



The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

29 May, 2018

Dear Sir,

Scrutiny Management Committee - Commentary on the Policy & Resources Plan 2017 Review and 2018 Update

Introduction

The Rules of Procedure of the States of Deliberation requires that the Policy & Resources Plan is submitted to the States Assembly annually in June, together with commentary from the Policy & Resource Committee on overall progress; annual performance reports from the Principal Committees; commentary from the Scrutiny Management Committee; and, any proposals to amend the Policy & Resource Plan as considered necessary.

This letter of commentary from the Scrutiny Management Committee regarding the Policy & Resources Plan Update is submitted in accordance with Section 23 5, (d), of the Rules of Procedure.

This letter of commentary will initially identify a number of key themes and then move on to identify more detailed observations on the Policy & Resources Plan Update.

Key Themes

There are fundamental concerns regarding the whole Policy & Resources Plan process which has been in operation since May 2016. The Scrutiny Management Committee believes the whole process has taken too long; the agreement of the fiscal and policy priorities for a new States should be developed quickly. A modern consensus model of government needs to project a greater degree of clarity and progress earlier in a term

to continue to command the confidence of the governed. It is important that those tasked with implementing policies ensure that significant progress is made before the end of the current term.

The current list of the twenty-three established priorities will require additional resources to achieve their successful implementation. There is at present no indication as to where these extra resources will be found.

Section 1.9 suggests that "performance reports are setting out areas of additional policy work that have not been prioritised in the Policy & Resources Plan and that do not result from resolutions of the States". This appears to contradict the core ethos of a policy prioritisation process and the Principal Committees need to justify this additional work. We support the Policy & Resources Committee's assertion that this should not be happening. Committees need to focus on what they have agreed as important and stop adding additional workstreams.

It is arguable that twenty-three policy priorities are too many. When so many areas are a priority, then nothing is truly a priority. The case for prioritisation is clear and to their credit, the Policy & Resources Committee acknowledges this problem in section 1.10. However, the Scrutiny Management Committee believes The Policy & Resources Committee should have decided upon a workable mechanism to facilitate the ranking of priorities bringing discipline to the Policy & Resource Plan. The Scrutiny Management Committee believes that having twenty three priorities in the plan does not demonstrate good governance. It is the view of the Scrutiny Management Committee that the twenty three priorities themselves should be prioritised. It is disappointing this was not undertaken and the Scrutiny Management Committee suggests this be completed prior the 2019 Policy & Resource Plan Update.

The lack of progress made on transformational savings (section 5.3) by the Committee *for* Education, Sport and Culture and the Committee *for* Home Affairs is both disappointing and unacceptable. They have both failed to set out in detail their own programme for realising savings following the recent PWC Costing, Benchmarking and Prioritisation Reports.¹

The Medium Term Financial Plan (MTFP) committed the States to £26 million savings by 2021. It is clear that momentum is needed now to achieve this objective, a lesson learned by the experience gained during the Financial Transformation Programme (FTP). The need for focus on genuine transformational savings rather than short term

¹ https://gov.gg/PWC_Costing_benchmarking_and_Prioritisation_Report

tactical savings is outlined clearly in last term's Public Accounts Committee's (PAC) FTP savings report.²

The lack of meaningful progress on key priority issues such as strengthening transport connectivity³ is particularly disappointing given the level of political focus on this issue since the April 2016 election. Since the States resolved to direct the Policy & Resources Committee to lead a strategic review of Air and Sea Links Infrastructure in June 2017, very little tangible progress has been achieved beyond agreeing terms of reference. It is vital that this issue is prioritised for action given the importance to the economy and local community.

This Policy & Resource Plan Update differs in tone from similar documents produced by the former Policy Council. There is a clear sense of conducting a critical review of committees. To an extent this is what was intended under the States Review Committee proposals for States reform, a way of developing 'a senior committee'. However, it is for members to decide if this is their chosen way of operating whilst retaining a committee-based system of government.

