



# BILLET D'ÉTAT

WEDNESDAY, 12<sup>th</sup> JUNE, 2019

X  
2019

## *ELECTIONS AND APPOINTMENTS*

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2. Election of two Members of the Development & Planning Authority, P.2019/46

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(Commencement) Ordinance, 2019  
The Plant Health (Guernsey) Ordinance, 2019  
The Notifiable Animal Diseases Order, 2019  
The Methods of Valuations (Import Duty) Regulations, 2019  
The Customs and Excise (Approved Ports and Customs Declarations) (Bailiwick of Guernsey) (Amendment) Regulations, 2019  
The Sanctions (Bailiwick of Guernsey) Law, 2018 (Commencement) Regulations, 2019  
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1. Committee *for* Health & Social Care - Responsible Officer - Annual Report 2018

# BILLET D'ÉTAT

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## TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

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I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY**, the **12<sup>th</sup> June, 2019** at **9.30 a.m.**, to consider the items listed in this Billet d'État which have been submitted for debate.

R. J. COLLAS  
Bailiff and Presiding Officer

The Royal Court House  
Guernsey

24<sup>th</sup> May, 2019

**ELECTION OF A MEMBER OF THE  
COMMITTEE *FOR* ECONOMIC DEVELOPMENT**

The States are asked:

To elect a sitting Member of the States as a Member of the Committee *for* Economic Development to complete the unexpired term of office, that is to the 30<sup>th</sup> June 2020, of Deputy D. A. Tindall who has resigned from that office, and whose letter of resignation is appended hereto.

(N.B. A member of the Committee *for* Economic Development shall not be the President or a Member of the Policy & Resources Committee, the President of the Scrutiny Management Committee or the President or a member of the Transport Licensing Authority.)



2 Clos de Bas  
Green Lanes  
St Peter Port  
Guernsey GY1 1TS

23rd May 2019

Dear Sir

In accordance with Rule 37(4) I am writing to inform you that I am resigning from my position as a member of the Committee *for* Economic Development.

Yours sincerely,

**SIGNED**

Dawn A Tindall

**ELECTION OF TWO MEMBERS OF THE  
DEVELOPMENT & PLANNING AUTHORITY**

The States are asked:

To elect, in accordance with Rule 16 of The Rules of Procedure, two members of the Development & Planning Authority to complete the unexpired term of office (that is to the 30<sup>th</sup> June 2020) of Deputy D. A. Tindall who has been elected as the President of that Committee and that of Deputy M. P. Leadbeater who has resigned and whose letter of resignation is appended hereto.

(N.B. Pursuant to the Mandate of the Development & Planning Authority, neither the President nor any member of the Authority shall be the President or a member of the Policy & Resources Committee or the President or a member of the Committee *for the* Environment & Infrastructure.)

**People's Deputy**  
For St Peter Port North



**Deputy Marc Leadbeater**

1 Maison Priaulx  
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Mr Bailiff  
Bailiff's Chambers  
Royal Court  
St James Street  
St Peter Port  
GY1 4AN

23<sup>rd</sup> May 2019

Dear Sir,

**Development & Planning Authority**

Please accept this letter as confirmation of my tendering my resignation from the Development & Planning Authority.

Yours sincerely

**SIGNED**

**Deputy Marc Leadbeater**

States of Guernsey

## **ORDINANCES LAID BEFORE THE STATES**

### **THE PLANT HEALTH (ENABLING PROVISIONS) (GUERNSEY) LAW, 2014 (COMMENCEMENT) ORDINANCE, 2019**

In pursuance of the provisions of the proviso to Article 66A(1) of The Reform (Guernsey) Law, 1948, as amended, "The Plant Health (Enabling Provisions) (Guernsey) Law, 2014 (Commencement) Ordinance, 2019", made by the Policy & Resources Committee on the 23<sup>rd</sup> April, 2019, is laid before the States.

#### **EXPLANATORY MEMORANDUM**

This Ordinance commences the Plant Health (Enabling Provisions) (Guernsey) Law, 2014 ("the Law"), under which the Plant Health (Guernsey) Ordinance, 2019 is made, with effect from the date the UK leaves the EU. Section 6 of the Law, which repeals current plant health legislation, is only commenced in relation to the legislation set out in the Schedule to the Ordinance the provisions of which are to be replaced by the proposed Plant Health (Guernsey) Ordinance, 2019. Current legislation relating to noxious and invasive plants and transport of plants remains in force.

The Ordinance was approved by the Legislation Review Panel on the 16<sup>th</sup> April, 2019 and made by the Policy & Resources Committee in exercise of its powers under Article 66A(1) of the Reform (Guernsey) Law, 1948. Under the proviso to the said Article 66A(1), the States of Deliberation have the power to annul the Ordinance.

### **THE PLANT HEALTH (GUERNSEY) ORDINANCE, 2019**

In pursuance of the provisions of the proviso to Article 66A(1) of The Reform (Guernsey) Law, 1948, as amended, "The Plant Health (Guernsey) Ordinance, 2019", made by the Policy & Resources Committee on the 23<sup>rd</sup> April, 2019, is laid before the States.

#### **EXPLANATORY MEMORANDUM**

This Ordinance replaces and updates current legislation on trade in plants, trees and certain wood and measures to control and prevent outbreaks of plant pests which are currently contained in separate Ordinances. The provisions reflect the agreed policy principles in the 2006 policy letter (Article IX of Billet d'État No. VIII of 2006) except that the Ordinance does not provide for controls on transportation of plants and the control of noxious and invasive plants in respect of which current controls have for now been retained.

The Ordinance is also consistent with plant health legislation in place in the UK as proposed to be amended as at the date the UK leaves the EU. It comes into force on the date the UK leaves the EU as the trade provisions are based on the British Islands being outside the EU Common Customs Area with different controls for trade in plants between the British Islands and with countries and territories outside those Islands.



Aligning the Ordinance with UK legislation is necessary to ensure that Guernsey plant businesses have access to the UK market so that their plants can be traded within the British Islands if accompanied by a UK plant passport rather than having to be accompanied by the more onerous requirements applying in relation to trade with countries outside those Islands post Brexit. Alignment with these requirements will also assist in meeting the requirements of the International Plant Protection Convention, 1951 the UK's ratification of which has been extended to Guernsey.

Part I of the Ordinance defines the lists of plant pests and relevant material (plants and soil etc.) in relation to which the provisions of the Ordinance apply. This is done by cross-reference to UK lists because of the need to align with the same and to avoid having to make frequent amendments to highly technical lists of pests, vulnerable plants and plant health conditions. There are minor modifications to the UK lists made by section 1 and Schedule 1 including a different treatment for the pest causing Fire Blight as this occurs in the UK but not in Guernsey.

Part II regulates imports of plant pests and relevant material into Guernsey originating from outside the British Islands. There is a new requirement for advance notice to the Committee of imports of certain plants from third countries. The Ordinance prohibits absolutely the import of certain listed plant pests and relevant material and prohibits others unless listed plant health requirements are met subject to exceptions in particular for items imported in passenger luggage. This Part also provides for the documentation required to accompany plants on import from third countries in particular the requirement for a consignment to be accompanied by a phytosanitary certificate and for restrictions on movement until relevant material is checked by an inspector subject to exceptions for goods in transit.

Part III provides for the plant health controls on imports into Guernsey or exports from Guernsey within the British Islands and on movements within Guernsey subject to exceptions including those applying to certain small quantities of material and locally produced plants only sold to final users on the local market. Certain plants etc. must be accompanied by a UK plant passport which can be issued by the appropriate plant health authority in the relevant UK or Crown Dependency jurisdiction or plant traders authorised to do the same within the British Islands.

Part IV provides for a new requirement for certain plant businesses to register with the Committee to carry on their business as mentioned in Appendix 1, paragraph 5) of the 2006 policy letter subject to an exception for local producers only selling to final users on the local market. A registered plant business may apply to issue UK plant passports, subject to the meeting of certain plant health requirements, which the business can then affix to consignments of plants. Under the transitional provisions in Schedule 6, those plant businesses carrying on business when the legislation comes into force will be deemed to be registered subject to making an application to be registered within 6 months. Current authorisations to issue EU Plant passports will continue to apply on the coming into force date as if they were authorisations to issue UK plant passports.

Part V provides for powers for plant health inspectors to control outbreaks or suspected outbreaks of plant diseases and check for compliance with the Ordinance. This includes a power for the Committee to provide for certain measures in relation to particular plant pests by Order.

Part VI updates and replaces current controls, in the Import and Export (Plant Health) Ordinance, 1982 on the planting of potatoes from countries outside the EU, the British Islands and Switzerland which carry higher plant health risks and requires potatoes for planting to meet specified plant health requirements.

Part VII and Schedule 3 provide for plant businesses to apply to the Committee for the issue of a phytosanitary certificate which is required to accompany any plants exported from Guernsey under the law of most of the countries of import consistent with the International Plant Protection Convention. Part VIII and Schedule 4 provide for the issuing of licences by the Committee to allow businesses to carry out certain activities prohibited by the Ordinance or for certain purposes including for trial or scientific purposes.

Part IX provides for certain persons to notify the Committee of the presence or suspected presence of certain plant pests and gives officers of the Committee powers to require information and produce relevant documents relating to plant pests or plants. Provision is also made for the Committee for Home Affairs to disclose information to the Committee for the purposes of the Ordinance subject to standard safeguards.

Part X provides for appeals against specified decisions of the Committee to the Royal Court on standard grounds. Part XI provides for offences for which the maximum penalty is a level 5 fine.

Part XII makes standard provisions and includes a power for the Committee to set fees or charges by Order as proposed in paragraph 3.8 of the policy letter. Section 54 sets out the provisions which can be amended by Order which mainly relate to technical provisions including the Schedules to the Ordinance, substitution of the UK common list of pests and plants for those prescribed by Guernsey Order and designation and regulation of Guernsey pest free areas where a pest is not present on the whole or part of the island. Section 57 and Schedule 6 makes transitional provisions to assist in a smooth transition from the current provisions to the new Ordinance.

The Ordinance was approved by the Legislation Review Panel on the 16<sup>th</sup> April, 2019 and made by the Policy & Resources Committee in exercise of its powers under Article 66A(1) of the Reform (Guernsey) Law, 1948. Under the proviso to the said Article 66A(1), the States of Deliberation have the power to annul the Ordinance.

## **STATUTORY INSTRUMENTS LAID BEFORE THE STATES**

The States of Deliberation have the power to annul the Statutory Instruments detailed below.

No. 25 of 2019

### **NOTIFIABLE ANIMAL DISEASES ORDER, 2019**

In pursuance of sections 1(4) and 33 of the Animal Health Ordinance, 1996 made by the Committee *for the* Environment & Infrastructure on 7<sup>th</sup> March, 2019, is laid before the States.

#### **EXPLANATORY NOTE**

This Order substitutes Schedule 1 to the Animal Health Ordinance, 1996 for a new Schedule 1 set out in the Schedule to this Order to reflect the list of diseases by the Office International des Epizooties (OIE) as significant in terms of animal health or important in terms of economic impact.

Schedule 1 to the 1996 Ordinance lists diseases that are notifiable animal diseases and compulsory slaughter diseases and the animals which are susceptible to those diseases for the purposes of controls on diseases set out in the Ordinance. In particular, all such diseases must be notified to the Committee under the Ordinance.

The changes are to add Swine vesicular disease and psittacosis to the list of notifiable diseases.

The Order comes into force on the 7th March, 2019.

No. 47 of 2019

### **THE METHODS OF VALUATIONS (IMPORT DUTY) REGULATIONS, 2019**

In pursuance of sections 4 and 9 of the Customs and Cross-Border Trade (General and Enabling Provisions) (Bailiwick of Guernsey) Law, 2018, The Methods of Valuations (Import Duty) Regulations, 2019, made by the Committee *for* Home Affairs on 1st April 2019, is laid before the States.

#### **EXPLANATORY NOTE**

These Regulations make provision for the valuation of goods for the purposes of import duty. Six Methods of valuation are set out in order to calculate the "transaction value", whilst taking account of different specified matters such as the nature of the goods and how they have been transported. These Regulations also provide that sterling is the only currency to be used when calculating the transaction value.

These Regulations come into force on exit day, which is 12th April 2019 as appointed by the European Union (Exit Day and Designated Day) (Brexit) (Bailiwick of Guernsey) Regulations, 2019.

No. 48 of 2019

**THE CUSTOMS AND EXCISE (APPROVED PORTS AND CUSTOMS DECLARATIONS)  
(BAILIWICK OF GUERNSEY) (AMENDMENT) REGULATIONS, 2019**

In pursuance of sections 15 and 79 of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, The Customs and Excise (Approved Ports and Customs Declarations) (Bailiwick of Guernsey) (Amendment) Regulations, 2019, made by the Committee for Home Affairs on 1st April 2019, is laid before the States.

**EXPLANATORY NOTE**

These Regulations make minor amendments to the Customs and Excise (Approved Ports and Customs Declarations) (Bailiwick of Guernsey) Regulations, 2019.

These Regulations come into force on exit day within the meaning of the European Union (Brexit) (Bailiwick of Guernsey) Law, 2018.

No. 52 of 2019

**THE SANCTIONS (BAILIWICK OF GUERNSEY) LAW, 2018 (COMMENCEMENT) REGULATIONS,  
2019**

In pursuance of section 27 of the Sanctions (Bailiwick of Guernsey) Law, 2018, "The Sanctions (Bailiwick of Guernsey) Law, 2018 (Commencement) Regulations, 2019" made by the Policy & Resources Committee on 9<sup>th</sup> April, 2019 are laid before the States.

**EXPLANATORY MEMORANDUM**

These Regulations bring into force the Sanctions (Bailiwick of Guernsey) Law, 2018 on 12<sup>th</sup> April, 2019.

No. 56 of 2019

**THE TERRORIST ASSET FREEZING (DESIGNATIONS) (BREXIT) (BAILIWICK OF GUERNSEY)  
REGULATIONS, 2019**

In pursuance of section 5(1) of the European Union (Brexit) (Bailiwick of Guernsey) Law, 2018, "The Terrorist Asset Freezing (Designations) (Brexit) (Bailiwick of Guernsey) Regulations, 2019" made by the Policy & Resources Committee on 12<sup>th</sup> April, 2019 are laid before the States.

**EXPLANATORY MEMORANDUM**

These Regulations are made in consequence of the withdrawal of the United Kingdom from the EU. They amend the definition of "designated person" at section 1 of the Terrorist Asset Freezing (Bailiwick of Guernsey) Law, 2011, which specifies the categories of person who are subject to terrorist asset freezing provisions, to include persons designated by the United Kingdom under the Counter-Terrorism (International Sanctions) (EU Exit) Regulations 2019.

This will ensure that any such designations will have effect immediate effect in the Bailiwick as soon as they are made.

The full text of the legislation can be found at:

<http://www.guernseylegalresources.gg/article/90621/Statutory-Instruments>

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

**PROJET DE LOI**

Entitled

**THE REFORM (GUERNSEY) (AMENDMENT) LAW, 2019**

The States are asked to decide:-

Whether they are of the opinion to approve the draft Projet de Loi entitled "The Reform (Guernsey) (Amendment) Law, 2019", and to authorise the Bailiff to present a most humble petition to Her Majesty praying for Her Royal Sanction thereto.

This proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

**EXPLANATORY MEMORANDUM**

The Law inserts a new Article into the Reform (Guernsey) Law, 1948 to make equivalent provision to Article 31 of the States of Jersey Law 2005. The new Article 72A requires the Policy & Resources Committee to refer to the States of Deliberation, for the States to signify their views upon it, any proposal for –

- a) a provision of a draft Act of Parliament to apply directly to Guernsey, or
- b) the making of an Order in Council extending to Guernsey a provision of an Act of Parliament, or a Church of England measure, or that is otherwise expressed to be binding upon Guernsey,

unless that Committee considers that to do so is unnecessary.

Where such a provision or Order in Council has already been made, and is transmitted to the Royal Court for registration, the Royal Court is required to refer it to the Policy & Resources Committee, but only if it appears to the Court that the States of Deliberation have not signified their agreement to the substance of the provision or Order in Council. That Committee must then refer it to the States, unless it considers that to do so is unnecessary.

The new Article 72A is in equivalent terms to the Jersey provision (with necessary modifications) apart from in these respects –

- a) as set out, the requirement in Article 72A applies in respect of all Orders in Council expressed to have effect in, or be applicable to, or otherwise be binding upon Guernsey (not just Orders in Council extending to Guernsey a provision of an Act of Parliament or a Church of England measure) to ensure that all relevant Orders in Council fall within the requirement;
- b) as a consequence of the extra requirement described above, uncontentious and non-legislative types of Orders in Council would have to be placed before the States of Deliberation for their views to be signified when no purpose would be served thereby. Hence, while the default position is that all such provisions and Orders in Council will be submitted to the States by the Policy & Resources Committee, the inserted Article gives the Policy & Resources Committee the power to exclude provisions and Orders in Council from this procedure when it considers that their submission to the States would be unnecessary.

# PROJET DE LOI

ENTITLED

## **The Reform (Guernsey) (Amendment) Law, 2019**

THE STATES, in pursuance of their Resolution of the 28<sup>th</sup> day of March, 2019<sup>a</sup>, have approved the following provisions which, subject to the Sanction of Her Most Excellent Majesty in Council, shall have force of law in the Islands of Guernsey, Herm and Jethou.

### **Amendment to the Reform Law.**

1. Immediately after Article 72 of the Reform (Guernsey) Law, 1948, insert the following Article -

#### **"Duty to refer certain matters to the States of Deliberation.**

72A. (1) Where it is proposed that -

- (a) a provision of a draft Act of the Parliament of the United Kingdom should apply directly to Guernsey, or
- (b) an Order in Council should be made -

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<sup>a</sup> Article I of Billet d'État No. VI of 2019.



- (i) extending to Guernsey a provision of an Act of the Parliament of the United Kingdom,
- (ii) extending to Guernsey a Measure, pursuant to the Channel Islands (Church Legislation) Measures 1931<sup>b</sup> and 1957<sup>c</sup>, or
- (iii) that is otherwise expressed to have effect in, or to be applicable to or otherwise binding upon, Guernsey,

the Policy and Resources Committee shall, unless that Committee considers it unnecessary, submit the proposal to the States of Deliberation, in order that the States may signify their views on it.

(2) Where, upon transmission of -

- (a) an Act of the Parliament of the United Kingdom containing a provision described in paragraph (1)(a), or
- (b) an Order in Council described in paragraph (1)(b),

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<sup>b</sup> 21 and 22 Geo.V. No. 4 and 5.

<sup>c</sup> 5 and 6 Eliz. 2, No. 1.

to the Royal Court for registration, it appears to the Royal Court that the States of Deliberation have not signified their agreement to the substance of the provision or Order in Council -

(i) the Royal Court shall refer the provision or Order in Council, as the case may be, to the Policy and Resources Committee, and

(ii) the Policy and Resources Committee shall, unless that Committee considers it unnecessary, submit it to the States in accordance with paragraph (1).

(3) In this Article "**Policy and Resources Committee**" has the meaning given in Article 66A(3).".

**Citation.**

2. This Law may be cited as the Reform (Guernsey) (Amendment) Law, 2019.

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

**STATES' ASSEMBLY & CONSTITUTION COMMITTEE**

**AMENDMENTS TO PROVISIONS RELATING TO SPECIAL MEETINGS IN THE RULES OF  
PROCEDURE OF THE STATES OF DELIBERATION AND THEIR COMMITTEES**

The States are asked to decide whether, after consideration of the policy letter entitled "Amendments to provisions relating to special meetings in the Rules of Procedure of the States of Deliberation and their Committees" dated 16<sup>th</sup> April, 2019, they are of the opinion:-

1. That the Rules of Procedure of the States of Deliberation and their Committees should be amended with immediate effect to reads as follows:

- (a) In Rules 1.(2) and 3.(13), immediately after "the annual Budget of the States" insert "and the policy letter of the Committee *for* Employment & Social Security on the uprating of non-contributory benefits",

- (b) for Rule 3.(11)(e), substitute:

- "(e) any proposals in the annual policy letter of the Committee *for* Employment & Social Security concerning contributory benefit and contribution rates,"

- (c) for Rule 9.(3) substitute:

- "(3) The only business at a special Meeting shall be:*

- a) the Annual Budget of the States and the policy letter of the Committee for Employment & Social Security on the uprating of non-contributory benefits; or*

- b) the States' Accounts and the Policy & Resource Plan, as the case may be."*

- (d) in Rule 30.(1), for the definition of "**special Meeting**" substitute:

- "**special Meeting**" means any Meeting of the States convened to consider the Annual Budget of the States and the policy letter of the Committee for Employment & Social Security on the uprating of non-contributory benefits or the States' Accounts and the Policy & Resource Plan;*

- (e) In Schedule 1, for the entry in the third column relating to 5<sup>th</sup> November (Tuesday) 2019 substitute "(Budget and uprating of non-contributory benefits Meeting only)".

