier: The most logical thing would be that it would fall to P&R under the new system of government. I cannot see where else it would go, but I am not aware that has been part of the planning process.

The Panel Chair: So, at the moment, though, it does reside with Policy Council? Are they being provided with reports?

Ms Haines: At the moment, because it has become a budget matter effectively, it has been passed on to T&R, although actually the responsibility for monitoring the ongoing benefits actually rests with the departments, but that oversight, if you like, and the budgetary adjustment, sits with T&R.

Deputy St Pier: And the delivery of the rest of the targets sits with T&R's oversight.

Deputy Jones: With T&R's oversight, what are the consequences for departments who might let savings drift?

Deputy St Pier: The savings drift and targets. The targets, we talked a little bit about those earlier, the ones that we have still got to deliver and that is much more clearly in the spotlight. In terms of savings which have been banked, then again it comes back to departments living within their reduced cash limits.

Deputy Domaille: Madam Chair, may I just follow up please on the responsibility post 1st May for political oversight and oversight of monitoring. In the view of the answer you have just given, which is the budgetary is followed by Treasures & Resources at the moment, will Policy Council be putting some form of process in place to ensure that the ongoing monitoring and political oversight is in fact picked up by the new committee, rather than just left adrift?

Deputy St Pier: Yes.

Deputy Domaille: Thank you.

The Panel Chair: Can I just add to this whole sustainability issue, how easy is it actually, in reality, being able to determine sustainability? I give you an example: the airline subsidy, the issues around economic effects, different routes, how can you actually demonstrate sustainability?

Deputy St Pier: Clearly the longer that time moves on from the end of the programme then clearly the more the world moves on and we are operating in a different environment with different pressures in different departments.

That is where you are going to move into the need for this to be much more about the transformation piece and the change in culture and methodologies and processes and thinking, to provide that internal and ongoing challenge. Again, that drives us back to that is exactly why we need public service reform, because we cannot say that is it we have done it, all we now need to do is to make sure we continue to deliver that sum from now on *ad infinitum* so long as we monitor that, everything is fine. I see it as being the first step in the journey and I think we now need to move on and develop that into this ongoing process of reform so that we are actually delivering not just what we have already delivered. Needs may change, but we actually carrying on delivering further reform and further savings and further benefits, financial and non-financial.

The Panel Chair: Do you think, in many ways, the FTP was more of an educational exercise to set the tone for the future?

Deputy St Pier: That is one characterisation. I would not want to describe it as just an education exercise. It has to be so much more than that, clearly, as you have acknowledged, it has delivered real benefits but, I think one of the key learnings which was obviously an objective of the programme at the start was an education and a transfer of skills and a change in culture.

So, I think, that is a very key learning benefit which has been achieved.

We now have to use those skills.

Mr Hodgson: That is really the thrust of my questions, where are we in terms of the level of certainty that we can place on the next phases, whatever they might be, in terms of nailing down the comments being made here about the importance of the culture and capability within the organisation?

In that regard, can I just ask in terms of the approach to programmes of this type, is there now a single, accepted approach within the organisation for substantial change programmes like this?

Deputy St Pier: I think it is a good opportunity to talk about public service reform and how that has been managed.

Ms Haines: I think, very clearly, as we have said there was a huge amount of learning from this and that has crystallised in some of the rules for the Transformation Fund, for example, which are much broader than financial rules, but they are about how you develop a programme, what outputs and outcomes you are looking for, the focus on outcomes, the focus on benefits, the focus on transformation, so I think within those rules there is a very clear approach to developing programmes.

Mr Hodgson: Where does ownership of ensuring that approach is adopted actually sit today?

Ms Haines: At the moment, at officer level that sits with the Chief Executive and his management team and the political sponsorship is through the Policy Council and that will move to Policy & Resources.

Mr Hodgson: If you take today as a starting point, do you think that, culturally, the States has moved on, so the leadership is there. You made the comment about the original approach that this was 'something that was being done to me and therefore I can sit back and wait for it to happen', to what degree do you think FTP has in actual fact delivered that situation where the organisation itself buys into the need to do things the right way and deliver those better outcomes in the future?

Deputy St Pier: I think, culturally, the organisation is much better placed now than it was. The acceptance that change is ongoing, is not a one-off, I think is there. I think you see it at lots of different levels. I think in many ways it is reinforced also by the States Review Committee work and the actual change in the system of government. That provides further opportunity, I think, as well to deliver further reform. I think the acceptance of that process, my observation would be there is much greater readiness to engage with those changes and political decisions which have been made. Get on and implement that.

I think at a political level as well, if I think back even during the period of this term, there was at the beginning of the debate in 2013, very real concern that actually the whole programme could have stalled at that stage and, if you like, political re-engagement was obtained at that level and I think there has been genuine commitment by all departments, some of whom started very late, to deliver projects.