General comments on the policy planning process

The Scrutiny Management Committee believes the timing of the Policy & Resources Plan is currently a barrier to making significant progress on improving the policy planning process. In terms of the current Assembly the direction of the policy planning process has been set too late in the political term to enable meaningful progress to be made. The Scrutiny Management Committee hopes that in future those elected to the States will be able to confirm a direction of travel within twelve months of being elected. This would allow the remainder of the political term to be focussed on delivering their chosen objectives as opposed to their selection.

The Scrutiny Management Committee believes that the following indicative timetable is achievable to allow the adoption of the Policy & Resource Plan priorities within the first twelve months of the new political term. This procedure could be as follows; within six weeks of the election the new States is asked to approve the fiscal rules; within three months of the election the Policy & Resources Committee is required to present a four year fiscal plan based on the outcome of the initial debate on the fiscal rules; within three months after the States has debated the four year fiscal plan each committee is required to put forward its own plans with a given number of stated priorities for inclusion in the four year plan; the final four year plan is published within

² [https://www.gov.gg/FTP Covering Report](https://www.gov.gg/FTP_Covering_Report)

³ [https://gov.gg/Strategic Air Links Report](https://gov.gg/Strategic_Air_Links_Report)

three months of the debates on each committee's priorities. Working on the premise that the next election is taking place in early June 2020, the final four year plan could be debated before the end of March 2021.

Government Priority Policy Areas

The Policy & Resources Plan Update sets out the work streams that Principal Committees have thus far established in support of the twenty-three priority areas of government policy work of the report.⁴ The annual performance reports address their individual contributions to each priority area.

The Scrutiny Management Committee has chosen to largely restrict its comments on the Policy & Resources Plan Update to those areas on which it and its predecessors (the former Scrutiny Committee and the former Public Accounts Committee) have undertaken work.

Air & Sea Links

The report notes that 'progress against this priority made by the Committee *for* Economic Development has been disappointing during this term'. We do not think responsibility for this can lie solely with the Committee *for* Economic Development; the Scrutiny Management Committee has been disappointed by the lack of leadership shown by the Policy & Resources Committee, as required by extant resolution of the States⁵, which has resulted in a lack of progress in this area of significant priority.

The former Scrutiny Committee conducted a review of the Security of Strategic Air Links which was completed in 2015.⁶ The review presented a number of recommendations for future action to address the difficulties being experienced in this area.

It is the view of the current Scrutiny Management Committee that this review should be revisited and acted upon. Specifically, one of the key recommendations in the Scrutiny Committee report requested clarity from government regarding the strategic direction given to Aurigny. This central element of any successful policy on strategic air links has not been achieved.

The absence of any reference to Alderney in the Policy & Resources Plan is surprising. Decisions on these routes, their service levels, and unavoidable subsidy, are central to

⁴ <https://gov.gg/THE POLICY & RESOURCES COMMITTEE Plan - Phase Two>

⁵ <https://gov.gg/Amendment 29>

⁶ <https://gov.gg/Strategic Air Links Report>

Aurigny's financial performance and fleet acquisition. It is particularly disappointing that no mention is made of progress towards an open subsidy against an agreed service level for lifeline routes.

In the case of sea links the reference to 'resilience and long-term sustainability' creates the impression of retaining what we have rather than using connectivity as an enabler for economic development. The Scrutiny Management Committee also notes with concern the continuing absence of any legally binding agreement with Condor or any other provider. In practice this means there is both limited oversight and effective levers to enforce improved performance.

The Committee *for* Economic Development's support for initiatives to diversify the economic make-up of the island is welcome. Unfortunately, this is easy to promise but hard to achieve: there is only so much the Government can do to drive that process within a free market economy. The Scrutiny Management Committee wishes, therefore, to see greater clarification of the principles that will underpin that process and how the Committee *for* Economic Development believes the States can make a success of it.

The Policy & Resources Plan Update reports no progress on the Committee *for* Economic Development's initiative to support the development of the tourism offering of the island. While it would be hard to argue against this in principle, we believe that a rigorous analysis of the level of economic value that increased tourism can deliver to Guernsey in the future should accompany the proposed new strategy.