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

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

**STATES' ASSEMBLY & CONSTITUTION COMMITTEE**

AMENDMENTS TO PROVISIONS RELATING TO SPECIAL MEETINGS IN THE RULES OF  
PROCEDURE OF THE STATES OF DELIBERATION AND THEIR COMMITTEES

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

16<sup>th</sup> April, 2019

Dear Sir

**1 Executive Summary**

- 1.1 The States agreed on 9<sup>th</sup> November, 2018<sup>1</sup> that from 2019 onwards the 'Non-Contributory Benefit Rates' policy letter produced by the Committee for Employment & Social Security should be considered at the same Meeting as the States of Guernsey Annual Budget. It directed the States' Assembly & Constitution Committee to make any necessary changes to the Rules of Procedure of the States of Deliberation and their Committees and this policy letter suggests the necessary changes.

**2 Amendments to provisions relating to 'special meetings'**

- 2.1 The States resolved, after consideration of amended proposition 41 of the States of Guernsey Annual Budget for 2019,

*To agree that from 2019 onwards the Committee for Employment & Social Security's Policy Letter on the uprating of Non-Contributory Benefits shall be prepared and issued as a Policy Letter separate to the Policy & Resources Committee's Policy Letter on the States of Guernsey Annual Budget, but debated at the same States Meeting; and to direct the States' Assembly & Constitution Committee to make any necessary changes to the rules of procedure to enable this.*

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<sup>1</sup> [Billet d'État No XXIV, 2018 'The States of Guernsey Annual Budget for 2019'.](#)

2.2 Rule 1.(2) relates to the days on which the special meetings are held. It is suggested it is amended to include reference to the policy letter on the uprating of non-contributory benefits (additional text shown in bold below):

- (2) *Ordinarily the first day of a Meeting shall be a Wednesday, except for the Meetings held to consider the annual Budget of the States **and the policy letter of the Committee for Employment & Social Security on the uprating of non-contributory benefits** which shall begin on the first Tuesday in November, and the Policy & Resource Plan and States' Accounts which shall be considered at the same dedicated Meeting in June which shall begin on a Tuesday except in general election years when they will be considered at a later date in that year.*

2.3 Rule 3.(11)(e) reads as follows:

- (e) *any proposals in the annual policy letter concerning social insurance and other related benefit and contribution rates*

Given the policy letter on the uprating of non-contributory benefits will now be considered at the same time as the Budget, It is proposed that the wording of (e) is clarified and amended to:

- (e) *any proposals in the annual policy letter of the Committee for Employment & Social Security concerning contributory benefit and contribution rates*

2.4 It is suggested that Rule 3.(13) is amended to read as follows (additional text in bold):

- (13) *Original propositions in respect of the annual Budget of the States **and the policy letter of the Committee for Employment & Social Security on the uprating of non-contributory benefits** shall be published not later than four weeks before the States' Meeting at which they are debated.*

2.5 Rule 9.(3) states: *The only business at a special Meeting shall be the Annual Budget of the States or the States' Accounts and the Policy & Resource Plan, as the case may be.* It is recommended that it is amended to read as follows:

- (3) *The only business at a special Meeting shall be the:*  
*a) Annual Budget of the States **and the Committee for Employment & Social Security's Policy Letter on the uprating of Non-Contributory Benefits**; or*  
*b) States' Accounts and the Policy & Resource Plan, as the case may be.*

2.6 The Committee also recommends that the definition of "**special Meeting**" is

amended to read as follows:

***“special Meeting” means any Meeting of the States convened to consider the Annual Budget of the States and the policy letter of the Committee for Employment & Social Security on the uprating of non-contributory benefits or the States’ Accounts and the Policy & Resource Plan;***

- 2.7 For completeness, it is recommended that Schedule 1 is amended, at the entry in the third column relating to 5<sup>th</sup> November (Tuesday) 2019 to read "(Budget and uprating of non-contributory benefits Meeting only)".
- 2.8 The Policy & Resources Committee will include the order of business for such meetings in the ‘Schedule for future States’ business’. Any Member may propose by means of amendment a different order of business within the Meeting.

### **3 Compliance with Rule 4**

- 3.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 3.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty’s Procureur for advice on any legal or constitutional implications.
- 3.3 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.
- 3.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee to develop and implement policies in relation to “the procedures and practices of the States of Deliberation and committees of the States”. It consulted with the Policy & Resources Committee and the Committee *for* Employment & Social Security in the preparation of the propositions.

Yours faithfully

N. R. Inder  
President

J S Merrett  
Vice-President

P T R Ferbrache  
J P Le Tocq  
E A Yerby

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

**POLICY & RESOURCES COMMITTEE**

THE CRIMINAL JUSTICE (PROCEEDS OF CRIME) (BAILIWICK OF GUERNSEY)  
(AMENDMENT) REGULATIONS, 2019

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Regulations, 2019" dated 2<sup>nd</sup> May 2019 of the Policy & Resources Committee, they are of the opinion to approve, in pursuance of section 54(1A) of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Regulations, 2019.

The above Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.



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

**POLICY & RESOURCES COMMITTEE**

THE CRIMINAL JUSTICE (PROCEEDS OF CRIME) (BAILIWICK OF GUERNSEY)  
(AMENDMENT) REGULATIONS, 2019

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

29 April, 2019

Dear Sir

**1. Background**

- 1.1 Amendments to the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (“the Law”) in December 2018 repealed regulations specifying measures (such as customer due diligence) to be taken by financial services businesses and other businesses for the purposes of combatting of money laundering and terrorist financing and incorporated revised provisions in Schedule 3 to the Law. These revised provisions are, inter alia, part of the Bailiwick of Guernsey’s response to ensuring compliance with the current standards of the Financial Action Task Force.
- 1.2 Schedule 3 may be revised by regulations made by the Policy & Resources Committee but any such regulations shall not have effect unless and until approved by a resolution of the States under section 54(1A) of the Law.
- 1.3 Implementation of Schedule 3 by the private sector, together with the release of rules and guidance by the Guernsey Financial Services Commission (GFSC) in a handbook in final draft form, and liaison between the Committee and the GFSC, have indicated that a few minor amendments should be made to Schedule 3 which will benefit the sector.
- 1.4 These include:

- modifying the definitions of Money Laundering Compliance Officer and Money Laundering Reporting Officer for the purposes of consistency; and
- introducing a start-date, prior to which former holders of prominent public functions within the Bailiwick of Guernsey would not be considered domestic politically exposed persons to reduce the burden on the private sector. For the avoidance of doubt, while reducing the burden, the amendment is also appropriate on risk grounds.

1.5 The attached Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Regulations, 2019 contain the relevant changes.

## **2. Proposition**

2.1 The States are asked to decide whether they are of the opinion to approve the attached Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Regulations, 2019.

## **3. Committee Support**

3.1 It is confirmed that the proposition above has the unanimous support of the Committee.

Yours faithfully

G A St Pier  
President

L S Trott  
Vice-President

A H Brouard  
J P Le Tocq  
T J Stephens

GUERNSEY STATUTORY INSTRUMENT

2019 No.

**The Criminal Justice (Proceeds of Crime)  
(Bailiwick of Guernsey) (Amendment) Regulations, 2019**

*Made*

*9<sup>th</sup>* April, 2019

*Coming into operation*

13 June, 2019

*Laid before the States*

12 June, 2019

THE STATES POLICY & RESOURCES COMMITTEE, in exercise of the powers conferred on it by sections 49AA(4) and 54 of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999<sup>a</sup> and all other powers enabling it in that behalf, hereby makes the following Regulations:-

**Amendment of Schedule 3 to the Law.**

1. Schedule 3 (Specified Businesses) to the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 is amended as set out in these regulations.
2. For paragraph 4(7), substitute –

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<sup>a</sup> Order in Council No. VIII of 1999; as amended by Order in Council No. II of 2005; No. XV of 2007; No. XIII of 2010; No. XI of 2011; Ordinance No. XXVIII of 1999; No. XII of 2002; No. XXXIII of 2003; No. XLVII of 2007; No. XXXVII of 2008; No. XVI of 2010; No. XXXIV of 2010; No. XVII of 2014; No. IX of 2016; No. XVIII of 2007; No. XLIV of 2018; G.S.I. No. 33 of 2007; G.S.I. Nos. 48 and 73 of 2008; G.S.I. No. 12 of 2010; G.S.I. No. 14 of 2013; G.S.I. No. 45 of 2016; and certain sections of the Law are modified in their application to external confiscation orders by Ordinance XXXIII of 1999.

"(7) A specified business must have regard to any relevant rules and guidance in the Handbook in determining, for the purposes of subparagraph (3)(c) and paragraphs 5(3)(a)(iii) and 5(3)(a)(v)(D), what constitutes reasonable measures."

3. In paragraph 5(4) –

(a) for "Subject to subparagraph (5)", substitute "Subject to subparagraphs (5) and (5A)", and

(b) in item (d), for "close associate of such a person" substitute "close associate of a person referred to in (a) or (b)".

4. After paragraph 5(5), insert –

"(5A) A person is not a politically exposed person for the purposes of this Schedule if that person –

(a) was not a politically exposed person within the meaning of regulation 5(2)(b) of the FSB Regulations or regulation 5(2)(b) of the PB Regulations, when those Regulations were in force, and

(b) ceased to be entrusted with a prominent public function in respect of the Bailiwick before 31<sup>st</sup> March 2019."

5. In paragraphs 12(1)(a) and 15(1)(a), for "management level" substitute "manager level".

6. In paragraph 21, in the definition of "beneficial owner", for "subparagraph (4)" substitute "paragraph 22", and for the definitions of "Money Laundering Compliance Officer" and "Money Laundering Reporting Officer", substitute the following –

**""Money Laundering Compliance Officer"** means a person of at least manager level appointed by a specified business to monitor compliance with policies, procedures and controls to forestall, prevent and detect money laundering and terrorist financing,

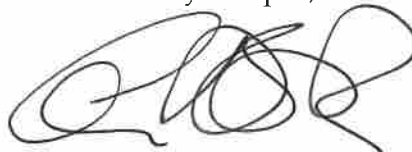
**"Money Laundering Reporting Officer"** means a person of at least manager level appointed by a specified business to make or receive disclosures under Part I of the Disclosure Law and sections 12, 15 and 15A of the Terrorism Law,".

7. In paragraph 22(8), for ""beneficial owner" means –", substitute ""beneficial owner means, for the purposes of this Schedule –".

**Citation and commencement.**

8. These Regulations may be cited as the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Regulations, 2019 and shall come into force on the 13<sup>th</sup> June, 2019.

Dated this *14* day of April, 2019



G. A. ST PIER

President of the Policy & Resources Committee

For and on behalf of the Committee

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations make minor amendments to Schedule 3 to the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 ("the Law"), which Schedule was inserted by the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2018. The changes made include making the definitions of Money Laundering Compliance Officer and Money Laundering Reporting Officer more consistent, and a minor amendment to the provisions relating to politically exposed persons (or "PEPs"). Pursuant to section 54(1A) of the Law, these Regulations shall not have effect unless and until approved by a resolution of the States.

If so approved, these Regulations come into force on the 13<sup>th</sup> day of June, 2019.

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

**POLICY & RESOURCES COMMITTEE**

**FUTURE DIGITAL SERVICES**

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "Future Digital Services", dated 30<sup>th</sup> April, 2019, they are of the opinion:-

1. To authorise the Policy & Resources Committee to enter into a ten-year contract with Agilisys Guernsey Limited for the delivery of States IT Services as set out in this Policy Letter ("the Strategic Partnership") including the provision and maintenance of the States IT infrastructure and support services, technology support for agreed transformation initiatives and delivering a programme of approved economic development initiatives, following the Committee's approval of the Full Business Case.
2. To approve the transfer to a new corporate entity of the contracts of employment of, and to make arrangements for comparable pensions for, such States of Guernsey IT staff as are identified for transfer, by way of an Ordinance made under the Transfer of Undertakings (Protection of Employment) (Guernsey) Law, 2001.
3. To approve the States having a minority "golden share" shareholding in the corporate entity referred to in Proposition 2 entitling the States, upon termination of the Strategic Partnership, to effect a share transfer of the corporate entity to the States, or to a replacement supplier of IT services to the States, for nominal consideration.
4. To note that the Policy & Resources Committee intends to use its existing delegated authority to approve funding of £1.4m from the Budget Reserve to fund the 2019 cost of the Strategic Partnership.
5. To direct the Policy & Resources Committee to include specific additional funding of £2.0m for the Strategic Partnership in the 2020 recommended Cash Limits, and to take account of the ongoing costs when recommending Cash Limits for subsequent years.
6. To approve funding from the Capital Reserve of a maximum of £26.9m for the improvement of business as usual IT services by the Strategic Partner, including

transition, transformation, and major asset investment, and to delegate authority to the Policy & Resources Committee to open capital votes for the individual projects after consideration of the appropriate project business cases.

7. To approve funding from the Capital Reserve of a maximum of £16.7m for a programme of digital transformation, and to delegate authority to the Policy & Resources Committee to open capital votes for the individual projects after consideration of the appropriate project business cases.
8. To direct the preparation of such legislation as may be necessary to give effect to the above Propositions.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.



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

**POLICY & RESOURCES COMMITTEE**

**FUTURE DIGITAL SERVICES**

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

30<sup>th</sup> April, 2019

Dear Sir

**1. Executive Summary**

- 1.1. The States of Guernsey has recognised the importance of technology as an enabler for its ambitions. Not only are effective IT services required for the day-to-day delivery of public service functions, but digital transformation is a critical component of the States' change ambitions and the achievement of the savings required through Public Service Reform. Technology also has a crucial role to play in facilitating States' policy, from enabling and informing major policy change to building an environment which stimulates the Island's economy.
- 1.2. Existing IT services are subject to a number of constraints which limit the role they can play in meeting the States' strategic goals. The organisation's IT infrastructure has been established over many years; it has limited interoperability, duplicated functionality and relies on a number of ageing and inflexible systems. The infrastructure is maintained and supported by both an in-house team, 'Information Systems and Services' (ISS), and a complex network of external suppliers. Within this support structure, there is limited capacity and expertise to efficiently resource major IT programmes, to coordinate IT development across the organisation and to progress, without delay, the multiple IT-enabled projects prioritised by the States.
- 1.3. In recognition of the limitations in current IT provision, a Future Digital Services project was established. The project's first step has been to identify a model for future service delivery capable of achieving the necessary change at pace and in a cost-effective manner. Informed by lessons learnt from past States' projects, such as the implementation of the States' core business system, SAP, and the

replacement of the Social Security Benefits IT system, the Policy & Resources Committee (“the Committee”) has overseen a rigorous procurement exercise to design and develop a model that is fit for purpose and which can meet the changing demands of the organisation.

- 1.4. The Committee has sought to provide regular updates to the Principal Committees and States Members during the development process, noting the importance of commercial confidence in relation to the procurement exercise. Throughout the process, the project has engaged with and consulted senior civil servants supporting the Committees, ensuring that the proposed model would be informed by a strong understanding of the States’ strategies, operational needs and the Island’s unique place in the world.
- 1.5. At the conclusion of the procurement process, the Policy & Resources Committee is seeking the States’ endorsement to enter a ten year Strategic Partnership for the delivery and improvement of States’ IT services. The Partnership will leverage the full breadth of the States and the partner’s skills and experience to transform digital services in the organisation. As the strongest performing bidder, the Committee has selected Agilisys Limited (“Agilisys”), a leading UK based technology company, as the preferred Strategic Partner. Fujitsu Services Limited (“Fujitsu”) has been selected as the Reserve Bidder. Should a Strategic Partnership be agreed, but the contract with Agilisys not be completed, the Committee intends to further explore a partnership with Fujitsu rather than conduct additional procurement activities. Under the States’ direction the Strategic Partner will manage and assure an organised network of key sub-contractors and suppliers to ensure that the States has reliable and wide-reaching access to best-practice, including in specialist areas.
- 1.6. Within the Partnership, the States will retain control of IT strategy and standards and the prioritisation of projects. Agilisys will be responsible for the delivery of high quality day-to-day IT services, including the provision and maintenance of the States’ technical infrastructure and the management of the supply chain. Agilisys will also be awarded ‘preferred supplier status’ to support the IT change needed to achieve the States’ transformation ambitions.
- 1.7. In order to achieve the objectives of the Policy & Resource Plan and the objectives of the framework for Public Service Reform, the States has commissioned multiple large-scale transformation programmes, including programmes to transform the Island’s health and care services, its education and training services and to redesign the structure of the public service. Fundamental to delivering these programmes is the use of new and improved technology to help change how services are designed, accessed and delivered. This ranges from large scale technology replacements to the automation of transactional processes to release posts. The services available within the proposed Strategic

Partnership, namely the transformation of business as usual IT services, the delivery of new and improved technology products and capabilities, and the support to re-design and operate digital services, are critical to achieving these reform ambitions and realising the desired improvements in customer satisfaction, staff engagement and value for money. The Propositions associated with this Policy Letter include a funding request to support digital transformation projects which will enable Public Service Reform.

- 1.8. The supporting services provided by the Strategic Partnership will enable each Committee to drive operational reform, as well as enhancing the common infrastructure and applications available to each Committee. This will range from support for defined transformation programmes, such as the delivery of the Partnership of Purpose, the Education Digital Road Map and the Revenue Service programme, to the changes needed to address technology shortcomings such as those identified in Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services' ("HMICFRS") inspection of Law Enforcement. The Partnership will also establish the technology foundation required for Committees to introduce common customer services and digital channels, for example digitising transactional processes across the States' services and providing a single sign-on service.
- 1.9. It is recognised that this is not just an IT project. Although technology enhancements are a major component, business change and transformation will need to be led by the Committees involved, including where these activities form part of a Committee's defined transformation programmes. Successful delivery and benefits realisation will require organisational and cultural change well beyond the proposed changes to IT service provision and leadership from both the States and senior public servants. Whilst the Partnership will provide greater access to business transformation and IT change experts and, over time, will help to release resource through the digitisation of services, capacity and support will be required from officers across the States to deliver on the potential of the Partnership.
- 1.10. Embedded within the Strategic Partnership is an expectation of continuous investment in the local digital sector. Agilisys, working alongside States staff, has identified multiple initiatives through which it will deliver this commitment. The company intends to establish MedTech (medical technology) and FinTech (financial technology) innovation hubs in the Island in order to stimulate and nurture local business development. These hubs will be complemented by skills development opportunities, including apprenticeships. The Partner will also provide infrastructure improvements and Island promotion, including the provision of a States of Guernsey Economic Development office on the new Imperial College London campus at White City. The full programme of initiatives is aligned to, and will support, the delivery of the Economic Development

Strategy approved by the States in July 2018<sup>1</sup>.

- 1.11. The proposed relationship with Agilisys recognises the risks associated with a Strategic Partnership and learns from previous examples of partnership and outsourcing in the States and other jurisdictions. The Partnership emphasises strategic alignment and mutual goals and is intended to evolve and adapt as the States' needs change. A small expert team will be retained within the States to provide service assurance and strategic direction. The team will be responsible for the day to day management of the contract, with political oversight and control provided by the Policy & Resources Committee. The proposed Strategic Partnership includes a detailed performance management regime, regular opportunities for review, and, should they be required in the interests of the States, a comprehensive set of exit provisions. To support the exit arrangements, Agilisys will be granted the right to use States' assets rather than the direct ownership of assets.
- 1.12. The project has given particular consideration to employee transfer in order to manage the risk to service continuity whilst respecting existing employment rights. The Committee is proposing that all in-scope employees are transferred to a new corporate entity by an Ordinance made under the Transfer of States Undertakings (Protection of Employment) (Guernsey) Law, 2001. The entity will act as the employer for any staff spending more than 50% of their time on States IT delivery. Both the States and Agilisys will own shares in the entity, with the States having a small minority (the 'golden share'). Control and supervision of Agilisys' performance will be through the contract and not via this shareholding. The use of the entity will enable equivalent terms and conditions and pension provisions to be retained by current staff. The 'golden share' entitles the States to affect a share transfer of the corporate entity to the States, or to a replacement supplier, for nominal consideration upon termination of the services contract, helping to protect future service continuity.
- 1.13. The Strategic Partnership will deliver a wide range of benefits to the organisation and to the Island. These benefits are aligned to the strategic objectives of the States. The Partnership will:
  - Protect the continuity of public service functions by mitigating the risks associated with ageing IT systems and complex support arrangements;
  - Support staff to do their job efficiently by providing reliable access to effective and fit-for-purpose technology;

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<sup>1</sup> [Billet d'État XVIII 2018 Economic Development Strategy -gov.gg/CHttpHandler.ashx?id=113298&p=0](http://gov.gg/CHttpHandler.ashx?id=113298&p=0)

- Improve customer experience by enabling the digitisation and re-design of processes so that they are easier to use, available at any time and tailored to meet individual customer needs;
- Accelerate the delivery of change and transformation projects by providing a flexible technological foundation to support IT change and by offering ready access to the resource and expertise necessary to progress change initiatives. This will speed up the realisation of benefits from projects, for example by supporting the automation of transactional processes to facilitate the release of public service posts within the organisational redesign project;
- Stimulate the local digital sector to support the growth and diversification of the Island's economy; and
- Ensure greater value for money from States' IT spend, delivering more modern and fit-for-purpose IT services with an average annual cost comparable to the current spend. This will be achieved by making use of economies of scale, reducing duplication and embracing modern technological opportunities.