At a political level, there is a much greater acceptance of the FT Programme. I think the scepticism that was there, that it was not capable delivering what was asked for it has largely been proved wrong.

Yes, it is disappointing we did not get to the £31m, but I think there are still many people many who are surprised we got even that far, so I think there is plenty of evidence that those that believed that change was not possible or deliverable, either at political level or at an officer level, have been proved wrong, and the pace of change is now picked up with public service reforms.

I am actually much more positive about the organisation's readiness to engage. Further evidence of that, of course, with Health and Social Services and the benchmarking report and the political and officer commitment to deliver that change in exchange for additional funding this year, but recognising that will tail off as reform is expected, as part of the package.

Mr Hodgson: I take your point very much in terms of the opportunity that the infrastructure changes in terms of Policy & Resources and other things do present, but at the same time they also present quite a significant risk in a sense that there is now a lack of clarity, people will now have to get accustomed to new ways of working. What steps have you taken to manage that particular risk?

Deputy St Pier: That, I think, is down to the leadership of the chief executive and his team and the restructuring of the leadership of the States, because that will be the continuity through a political change in government, but also through the change in the system of government.

That structure and that leadership is key. I think again, one of my observations about the lessons learned and, again, to pick up Deputy Jones' comment, is about the leadership. For the success of these kind of projects, you need commitment and leadership at both officer and a political level.

Mr Hodgson: I completely agree with you in terms of leadership, but I also think that the question of resourcing is clearly key. Do you feel that, when it comes to capability and capacity within the States, you have mentioned the fact the PMO is not in existence as an entity in itself, but those resources have been spread around, are there enough people on the ground with the right skill set, the right approach to this sort of change, to be able to deliver what the Chief Executive might aspire to, in terms of his own personal objectives for where the States might go?

Ms Haines: I think the answer to that, if you are asking is that capacity and capability there today? No. But is there a plan and a route to develop, then yes, there is.

There is a plan in place to establish a transformation team that is able to develop those skills internally and then support the different programmes of public service reform in a consistent way across the organisation.

I think there is acknowledgement in the fact that the public service reform programme is a 10-year journey, that we cannot do everything on day one and that actually some of what we need to focus on in the immediate term is those continuous improvement initiatives and acknowledge that the larger transformation pieces will take a bit longer to develop, as we resource up with that capability.

The Panel Chair: Can I just pick up on that one point? What training and development is in place, or is in position to be in place, for the new Change Programme?

Ms Haines: Training is being developed all the time around project management, programme management. These are now regular training offers provided within the States. At the beginning of the FTP, we had very few people trained in anything like programme management, MSP or PRINCE2 and now these are routinely offered, so there are cohorts across the organisation who take those and other courses as well, we provide lots of training in developing business case benefits identification, managing change, *et cetera*.

There is quite a lot of support on offer now across the organisation.

The Panel Chair: In terms of cultural change, moving towards that one organisation mindset, to get rid of that silo mentality, do you think that will be achieved?

Ms Haines: I have seen some real progress towards that, actually, and the Minister mentioned the reorganisation by the chief executive of the senior team and the fact that that is being done to support the organisation and not to replicate the committee structure is really important in breaking down those silos and encouraging that one organisation, one purpose.

The Panel Chair: Is that the understanding behind having IT business partners, finance business partners, HR business partners?

Ms Haines: Yes.

Mr Hodgson: Just getting to a more basic level than that, does the States have appropriate mechanisms of recognition and reward for those people who do buy in and are prepared to take those ideas forward and be the ground-up element? You know, it is okay to top side of that, but how do you get the infrastructure itself on a day-to-day basis to buy into doing the things that you want them to do?

Ms Haines: I think the answer to that, some of you will be aware of the Chief Executive's Service Guernsey initiative and the presentations and engagement that has been delivered through that in actually trying to access not just the senior leaders but everybody across the entire organisation has been given an opportunity to attend a Service Guernsey event to understand what that means, what does it mean for me, how can I engage with this, how can I get involved?

I think there is a much greater recognition that you cannot deliver these kind of programmes with just a few people in one part of the organisation.

You have to have the leadership, but you also have to have the groundswell as well. I think we are seeing a massive change in the organisation on that front.

Mr Hodgson: Going back to my point, is the recognition and reward element of that getting sufficient priority? There is obviously a number of priorities that are there, but does that one get enough attention?

Ms Haines: I think it is a key part of the people strategy which is being developed and one of the Service Guernsey pillars, if you like.

Reward, as in financial reward, *et cetera,* is very difficult always in the public sector (**Mr Hodgson:** Understood.) but the kind of recognition schemes that have been launched in the States in the recent past, the Hidden Heroes who are now recognised on a monthly basis in the staff newsletter, those kind of things, alongside the formal people strategy element, start to build those building blocks.