Overall the story with the Committee *for* Economic Development appears to be one of a lack of meaningful progress since May 2016. The Policy & Resources Committee's frustration at this lack of progress is one we share and which was apparent to us at the Scrutiny Management Committee's public hearing held with the Committee *for* Economic Development in March 2017.

Medium Term Financial Plan

Fiscal Framework

In late 2017 revisions were made to the calculation and quantum of Gross Domestic Product (GDP) figures and a fundamental review of the continued appropriateness of the various rules and targets that comprise the Fiscal Framework⁷ is now being carried out as a priority. The Scrutiny Management Committee believes this work must be

⁷ <https://www.gov.gg/article/152940/Fiscal-Framework>

prioritised as a fundamental component of economic policy and the Policy & Resources Committee should provide additional clarity to define ‘meaningful compliance’ with the Fiscal Framework.

The bodies encompassed by the borrowing limit in the Fiscal Framework need to be clearly defined and all public entities included. The public needs to understand how their indebtedness is recognised and monitored. The liabilities covered should be defined as well as the consequences of breaching the Fiscal Framework. Given that some entities will continue to take external finance, the Policy & Resources Committee needs to clarify whether the States’ will be underwriting/guaranteeing this borrowing.⁸ For example, if all borrowings of the States’, the States’ Trading Supervisory Board and affiliates such as the Guernsey Housing Association, in addition to all contingent liabilities were taken into account, indebtedness would exceed the 15% Fiscal Framework limit.⁹

Returns from Commercial Entities

The States’ Trading Supervisory Board has a target of £31million over the Medium Term Financial Plan period to contribute funding to the Capital Reserve. The Scrutiny Management Committee has concerns notwithstanding the information obtained in a public hearing with the States’ Trading Supervisory Board whether this target is achievable without new or additional charges having a significant impact on islanders.¹⁰ Such measures appear to be potentially incompatible with the ethos of the Policy & Resources Committee Plan. This has been evidenced recently in the interim report on In-work Poverty released by the Scrutiny Management Committee.¹¹

Property

The ‘Optimising the Use of the States Land and Property’ policy¹² which is being progressed jointly by the States’ Trading Supervisory Board and the Policy & Resources Committee is intended to provide a better property service including better working locations and public amenities, better professional practices and improved value. The Scrutiny Management Committee believes this area of work should be afforded high priority and is concerned premises are apparently being vacated before the paper has been debated or approved and without any clear understanding as to how such premises might be best used by the States. The Scrutiny Management Committee is also concerned regarding the lack of routine maintenance on States’ owned properties

⁸ <https://www.gov.gg/KPMG - States Bond Issue>

⁹ <https://gov.gg/Bond Issue Conclusions & Recommendations>

¹⁰ <https://www.gov.gg/Hansard - States Bond Issue>

¹¹ <https://gov.gg/In-work Poverty Interim Report>

¹² <https://www.gov.gg/article/165023/Optimising-the-Use-of-the-States-Land-and-Property-Portfolio>

and the potentially significant cost of completing maintenance in arrears which the Scrutiny Management Committee understands may be required.

Bond

The Scrutiny Management Committee believes the Policy & Resources Committee should clearly define the criteria where loans may be granted, specifically including greater clarity defining an appropriate income stream, where a robust business case is in place to allow repayment of the funds. The Scrutiny Management Committee believes the Policy & Resources Committee should return to the States with a clear definition of the loan criteria for debate and an update regarding progress made against the recommendations made in the Scrutiny Management Committee's Bond Issue report published in February 2018. In addition the Policy & Resources Committee should carry out an ongoing cost benefit analysis on the Bond Issue on a bi-annual basis, to evaluate the success of the project. This should include the amount lent to date, the residual balance, interest received, interest paid, new loans made since the last statement and potential loans in the pipeline. This should also include an indication of interest that borrowers would have paid externally (assuming guarantees were in place), which would enable taxpayers to evaluate whether the States' are better off with or without the Bond.