1.14. In order to achieve these benefits, the Strategic Partnership will require funding for both the ongoing service delivery costs and for infrastructure improvement. The table below illustrates the funding required to support the Strategic Partnership.

Cost Element	Total (£m)	Purpose
Annual IT running costs	£154.1 in total.	This funding will support the day-to-day delivery of modernised and fit-for-purpose IT services. It takes into account the savings from reduced power usage.
FDS Project Planning Costs	£1.2	This funding accounts for the seed funding spent on the FDS project to date.
Transition Costs	£3.1	This funding supports the transfer of core service provision from the States to Agilisys, applying corrective fixes as necessary.
Transformation Costs	£13.7	This funding will support IT transformation, focusing on improved user experience, improved network connectivity, and enhanced security management and monitoring.
Initial Infrastructure Asset Investment	£8.9	This funding will allow immediate investment in the States' core IT infrastructure and hardware assets to ensure that they are fit-for-purpose.
<b>Total: £26.9m - Proposition 6</b>		

Cost Element	Total (£m)	Purpose
Digital Transformation	£16.7	This funding will support the delivery of prioritised digital transformation projects within the framework for Public Service Reform.
<i>Proposition 7</i>		
Infrastructure and Asset Refresh	£11.1	This is the anticipated funding required from minor capital which will be used for ongoing infrastructure and hardware asset refresh over the course of the contract. It does not exceed the current IT minor capital allocations.
Future Infrastructure Asset Investment	Approx. £9.1	This is the predicted funding required for investment in core States infrastructure from 2021 onwards.
Economic Initiatives	-	Agilisys has committed to contributing 2% of revenue earned under the Strategic Partnership contract towards Economic Development.

- 1.15. Whilst, over the life of the partnership, the revenue cost is £5.9m less than the cost of the current baseline, there is a requirement for additional funding of £1.4m in 2019, £2.0m in 2020, and £0.9m in 2021. In respect of 2019, the Committee intends to use its existing delegated authority to approve funding from the Budget Reserve. The Committee recommends that appropriate allowance is made within future recommended Cash Limits from 2020 onwards to account for this requirement. This additional allowance will temporarily increase the total Cash Limits allocated.
- 1.16. The predicted savings of £5.9m reflect the difference between Agilisys' offer and the organisation's current spend on IT services. This baseline, however, is a simplified comparator and does not reflect the likely increase in IT costs that would occur over this period if the operating model did not change. If the Strategic Partnership is not pursued, the States' current IT model would need further revenue in order to address the increasing demand for data and resource and to continue to manage and maintain ageing systems. By way of illustration only, if the baseline costs were increased by 2% annually to reflect the projected cost increases, the overall savings on business as usual IT services would increase from £5.9m to £19.1m.
- 1.17. A total of £43.6m of funding (to support seed funding, transition, transformation, initial infrastructure investment and digital transformation) is requested from the Capital Reserve for projects initiated within the current capital portfolio period. This includes £16.7m for digital transformation projects and £26.9m for

improvements to business as usual services. Further funding requests will be submitted for infrastructure required in the next capital portfolio periods.

- 1.18. The propositions include giving the Policy & Resources Committee delegated authority to open capital votes subject to the approval of appropriate business cases. Any requests for funding for projects which are part of the mandated responsibility of the Committee follow the same processes and procedures, and are subject to at least the same level of officer and political review and challenge as those requests submitted by other States Committees. These projects would also benefit from independent challenge and scrutiny in the same way as those led by other Committees and States' bodies. The significant investment in IT services proposed within this Policy Letter will represent extensive improvements across all of the States' service areas and will ensure that IT provision can support future needs.
- 1.19. Overall the Strategic Partnership represents an important and vital step towards improved digital services - services which are capable of meeting the needs of a modern organisation and delivering value to the States' customers and the Island. The engagement with Agilisys will allow the States to de-risk its services, make the most of the available technology opportunities and realise the full benefits available from its strategic ambitions. This Policy Letter describes why change is needed, the solution that Agilisys will provide, the benefits of the Strategic Partnership and the funding that is required. A glossary has been included at Appendix 2.

## **2. The Problem and the Opportunity – why is change needed?**

- 2.1. Effective, reliable and reactive digital services are critical to the proper functioning of government. Such services have the potential to enhance day-to-day functions, enable significant policy change and operational transformation, and to support and stimulate the local economy. The current delivery model for the States' IT services however, does not fully leverage the opportunities available to the organisation.
- 2.2. Strategic context - what does the States require from its digital services?
- 2.3. All services delivered by the States, in both Guernsey and Alderney, are underpinned by technology. Each service has infrastructure needs, such as data centres, networks, equipment and software; and service support needs, with ongoing engagement required to fix errors, update systems, or help users. It is essential that the States continues to sustain its core functions efficiently, securely and at a sustainable cost. The provision of existing services however, is not the only demand on IT delivery, and alone is not sufficient to facilitate modern and effective public services.

- 2.4. Rapid technological development has created new opportunities. Artificial intelligence, mobile computing, online services, cloud-based computing and enhanced data management have the potential to greatly improve the services provided to customers, generate significant savings, and enable more informed and flexible policy making. This potential has been recognised within the States' strategic forecasting and forms part of its plans to meet Island needs.
- 2.5. The Policy & Resource Plan<sup>2</sup> describes the vision of the States, *"to be one of the healthiest and happiest places in the world, where everyone has an equal opportunity to achieve their potential"*, and prioritises the major policy initiatives required to progress the State's ambitions. Using technology in a smarter way will enable these policies to be translated effectively into better public services, a process which is guided by the framework for Public Service Reform<sup>3</sup>.
- 2.6. Delivery of the Public Service Reform framework will help the States' to address challenges such as shifting demographics, global economic competition and evolving community and business requirements. It sets out a ten year plan to transform the organisation and the management and delivery of public services to help achieve the States' priorities, including a number of major transformation programmes which act as delivery vehicles for the outcomes set by the States.
- 2.7. The majority of the constituent priorities and transformation programmes in the Policy & Resource Plan and the Public Service Reform framework are enabled by technology. For example, technological development is required to deliver the programmes which have been commissioned to transform the Island's health and care services (the Partnership of Purpose) and its education and training services (Transforming Education), to meet customer expectations for integrated online services, and to make the organisational reform necessary to support the £26m savings target in the Medium Term Financial Plan ("MTFP")<sup>4</sup>. Effectively delivering these priorities will require the States' core infrastructure to work as a cohesive whole, systems will need to be modern and flexible, services will need to be digitised, and experienced resource will need to be available to lead and implement change.
- 2.8. The States' strategic aims for economic development are particularly influenced by digital service delivery, as recognised in the Economic Development Strategy<sup>5</sup> agreed by the States. The Digital Sector Strategic Framework<sup>6</sup> is a key priority in the Economic Development Strategy and identified a number of actions that the

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<sup>2</sup> [Future Guernsey - Policy & Resource Plan - www.gov.gg/policyandresourceplan](http://www.gov.gg/policyandresourceplan)

<sup>3</sup> [A Framework for Public Service Reform 2015 – 2025 - www.gov.gg/change](http://www.gov.gg/change)

<sup>4</sup> [Medium Term Financial Plan \(as amended\) - https://www.gov.gg/mtfp](https://www.gov.gg/mtfp)

<sup>5</sup> [Billet d'État XVIII 2018 Economic Development Strategy -gov.gg/CHttpHandler.ashx?id=113298&p=0](http://gov.gg/CHttpHandler.ashx?id=113298&p=0)

<sup>6</sup> [The Digital Sector Strategic Framework - https://www.gov.gg/CHttpHandler.ashx?id=107224&p=0](https://www.gov.gg/CHttpHandler.ashx?id=107224&p=0)



government must undertake to make Guernsey a location of choice for digital businesses. The framework sets out objectives that include direct government support to stimulate the digital economy, a digitally visionary government, a flexible and world-class digital infrastructure, best in class digital skills, education and training, and a high quality cyber security environment. An optimal digital services delivery model would support the States to deliver these goals and to realise the associated economic benefits.

- 2.9. In summary, there are significant benefits available to the States through the delivery of resilient, reliable and cost-effective day-to-day IT services, the use of technology to enable and accelerate change ambitions, and the provision of targeted initiatives to stimulate the local economy. The current delivery mode however, does not readily enable these benefits to be realised.
- 2.10. The current model – do current arrangements support the delivery of technology-enabled benefits?
- 2.11. Over the last few years, the States has invested heavily in an IT recovery and stabilisation programme to ensure that it has a comprehensive understanding of the organisation's technology dependencies and to address critical weaknesses. This has included the urgent technology upgrades required to support multiple critical systems, from the patient administration system in Health through to the integrated learning environment used in Education. At the same time, significant attention has been given to providing the legislation, policy and tools required for effective data protection and cyber security. This work has succeeded in stabilising existing IT provision and ensuring that States' data is safe and secure. The focus now needs to change from stabilisation to proactive development. Existing infrastructure and support services impose a series of constraints on service delivery that limit the role technology can play in the delivering the States' goals and which will expose the organisation to increasing risk over time.
- 2.12. The States of Guernsey's IT infrastructure is large and diverse. It has developed in separate service areas over many years resulting in widespread duplication and very limited interoperability. Relative investment has varied between service areas and a number of services depend on outdated or legacy IT systems, such as the income tax administration system in the Revenue Service and the patient administration system in Health & Social Care. Often these systems have had to be heavily customised which makes them very difficult to maintain or update and prevents services from being re-designed to meet changing customer needs. In addition, some key components of the IT infrastructure are at capacity or reaching end of life, including the main data centres in Sir Charles Frossard House and Edward T Wheadon House.
- 2.13. The infrastructure estate is supported by a combination of an in-house corporate

IT function, ISS, and a complex supply chain of specialist external providers. The ISS team provides strategic direction, 'business as usual' support functions, information assurance, and some project delivery support. With the team's current capacity, resources are focused on supporting existing systems and services. There is very limited resource to support any of the major change programmes and the current structure does not have the ability to efficiently flex resource levels to reflect the peaks and troughs of change-based work.

- 2.14. External suppliers are contracted to provide expertise, capacity and skills that cannot be delivered in-house. The States' extensive network of providers has developed over time, suppliers work to different terms and conditions and with different contract management arrangements. This structure results in duplicated effort and is expensive to maintain, as well as resulting in inconsistent access to best practice across the organisation and not effectively leveraging supplier's knowledge of the States. Single-supplier dependencies have also built-up where bespoke or ageing systems are in place, exposing the model to greater risk.
- 2.15. The existing infrastructure and varied network of suppliers also prevents the organisation from effectively utilising its spend on IT to benefit the local economy. Annually, the States' revenue spend for IT is approximately £16m, however this funding is spread across a large number of diverse services and contracts and does not effectively feed back into the Island. The current model includes limited investment in skills development and emerging technologies, and the existing infrastructure does not actively encourage digitally driven business in the Island.
- 2.16. A fundamental refocusing of the organisation's IT services will be necessary to successfully deliver IT-enabled benefits, moving from the current focus on maintaining existing services to a focus on delivering digital transformation and stimulating the digital sector. As has been recognised through work on Public Service Reform framework, this change will need to be accompanied by an investment in employees across the public service to develop the capability and capacity to identify and drive benefits from technology.

### **3. The Aim – what needs to be achieved through change?**

- 3.1. In recognition of the limitations of existing digital service provision, a Future Digital Services ("FDS") project was established to investigate the options for States' IT improvement and recommend a solution.
- 3.2. Based on the project's strategic framework and the IT requirements of the organisation, the Policy & Resources Committee defined a project scope which covered three key 'pillars';

- **Pillar 1: ‘Business as Usual’ IT** – the day to day service received by States IT users,
- **Pillar 2: Change and Transformation** – the technological enablement and acceleration of key change initiatives, including the provision of technological and advisory solutions required to enable the States’ programme of Public Service Reform and major policy priorities;
- **Pillar 3: Economic Development** – the development of, or investment in, services within Guernsey in a manner that will enhance its economy.

The scope of the project includes all contracts managed by ISS and all States IT services, with the exception of those used solely by incorporated Trading Assets, the current support provided to the College of Further Education, and the high-security systems used by Home Affairs which are directly supported by UK Government agencies. It also includes the IT support currently provided to some non-governmental organisations.

- 3.3. Linked to the three pillars, five specific objectives were established for the project. That:

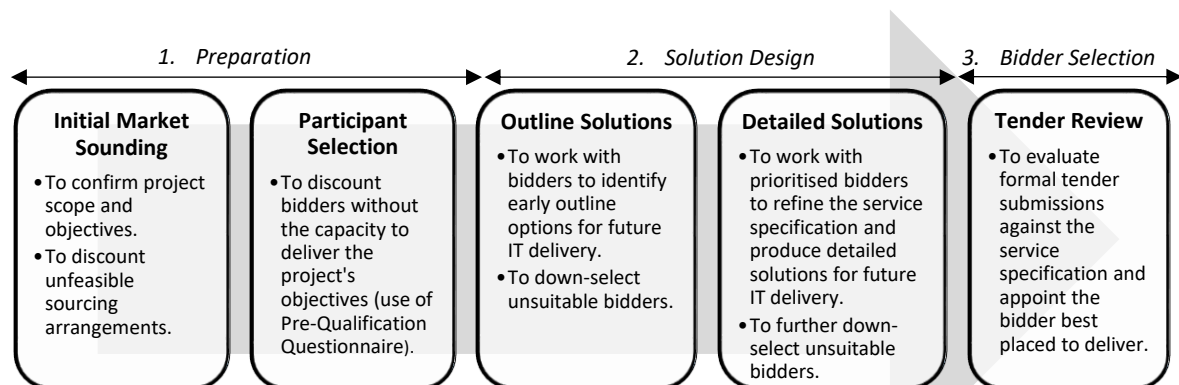
<b>Pillar 1</b>	1. Existing systems and services are provided to a consistent and sufficiently high quality that end-users perceive them to ‘just work’;
	2. The delivery of existing systems and services is done at a price point that delivers savings for the States;
<b>Pillar 2</b>	3. States IT provision enables identification and adoption of best practice, thus allowing the States to deliver Public Service Reform;
	4. IT provision supports the organisational reform necessary to deliver the £26m savings target set out in the MTFP; and
<b>Pillar 3</b>	5. States IT provision is able to play a significant role in the States’ stimulation of the digital economy, a sector which has the potential to support the growth and diversification of Guernsey’s economy.

- 3.4. The first step within the project has been to establish a new model for service delivery. The model is intended to facilitate and direct all future change efforts and provide an optimum balance of benefits across the project’s objectives. To identify this model, the Committee commissioned an extensive development process informed by an evaluation of the States’ needs and the knowledge and experience of industry experts. To date, the Committee has approved budget of £1.2m for FDS project planning.
- 3.5. This process included regular engagement and dialogue with other Committees of the States and with the senior civil servants that support them. It also included

the use of significant policy initiatives developed by the Committees as case studies and to help assess the potential supplier's capability, for example the transformation planned in health and social care, in education, in criminal justice and in economic development.

#### 4. The Development Process – how was a feasible model identified?

- 4.1. From the outset of the FDS project, the Committee recognised that the States would require the support of external suppliers to deliver some, if not all, of its digital services. Based on this understanding and following an initial market sounding exercise conducted in late 2016, the Committee chose to frame the development of a future model around a multi-round procurement process, the aim of which would be to assess the types of supplier relationship that would be feasible and desirable for the organisation, and to potentially select a provider to help the States realise its objectives.
- 4.2. By structuring the solution development around a detailed and thorough procurement process, the Committee was able to ensure that the final model would be informed by the combined knowledge and experience of multiple potential suppliers and that any assumptions of the States' requirements would be tested over time.
- 4.3. The chosen procurement process was informed by international best practice, adapted to meet a States of Guernsey context. The approach consisted of three main stages: preparation, solution design and bidder selection.



**Figure 4.1:** An overview of the procurement process used to support service solution development.

- 4.4. The process included engagement with over 26 suppliers, including a wide range of market leaders and local business representation. Bids were assessed against

their ability to deliver the aims of the FDS project, their compliance with technical criteria and service standards, and the value for money and affordability of the proposals. Significant due diligence and financial review was carried out on the potential suppliers.

- 4.5. Parallel to the externally focused procurement process, an internal option for operational improvement, the 'Internal Improvement Model', was developed by an in-house team supported by independent consultants. This model demonstrated the benefits available without a partnership and was intended to provide an alternative should the States choose not to award a contract to an external bidder.
- 4.6. The development process was led by the Chief Information Officer, supported by stakeholders from across the organisation including IT professionals, the Corporate Procurement Team and subject matter experts in transformation and service delivery. As the organisation's experience of assessing complex technology proposals is relatively limited, independent advice and quality assurance was provided by an arm of the Society of Information Technology Managers (SOCITM Advisory), a professional body for people involved in the leadership and management of public service IT and digitally enabled services. SOCITM Advisory has also supported wider assurance reviews of the FDS project.
- 4.7. The rigorous development process was completed in April of this year with the conclusion of the tender review stage. The process achieved its aim and has successfully identified the most feasible sourcing relationship for the organisation and selected a very strong bidder capable of helping the States realise its objectives. States endorsement is now required to progress the selected model from development to implementation.

## **5. The Future Delivery Model – what will change look like?**

- 5.1. Following the results of the development process, the Committee is seeking the States' endorsement to enter a Strategic Partnership with Agilisys Guernsey Limited, a specially established company owned by Agilisys Limited. Agilisys Limited is a UK based technology company with a strong track record of successful partnerships in the public sector.
- 5.2. A second bidder, Fujitsu Services Limited, has been appointed as the Reserve Bidder. If the States agree to the principle of a Strategic Partnership but the contract with Agilisys is not completed, the Committee intends to explore a relationship with the Reserve Bidder, rather than holding a further competitive procurement process.

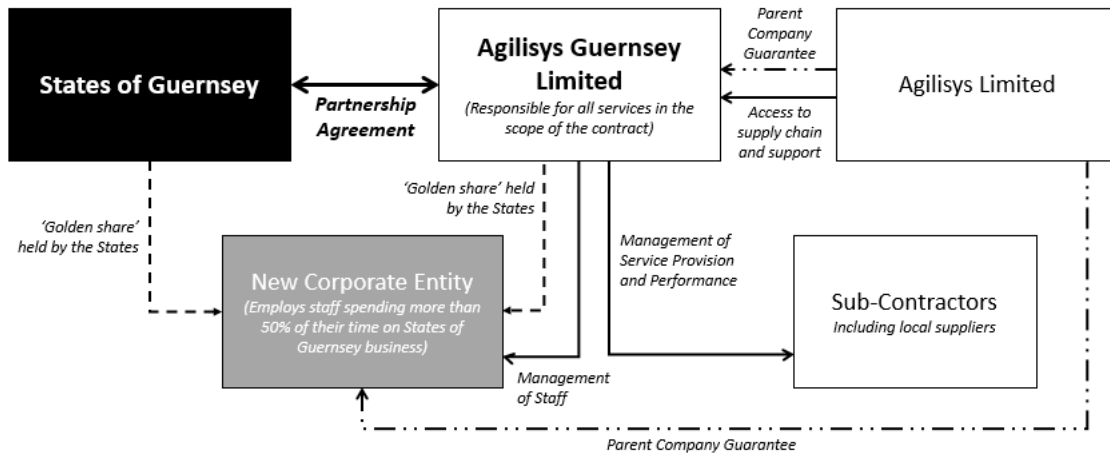
- 5.3. Throughout the process, Agilisys and Fujitsu were able to consistently demonstrate that they had the technical capability, capacity and the industry relationships necessary to meet the States' IT needs. Agilisys, however, was the higher scoring bidder.
- 5.4. Within the Partnership, Agilisys will deliver important services against each 'pillar' of the project's scope.