Deputy St Pier: I think the people strategy recognised that it is a work in progress and there is much to be done.

Mr Hodgson: Okay. Understood.

The Panel Chair: Okay, last few questions, you might be glad to hear. Wrapping up. As requested by Public Accounts Committee, the End of Programme Report published last May, 2015, included a section on key lessons learned. Having had further time to reflect on the FTP, what do you consider to be the three main lessons learned from the FTP?

Deputy St Pier: I think, for me it is about the clarity of objective at the outset, which to some extent ties in with where you started this particular session. The leadership, I think that is absolutely critical to the success of any programme of this kind and I think the third lesson learned is around the cultural preparedness of an organisation for change and managing that before you embark on a change.

I think they would be top three.

Ms Haines: Mine would not be very different. I think, for me, number one would be do not start on the journey until you are ready for it and until you know where you are going. They are two and that is probably it for me.

The Panel Chair: Value for money is a key area within the public service reform programme. How can we be assured that the issues that were experienced within the FTP will not be repeated in the next stage of Financial Transformation?

Deputy St Pier: In particular?

The Panel Chair: Issues that we have mentioned today.

Mr St Pair: Right, okay. I think the assurance comes from the involvement of some of the key people, in particular the States' Treasurer as SRO and it comes back again to the leadership again of the States and the acceptance of the lessons which have been set out. I think we have genuinely welcomed the scrutiny which has been provided and the comments which have come back through the work that you have done, because I think it is an endorsement, I have sensed, of the general direction, but obviously with some very valid observations.

I have sensed no resistance to hearing and accepting those messages. It comes back to the assurances all around culture. Do we want to change? Do we want to do something differently?

That has been evidenced by the changes that we have already seen around the leadership and, if you have not got that, if we had not had that, then I would be more worried.

Ms Haines: I would just add that I think it is clear from how public service reform has been initiated. Already we are not very far into that, but you can see from the way that has been approached that the lessons learned from the FTP have been incorporated into that and the other key thing for me is that public service reform is not financial transformation.

It is about true transformation that will have financial and other benefits, but the focus is on transformation.

The Panel Chair: So you are saying the organisation is better placed now for public service reform than it was at the start of the Financial Transformation Programme?

Deputy St Pier: Yes.

Ms Haines: Yes.

Deputy Harwood: There has been talk of Son of FTP. Would you recommend the States should consider another financial transformation with targets?

Deputy St Pier: No. We touched on this a little bit earlier, but because it ended up becoming target-driven, yes we have gained a lot of benefits from matters we have already talked about in terms of some of the change in culture and therefore being more accepting of change, but nonetheless in terms of having a programme with is driven by targets, I think that is not necessarily the right long term culture.

Yes, it has been a useful education, stepping stone, however you wish to describe it, but as a key driver of change I think it is the wrong emphasis. I think the emphasis has to be about how we deliver the services we want to deliver and obtaining benefits from doing it differently. Some of those benefits will be financial, some of those benefits will be non-financial, in terms of improved service quality or, indeed, improved services, but with the same resources.

The Panel Chair: In other words, you are saying there will be emphasis more on, or should be, key performance indicators, rather than targets?

Deputy St Pier: The emphasis should be on key performance indicators and outcomes. It should be what are we trying to achieve with this spend and how do we best achieve it?

I think you have seen a lot more comment, particularly from Treasury & Resources, in relation to these sorts of issues, in relation to some of the Policy Letters which have come to the States. We feel that focussing on, as you say, KPIs and measures of performance is going to be critical.

That is so much more than just doing it for less cost. It is much more let us focus on benefits and outcomes.

As Bethan said, some of the methodologies that have been learned through the process are now being regularly deployed through the capital programme, with widespread acceptance of that process and, I would also argue, benefits as well.

The Panel Chair: Thank you. I stated at the time of publication of the KPMG Report:

> 'The FTP has come at significant cost, both in terms of consultant fees, maintenance of the States' own share of the Joint Programme Management Office and the unquantifiable costs of departmental resources involved. It is therefore too early to tell whether this investment has represented value for money.'

To finish now, could you answer us in this room, was it all worth it?

Deputy St Pier: The £28.7 million question! Yes, I think it is actually a fairly short answer. Painful, slow to start, stumbling, lessons learned, all of that was it worth it? Yes, because to repeat the answer to a question given earlier, are we in a better state now than we were? Are we in a better state now for what now needs to follow? Yes.

That has come as a result of FTP and, when we talk about value for money, value for money should not just be about the money saved, it is about the other benefits.

For me, it is about leaving us in a better state for change for the future. It is one of the big, non-financial benefits of the whole programme.

An unequivocal yes. It has been worth it.

The Panel Chair: Thank you very much. That is the end of the session.

The Committee adjourned at 4.19 p.m.