The States' Treasurer should also consider the impairment policy specifically with reference to Cabernet Limited. The current situation where the value of the investment has been completely written off because of the losses but the loan has not been impaired seems anomalous and deserves an explanation at least.

Taxation Policy

Historically the States has sought to assist those on low incomes through the provision of universal personal allowances, a potentially costly approach. Assistance could be focussed on those who need it most and the Scrutiny Management Committee notes with disappointment the very limited references to tax policy in Policy & Resources Plan Update. Despite the challenges we recommend the Policy & Resources Committee consider additional assistance to those on lower incomes. Current taxation policy appears to be potentially incompatible with the ethos of the Policy & Resources Committee Plan. This has been evidenced recently in the interim report on In-work Poverty released by the Scrutiny Management Committee.

Resource Accounting

The States of Guernsey is now committed to moving towards Financial Statements being prepared in accordance with International Public Sector Accounting Standards (IPSAS). The Scrutiny Management Committee welcomes the forward movement in this area and the progress that has already been made.

Partnership of Purpose

In 2018 and 2019, the Committee *for* Health & Social Care has chosen to focus on developing a prioritised programme, the newly named 'Partnership of Purpose'¹³. The full delivery of the future model of health and care will involve major up-front capital costs, require substantial organisational and financial reform and take 5 to 10 years to complete. In this political term, the Committee *for* Health & Social Care has chosen to lay a foundation to support the key aspects of the future model; the Universal Offer, the Partnership of Purpose and the start of a network of community hubs.

Unfortunately, there is little that is specific in this update. The transformation agenda requires a fundamental shift, changing the current model where the majority of the States' investment is in specialist and long-term care towards prevention and early intervention. This will require an expansion of the community service provision, steps to raise awareness, deliver services, encourage healthy lifestyle choices and otherwise take steps to improve islanders' general health and wellbeing.

The Scrutiny Management Committee believes that in order to successfully deliver the 'Partnership of Purpose', this programme will require a significant degree of cultural buy-in from the public and politicians, which in turn requires the wider community to fully understand the activities comprised within the 'Partnership of Purpose' process. At the moment this clarity does not exist and progress needs to be made to explain the initiative to the wider public with particular emphasis on the role the public are expected to play in areas such as health promotion and changing to healthy lifestyles to ensure the programmes long term success.

Reform of healthcare funding is welcomed. The current structure is complex and this complexity means that the taxpayer has no clarity on the cost of dealing with a condition, illness or accident.

The Scrutiny Management Committee applauds the vision and ambition of the transformation agenda but have concerns about what it means in practical terms. In particular the Scrutiny Management Committee Members have little or no clarity

¹³ <https://www.gov.gg/Partnership of Purpose>

about the potential impact of the move to a Universal Offer for the average islander. Specifically, we need to see clear evidence that the £3.5 million approved for the Committee *for* Health & Social Care from the Transformation and Transition Fund is going to be spent on what is genuinely transformational and not for tactical or short term matters. There are lessons to be learned here from previous experience with the FTP.

Cost of access to care

Informed by its In-work Poverty review, the Scrutiny Management Committee believes addressing the cost of access to care is central to transforming health services locally. The cost of visiting a General Practitioner in Guernsey is a major issue for a large section of the population. In a few cases where chronic conditions require multiple visits to the doctor, or for families already struggling, the cost of primary care could place into poverty households who otherwise would be able to achieve a reasonable standard of living.¹⁴ At the moment the Scrutiny Management Committee is not aware of any firm proposals to address this concern.

Health and Social Care Service Developments

The Committee *for* Health & Social Care have also indicated they intend to further develop an Adult Multi –Agency Support Hub (MASH) group and monitor its ongoing performance. The Scrutiny Management Committee acknowledges the importance of this work but Policy & Resources Plan Update contains no rationale for this approach and we are unaware of any independent evaluation of the Children’s MASH group, established in Guernsey in 2015, to support extending this concept to adults.