<b>Pillar 1</b> Business As Usual IT Services	Agilisys will assume responsibility for end-to-end IT services across the vast majority of the States' operations (excluding the incorporated trading assets). It will manage and enhance the States' IT infrastructure, and the associated support services and supply chain, to ensure that the organisations' digital services are flexible, fit-for-purpose and deliver value for money. Agilisys will be required to resolve any service failures attributed to the company.
<b>States Role</b>	The States will retain control of the overall IT strategy, have final say in key procurement decisions and set and assure the service standards that Agilisys will need to meet. The States retains a team of IT experts under the direction of the Strategic Lead for Digital to manage the day to day provision of services.
<b>Pillar 2</b> Enabling and Accelerating Change	Agilisys, alongside specialist partners, will advise on and support the delivery of key digital enablers, helping to identify and implement the technological components of significant transformation efforts, such as those required by the Public Service Reform framework. By delivering support to the States' in an expert, efficient and cost effective manner and by actively building-up capability within the organisation, Agilisys will support the rapid delivery of States' goals.
<b>States Role</b>	The States will develop, prioritise and control the programmes of change. The prioritisation process will be overseen by the Policy & Resources Committee in line with the strategic priorities and objectives set by the States. Agilisys will be the preferred (but not exclusive) supplier for any IT enablement work required within the programmes. States resource will work alongside, and learn from, the Partner to increase internal capability.
<b>Pillar 3</b> Stimulating Economic Growth	Agilisys will invest in an ongoing programme of economic development activities aimed at increasing digital skill in the workforce, improving the infrastructure available for local businesses and providing opportunities for digital businesses on-island.

<b>States Role</b>	The programme of work delivered by Agilisys will contribute to the outcomes of the States' Digital Framework. Any initiatives co-developed with the States of Guernsey will need to follow the relevant States approval pathway and will require the endorsement of the Committee <i>for Economic Development</i> .
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- 5.5. In order to augment its own capabilities and ensure that the States can benefit from leading expertise across its digital service provision, Agilisys will manage a coordinated network of sub-contractors and suppliers, including specialists in SAP, telecommunications and data security. This network is expected to include extensive representation from local suppliers.
- 5.6. To ensure service continuity is protected and employee rights are preserved, it is proposed that States IT staff are transferred to a separate corporate entity using the Transfer of States Undertakings (Protection of Employment) (Guernsey) Law, 2001. The entity will exist primarily for the employment of staff, will be separate and distinct from Agilisys and the States, and, for current employees, will offer terms and conditions equivalent to those presently enjoyed by staff members. Both Agilisys and the States will own shares in the entity; however the States will have a small minority (a 'golden share') which will allow staff to be easily transferred back to the States or to an alternative supplier if it is in the States interests to do so (further detail on staff transfer and the proposed Ordinance is available in section 10.14-10.22).
- 5.7. Control and supervision of Agilisys' performance will be through the partnership agreement, not through the States' shareholding in the corporate entity. The contract form used is robust and is based on a UK government form, tailored as necessary, with a number of public sector protections. In order to ensure that the States' can fulfil its role effectively, it is intended to retain a small team of IT experts within the organisation. This team will make up the Retained IT Function. Members of the function will assure the work of the Partner and will be accountable to the States' Strategic Leadership Team for the management and performance of the contract with Agilisys.

5.8. Figure 5.1 summarises the structure of the partnership with Agilisys.



**Figure 5.1: Structure of the Partnership**

5.9. The Partnership will be for a ten-year term (with an option to extend by two years if the States so decides). A contract of this duration will ensure that new services can transition and embed. It will provide sufficient time for the States to benefit from the knowledge gained by Agilisys and from the economies of scale available to the company. The length of the contract also allows time for future infrastructure refresh, stopping the States from re-entering a cycle of significant investment followed by decline. Flexibility will be built into the contract to ensure that the services provided by Agilisys continue to meet the States' needs and an option for termination will exist should the Partner fail to meet the States' requirements.

5.10. An ongoing process of due diligence has been carried out on Agilisys. This commenced with a series of checks during the participant selection stage of the procurement process in late 2017. More recently, it included a robust set of reference site visits which assessed all key aspects of the Partner's ability to deliver the services needed by the States and formed part of the evaluation methodology. This due diligence has considered financial, legal and contractual (including all historic and current legal cases involving Agilisys), technical and governance matters. The financial due diligence included an analysis of Agilisys' audited accounts, assessment of both its current financial performance and the security held against its assets, and the credit reports associated with its group companies. No concerns have been identified through the due diligence process. As part of the last contract negotiation phase, the project will conduct a final iteration of due diligence.

5.11. The following sections describe the proposed solution in more detail, including the benefits available and the evidence behind key choices. The Full Business



Case for the FDS project has been made available to States Members. Should the States authorise the Strategic Partnership, the Business Case will be updated following the final contract negotiations and will require final approval by the Committee, including the final assurance review, before contract signature.

**6. The Sourcing Arrangements – why does a Strategic Partnership represent the most feasible option to achieve the States’ objectives?**

6.1. At the start of the project, the following four sourcing arrangements were considered in scope:

- **Internal Improvement** – In this option, the service solution would be delivered through internally-led efforts to enhance the current model of IT provision. As at present, services would be provided by a combination of an internal delivery team and various external suppliers as and when required;
- **Service Delivery Partnership** – This option would comprise a contract with an external partner to provide IT staffing resources only. Infrastructure provision would not be included within the partner’s responsibilities;
- **Strategic Partnership** – In this case, a contract would be entered into with an external partner for the end-to-end provision of IT, including the provision of IT infrastructure. Within this relationship, the two parties would work together to reach common goals; and
- **Joint Venture** – This option would involve the creation of a Joint Venture with an external partner for both IT service support and the provision of IT infrastructure. The Joint Venture would include shared ownership, shared returns and risks, and shared governance.

6.2. Over the course of the development process, sourcing arrangements were discounted based on their ability to deliver the States’ aims and their achievability within the market place.

6.3. Two sourcing options were discounted at the initial market sounding stage; Service Delivery Partnership and Joint Venture. Whilst feedback from potential bidders suggested the market was capable of providing a Service Delivery Partnership, the value of the contract was considered unlikely to attract strong competition. In addition, the relatively small size of a staffing-only contract was not considered sufficient to encourage the additional investment required to support service transformation and local economic stimulation.

6.4. The market testing also showed no support for entering a Joint Venture with the States, this is reflective of a general trend in public sector procurement where

lessons learnt from previous Joint Venture experiences are leading both authorities and private sector suppliers to contracts with more flexible outcomes and time scales. As the States is unlikely to be able to contribute significant capital to the venture, both in terms of monetary contribution and market access, entering such an arrangement would likely require additional governance overheads relative to other options and would provide little additional benefit to either party.

- 6.5. Within the same stage, initial support was provided for the Strategic Partnership option. Suppliers recognised that partnership would provide greater flexibility than a Joint Venture vehicle and had the potential to provide a more cohesive model for innovation, development and mutual benefit than a simple service delivery model. Feedback from suppliers suggested that, in order to achieve all of the States' objectives, any Strategic Partner would likely need to be supported by a mix of on and off-island organisations, providing the benefits available from the scale and reputation of a leading partner with the insight and responsiveness of local and specialised services.
- 6.6. Whilst evaluation of the Internal Improvement Model in the market sounding exercise raised concerns about its capacity to stimulate economic development and provide effective support to Public Service Reform, the option was considered a useful comparator against which to assess external proposals and an important alternative for the delivery of Business as Usual IT services. The development of the model was continued alongside a formal procurement process to identify the Strategic Partnership options.
- 6.7. The formal procurement process saw solution design take place over a number of rounds of dialogue and discussion, ensuring that potential partners had a detailed understanding of the States' needs. The Internal Improvement Model option went through a parallel development process. The option was not intended to describe how the status quo might continue, instead it represented a significant change from today's service model and embraced new technological opportunities and ideas.
- 6.8. Evaluation of the Internal Improvement Model option, both internally and by SOCITM Advisory, however, showed that it would require considerable work and expense to before it could be implemented. It was determined that the proposed model would take approximately two years to implement any improvements to business as usual IT, which would cost £4.5m in staffing costs alone. Furthermore, the model would not free up any resource for transformation initiatives for the two years in which business as usual improvements were being made; a severe delay considering the significant change programmes and strategic objectives that depended on technological enablement. By its nature, the Internal Improvement Model was also unable to provide a meaningful

mechanism by which it could contribute to economic growth in the Island and risked drawing vital digital service skills out of the local digital sector.

- 6.9. The position of the Internal Improvement Model was in contrast to the Strategic Partnership option. Two potential Strategic Partners were able to offer robust solutions capable of delivering against the project's aims. The implementation of each solution was able to start immediately, facilitating the progress of change and the delivery of transformation within more acceptable timescales, and each of the solutions was judged to be affordable to the States. Both potential Partners had also proposed multiple initiatives capable of stimulating the local digital economy and had illustrated how they would leverage their expertise and international standing to the advantage of the Island.
- 6.10. Based on the assessment of the detailed solutions, a Strategic Partnership was identified as the sourcing arrangement able to deliver the best value to the Island. The Committee chose to suspend the development of the Internal Improvement Model and elected to engage with the two potential partners in the final tendering process. If the States' chooses not to enter a Strategic Partnership, the Internal Improvement Model will need to be developed further.

## **7. The Strategic Partner – who is Agilisys Limited?**

- 7.1. Agilisys Limited was the better performing partner at tender. The solution put forward by the company was informed by its considerable experience of IT delivery, change and transformation in public sector organisations, as well as by its close relationships with other leading technology organisations. Agilisys Limited intends to set up Agilisys Guernsey Limited specifically to manage the relationship with the States of Guernsey and with its partners.
- 7.2. Agilisys is a UK based, employee owned company specialising in the provision of IT services and digital transformation in the public sector. The company has a strong reputation for delivering technology enabled change and innovation, particularly within local and central government, schools, police, and healthcare organisations, including work with local councils, the Legal Aid Agency and the NHS Business Services Authority. An important principle of Agilisys' partnership working approach is to complement and not compete with local companies wherever possible.
- 7.3. Throughout the UK, Agilisys is involved in a range of long-term partnerships in the public sector, including established relationships with the City of London Corporation, City of London Police, North Somerset Council, and the London Borough of Barking and Dagenham. These partnerships have delivered significant savings, helped to create digitally-based customer services and have

fed back into digital support for the local economy. Across its partnerships, a key principle of Agilisys' working approach has been to complement and not compete with local companies wherever possible. Over the course of the development process, the project team visited these sites and saw first-hand Agilisys' contribution to their success.

- 7.4. Many of Agilisys' partners faced similar challenges to those experienced by the States. When the company partnered with the City of London, the corporation's IT infrastructure was reaching the end of life and did not effectively support staff to work across the 120 different sites used by the corporation. Agilisys worked with the City of London to move from a model based on on-premises data centres to the use of cloud-based systems and services, including the implementation of Office 365. This work transformed how staff were able to work and interact and enabled more flexible and efficient services.
- 7.5. Like the States, the customer services of North Somerset Council were focused around costly traditional engagement channels. Agilisys supported the Council to achieve its ambition to shift both staff and customers to a 'digital-first' approach; enabling the Councils' teams to drive uptake of new digital channels through effective public communication and by embedding a working culture focused on giving high-quality guidance to the community. These improvements have reduced the Council's reliance on traditional support channels and saved over £800,000 to date. The Council now aims to have more than 70% of households signed-up to online services by 2020.
- 7.6. The London Borough of Barking and Dagenham entered a long-term partnership with Agilisys to deliver transformational improvements in services and generate the savings necessary to address the growing financial pressures on the council. Agilisys' helped to develop the Ambition 2020 transformation programme which set out to design services around customer need rather than departmental silos. Through this programme, Agilisys' introduced a new operating model and designed, delivered and optimised new services. The programme is predicted to deliver recurring annual savings of £50m.
- 7.7. To ensure that the States has reliable and wide-reaching access to best-practice, even in specialist areas, Agilisys will lead an organised network of suppliers as its sub-contractors, including on-island organisations wherever possible. Some suppliers will play a more active role and will be appointed as key-subcontractors. Each supplier will be managed and assured by Agilisys and will deliver services aligned to their own knowledge and experience. Agilisys and its supply chain will be committed to knowledge transfer, seeking to upskill the Island IT community and the States workforce to minimise future reliance on off-island resources. Whilst Agilisys will be the States' contracted partner and will be

responsible for the performance of any sub-contractors, the States will retain control over key procurement decisions.

- 7.8. Agilisys will also be supported by the experience of the wider Blenheim Chalcot family of businesses, of which Agilisys is a member. Blenheim Chalcot specialises in building digitally-enabled businesses. Following established and proven methodology, the company supports these businesses to take them from initial idea, into start-up and scale-up, right through to full enterprise scale. The company has built over 40 businesses in a variety of sectors, including technology, financial services, education, travel, software, sport and media. Blenheim Chalcot and particular companies within their portfolio will have specific and contractually defined roles in supporting Agilisys' contributions to economic development on the Island.
- 7.9. Agilisys used its extensive experience within the UK public sector and the specialist advice of partners and local organisations to help the States develop an IT service solution tailored to its needs and which drives a large number of the benefits available from a Strategic Partnership.

**8. The Solution – what will a partnership with Agilisys provide? What benefits does this deliver?**

- 8.1. The solution co-developed with Agilisys is based on the three pillars of the project's scope; business as usual IT services, enabling and accelerating change and Public Service Reform and stimulating the local economy. The solution to each pillar has been designed in tandem and following a consistent set of principles. These principles support the aims of the project and ensure that the solution is aligned to the States' priorities and needs:
- **Co-design and co-deliver** – The solution will be developed and implemented through collaboration between the States and Agilisys;
  - **Integration** – The approach to each pillar has been designed to complement and support the other pillars, providing a cohesive solution which meets all of the States' IT requirements and which will work holistically with other States operations;
  - **People Matter** – The solution emphasises employees' interests and invests in opportunities for development and training;
  - **Business Focus** – The approach prioritises achieving business outcomes and better services, using technology as an enabler and recognising that change management, organisational engagement and communication are key to success;

- **Measure and Manage** – Robust measurements will be used to drive performance and identify problem areas or opportunities for improvement;
- **Perception Matters** – The focus will be on delivering services that work for the user, with user perception being used as a key measure of success;
- **Proportionality** – A proportional approach and level of governance will be applied that reflects the relative complexity and scale of the States;
- **Flexibility** – The solution will be sufficiently adaptable to reflect the change ambitions of the States, provide flexibility in policy making and allow new opportunities to be easily explored and adopted;
- **Innovation** – New and more effective ways of delivering services will be continually explored and existing practices will be challenged;
- **Community Engagement** – The solution will build ties within the local community to help inform service development and identify opportunities for digital sector growth or use of on-island resource;
- **Value for Money** – The approach will balance cost, quality and local investment to maintain value for money from an Island perspective; and
- **Assurance** – Pace will be balanced with assurance to ensure that service continuity is maintained and all States obligations are met.

8.2. These principles have been consistently applied across each of the pillars and will continue to be used to guide change over the course of the solution's implementation.

8.3. Business as Usual IT Services – how will Agilisys deliver day-to-day IT services?

8.4. Business as usual IT services include both the technical infrastructure that the States relies on, such as databases, software applications, computers and internet services, and the support services responsible for managing and maintaining such infrastructure. Agilisys will assume operational responsibility for these services and will take over the management of the supply chain and existing States IT contracts.

8.5. The Partnership with Agilisys is not intended to preserve like for like. Over time, Agilisys will also transform and modernise IT provision to generate the following benefits:

- **Improved customer and user experience** through the provision of a service which 'just works', minimising the inefficiencies and frustrations generated by IT issues or inconsistent service provision;
- **A more stable and flexible platform for operational and policy change** supporting future States-led transformation of public services;

- **Staff development opportunities** through the refocusing of States IT staff as services are transformed and by investing in training and skills development; and
- **Greater value for money from the States' IT spend**, delivering modern and fit-for-purpose IT services with an average cost comparable to the current spend. Following the increased spend in early years on the transition and improvement of services, costs will start to reduce and savings of £5.9m will be generated by the end of the contract term. These will be delivered by making use of economies of scale, reducing duplication and embracing modern technological opportunities.

8.6. To maximise benefits, the changes proposed will balance the use and improvement of existing infrastructure with the replacement of higher risk or more limiting systems. The approach to delivering the benefits is summarised below, further detail on the solution is available in the FDS Full Business Case which is available to States Members.

8.7. *Improved Service Support:*

Within the Partnership, Agilisys will take responsibility for the operation and management of IT services. Agilisys will be applying industry best practice to minimise service disruption, manage incidents and issues, address service requests, and plan for change. Service management will be driven by data collection and insights, taking into account user experience and perception to maintain service quality, promote continuous improvement, and proactively identify problem areas or recurring issues.

Unlike at present, access to vital services will be more readily available 24 hours a day and seven days a week. This will be achieved through Agilisys' service desk which will be augmented by specialist resources, as well as by expanding the self-service options available to staff. Leveraging a wider resource pool will also help to ensure that resource costs can be managed by need, and will improve the resilience of services by providing greater capacity to deal with major or specialist incidents.

8.8. *Provision of On-Island and Integrated Data Infrastructure:*

The States' storage, access and processing of data needs to facilitate joined up and modern working and maintain the necessary levels of security. At present, the States uses seven main data centres and maintains hundreds of separate databases. These data centres are reaching capacity and nearing end of life. Agilisys intends to migrate the States' systems onto two modern, industry-standard on-island data centres, augmented by cloud-based services for less sensitive data. As well as dedicated provision for the States, these data centres will have the potential to expand to support both local and off-island organisations in need of Guernsey based infrastructure.

This approach ensures that data sovereignty is maintained, keeping all sensitive data on Guernsey and under the control of local legislation. It also provides the opportunity to reduce the support costs and premises requirements associated with the current data centres, the savings available from not having to support these data centres is approximately £0.5m per annum. This significant saving results from avoiding the strict 24/7 requirements for electrical supply, temperature and humidity that a data centre needs to remain operational.

8.9. *Maintaining Information Assurance and Security:*

Agilisys will employ best practice management tools and staff training to ensure States' information is properly secured and protected. The service will primarily be provided by a local on-island security team, supported and mentored by the Agilisys Security Centre of Excellence team. Further enhancement of the service will be provided through a leading UK based Security Operation Centre. This provision will ensure access to global intelligence data and support the 24/7 monitoring of system activity.

The States will retain a Head of Information Assurance to ensure that information security ownership remains within the organisation.

8.10. *Streamlined Application Use and Improved SAP Management:*

At present, the States employs over 4000 different software applications to deliver its functions. Agilisys intends to conduct a service-led rationalisation exercise to standardise the applications used across the organisation; delivering cost and efficiency savings in the process. This exercise will be accompanied by the introduction of robust application management practices to ensure that the States uses the tools best suited to its needs and that functionality is not unnecessarily duplicated across service areas.

As SAP applications form the core business system used by the States, Agilisys has given them specific consideration within the future delivery model. To enhance how SAP applications are used and ensure that a high-quality support service is available, Agilisys intends to work in partnership with a SAP specialist. The partner's extensive SAP knowledge and experience which will help improve the States' use of SAP and drive the delivery of the States of Guernsey SAP Roadmap project. Where SAP represents a good option for the States, the project aims to upgrade the current SAP provision, including an improved user interface and the automation of routine tasks. The project was prioritised within the capital portfolio and is intended to be delivered as part of the Strategic Partnership.



8.11. *Facilitating More Efficient Ways of Working:*

Agilisys will adopt and upgrade the States' existing user devices, including personal computers, laptops and phones. Upgraded devices will provide solutions for flexible and mobile working and supply the tools needed for collaborative and efficient delivery between service areas and locations. Efficient working will also be supported by the provision of high-speed network connections by a local telecommunications partner, allowing States' staff and customers to access fast and reactive systems.

8.12. *Improved Supply Chain Management:*

In order to benefit from the economies of scale and global relationships available to the company, Agilisys will manage the IT supply chain on the behalf of the States of Guernsey. Agilisys' role will be subject to States' governance, for example the States and Agilisys will share contract award decisions based on the value and criticality of the contract. This will allow Agilisys to have a degree of tactical autonomy whilst ensuring that the States has the final say in services which enable the delivery of its core functions.

Over the course of the procurement process, Agilisys had the opportunity to examine, in detail, the States' supply chain, which includes hundreds of contracts. Agilisys has identified multiple savings within the States' current arrangements. These savings will be enabled over the course of the contract through partnerships with key subcontractors, the rationalisation of the supply chain to remove duplication, and intelligent and strategic sourcing through Agilisys' network and on-island suppliers. The predicted savings have been priced into the contract.

A complex and extensive supply chain is not unique to the States, Agilisys have considerable experience carrying out similar exercises with other clients. Any drive to make savings in the supply chain will be balanced with the need to support local businesses and facilitate digital growth on the Island.

8.13. The overall solution for business as usual services will remove service risk, create operational efficiencies and provide higher quality, fit-for-purpose IT services at a price comparable to the States current spend. Alone, however, improving services and making modern technology available to the organisation will not deliver the full suite of benefits available from technology. Accompanying business change will be essential to deliver significant, ongoing value.

8.14. Enabling and Accelerating Change - how will the Partnership support change and transformation initiatives?

8.15. In order to successfully leverage digital services to meet the States' ambitions, two important responsibilities have been identified for the Partnership; enabling

digital transformation and building digital capability and capacity. The solution developed with Agilisys will meet these responsibilities and support the delivery of extensive benefits to the organisation:

- **Significant savings and customer service improvements through the delivery of digital transformation.** Agilisys will support the technological changes needed to deliver prioritised projects and programmes such as organisational redesign;
- **An accelerated pace of change and transformation** through ready and cost-effective access to expertise and resources beyond the States' current provision and through the effective coordination of organisation wide resources;
- **Development of greater change capacity within the organisation** by enhancing resource capability as well as implementing the necessary service standards and technical foundation to support future IT and business change initiatives; and
- **Staff development opportunities** through knowledge transfer and increased digital familiarity.

8.16. Business change and transformation will need to be led by the Committees involved. Whilst the Partnership will provide greater access to resources to support business transformation and IT change and, over time, will help to release resource through the digitisation of services, capacity will be required from officers across the States in order to deliver on the potential of the Partnership.

8.17. The responsibilities that support these benefits are described below, further detail is presented in the FDS Full Business Case which is available to States Members.

8.18. *Delivering Digital Transformation:*

Digital transformation is a mechanism through which the States intends to deliver its strategic goals. At present, the States does not have the capacity or capability to readily deliver the level of transformation planned or the ability to rapidly access the scale of supporting external resource necessary. In order to address this issue, an integral part of the 'enabling and accelerating change' pillar is the appointment of the Strategic Partner as the preferred supplier for digital transformation, whether these services are provided directly by the partner or through a sub-contractor managed by Agilisys.

The role of the Strategic Partner will be three-fold: providing strategic advice to support the design of large-scale transformation programmes; identifying and delivering technical solutions for the organisation; and supporting service area change and benefits realisation. Under the direction of the States, the

experience and expertise of Agilisys will help support the delivery of the Public Service Reform framework and key organisational priorities, including the Partnership of Purpose, Education Digital Road Map and the ambitious programme for organisational redesign.

To enable the business change required by these projects, Agilisys will use its past experience and industry relationships to help identify and implement technological enablers. It will also support user insights and service design and advise on change management methods to support staff and customers. The structure of the Strategic Partnership will ensure that change is considered from an organisation-wide perspective, rather than focusing only on the needs of particular projects or service areas. This will minimise duplication and repetition and ensure that customer services are seamless and that solutions can be adapted and expanded over time.

Whilst initial review and analysis has taken place, a more detailed investigation and planning exercise will be conducted early on in the Partnership so as to scope, cost and prioritise Public Sector Reform projects. The current framework for the projects involves two main work streams focused on States-wide enabling services and key areas of operational transformation. These work streams are intended to significantly improve customer services, generate efficiencies and support the organisational redesign of the public service. Example projects within the work streams are shown in figure 8.1, these will be refined and validated as part of the preliminary work with Agilisys.

Work streams	Example Projects
Enabling States-Wide Services	<ul style="list-style-type: none"> <li>- Develop a States-wide technology foundation upon which integrated customer services can be built,</li> <li>- Upgrade current SAP provision to enable business change and manage storage costs,</li> <li>- Develop customer relationship management and corporate data management systems,</li> <li>- Further develop States' wide customer sign-on, authorisation and verification, and</li> <li>- Develop States' wide document management systems, enabling reduction of costly paper movement and storage and enabling service improvement for customers.</li> </ul>
Service Area Transformation	<ul style="list-style-type: none"> <li>- Digital transformation of States' support services (e.g. transformation of HR, transactional finance, purchase to pay processes, e-rostering, property services, etc.),</li> <li>- Identification of common service area requirements and opportunities, and</li> </ul>

Work streams	Example Projects
	- Digital transformation and re-design of the States service areas, focusing on transactional services, including building a clear understanding of customer's service needs and expectations.

**Figure 8.1:** Potential digital transformation projects

Provisional scope and funding estimates project that £16.7m will be needed from the Capital Reserve to deliver the key projects. It is proposed that this funding be delegated to the Committee to release to individual business cases that make a compelling case for delivering identifiable service improvement and financial benefits. This will help to accelerate the delivery of the Public Service Reform framework outcomes.

**8.19. Building Digital Capability and Capacity:**

Rather than generating a long-term reliance on external resource for the delivery of change and transformation activities, the Strategic Partnership seeks to build internal capability and capacity for the design, support and assurance of digital services. In order to support this, Agilisys will work with the organisation to create a joint function capable of providing and championing digital skills and standards across the States. This is aligned with the expectations of the People Plan and the ongoing process of organisational redesign.

Agilisys will support the development, launch and operation of the shared function, helping to develop it into a fully working team tailored and scaled to meet the States' needs. The function will be expected to provide guidance and advice on high-quality digital services, support the delivery of key change initiatives, identify opportunities for digital transformation, set and assure digital standards, and help to embed a digital mind-set and culture across the States.

The function will include Agilisys employees as well as States staff. In this way, Agilisys will provide access to proven methodology and extensive change experience, whilst investing in the knowledge transfer necessary to build States capability. Once the function has been stabilised, it is likely that Agilisys' involvement will shift to an advisory role, helping to ensure that the function remains relevant, can tap into best practice and can rapidly access specialist expertise when needed.

**8.20. The solution proposed for enabling and accelerating change balances the support needed for the States' long-term goals with the delivery of tangible early improvements. Agilisys will resource and promote near-term change efforts whilst using their experience to build the in-house capability and knowledge required to support future change and transformation.**

- 8.21. Stimulating the Local Economy – how will Agilisys contribute to economic development?
- 8.22. By opening up new opportunities for growth and disrupting established ways of doing business, technological advances are having a significant impact on economies around the world. The Economic Development Strategy recognises that the digital sector represents an important opportunity for the Island and acknowledges the role that the States can play in driving sector growth.
- 8.23. Over the course of the Strategic Partnership, Agilisys will work with the States and the local community to deliver a significant programme of economic development initiatives aligned to the Economic Development Strategy. This will include initiatives funded and driven by Agilisys and its parent company Blenheim Chalcot, as well as projects developed alongside the States. The company's efforts will be designed to complement, rather than compete with, any other Island initiatives, such as the Digital Greenhouse. Agilisys is committed to contributing 2% of revenues earned as part of the Strategic Partnership contract to help finance this activity.
- 8.24. Agilisys and Blenheim Chalcot will focus on the areas in which they have particular expertise and which are aligned to Guernsey's future needs. The planned timeline of activities will deliver:
- **Significant opportunities for digital sector growth** by actively advising and supporting both start-up and more established technology businesses on the Island;
  - **Improvements in local digital infrastructure** by investing in facilities and enablers for on-island businesses. This will help to build an entrepreneurial environment in the Island; and
  - **Enhanced digital skills in the workforce** by creating the environment and means for the Island's population to become more digitally proficient. In turn, a more proficient workforce will better support existing businesses and help to attract new employers.
- 8.25. Important commitments within Agilisys' first phase of work are described below. Further detail is presented in the FDS Full Business Case which is available to States Members.
- 8.26. *Opportunities for Digital Sector Growth:*  
The digital economy is a significant growth sector across the globe, for example the EU digital economy is growing at 12% each year. The States' Economic Development Strategy identified MedTech (medical technology), FinTech (financial technology) and digital services as prioritised areas where Guernsey would aim to leverage this sector growth to enhance its own economy. The

Partnership with Agilisys provides the opportunity to drive this aim forward and to effectively support emerging and established businesses on the Island.

Agilisys is a member of the Blenheim Chalcot Group of companies which specialise in developing digitally-focussed businesses from start up to full enterprise scale. Agilisys intends to lead the creation of a Blenheim Chalcot presence in Guernsey, focussed around a MedTech Innovation Centre and a FinTech Innovation Hub. This presence will provide Guernsey with proven infrastructure, sector and business growth expertise and independent funding to encourage and support business development in these desired elements of the digital economy. They will work with both existing ventures and new ventures to support research and development, start-up and scale. Furthermore, Blenheim Chalcot intends to use its own network and connections to encourage global and UK technology providers to start their new ventures or conduct their product test and rollout in Guernsey.

The centres do not sit in isolation but are complemented by a range of other initiatives which will provide further opportunity for digital growth. These will include an annual competition for digital entrepreneurs (where the winning business each year will be required to incorporate in Guernsey), events promoting Guernsey as a business destination, further access to digital venture experts in the form of mentors, advisors and non-executive directors, and a States of Guernsey office, for the promotion of the Island's digital economy, based within the new business innovation campus of Imperial College London.

8.27. *Improvements in local digital infrastructure:*

Guernsey's digital infrastructure provides the fundamental facilities and systems necessary for the economy to function. Appropriate investment in infrastructure is therefore critical for continuing economic diversification and growth. In recognition of the importance of digital infrastructure, Agilisys intends to expand on its improvements to the States' own infrastructure to support wider businesses.

Through the creation of two new data centres on-island, Agilisys will be able to provide access to high grade, well supported facilities for the hosting and storage of data. This access has the advantage of allowing private businesses to keep their data on-island, without needing to maintain dedicated premises, and promotes the Island as a data hosting environment.

Agilisys also intends to enhance the bandwidth and connectivity available at three economic development 'hubs' (chosen by the States) to support the creation of a best practice entrepreneurial environment in the Island, building on the work carried out by the Digital Greenhouse. Fast and consistent internet connectivity is a necessity for consumers and business using or developing digital

services. With the addition of this connectivity, business will be better positioned to develop and grow without incurring excessive additional costs for themselves.

8.28. *Enhanced digital skills in the workforce:*

As businesses become increasingly reliant on technology, digital skills play an increasing role in supporting not only the digital sector but the wider economy. The Skills Guernsey Action Plan<sup>7</sup> and the Economic Development Strategy both recognise the need to invest in local digital skills development. Agilisys has committed to a number of initiatives intended to increase digital awareness and support digital skills development and retention in the Island.

To encourage digital interest and capability amongst young people, Agilisys intends to provide a bitesize learning platform (Dot Native), for local secondary schools. The platform includes hundreds of short videos and interactive content and covers digital marketing and digital business. Further to this provision, Agilisys will sponsor a digital apprenticeship programme to support a number of local candidates to develop best in class digital skills.

Skills in digital leadership and business development will be enhanced by the delivery of three digital bootcamps aimed at local business leaders and entrepreneurs. These bootcamps will be complemented by funded training opportunities (including Squared Online Digital Marketing and Innovation Programme) for those people starting, scaling and supporting businesses in Guernsey and by a 'Guernsey Digital Academy' application which will improve connections to learning and training opportunities and create a community for digital development.

8.29. Each year Agilisys will issue a formal end of year economic development report. From 18 months there will be a joint review of the company's economic development plans for the future. This will ensure that Agilisys' investment continues to complement the States' objectives and any other economic development initiatives in the Island. Agilisys intends to work with the States to establish a Global Entrepreneurship Index rating for Guernsey that aligns with the Global Entrepreneurship and Development Institute (GEDI) methodology. The GEDI methodology collects data on entrepreneurial attitudes, abilities and aspirations in the local population and then assesses these alongside the infrastructure that supports business development, including broadband

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<sup>7</sup> Skills Guernsey Action Plan 2018 - <https://www.gov.gg/CHttpHandler.ashx?id=116313&p=0>

connectivity and transport links to external markets. The results of the rating will help to measure progress and direct future action.

## 9. Next Steps – how will change be introduced?

- 9.1. It is important that improvements to the States' digital services are progressed at pace. To successfully transition the States' IT model, Agilisys intends to implement four phases of work: Adopt, Adapt (together, Adopt and Adapt make up the Transition period), Transform and Improve. The indicative timeline for these phases is illustrated in figure 9.1, the transition and transform phases will run concurrently wherever possible to ensure that improvements are implemented at pace.

Phase		Duration	Purpose
Transition	Adopt	Approximately 4 months	The rapid and smooth take-on of employees, assets, contracts and services, with Agilisys assuming responsibility for the delivery of services. This phase has been designed to balance pace and risk and to minimise disruption to the States and for employees.
	Adapt	Approximately 4 months	A programme of quick-wins and service improvements, implementing the Agilisys suite of tools and processes that will underpin rapid enhancements, and provide a foundation for transforming the service.
Transform		Approximately 24 months	Delivery of a comprehensive transformation programme to deliver the States' specified service and outcomes, drawing upon Agilisys' experience of delivering change in other public sector organisations.
Improve		Until the end of the Partnership.	Ongoing continuous service improvement and innovation activity, fuelled by insights from performance management, user experience tools, and insights from Agilisys and its partners.

**Figure 9.1:** Indicative timeline of phases. Phases will be run concurrently where possible in order to deliver the desired pace of service transformation.

- 9.2. Successful delivery at pace will require organisational and cultural change well beyond the proposed changes to IT service provision. Whilst the Partnership will provide greater access to IT change experts and technological enablers, capacity will be required from officers across the States to provide service area insight and help drive the redesign and improvement of services. Leadership and ongoing commitment will be required from the States, Committees and senior



management in order progress enhancements to IT and drive through the business change that new technology will enable.

- 9.3. The approach will deliver early benefits whilst enabling Agilisys to build up a detailed understanding of the States' needs and customer's requirements so that major changes are well targeted and offer value for money.
- 9.4. Early developments will include: faster response times for user devices such as desktop and laptop computers, the introduction of a service desk to enhance call response and self-service options, the introduction of improved monitoring tools to reduce the risk of incidents, automation of standard SAP tasks, an increase in internet capacity, and improved resource access and management to ensure that key projects can progress efficiently.

**10. The Partner Relationship – what risks are generated by the future delivery model? How will these be mitigated?**

- 10.1. Alongside the benefits available, there are a number of risks posed by a Strategic Partnership, from maintaining strategic alignment to preserving service continuity. The partner relationship has been designed to minimise these risks and ensure that the States retains control when and where it matters. Control and supervision of Agilisys' performance will be through the partnership agreement, not through the States' shareholding in the corporate entity. The contract form used is robust and is based on a UK government form, tailored as necessary, with a number of public sector protections.
- 10.2. Governance and Oversight – how will the relationship be managed?
- 10.3. Whilst Agilisys will be responsible for the management and delivery of IT services, the States will retain control continue to be responsible for the development of IT strategy, prioritising projects, and for defining service standards. In order to fulfil these obligations, ongoing engagement and internal knowledge and assurance will be required.
- 10.4. Recurring formal engagement will take place through a multi-layered governance structure. The structure will include existing States' governance entities and new boards established specifically for the FDS Partnership (including representation from both the States and Agilisys), figure 10.1. This structure will drive the Partnership from a strategic, senior management and operational level. The governance structure will be kept under review to ensure that it remains fit for purpose as the Partnership develops and endures.



made at the right level, and allow any new issues or opportunities to be easily raised and explored. The structure will be reviewed after a year to ensure that it is operating effectively.

- 10.8. In support of the governance structure, the Committee intends to establish a Retained IT Function to manage the relationship with Agilisys on a day-to-day basis. The function will consist of a small multi-disciplinary team with the knowledge and understanding needed to assure that IT services continue to meet the States' needs. The team will include technical skills to aid IT strategy and standards development, transformation skills to assure the delivery of projects and change activities, and contract management skills to ensure the relationship continues to deliver value for money. The team will not replicate roles provided by Agilisys or which exist elsewhere in the States, its structure will be regularly reviewed to ensure that it continues to meet the States' needs.
- 10.9. Performance Management and Change Control – how will service excellence be maintained?
- 10.10. Over the course of the options development process, a comprehensive service catalogue was created which set out the requirements and standards for all IT services in the States. The bid put forward by Agilisys was assessed against these requirements and was found to be capable of meeting them. In order to ensure that the solution continues to meet States' needs over the life of the Partnership, these standards and associated key performance indicators will form part of an extensive performance management regime. The movement to a Strategic Partnership will also allow the creation and formalisation of Service Level Agreements for IT services, agreements which cannot be created with the current ISS service.
- 10.11. The regime will consist of a blend of incentives and penalties to encourage ongoing service improvement and support a collaborative relationship between Agilisys and the States. The regime will be developed and tested as the contract embeds. The incentivisation process will only commence when both partners agree its principles, however, from the start of the relationship, Agilisys' service will be required to achieve at least the levels currently provided by ISS. There are detailed transparency and audit provisions regarding the provision of information in the contract, including performance information. In addition, a large portion of the expected efficiencies are included in Agilisys' price offer and there is a profit cap with requirements to bring the contract price back within the cap should further savings be made.
- 10.12. As technology develops and the States' strategy evolves, IT requirements will likely change. In order to ensure that the solution provided by Agilisys remains fit-for-purpose, opportunities for review and refresh will be built into the

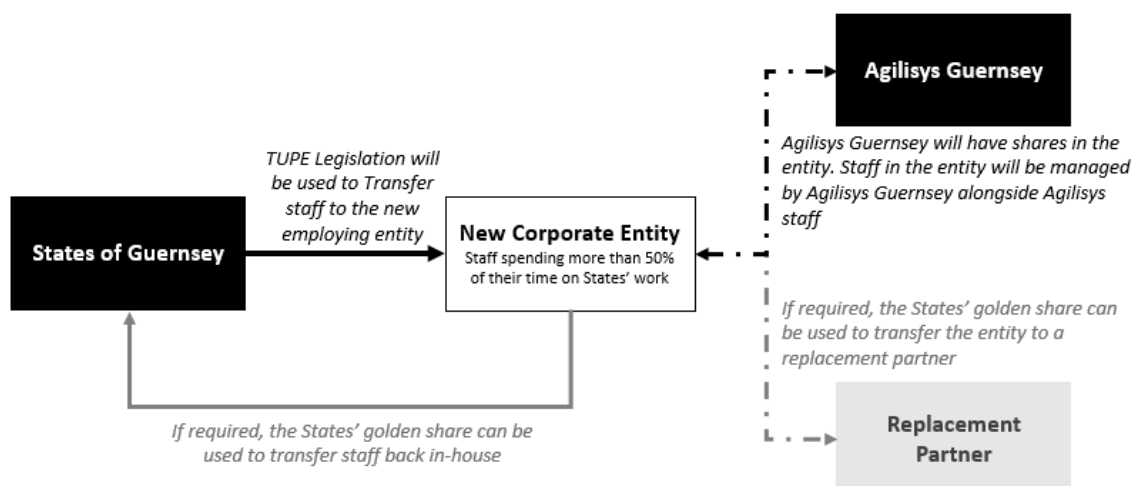
management cycle. This will help ensure that the States can embrace the latest opportunities, meet emerging needs and remain aligned to customer and user expectations. Agilisys' solution will also be designed and implemented so as to help prevent the peaks of IT investment which create legacy systems, instead the infrastructure will be designed to allow continuous and cost-effective refresh.

- 10.13. The review cycle will be complemented by robust change control procedures to support the ongoing evolution of the solution. The change control mechanism will vary depending on the significance of the change proposed; small and low-risk changes will have minimal governance requirements whilst changes with commercial impact or higher risk will only be progressed on the basis of detailed business cases and binding quotes from Agilisys. The change control process will be directed by the States.
- 10.14. Employee Transfer – how will employee rights and service continuity be protected?
- 10.15. Entering a Strategic Partnership will require the transfer of all of the States of Guernsey ISS employees, excluding those who will form part of the Retained IT Function. This possibility was recognised early on in the development process and extensive consultation has taken place with affected employees and unions. Both the Committee and Agilisys recognise that effective transfer arrangements will be critical to protect employee rights, retain key employees and preserve service continuity for the organisation.
- 10.16. The Committee believes an Ordinance made under the Transfer of States Undertakings (Protection of Employment) (Guernsey) Law, 2001 ("the 2001 Law"), will provide the best mechanism to facilitate a transfer. This Law provided for the transfer of the undertaking of the then States Telecommunications Board, and for the States by Ordinance to apply the Law's provisions (subject to appropriate exceptions, adaptations and modifications) to the transfer of the undertaking of other States' committees. Ordinances were made in 2001 in exercise of this power transferring the undertakings of the Electricity Board and the Post Office Board, and it is proposed that a similar Ordinance is made in this case to transfer ISS (other than those who will form part of the Retained IT Function). The Law (broadly based on the TUPE legislation in force in the UK at the time it was enacted) and Ordinances made under it provide for the transfer of staff out of the States without the termination of their contracts of employment and other protections for transferred staff.
- 10.17. The Ordinance will be used to move staff to a new corporate entity separate and distinct from Agilisys Guernsey and from the States. The entity will act as an employer only and will not hold any leases, contracts or assets. Staff transferred to the entity will be employed on terms and conditions equivalent to their

current position and it is intended to provide the entity with Admitted Body Status for the States' Public Servants Pension Scheme. As part of the scheme, transferred staff will retain their current pensions and will continue to be impacted by any changes to the rules. Agilisys will be responsible for the pension costs associated with any promotions over an agreed threshold.