Improving Educational Outcomes

The Scrutiny Management Committee acknowledges the significant change agenda facing the Committee *for* Education, Sport & Culture but remains concerned regarding the ability of the Committee *for* Education, Sport & Culture to deliver the financial reforms and proposed savings identified in the PWC Costing, Benchmarking and Prioritisation Report¹⁵. Against this backdrop we have to raise warnings about the potentially enormous capital costs of the Committee *for* Education, Sport & Culture’s two school transformation plan. Scrutiny Management Committee will need to see detailed financial information before the States is invited to make any final decisions on this two school programme.

¹⁴ [https://www.gov.gg/In-work Poverty Report](https://www.gov.gg/In-work-Poverty-Report)

¹⁵ [https://gov.gg/PWC Costing, Benchmarking & Prioritisation Report](https://gov.gg/PWC-Costing-Benchmarking-&-Prioritisation-Report)

A clear demonstration of value for money and proportionality must be a critical element of any decision made by the States to such sizeable capital spending when it comes to the debate later on this year. The Policy & Resources Committee has singled out the Committee *for* Education, Sport & Culture for criticism over spending on work streams which had not been prioritised this political term. We endorse the Policy & Resources Committee's view that the Committee *for* Education, Sport & Culture, now more than ever, needs to focus on its significant set of extant priority resolutions.

Supported Living & Ageing Well Strategy (SLAWS)

The Scrutiny Management Committee is concerned by the absence of an up to date older people's housing strategy. We believe this work is important and a policy letter in this regard should be considered in this political term.¹⁶

Children & Young People Plan

The Scrutiny Management Committee believes, based on recommendations of the Review of the Children Law, commissioned by the former Scrutiny Committee that the focus of those working in this area should be on completing the full implementation of the new Law prior to carrying out any further developments.¹⁷ The Scrutiny Management Committee has been and will continue to monitor progress in regard to the Marshall Report recommendations.

Disability & Inclusion Strategy

The Committee *for* Employment & Social Security has been focusing on the development of an Equality and Rights Organisation (ERO) and disability discrimination legislation and has recently decided to seek States consent to extend the project to develop equality legislation covering multiple grounds of protection.¹⁸ Progress was slow between 2013 and mid-2018 but the Committee *for* Employment & Social Security has now provided some leadership to move the strategy forward, specifically in regard to the core strategic objective to put in place appropriate disability discrimination legislation and the ERO.

The Scrutiny Management Committee believes during the last political term the then Policy Council failed to provide effective leadership and support regarding the implementation of the Disability & Inclusion Strategy and it is essential that in future the Policy & Resources Committee provide appropriate leadership and support.

¹⁶ <https://gov.gg/SLAWS>

¹⁷ [https://www.gov.gg/Marshall Report](https://www.gov.gg/Marshall%20Report)

¹⁸ [https://gov.gg/CfESS - States agreement to develop multi-ground equality legislation](https://gov.gg/CfESS%20-%20States%20agreement%20to%20develop%20multi-ground%20equality%20legislation)

Social Welfare Policy

The Scrutiny Management Committee believes, based on the evidence gathered during its In-work Poverty Review,¹⁹ that significant numbers of islanders, despite being in work, are currently experiencing significant poverty. There is a need, therefore, for a more explicit focus on poverty in order to better understand the nature of the problem, evaluate the effectiveness of proposed solutions and, ultimately, tackle it successfully. The overarching objective of the Policy & Resources Plan for the Bailiwick to be the happiest and healthiest place to reside in the world will only be achieved if this issue is addressed.

This requires a specific focus on the adequacy of income for working households; it also requires a pause in the trend of replacing cash from general revenue with fees and charges to pay for public services which, by not relating to the ability to pay, only aggravate in-work poverty. The £5.5 million dividend required from the States' Trading Supervisory Board may exacerbate this problem. The Scrutiny Management Committee believes all policy initiatives should be considered in the context of their potential impact on those experiencing poverty. Where this is significant, measures to mitigate these consequences need to be considered.