10.18. For individuals to be employed in the entity, they will need to spend at least 50% of their chargeable time on States of Guernsey IT delivery. If a vacancy arises in the entity, the replacement staff member will also be employed by the entity (although will not be protected by the Ordinance). This provides the States with a means to protect and transfer key staff, minimising the risk to the organisation. When the contract with Agilisys ends, or should it be terminated, staff in the entity could be easily moved back in-house, or to a replacement partner, via share transfer. This share transfer would be controlled by the States through its own 'golden share' in the entity.

10.19. The diagram below provides an overview of the proposed staff movement and of the subsequent transfers that could be triggered at the end of the Partnership.



**Figure 10.2: Staff transfer pathways**

10.20. Agilisys has had extensive experience with similar employee transfer arrangements, including approximately 1,300 staff transfers under the UK's Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). As part of the site visits carried out in the procurement process, the project team verified Agilisys' successful track record, including interaction with the transferred staff.

10.21. Without the use of an Ordinance made under the 2001 Law to transfer staff to the new entity, or a new Law, there would be a requirement for the redundancy-based dismissal of approximately 70 staff, alongside a corresponding re-

engagement by the Agilisys of those staff wishing to transfer. Should employees choose not to re-engage, the majority would be entitled to redundancy pay.

10.22. The Committee believes that such an Ordinance represents the best option for existing staff and the organisation. In order to minimise the period of uncertainty for staff, an Ordinance under the 2001 Law has been included on the agenda for the States Meeting in July. If the TUPE approach is not endorsed by the States, this Ordinance will be withdrawn.

10.23. Preferred Supplier Status – how will outlying cases be handled?

10.24. The States of Guernsey delivers a large and diverse range of public service functions. In this context, it is vital that the States is not bound to award all IT work to the Partner irrespective of whether they have the relevant skills, experience or access to technology. Agilisys will therefore be awarded 'preferred supplier status' for any business as usual IT services commissioned within the scope of the contract and for the digital and IT aspects of transformation work. Whilst the Committee intends to develop a true partnership with Agilisys and is satisfied that the organisation is well placed to develop and improve the vast majority of the States' digital services, preferred supplier status removes the risk associated with outlying cases where the States delivers particularly niche or sensitive services. Preferred supplier status also allows particular project work to be diverted to other suppliers, should Agilisys fail to perform adequately in that area.

10.25. Exit Provisions – how will control be maintained in the case of termination?

10.26. As part of the relationship with Agilisys, the States has extensive termination rights. These rights are not limited to a scenario in which the Partner triggers a 'termination event' through extremely poor performance, but include reasons such as bringing the States into disrepute, change without the States consent, loss of States' data, change of Partner control without the States consent and failure to decrease charges where profits are being generated above the agreed profit margin. These rights also include a provision for 'partial termination' should Agilisys prove to be unable to deliver a specific service effectively and a 'voluntary termination' should the States wish to end the contract at any time. Voluntary termination would be subject to the payment of appropriate breakage costs.

10.27. Termination for States' default is largely limited to the non-payment of undisputed sums above a set threshold and to unforeseeable circumstances that prevent the contract from being fulfilled (*force majeure*). This extends to any right to suspend service delivery. These measures prevent a supplier from applying undue leverage in a dispute.

- 10.28. Agilisys will be required to provide a comprehensive Exit Plan to help mitigate any risks associated with a planned or an emergency termination. The plan will detail how to transfer all, or part of, the States' IT services back to the organisation or to a replacement partner. The plan will be required to cause as little disruption or degradation to services as possible. Important considerations in the plan will be access to key employees (considered in sections 10.14-10.22), and access to assets and intellectual property.
- 10.29. To facilitate an effective exit, the States will grant Agilisys, by default, the right to use assets, rather than the ownership of assets, this will include any future assets implemented in the organisation. Agilisys will also accept the operational risk associated with asset use over the course of the contract. The contract also includes very robust arrangements for intellectual property rights. These provide the States with sufficient rights to bring any service back in-house, or transfer it to an alternative supplier, without losing access to intellectual property upon which the service relies. It also allows for the Partner to promote intellectual property on behalf of the States.

**11. Financial Requirements – what funding will be required to support the Future Delivery Model?**

- 11.1. The Partnership requires funding to deliver and improve business as usual services, provide support to wider transformation and change initiatives, and deliver the agreed economic development initiatives. Agilisys calculated the funding requirements based on the detailed operational plans developed over the course of the procurement exercise. These have been examined and validated by States' officers and by SOCITM Advisory. It was concluded that Agilisys' proposals offered the better pricing in comparison with other bidders and with known service benchmarks, therefore Agilisys was considered to offer the best value for money to the States.
- 11.2. The funding requirements are summarised in figure 11.1 below. This Policy Letter seeks States' approval for £43.6m of capital expenditure. It also seeks States direction for the Committee to take into account the ongoing costs of the contract when recommending annual cash limits and for the States to note the Committee's intent to use its existing delegated authority to approve funding of £1.4m from the Budget Reserve to fund the 2019 cost of the Strategic Partnership.

Cost Element	Total (£m)	Purpose
Annual IT running costs	£154.1 in total.	This funding will support the day-to-day delivery of modernised and fit-for-purpose IT services. It takes into account the savings from reduced power usage.
FDS Project Planning Costs	£1.2	This funding accounts for the seed funding spent on the FDS project to date.
Transition Costs	£3.1	This funding supports the transfer of core service provision from the States to Agilisys, applying corrective fixes as necessary.
Transformation Costs	£13.7	This funding will support IT transformation, focusing on improved user experience, improved network connectivity, and enhanced security management and monitoring.
Initial Infrastructure Asset Investment	£8.9	This funding will allow immediate investment in the States' core IT infrastructure and hardware assets to ensure that they are fit-for-purpose.
<b>Total: £26.9m - Proposition 6</b>		
Digital Transformation	£16.7	This funding will support the delivery of prioritised digital transformation projects within the framework for Public Service Reform.
<i>Proposition 7</i>		
Infrastructure and Asset Refresh	£11.1	This is the anticipated funding required from minor capital which will be used for ongoing infrastructure and hardware asset refresh over the course of the contract. It does not exceed the current IT minor capital allocations.
Future Infrastructure Asset Investment	Approx. £9.1	This is the predicted funding required for investment in core States infrastructure from 2021 onwards.
Economic Initiatives	-	Agilisys has committed to contributing 2% of revenue earned under the Strategic Partnership contract towards Economic Development.

**Figure 11.1: FDS Partnership Funding Requirements**

- 11.3. Pillar 1 – what funding is required for business as usual IT?
- 11.4. The cost for business as usual IT services includes the annual running costs of IT services, the transition costs to transfer IT service delivery to Agilisys, and the transformation and maintenance costs for core IT infrastructure.



- Annual revenue costs: **total £154.1m**
- Transition costs: **£3.1m**;
- Transformation costs: **£13.7m**; and
- Asset investment costs and lifecycle refresh: **£29.1m** (£11.1m minor capital and £18m major capital).

#### 11.5. Annual Revenue Costs:

At present, the running cost for States IT services is approximately £16m per annum, this includes the total spend on in-house IT staff and on external licences, equipment and support. This baseline has been compared with the costs for service delivery proposed by Agilisys, as well as the costs that will be retained by the States for the Retained IT Function and for Home Affairs and College of Further Education support. Figure 11.2 illustrates the initial increase in costs required ahead of the realisation of benefits from Agilisys' transformation efforts. In the long-term, total savings of £5.9m should be generated relative to the £16m annual baseline.

Contract Year		Total £m	0	1	2	3	4	5	6	7	8	9	10
Actual Year			2019 5 mnths	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 7 mnths
In Scope SoG Baseline		£160.0	£6.7	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£9.3
<b>Less: Continuing costs retained by States:</b>													
- CoffE & Home Affairs		(£7.0)	(£0.3)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.4)
- Retained IT Function		(£7.2)	(£0.3)	(£0.8)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.7)	(£0.5)
<b>Directly Comparable Baseline</b>		<b>£145.8</b>	<b>£6.1</b>	<b>£14.5</b>	<b>£14.6</b>	<b>£14.6</b>	<b>£14.6</b>	<b>£14.6</b>	<b>£14.6</b>	<b>£14.6</b>	<b>£14.6</b>	<b>£14.6</b>	<b>£8.4</b>
<b>Agilisys Offer - BAU</b>		<b>£148.0</b>	£7.5	£16.9	£16.0	£15.0	£14.5	£14.4	£14.2	£13.9	£13.8	£13.8	£8.0
Committed savings 1% below RPIX		(£3.4)	-	-	-	(£0.1)	(£0.2)	(£0.4)	(£0.4)	(£0.5)	(£0.6)	(£0.7)	(£0.5)
<b>Total (New BAU Under Contract)</b>		<b>£144.6</b>	<b>£7.5</b>	<b>£16.9</b>	<b>£16.0</b>	<b>£14.9</b>	<b>£14.3</b>	<b>£14.0</b>	<b>£13.8</b>	<b>£13.4</b>	<b>£13.2</b>	<b>£13.1</b>	<b>£7.5</b>
<b>Continuing costs retained by States (above)</b>		<b>£14.2</b>	£0.6	£1.5	£1.4	£1.4	£1.4	£1.4	£1.4	£1.4	£1.4	£1.4	£0.9
<b>Total New IT BAU costs</b>		<b>£158.8</b>	<b>£8.1</b>	<b>£18.4</b>	<b>£17.4</b>	<b>£16.3</b>	<b>£15.7</b>	<b>£15.4</b>	<b>£15.2</b>	<b>£14.8</b>	<b>£14.6</b>	<b>£14.5</b>	<b>£8.4</b>
<b>IT Business As Usual Savings - Annual</b>		<b>£1.2</b>	(£1.4)	(£2.4)	(£1.4)	(£0.3)	£0.3	£0.6	£0.8	£1.2	£1.4	£1.5	£0.9
<b>IT Business As Usual Savings - Cumulative</b>		<b>£1.2</b>	(£1.4)	(£3.8)	(£5.2)	(£5.5)	(£5.2)	(£4.6)	(£3.8)	(£2.6)	(£1.2)	£0.3	£1.2
<b>Add: Additional Savings</b>													
Estimated power costs savings		£4.7	-	£0.4	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£0.3
<b>Total General Revenue costs</b>		<b>£154.1</b>	£8.1	£18.0	£16.9	£15.8	£15.2	£14.9	£14.7	£14.3	£14.1	£14.0	£8.1
<b>General Revenue Savings - Annual</b>		<b>£5.9</b>	(£1.4)	(£2.0)	(£0.9)	£0.2	£0.8	£1.1	£1.3	£1.7	£1.9	£2.0	£1.2
<b>General Revenue Savings - Cumulative</b>		<b>£5.9</b>	(£1.4)	(£3.4)	(£4.3)	(£4.1)	(£3.3)	(£2.2)	(£0.9)	£0.8	£2.7	£4.7	£5.9

**Figure 11.2: Comparison of the £16m baseline to Agilisys' Business As Usual (BAU) IT costs (£m)**

The savings shown in Figure 11.2 include Agilisys' contractual commitment to make a 1% below RPIX efficiency saving per annum on non-staff related costs from the fourth year of the contract, which would be a genuine and significant saving in the order of £3.4m over the life of the contract. The figure also includes the predicted savings generated by the removal of the power related costs for the States' existing data centres. These data centres will be decommissioned by Agilisys early on in the Partnership, the running costs for their replacement have been included in Agilisys' offer. During the summer of 2018, the States conducted a technical audit and inventory exercise across its data centres which estimated the current power consumption costs to be £0.5m per annum.

It is important to note that figure 11.2 applies a flat £16m baseline predicated on current spend. This baseline however, is a relatively simplistic comparator and does not reflect the likely increase in IT costs that would occur over this period if the operating model did not change. If the Strategic Partnership is not pursued, the State's current IT model would need further revenue in order to address the increasing demand for data and resource and to continue to manage and maintain ageing systems. By way of illustration only, figure 11.3 demonstrates the impact on savings when the baseline is increased by 2% annually. In this case, overall savings increase from £5.9m to £19.1m.

Contract Year		Total £m	0	1	2	3	4	5	6	7	8	9	10
Actual Year			2019 5 mnths	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 7 mnths
Projected Baseline 2% increase		£173.2	£6.7	£16.0	£16.3	£16.6	£16.9	£17.2	£17.5	£17.9	£18.3	£18.7	£11.1
In Scope SoG Baseline		£160.0	£6.7	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£16.0	£9.3
Additional Savings		£13.2	-	-	£0.3	£0.6	£0.9	£1.2	£1.5	£1.9	£2.3	£2.7	£1.8
General Revenue Savings - Annual		£19.1	(£1.4)	(£2.0)	(£0.6)	£0.8	£1.7	£2.3	£2.8	£3.6	£4.2	£4.7	£3.0
General Revenue Savings - Cumulative		£19.1	(£1.4)	(£3.4)	(£4.0)	(£3.2)	(£1.5)	£0.8	£3.6	£7.2	£11.4	£16.1	£19.1

**Figure 11.3:** Comparison of the projected baseline to Agilisys' Business As Usual (BAU) IT costs (£m)

#### 11.6. Transition Costs

In order to ensure the transfer of services to Agilisys is efficient and safe, a number of one-off transition costs will be incurred. The transition period is focused on Agilisys taking on the States' services 'as is' (including the on-boarding of staff), applying corrective fixes as necessary, and baselining the performance levels. An estimated £3.1m will be required across 2019 and 2020 to support the rapid transition phase, including a contingency to support any costs not identified in the procurement exercise.

### 11.7. *Transformation Costs*

In the first three years of the contract, Agilisys will carry out activities aimed at transforming IT service at an expected cost of £13.7m. These activities will focus on delivering improved user experience in terms of service performance, reliability and responsiveness, enhanced network connectivity, improvements to security management and improvements to end-user tools and equipment.

CASHFLOW WITHIN THE CURRENT CAPITAL PORTFOLIO					
Contract Year		Total £m	0	1	2
Actual Year			2019 5 mnths	2020	2021
Agilisys Offer - Transformation Costs		£10.2	£1.7	£6.3	£2.2
Add: Internal Resource Costs		£0.0			
Add: Travel, Accommodation & Subsistence		£2.6	£0.4	£1.6	£0.6
Contingency: 7% uplift		£0.9	£0.1	£0.6	£0.2
<b>Transformation costs</b>		<b>£13.7</b>	<b>£2.2</b>	<b>£8.5</b>	<b>£3.0</b>

**Figure 11.4:** *Estimated Transformation Costs (£m), including contingency.*

It is of significant benefit to the States that the transformation of services is delivered within a short timeframe of two years. A 7% contingency has been included to meet any further unanticipated resource requirements which might be needed to achieve this timeline.

### 11.8. *Asset Investment and Infrastructure Refresh*

In order to achieve the desired benefits from the Strategic Partnership, changes will need to be made to the States' IT infrastructure. These changes consist of immediate work, including remedial investment and the development of an IT foundation for future transformation and improvement, and the continuous upgrading or replacement of States' infrastructure over the course of the contract. This investment will help to avoid the cycles of significant spend and decline to which the States is currently vulnerable.

The total cost for asset investment and infrastructure refresh is anticipated to be £29.1m as set out in figure 11.5. This figure includes spend proposed from major capital (£18m - £8.9m in this portfolio period and £9.1m thereafter) and minor capital (£11.1m) across the contract term. Further detail on capital funding is available in section 12.12. The major capital costs associated with the next term of the capital portfolio are approximately £9.1m, further requests will be submitted for the funding required in the next capital portfolio periods.

CASHFLOW WITHIN THE CURRENT CAPITAL PORTFOLIO					FOR FUTURE CAPITAL PRORITISATION ROUNDS								
Contract Year	Total £m	0	1	2	Total £m	3	4	5	6	7	8	9	10
Actual Year		2019 5 mnths	2020	2021		2022	2023	2024	2025	2026	2027	2028	2029 7 mnths
<b>Strategic Partner Offer</b>													
End User Devices, Peripherals	£3.3	-	£1.1	£2.2	£4.1	£0.4	-	-	£1.1	£2.2	£0.4	-	-
Datacentres	£4.3	-	£4.3	-	£3.0	-	-	-	£3.0	-	-	-	-
Networks	£3.1	-	£2.8	£0.3	£3.7	£0.1	£0.2	£0.4	£1.0	£0.1	£1.2	£0.6	£0.1
Integrated Learning Environment Equipment	-	-	-	-	£6.1	-	-	£2.5	£3.0	£0.2	£0.4	-	-
<b>Sub-Total - Strategic Partner Offer</b>	<b>£10.7</b>	<b>-</b>	<b>£8.2</b>	<b>£2.5</b>	<b>£16.9</b>	<b>£0.5</b>	<b>£0.2</b>	<b>£2.9</b>	<b>£8.1</b>	<b>£2.5</b>	<b>£2.0</b>	<b>£0.6</b>	<b>£0.1</b>
Add: Contingency - applications migration	£0.5	-	£0.5	-	-	-	-	-	-	-	-	-	-
Add: Contingency - cabling	£1.0	-	£0.7	£0.3	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSET INVESTMENTS:</b>	<b>£12.2</b>	<b>-</b>	<b>£9.4</b>	<b>£2.8</b>	<b>£16.9</b>	<b>£0.5</b>	<b>£0.2</b>	<b>£2.9</b>	<b>£8.1</b>	<b>£2.5</b>	<b>£2.0</b>	<b>£0.6</b>	<b>£0.1</b>

**Figure 11.5:** Estimated infrastructure investment costs (£m), including contingency.

**11.9. Pillar 2 – what funding is required under the Partnership for organisational change initiatives?**

11.10. As outlined earlier in this Policy Letter, Agilisys will be treated as the preferred supplier for the majority of future IT/digital enablement work required by organisational change initiatives. This arrangement will provide continuity to the States and will generate benefits through the supplier's awareness of States practices and the ongoing incentive to maintain a positive reputation in the organisation. Where Agilisys does not provide value for money, or does not have access to the appropriate expertise or technology to deliver a service, the States retains the right to appoint an alternative supplier.

11.11. As part of the Partnership, Agilisys has submitted a rate card for daily rates across a range of different roles which may be required in the support of change and transformation initiatives. These rates have been benchmarked against rates currently being offered by States IT contractors and represent a competitive option in all areas. Over the course of the contact, the Retained IT Function will seek regular quotes from the market place to ensure that daily rates and project pricing continue to offer value for money.

11.12. As noted in section 8, an allocation of funding of £16.7m is required to support prioritised digital transformation projects which will enable the outcomes of the framework for Public Service Reform. This funding will be drawn down by project and will subject to the presentation and approval of appropriate business cases and scrutiny processes. All business cases will need to include an appropriate payback period and contribute to the States' savings targets. Further data collection and research needs to be completed to identify the funding required

for individual initiatives. This work will be carried out in the initial stages of the contract and will require support from Agilisys.

11.13. Funding for the Partner's support of other organisational change projects will be requested through the funding source and approval pathway relevant to that initiative. For example, if support from Agilisys was required by another project in the capital portfolio, the project would need to include the costs of Agilisys' support in its funding request to the States. This will ensure that large-scale projects continue to be adequately scoped, planned and priced and that existing approval processes and Committee controls are preserved.

11.14. Pillar 3 – what funding is required for economic development initiatives?

11.15. Agilisys has committed to investing 2% of revenue earned from the FDS contract into Economic Development initiatives. This will total approximately £3.7m. Further detail on the agreed Economic Development initiatives is provided in section 8 (8.21-8.29).

11.16. Where any future initiatives require funding beyond that set aside by Agilisys, or where initiatives are being co-developed, some investment may be required from the States. Any investment of this type would be requested via the States' approval pathways, including the provision of fully developed business cases to ensure that the proposed initiatives met States' strategic objectives, provided value for money and had been planned and scoped effectively.

**12. Funding Implications – how will the funding requirements be met and what impact will this have on the States' financial position?**

12.1. Revenue – what impact will funding the FDS Partnership have on States' revenue?

12.2. Over the ten year life of the Partnership, the contractual revenue cost is £1.2m less than the cost of the current baseline over the same period before the application of power savings which are estimated to be £4.7m. However, as set out in section 11.5, there is a requirement for additional funding for the first three years of £1.4m in 2019, £2.0m in 2020 and £0.9m in 2021. These amounts

cannot be accommodated within the Corporate Services<sup>8</sup> budget which is overseen by the Policy & Resources Committee.

- 12.3. In respect of 2019, the Committee intends to use its existing delegated authority to approve funding of £1.4m from the Budget Reserve to fund the 2019 cost of the Strategic Partnership. This will mean that the 2019 Budget Reserve is substantially exhausted and any further unbudgeted expenditure pressures could result in total expenditure exceeding the amount budgeted, with a consequential adverse deterioration in the overall financial position which was budgeted to be a net surplus of £1m. A full update will be included in the 2020 Budget Report.
- 12.4. Thereafter, it is recommended that appropriate allowance is made within future Cash Limits. No allowance for the additional short-term costs of this contract was included within the financial projections for expenditure in the MTFP. Therefore, so as not to temporarily adversely affect the amounts available for funding Committee requirements including in respect of service developments and other cost pressures, this additional allowance will temporarily increase the total Cash Limits allocated.
- 12.5. Risk Funding – what risk funding is available?
- 12.6. There are a number of financial risks for which provision has not been made within the contracted price. The total maximum value of these risks is estimated to be £2-3m across the ten year contract period. If any of these risks materialise and additional funding is required to address them, the Policy & Resources Committee would consider a request to use its existing delegated authority to make funding available from the Budget Reserve.
- 12.7. Expenditure Savings – how does the Strategic Partnership contribute to the States' planned revenue savings?
- 12.8. The 2019 Budget Report included, for planning purposes, an updated estimate of the ongoing contribution a number of initiatives would make towards the delivery of the £26m annual expenditure savings target included within the MTFP. These savings need to be realised in order to return to a balanced budget and make funds available for redistribution to areas of cost pressure or for investing in service development.

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<sup>8</sup> Corporate Services are those provided to and on behalf of the entire organisation and comprise Assurance and Risk; Communications; Finance; Human Resources; Information Systems & Services; Insurance; Procurement; Shared Services Centre; and Tribunals.

- 12.9. The £26m target included £3.6m of ongoing savings in respect of the Future Digital Services project (comprising £0.9m in 2019, a further £1.8m in 2020, and a further £0.9m in 2021). However, the profile of the revenue contract (figure 11.2) formed following the robust and thorough procurement exercise, during which Agilisys' pricing proved to be the best value as well as the lowest cost, demonstrates that savings will not start to be realised until 2022 (£0.2m). These annual savings will increase to £2m per annum in the final years of the contract.
- 12.10. Whilst this is a shortfall on the amount originally estimated, digital transformation is a key driver for the delivery of the change and transformation projects which will substantially contribute towards the realisation of the expenditure savings target. This digital transformation will be supported and accelerated by Agilisys. In addition, it is highly likely that, should IT services continue to be delivered in-house, additional cost pressures and the need to invest in service development would have increased the baseline cost as illustrated in section 11.5. This increase would be contrary to the States saving requirements.
- 12.11. Furthermore, Agilisys is committing to investing 2% of revenue earned under the contract (approximately £3.7m over the ten year contract term) in the joint delivery of economic development initiatives aligned to the Economic Development Strategy, as discussed in section 8 (8.21-8.29).
- 12.12. Capital – how will the capital funding requirements be met?
- 12.13. The current States-approved capital portfolio for 2017-2020 includes provision of approximately £24.7m for IT related projects (IT infrastructure refresh, digital channel shift, and SAP roadmap). The anticipated cost of capital projects associated with the FDS in this term is £43.6m, comprising £26.9m for Pillar 1 to support the transition and transformation of IT services and invest in the States core assets, and £16.7m for Pillar 2 where a programme of digital transformation within the Public Service Reform framework will support organisational change initiatives.
- 12.14. This additional funding requirement of £18.9m will directly reduce the estimated balance in the Capital Reserve that is available to support the future portfolio (2021 onwards) which, after taking into account other approved changes, would now be in the region of £30-35m. It is anticipated that the next round of capital prioritisation will include funding requests for the pipeline programmes and projects approved in the Medium Term Financial Plan including Hydrocarbons, Inert Waste, Coastal Flood Defences, Strategic Air and Sea Links Infrastructure, and Seafront Enhancement which are currently being investigated and developed, supported by seed funding.

- 12.15. In respect of minor capital, continuation of the existing allocation of an average of £2m per annum for IT-related projects is projected to be sufficient to cover the requirements of the FDS contract (replacement of minor assets, such as end-use devices and peripherals; and ongoing upgrades/improvements to States-wide networks) and for any retained services.
- 12.16. Governance – how will the Committee use its delegated authority?
- 12.17. The propositions include giving the Policy & Resources Committee delegated authority for opening capital votes.
- 12.18. Any requests for funding for projects which are part of the mandated responsibility of the Policy & Resources Committee follow the same processes and procedures, and are subject to at least the same level of officer and political review and challenge, as those requests submitted by other States Committees. In addition, these projects will benefit from independent challenge and scrutiny in the same way as those led by other Committees and States' bodies, as is the role of the Scrutiny Management Committee under the system of Government adopted in 2016 following approval of the States Review Committee's recommendations.

### **13. Political Engagement**

- 13.1. Whilst the changes generated by the future IT delivery model will be operational, they will have an impact on work carried out under the mandate of each and every Committee. Updates on the progress of the project have been provided through the Chief Executive's annual report appended to the updates on the Policy & Resource Plan and through Statements made by the President of the Committee.
- 13.2. A meeting with the Committee Presidents was held ahead of negotiations with the selected bidder to provide an opportunity for early questions and feedback. Briefings and presentations have also been given to each of the Principal Committees to discuss particular queries or areas of interest related to their mandates. The Committee is grateful for the input and feedback provided by States Members and other stakeholders over the course of the project. Further engagement will continue following the publication of the Policy Letter to ensure States Members have all of the information they need.



#### **14. Compliance with Rule 4**

- 14.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 14.2. In accordance with Rule 4(1), the Propositions in this Policy Letter have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not be put into effect.
- 14.3. In accordance with Rule 4(3), the Committee has included Propositions which request the States to approve major capital funding of up to £43.6m and to direct the Committee to include specific additional funding of £2.0m for the Strategic Partnership in the 2020 recommended Cash Limits and to take account of the ongoing costs when recommending Cash Limits for 2021 and subsequent years. The Committee also asks the States to note that it intends to use its delegated authority to approve funding of £1.4m from the Budget Reserve to fund the 2019 cost of the Strategic Partnership. Further detail on the financial implications of the Propositions is provided in section 11 and 12.
- 14.4. To comply with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions attached to this Policy Letter have the unanimous support of the Policy & Resources Committee.
- 14.5. In accordance with Rule 4(5), the Propositions relate to the duties of the Policy & Resources Committee in respect of "*policies on financial management, assets and corporate services, including information and communication technology*".

Yours faithfully

#### **Policy & Resources Committee**

G A St Pier  
President

L S Trott  
Vice-President

A H Brouard  
J P Le Tocq  
T J Stephens

## APPENDIX 1

### QUESTIONS AND ANSWERS

Some of the questions associated with the FDS project are answered below.

	Question	Answer	Further Information
01	<b>Why is this good for Guernsey?</b>	<p>The Strategic Partnership will ensure the States has IT services capable of supporting and enabling its strategic goals. Through the provision of more stable and flexible systems, the service provided to customers will improve and the objectives of the framework for Public Service Reform will be accelerated.</p> <p>The Partnership will also include a direct investment into the local digital sector, including initiatives focused on skills development and the support and development of local technology enterprises.</p>	<p>Policy Letter: Section 8 – the Future Delivery Model</p> <p>Business Case: The Strategic Case - Benefits</p>
02	<b>Why is this good for users of States IT services?</b>	<p>Future IT services are intended to 'just work'. By expanding the service support available, upgrading technology and proactively addressing problem areas, they will minimise the inefficiencies and frustrations generated by IT errors or inconsistent service provision.</p>	<p>Policy Letter: Section 8 – the Future Delivery Model</p> <p>Business Case: The Strategic Case - Benefits</p>
03	<b>Is this good for current States IT personnel?</b>	<p>Existing States IT staff will be transferred to a new corporate entity where they will be employed by the Strategic Partner. Within the entity, they will have access to their current employment terms and conditions.</p> <p>The new arrangements will assist staff to apply their existing skills more widely and develop further skills to support emerging technology, including the use of efficient 'cloud-based' approaches instead of isolated departmental machines. It will also provide staff with added career development opportunities.</p>	<p>Policy Letter: Section 10.14-10.22 – Employee Transfer</p> <p>Business Case: The Commercial Case – Staff Implications</p>

	Question	Answer	Further Information
04	<b>What is the range of systems and resources included within the scope of the proposed arrangement?</b>	<p>All States IT systems are in the scope of the Strategic Partnership, with the exception of those used solely by incorporated Trading Assets and the high-security systems used by Home Affairs which are directly connected to UK Government systems.</p> <p>All existing ISS staff are in scope, except for a small number of personnel who will be maintained to form a Retained IT Function.</p>	<p><i>Scope</i> Policy Letter: Section 3 Business Case: Strategic Case – Scope</p> <p><i>Retained IT Function</i> Policy Letter: section 10.8 Business Case: Management Case – Ten-year Partnership Governance</p>
05	<b>Why change the approach to providing IT services and support so radically?</b>	The IT world has been changing radically. The States needs to embrace the opportunities generated by modern technology, including migrating to cloud based systems and flexible and mobile working, if it is to meet the expectations of its customers and the international community. In order to achieve this, the States IT delivery model needs to provide much greater access to expertise and resource.	<p>Policy Letter: section 2.10-2.16 – the Current Model</p> <p>Business Case: Strategic Case – The Case for Change</p>
06	<b>Why change now, instead of evolving gradually?</b>	There are a number of substantial systems requiring upgrade or redevelopment (for example, critical systems in Health, Education, Home, and the Revenue Service need upgrading or replacing). It is more sensible to develop all future systems under the new IT infrastructure, ensuring they can be integrated and do not duplicate functionality, instead of prolonging the old.	<p>Policy Letter: section 2.10-2.16 – the Current Model</p> <p>Business Case: Strategic Case – The Case for Change</p>

	Question	Answer	Further Information
07	<b>Why not use the internal IT team to improve systems and support as much as possible first, and then outsource to others from that improved base?</b>	<p>The 'Internal Improvement Model' team concluded that they would need substantial external support and a long timescale to significantly improve States' IT provision. The Committee chose to suspend the development of an Internal Improvement Model in favour of a Strategic Partnership which would allow services to be reformed more quickly.</p> <p>Technology, which underpins the provision of IT services, continues to develop rapidly and it is very difficult for the States alone to keep pace with this change. It is also increasingly to recruit, retain and develop IT talent. As a public sector organisation, the States may be less likely to attract top IT talent compared to specialists, whether they be in Guernsey or outside of the island.</p>	<p>Policy Letter: Section 6 – Sourcing Arrangements</p> <p>Business Case: Economic Case – Comparative Analysis of Shortlisted Options</p>
08	<b>Will individual Deputies gain or lose any IT systems support from this?</b>	Deputies will experience the same improvements in IT services as other States users, including improved service support, high-speed network connections and greater support for mobile working.	<p>Policy Letter: Section 8 – The Solution</p> <p>Business Case: The Strategic Case - Benefits</p>
09	<b>Will Deputies be able to get help with IT outside office hours and over a weekend?</b>	Deputies will receive enhanced support through a 'VIP' service out of hours. The precise levels of support that will be available are still being finalised.	Policy Letter: Section 8 – The Solution
10	<b>Does this further centralise control over projects away from political committees?</b>	No. Political Committees will retain control over transformation or other project initiatives within their mandate. The FDS partner will increase the Committees' ready access to resources and help to establish a cost-effective and flexible IT platform on which Committees can build new systems or to which old systems can be transferred.	<p>Policy Letter: Section 5 – the Future Delivery Model</p> <p>Business Case: The Management Case – Ten-year Partnership Governance</p>

	Question	Answer	Further Information
11	<b>Does the proposed arrangement prevent political committees from using specialist project consultants (e.g. in healthcare, education or law enforcement systems)?</b>	No. The contract appoints the selected partner as a 'preferred supplier' and retains the flexibility to use other specialist consultants where appropriate and desirable.	Policy Letter: Section 10  Business Case: Commercial Case – Contractual Arrangements
12	<b>Is this a typical IT outsourcing deal?</b>	The Strategic Partnership is not a simple cost-cutting outsourcing deal devoid of development objectives. The Partnership and its goals have been tailored to the objectives and needs of the States of Guernsey.	Policy Letter: Section 6 – Sourcing Arrangements
13	<b>Will all Guernsey's key data and systems be located off island, and thus away from local control?</b>	All key data and systems will be kept on-island, including two on-island data centres.	Policy Letter: Section 8.9
14	<b>What might be the wider economic development benefits for Guernsey?</b>	The strategic partner will be responsible for an ongoing programme of economic development initiatives aimed at improving local digital skills and business opportunities. These initiatives will be aligned to the Digital Sector Framework.	Policy Letter: Section 8.21-8.29 – Economic Development  Business Case: Economic Case – Comparative Analysis of Shortlisted Options
15	<b>Why such a long 10 year commitment? How does this relate to IT equipment with shorter or longer lives?</b>	A contract of this duration will ensure that there is time for new services to transition and embed, and for the States to benefit from the Partner's economies of scale and from the knowledge gained by the Partner. The length of the contract also provides for infrastructure refresh, which will prevent the States from re-entering a cycle of significant investment and transformation.	Policy Letter: Section 10 – The Relationship  Business Case: Commercial Case – Contractual Arrangements

	Question	Answer	Further Information
16	<b>Why use a new corporate entity for staffing?</b>	<p>The new corporate entity is a device to easily transfer staff to the States or a replacement supplier upon expiry of the contract or in the unlikely event of earlier termination. The 'golden share' will be a tiny minority shareholding in the entity in the name of the States. This shareholding will only be used to force a share transfer when the contract ends, thereby securing the staff that work 50% or more of their time upon States' matters. This will be backed through a separate contractual agreement called a Shareholders' Agreement.</p> <p>The corporate entity will ensure the States has control over essential staff skills at the end of the contract and will allow staff to be given assurances in regard to their continued employment and public sector pension protection.</p>	<p>Policy Letter: Section 10.14-10.22</p> <p>Business Case: Commercial Case – Staff Implications</p>
17	<b>Will staff who transfer to the new entity be accountable to the States?</b>	Staff will be directly accountable to their line management. Agilisys will manage staff working on States operations and projects and will be accountable to the States for their performance.	<p>Policy Letter: Section 10.14-10.22</p> <p>Business Case: Commercial Case – Staff Implications</p>
18	<b>Why not use a Guernsey company or consortium as the supplier/partner?</b>	Guernsey companies participated in the procurement exercise however no Guernsey company alone proved capable of providing all the services required by the States. The Strategic Partner will maintain a Guernsey presence and Guernsey companies will provide services to the States under the management of the Partner.	<p>Policy Letter: Section 4 – The Development Phase</p> <p>Business Case: Appendix A – Review of the Options Development Phase</p>
19	<b>How has this been negotiated?</b>	The definition of our requirements developed over a period of 18 months, with support from external advisors and further independent quality assurers. The shortlisted bidders were then involved in a tendering process to secure the best possible deal for the States.	<p>Policy Letter: Section 4 – The Development Phase</p> <p>Business Case: Appendix A – Review of the Options Development Phase</p>

	Question	Answer	Further Information
20	<b>Has the negotiation and proposal been operationally, technically, professionally and politically validated?</b>	The proposal and negotiation have been validated through the scored evaluations by internal staff, structured workshops with service experts, and independent external assurance.	Policy Letter: Section 4 – The Development Phase  Business Case: Appendix A – Review of the Options Development Phase
21	<b>Does the proposed supplier/partner understand our current systems enough to support us reliably?</b>	The Partner has been involved in the full 18 month development process for the proposal and has gained a strong understanding of our current systems. This understanding has been explored and tested by internal staff.	Policy Letter: Section 4 – The Development Phase  Business Case: Appendix A – Review of the Options Development Phase
22	<b>Does the proposed supplier/partner understand the future systems we envisage?</b>	The Partner understands future systems as far as they have been defined. The Partner has been provided with full briefings on States strategy and ambitions and had the opportunity for extensive discussion with staff working on change and transformation initiatives.	Policy Letter: Section 4 – The Development Phase  Business Case: Appendix A – Review of the Options Development Phase

	Question	Answer	Further Information
23	<b>Is the proposed supplier/partner operationally and financially resilient enough to deliver what we need over 10 years?</b>	<p>Due diligence has confirmed that the Partner is operationally and financially resilient. The financial due diligence carried out has included analysis of Agilisys' audited accounts and assessment of both its current financial performance and the security held against its assets. This provided confirmation of a positive trading record and the reassurance required on the financial health of the company. As well as a track record of regularly generating profits, net positive cashflows are clearly evident. A key area for reassurance is the terms of the Auditors' report which is confirmed as 'clean'. Another aspect reviewed was the strength of the business to take on the FDS contract. Based on the core element of the contract requirements, it would add in the region of 10% to turnover which does not raise concerns and confirms the company's ability to take on further project related work. Parallel to this, there was an assessment of the credit reports on the bidder's group companies which raised no concerns.</p> <p>As part of the contract negotiation phase of the Project, a final iteration of due diligence will take place which will consider complementary issues such as any aged or bad debt held on Agilisys' accounts and confirmation of the terms on which they will pay their supply chain.</p> <p>The contract contains measures which require notification to be provided where the financial standing of key parties alters and includes termination options where financial requirements and notification are not met.</p>	<p>Policy Letter: Section 7 – The Partner</p> <p>Business Case: Commercial Case – Risk Apportionment</p>



	Question	Answer	Further Information
24	<b>Does this arrangement mean that the States loses control over its IT assets and resources?</b>	<p>No. The States will supplement its resources with the skills and practices available from the Strategic Partner and the new employing entity can be brought back in house if required.</p> <p>The Partner will have the right to use IT assets, the ownership of assets will remain with the States.</p> <p>The States will continue to determine project requirements in line with its own political investment objectives and priorities.</p>	<p>Policy Letter: Section 10 – The Relationship</p> <p>Business Case: Commercial Case – Contractual Arrangements</p>
25	<b>If we transfer away all our IT skills, how do we control a supplier/partner by being ‘an intelligent client’ for key decisions?</b>	In addition to the arrangements for the new corporate entity, the States will keep a small number of very senior IT professionals for strategic planning/control within a Retained IT team. The States will also have access to independent experts if required.	<p>Policy Letter: Section 10 – The Relationship</p> <p>Business Case: Management Case – Ten-year Partnership Governance</p>
26	<b>What are the main risks of doing this and how will they be managed?</b>	The two main risks are choosing the wrong strategic partner at the outset or a subsequent failure to manage arrangements collaboratively and constructively in future years. An extensive procurement exercise has been carried out to identify the best supplier to the States and formal governance and contractual arrangements have been put in place to mitigate the risk associated with the relationship.	<p>Policy Letter: Section 10 – The Relationship</p> <p>Business Case: Economic Case – Risk Analysis Management Case – Ten-year Partnership Governance</p>
27	<b>Who will ultimately take responsibility when something goes wrong with the online payments system?</b>	Should the issue be within the control of the Partner, responsibility would initially lie with the first line of contracted systems support, then with the line management within the Service Team, then with the Partner’s Client Service Director and the Relationship Director accountable to the States of Guernsey.	<p>Policy Letter: Section 10 – The Relationship</p> <p>Business Case: Management Case – Ten-year Partnership Governance</p>
28	<b>When would this arrangement start to happen?</b>	The relationship will commence later in 2019, if approved by the States of Guernsey.	<p>Policy Letter: Section 9 – Next Steps</p> <p>Business Case: Management Case – Transition and Transformation</p>

	Question	Answer	Further Information
29	<b>Would things change overnight, all at once?</b>	Changes will be phased, including a transition period in which the Partner will take control of day-to-day services.	Policy Letter: Section 9 – Next Steps  Business Case: Management Case – Transition and Transformation
30	<b>Any major change usually has ‘winners’ and ‘losers.’ Who would be the losers from this arrangement?</b>	Whilst the needs of the States has been prioritised, the FDS Project has carefully considered the interests of multiple parties across the Project’s scope. Whilst many stakeholders will experience change, for the vast majority of interested groups the contract will provide new benefits and opportunities. The project will continue to monitor and manage any risks to the success of the Partnership.	Business Case: Management Case – Comparative Analysis of Shortlisted Options
31	<b>What happens at the end of 10 years?</b>	There are multiple options at the end of the Partnership term; extend the arrangements, revise the arrangements, switch to a different strategic partner or transfer staff and assets back into direct ownership of the States. These options will be reviewed fully before the end of the contract period.	Policy Letter: Section 10 – The Relationship  Business Case: Commercial Case – Contractual Arrangements
32	<b>Does this arrangement make States data any less secure?</b>	Data security will remain a critical aspect of systems design. The Partnership will establish relationships between the States and leading cyber security organisations.	Policy Letter: Section 8.8.
33	<b>How does this relate to a change in public telecoms networks from 4G to 5G technologies?</b>	Considerations around any movement to 5G are separate from the FDS project.	