Housing Policy

The Scrutiny Management Committee's In-work Poverty Review identified in its interim report the lack of a housing policy capable of reducing costs for those on lower incomes. Housing costs are increasingly a factor in driving poverty rates and a more interventionist approach is needed to deliver the policy objectives around affordable housing costs. A starting point would be to develop a definition of 'affordable housing'. In the absence of a housing policy that seeks actively to bring down housing costs, politicians need to do more (e.g. spend more on the housing element of social security generally) just to stand still in terms of rising poverty rates. The Scrutiny Management Committee is disappointed at the lack of progress in bringing forward debate on the KPMG Housing Report²⁰ and looks forward to reading the forthcoming policy letter from the Committee *for* Environment & Infrastructure in July 2018.

If no action is taken, rising housing costs will increase poverty and add to pressures on the tax payer. The availability and cost of housing presents considerable difficulties for families.

¹⁹ [https://www.gov.gg/In-work Poverty Report](https://www.gov.gg/In-work-Poverty-Report)

²⁰ [https://www.gov.gg/KPMG Housing Report](https://www.gov.gg/KPMG-Housing-Report)

Strategic Population Policy

The Scrutiny Management Committee has concerns regarding the policy intention outlined in the policy letter, 'to include consideration of ways in which an individual can become a Permanent Resident' and questions what the logic and drivers are for this suggestion. The Scrutiny Management Committee believes any significant changes to the existing population management regime need to be fully justified to both elected members and the public.

Appropriateness of the OECD framework

The Scrutiny Management Committee remains convinced the OECD Better Life Index should be viewed holistically when considering the underlying principles that support each section. The chosen Key Performance Indicators (KPIs) are just that and no more. If Guernsey aspires to being one of the 'happiest places in the world to live' then there is need for valid, reliable and consistent data which will allow valid, international comparisons to be made. The Scrutiny Management Committee believes that generally more accurate, relevant data needs to be collected in order to better inform future government policy.

However, the Scrutiny Management Committee noted the baseline indicators were to be published by November 2017 and is disappointed that such data is not included within Policy & Resources Plan Update.

Financial Performance

The Scrutiny Management Committee wishes to support the recommendations on the use of the budget surplus and would support the following options: rebuilding the reserves (it would be helpful if the Policy & Resources Committee could clarify what level of reserves they believe are required); relieving the tax burden on individuals, including through increases to personal income tax allowances; and helping to deliver the agreed transformation priorities in the Policy & Resource Plan.

Monitoring Progress and Impact of Government Priority Policy Areas

The Policy & Resource Plan will incorporate two levels of monitoring: monitoring progress against the overall outcomes; and monitoring the progress of the priority work areas. The KPIs selected for measuring the overall outcomes have been adapted from the OECD Regional Wellbeing Framework.

The Scrutiny Management Committee supports the increased emphasis on performance monitoring as it provides a visible framework against which government can be held to account by the community it serves. Whilst the Scrutiny Management

Committee accepts these measures may evolve over time as better data becomes available, it is essential that sufficient resources are targeted at establishing meaningful performance indicators. The Scrutiny Management Committee notes that despite being told by various committees that KPIs would be used for monitoring, there is very little evidence that this is actually happening or that sufficient resources have been allocated to achieve it.

International Instruments

The Scrutiny Management Committee is surprised by the implied lack of clarity in terms of the responsibility between the Policy & Resources Committee and the Principal Committees regarding international instruments and believes that future policy directives in this area need to clearly specify the relevant accountabilities moving forward.

Scrutiny Management Committee 'right to comment'

The Scrutiny Management Committee supports the comment (in section 8.6) stating the timeframe to publish a meaningful review, given the availability of year-end figures and the need to secure commentary from the Scrutiny Management Committee, remains challenging. The Scrutiny Management Committee accepts (by majority) that the timing of the Policy & Resource Plan debate should be amended such that the process should not require concurrent commentary from the Scrutiny Management Committee. However, the Scrutiny Management Committee can confirm it will continue to exercise its right to pass comment on the Policy & Resources Plan updates.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'CJ Green', with a horizontal line underneath.

Deputy Christopher Green
President of the Scrutiny Management Committee