	Question	Answer	Further Information
34	<b>Why bother doing this? Can't we just carry on as we are now?</b>	<p>The status quo is not a realistic option. The States current IT services, including the existing infrastructure and support systems, impose a number of constraints on the organisation which limit the role technology can play in delivering the States goals. Without change to our delivery model, IT services will become an increasing source dissatisfaction for users and customers.</p> <p>Numerous States IT systems are ageing and inflexible and have very limited integration with other systems. Replacement systems need to be developed using efficient new technologies if they are to be cost effective and not slow the achievement of Public Service Reform and policy change.</p>	<p>Policy Letter: section 2.10-2.16 – the Current Model</p> <p>Business Case: Strategic Case – The Case for Change</p>
35	<b>Who owns Agilisys?</b>	Agilisys Limited is a majority employee owned organisation. It forms part of the Blenheim Chalcot group of companies which is headquartered in the UK.	Policy Letter: Section 7 – The Partner
36	<b>What due diligence has been conducted on Agilisys?</b>	An ongoing process of due diligence has been carried out on the bidders for the Future Digital Services contract. This commenced with a series of checks during the Pre-Qualification stage of the procurement process in late 2017. More recently, it included a robust set of reference site visits, which assessed all key aspects of the suppliers' ability to deliver the contract services, and formed part of the evaluation methodology. This due diligence has considered legal and contractual (historic and current legal cases involving Agilisys), financial, technical and governance matters. Further due diligence is planned ahead of the contract finalisation.	Policy Letter: Section 7 – The Partner
37	<b>What would happen if Agilisys were to leave early?</b>	If Agilisys were to need to end the Partnership early, the exit provisions within the contract would be initiated and the agreed Exit Plan would be carried out. At this stage, the States would need to consider whether to switch to a different strategic partner, or transfer staff and assets back into direct ownership of the States.	Policy Letter: Section 7 – The Partner

	Question	Answer	Further Information
38	<b>What happens if Agilisys withdraw from the process at the last minute?</b>	The other strong performing bidder in the procurement process, Fujitsu Services Limited, has been selected as a Reserve Bidder. In the event that the contract with Agilisys is not finalised, a relationship with the Reserve Bidder will be explored further.	Policy Letter: Section 5.2
39	<b>How are local businesses involved in the Partnership?</b>	A number of the key sub-contractors for Agilisys are established local companies. It is essential that the supply chain developed by Agilisys balances savings with the need to protect and invest in local businesses, this need was included within the scoring process and will be monitored throughout the relationship. The offer from Fujitsu Services Limited also included local businesses.	Policy Letter: Section 7 – The Partner  Business Case: Appendix D – the Bidders

## GLOSSARY

<b>Artificial Intelligence</b>	Artificial intelligence refers to the ability of a computer to perform tasks which would commonly require human intelligence to achieve. These might include visual perception, speech recognition and decision-making.
<b>Automation</b>	Automation is the use of electronics and computer-controlled devices to carry out a process or procedure with minimal human assistance.
<b>Business as usual (BAU)</b>	Business as usual refers to the normal business structures, processes and systems used by an organisation to deliver its standard services.
<b>Cloud-Based Computing</b>	Cloud-based computing is a method for delivering IT services where resources are retrieved from the internet using web-based tools and applications, as opposed to directly connecting to a server.
<b>Corporate Entity</b>	A corporate entity is a distinct legal entity formed to carry out a specific task. In the FDS project, it is proposed to form a new corporate entity to employ staff working on States IT services. Both organisations will own shares in the entity (the States having a small minority holding) which will be separate and distinct from both Agilisys and the States. Staff in the entity will be managed by Agilisys, though they will retain their current terms and conditions and can be transferred back to the States using the States' 'golden share' if it is in the interest of the States to do so.
<b>Cyber Security</b>	Cyber security refers to the technology, processes and practices designed to protect IT services and data from attack, damage, or unauthorised access.
<b>Data Centre</b>	A data centre is a secure facility that houses critical IT infrastructure, such as networked computers and data storage. Within a data centre, an organisation's data is stored, managed and disseminated. In order for it to remain operational, a data centre has strict requirements for electricity supply, temperature and humidity.
<b>Database</b>	A database is an organised collection of data stored and accessed electronically.
<b>Digital Channel Shift</b>	Digital channel shift refers to the movement of customer communication (both inward and outward) from more traditional methods (for example filling in forms or meeting face-to-face) to digital methods.
<b>Digital Transformation</b>	Digital transformation refers to large-scale changes in organisational processes and practices which have been enabled by technological opportunities.

<b>Education Digital Road Map</b>	Education Services is developing a Digital Roadmap to guide the future use of digital technology in schools to support pupils' learning.
<b>FinTech</b>	FinTech is a shortened form of financial technology. It includes any technology used to support or enable banking and financial services.
<b>Golden Share</b>	The golden share refers to a small minority shareholding and a separate legal agreement, called a shareholders agreement, between Agilisys and the States. This agreement entitles the States to effect a share transfer of the new corporate entity to the States, or to a replacement supplier, for nominal consideration upon termination of the services contract.
<b>Hardware</b>	Hardware refers to the physical parts of a computer system. This includes equipment such as the monitor, keyboard, and mouse. It also includes all the parts inside a computer case, such as the hard disk drive, motherboard and video card, etc.
<b>ISS</b>	ISS stands for Information Systems and Services. It refers to the internal IT team established in 2017 when the independent Committee IT departments were consolidated.
<b>IT</b>	IT stands for Information Technology. It refers to anything related to computing, such as hardware, software or the Internet.
<b>IT Infrastructure</b>	In an IT context, infrastructure refers to an organisation's entire collection of hardware, software, networks, data centres, facilities etc. used to develop, test, operate, monitor, manage and support IT services.
<b>MedTech</b>	MedTech is a shortened version of medical technology. It includes any technology used to support or enable clinical and medical services.
<b>Organisational Redesign</b>	Organisational Redesign refers to a programme for the major redesign of the organisational structure of the public service, including the release of existing posts. The programme will require digital transformation in order to be achieved.
<b>Partnership of Purpose</b>	The Partnership of Purpose is the programme of transformation intended to tackle the challenges within the Bailiwick's health and care system. The programme was approved by the States in December 2017.
<b>Portfolio</b>	Portfolio refers to a collection of projects and programmes managed together to achieve an organisation's strategic goals.
<b>Retained IT Function</b>	The Retained IT Function refers to the States' in-house capability to monitor, assure and manage the contract with the Strategic Partner.

<b>Revenue Service Programme</b>	The Revenue Service programme is the programme of transformation in the Revenue Service (the integrated service created from the Income Tax and Social Security Contributions service areas), as approved by the States in April 2018.
<b>SAP</b>	SAP is the name of the core business administration system used by the States.
<b>Software</b>	Software is a set of instructions that tells a computer what to do or how to perform a task. Software includes all the different programmes on a computer, including applications and the operating system.
<b>Scale-Up</b>	Scale-up describes the process in the business cycle where an existing business is seeking to expand, achieve new investments, and seek new market opportunities.
<b>Start-Up</b>	Start-up describes the point in the business cycle where a new business is beginning to develop and is seeking to establish a presence in the market.
<b>Sub-contractor</b>	Any sub-contractor which, in the opinion of the States, performs (or would perform if appointed) a critical role in the provision of all or any part of the States' services or a sub-contractor with a contract value which exceeds 10% of the collective charges payable under the Strategic Partnership contract.
<b>TUPE Legislation</b>	TUPE legislation is legislation to protect employees if the business they work for changes hands. TUPE is an acronym for Transfer of Undertakings (Protection of Employment) Regulations, the UK's TUPE legislation.

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

**POLICY & RESOURCES COMMITTEE**

**REFORM OF HEALTH CARE FUNDING**

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Reform of Health Care Funding', dated 2 May 2019, they are of the opinion:

- 1) To agree that all functions of the Committee *for* Employment & Social Security in relation to health service benefits provided under the Health Service (Benefit) (Guernsey) Law, 1990 are transferred from the Committee *for* Employment & Social Security to the Committee *for* Health & Social Care.
- 2) To agree that responsibility for the provision of travelling allowance grant under the Social Insurance (Guernsey) Law, 1978 and the administration and management of the Travelling Expenses Assistance Scheme are transferred from the Committee *for* Employment & Social Security to the Committee *for* Health and Social Care.
- 3) To agree that statutory provisions relating to the provision of Medical Benefit, Specialist Medical Benefit, Physiotherapy Benefit and Alderney Hospital Benefit under the Health Service (Benefit) (Guernsey) Law, 1990 be repealed, and that provision of equivalent benefits and related services and contracts continue on a non-statutory basis administered and managed by the Committee *for* Health and Social Care.
- 4) To agree that the Health Service (Benefit) (Guernsey) Law, 1990 be amended to empower the Committee *for* Health & Social Care to determine by resolution or regulation all conditions and other matters relating to pharmaceutical benefit and the supply of medical appliances under the Law.
- 5) To direct the Committee *for* Health & Social Care to ensure that all policies relating to the prescription of treatments or appliances in the community are published on the States of Guernsey Website including:
  - a. details of approved treatments,
  - b. procedures for applying for new treatments to be added to the policy and details of how these will be assessed, and
  - c. procedures for appealing the policy decisions in relation to approved treatments.
- 6) To direct the Committee *for* Health & Social Care to review the processes for approving new drugs and treatment and providing prescribing advice to ensure



there is consistent policy and approach to prescribing in primary and secondary care.

- 7) To agree that the statutory provisions relating to traveling allowance grant under the Social Insurance (Guernsey) Law, 1978 be repealed, and that provision of this grant and all related contracts continue on a non-statutory basis.
- 8) To direct the Committee *for* Health & Social Care to review and revise as appropriate the single complaints policy to incorporate complaints and appeals in respect of the services being transferred to it under the propositions of this Policy Letter, and to ensure that clear and accessible information relating to the same be published.
- 9) To direct the Committee *for* Health & Social Care to continue to provide services in respect of which the statutory basis is to be repealed, to a standard equivalent to that currently provided under the relevant legislation, and that any future review of the provision of these services be incorporated within the delivery of the Partnership of Purpose and aligned with the long-term objectives of the Policy & Resource Plan. Any changes must be subject to the same requirements for consultation and, if necessary, approval by resolution of the States of Deliberation as other services delivered under the mandate of the Committee *for* Health & Social Care.
- 10) To direct the Policy & Resources Committee to consolidate budgets for all relevant health benefits and related services referenced in this Policy Letter within the cash limit of the Committee *for* Health & Social Care to be met from General Revenue and to recommend cash limits for the Committee *for* Health & Social Care which take into account the expansion of its mandate.
- 11) To agree that:
  - a. no grant be paid from General Revenue to the Guernsey Insurance Fund;
  - b. the allocation of contributions to the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-Term Care Insurance Fund be as set out in Table 6.1;
  - c. the Guernsey Health Service Fund Allocation be retitled the Guernsey Health Service Allocation; and
  - d. the Social Insurance (Guernsey) Law, 1978 be amended accordingly and to provide that the retitled Guernsey Health Service Allocation should be credited to General Revenue
- 12) To agree that the Guernsey Health Service Fund, as maintained under the Health Service (Benefit) (Guernsey) Law, 1990, be discontinued and the balance of the Fund be described as the Guernsey Health Reserve and transferred to be ring-fenced within the General Reserve.

- 13) To delegate authority to the Policy & Resources Committee to approve use of the Guernsey Health Reserve for the following purposes:
- a. to fund unanticipated expenditure pressures in providing health services that arise outside of the normal budgetary process and cannot be met within that year's budget of the Committee *for* Health & Social Care;
  - b. to fund revenue or capital expenditure on health transformation projects aimed at improving the efficiency, quality or capacity of health services in Guernsey which demonstrate long term benefits to the sustainability of Guernsey's health care system, subject to the same application process and governance conditions pertaining to the Transformation and Transition Fund or Capital Reserve;
  - c. to manage any transitional costs associated with implementing health-related transformational programmes; and
  - d. to fund revenue or capital expenditure on management of cost pressures developing within the health service provision over the long term associated with the aging of the population.
- 14) To agree that a transfer be made from the Guernsey Health Reserve to the General Revenue Reserve of the value of expenditure which has been incurred by General Revenue from 2019 onwards on specific measures introduced to address the orthopaedic treatment waiting list.
- 15) To agree that any transitional arrangements which are necessary to effect the transfer of the balance of the Guernsey Health Service Fund to the General Reserve (where it will be held as the Guernsey Health Reserve) must include a facility for the Guernsey Health Service Fund to recover any monies due to it at the date the statutory provisions relating to the benefits referred to in proposition 3 are repealed.
- 16) To direct the Policy & Resources Committee, in anticipation of the completion of the legislative and mandatory changes outlined in propositions 1 to 15 of this Policy Letter, to bring forward an Ordinance under the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991 to transfer the functions of the Committee *for* Employment & Social Security set out in propositions 1 and 2 to the Committee *for* Health & Social Care.
- 17) To direct the Committee *for* Health & Social Care to obtain the agreement of the Policy & Resources Committee before committing to, or incurring, any expenditure additional to the 2019 budget (maintained in real-terms), in respect of any services currently funded from the Guernsey Health Service Fund or the travelling allowance grant until the legislative changes outlined in propositions 1 to 14 of this Policy Letter have been implemented.
- 18) To direct the Committee *for* Employment & Social Security to take into account within its annual Contributory Benefits and Contribution Rates Policy Letter any proposal from the Policy & Resources Committee to revise the contribution

rates in order to change the allocation of contributions to the Guernsey Health Service Allocation.

- 19) To direct the Policy & Resources Committee in consultation with the Committee for Employment & Social Security to progress the second stage of the workstream, as described in section 10 of this Policy Letter, and review the structure of Social Security contributions collected for the support of health and social care services and ensure that these are appropriate, fair and sustainable, and to consider the prioritisation of this work stream for the new Assembly in the 2021-25 Policy & Resource Plan
- 20) To direct the preparation of such legislation as is necessary to give effect to the above decisions, including transitional provisions and consequential amendments to other legislation.

The above propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

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

**POLICY & RESOURCES COMMITTEE**

**REFORM OF HEALTH CARE FUNDING**

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

2<sup>nd</sup> May 2019

Dear Sir

**1. Executive summary**

- 1.1 In the 2017 Budget Report ([Billet d'État XXVI, 2016](#)) the Policy & Resources Committee outlined its intention to work with the Committee *for* Employment & Social Security to reform the way in which health services are funded in Guernsey. This Policy Letter is presented by the Policy & Resources Committee in its role as the co-ordinating body in cross committee policy with the support of the Committee *for* Employment & Social Security and the Committee *for* Health & Social Care.
- 1.2 In 2019, the States of Guernsey is budgeted to spend a total of £182m on providing health and social care services in Guernsey and Alderney, of which 35% (£63m) will be spent from the social security system including £44m from the Guernsey Health Service Fund (GHSF). The balance of the budgeted expenditure (£119m) is the cash limit assigned to the Committee *for* Health & Social Care. This means that there are two Committees responsible for making decisions about the allocation of funding to health services, and shaping health policy by doing so.
- 1.3 This Policy Letter presents proposals to bring the governance of all health services provision unambiguously under the mandate of the Committee *for* Health & Social Care. The intention is to make the provision and funding of health services, more transparent, more effective and more efficient. The revenues would continue to be collected via the social security contributions system, but the contributions currently directed toward the GHSF would be credited to General Revenue to enable an increase in the cash limit for the Committee *for* Health & Social Care to meet its expanded mandate.
- 1.4 The intention is not to pre-empt the Committee *for* Health & Social Care in designing future health services, but to ensure that the governance and legislative structure will provide it with the flexibility to recommend and make

changes relating to the whole sphere of health service provision in the future. At the outset services will continue to be provided to the public as they are currently. Any longer-term changes to the way in which these are structured which may be appropriate will be presented by the Committee *for* Health & Social Care in the context of the development of the Partnership of Purpose.

- 1.5 The GHSF was designed to make primary and secondary medical care more accessible to the population and has successfully enabled the development of fully subsidised specialist medical care in Guernsey. However, the existing legal structure places tight restrictions on the use of contributions which can delay or restrict the transformation in health services which might otherwise improve patient outcomes or improve the efficiency of the service. This Policy Letter therefore proposes that, except for the legislation relating to pharmaceutical benefit and medical appliances, the statutory standing of the services provided under the Health Service (Benefit) (Guernsey) Law, 1990 be withdrawn to facilitate any future restructuring. These benefits; the services they represent; and, where relevant, the contracts under which they are provided will continue under the mandate of the Committee *for* Health & Social Care and managed as services.
- 1.6 The financial arrangements needed to achieve this also create an opportunity to remove the General Revenue grant payable to the Guernsey Insurance Fund (which supports the Old Age Pension and other income replacement benefits) without loss of income to that Fund. This will remove the need for financial transfers flowing in both directions between General Revenue and the Social Security system, thus making the Guernsey Insurance Fund independent of General Revenue.
- 1.7 The intended outcomes of this Policy Letter can be summarised as follows:
  - All policy and governance responsibility for publicly funded health services will be placed solely within the mandate of the Committee *for* Health & Social Care and removed from the mandate of the Committee *for* Employment & Social Security;
  - The recommended cash limits of the Committee *for* Health & Social Care will be increased to take into account the extension of its mandate;
  - The statutory basis for the provision of Pharmaceutical Benefit and Medical Appliances will be retained and responsibility for the relevant duties and powers transferred to the Committee *for* Health & Social Care;
  - The statutory basis for provision of Medical Benefit, Alderney Hospital Benefit, Specialist Medical Benefit (which also incorporates visiting consultants and primary care mental health benefits), Physiotherapy Benefit and the Travelling Allowance Grant will be removed to facilitate transformation;
  - Free contraception for under 21's, the trial of which is provided from the GHSF on a non-statutory basis, will continue on a non-statutory basis, funded from General Revenue;

- The Committee *for* Health & Social Care will be directed to ensure the continuing provision of these services until proposals for any future restructuring provisions can be developed following all necessary processes for consultation and approval;
- The combination of contributions and revenue grant currently paid into the Social Security system will be reallocated such that the General Revenue grant paid to the Guernsey Insurance Fund (GIF) is reduced to zero without loss of income to that Fund;
- The remaining Social Security contributions and the investment return on the balance of the Guernsey Health Service Fund will accrue to General Revenue and be available to increase the funding allocated to the Committee *for* Health & Social Care to discharge its expanded role. This will remove all incoming financial flows to the GHSF;
- The capital balance of the Guernsey Health Service Fund will be retitled the Guernsey Health Reserve and transferred to be an ear-marked allocation within the General Reserve;
- The Guernsey Health Reserve will be used to support the sustainable provision of health and social care services in the long term, manage unanticipated health spending pressures on an in-year basis and to manage demographic pressure on the provision of these services in accordance with the principles outlined in section 7.
- In the short term some or all of the investment return relating to this reserve may be used to cover the budgeted £1.8m funding shortfall for the services to be transferred, which is currently reported as an operating deficit on the GHSF. In the medium and long term, the transformation of health provision in Guernsey via the Partnership of Purpose towards a more cost efficient and sustainable model should close the funding gap.

1.8 This will result in the Committee *for* Health & Social Care formally being solely responsible for providing the public with access to the following benefits and the services they subsidise (including any related legislation) as set out in the table 1.1.

1.9 At implementation the Committee *for* Health & Social Care will continue to provide these services in the same way they are provided today. However, a key objective of this restructure is to ensure that the Committee *for* Health & Social Care can fully integrate provision of these services into its transformation programme. The removal of the statutory basis for most of these services has significant advantages in improving flexibility and facilitating transformation which could improve the experience of patients and reduce the overall cost of providing services. This is vital to ensure that, in the long term, members of the public have access to the health services they need, and that these are provided in an effective, efficient and sustainable way.

**Table 1.1: Functions to be transferred to the Committee *for* Health & Social Care**

a	The provision of Medical Benefit (being a grant towards the cost of consultation with a medical practitioner or nurse) as defined in the Health Service (Benefit) (Guernsey) Law, 1990 {the Law}
b	The provision of specialist medical benefit (provision of all specialist consultations, treatments etc. as may be prescribed and required) as provided for under the Law and the Health Service (Specialist Medical Benefit) Ordinance, 1995. This includes services currently provided under the contract between the Medical Specialist Group and the States, approved visiting specialists and primary care mental health.
c	The provision of Pharmaceutical Benefit as defined in the Law
d	The provision of Medical Appliances as defined in the Law
e	The provision of Physiotherapy Benefits as provided for under the Law and the Health Service (Physiotherapy Benefit) Ordinance, 1997
f	The provision of Alderney Hospital Benefit as provided for under the Law and the Health Service (Alderney Hospital Benefit) Ordinance, 1997
g	The provision of free contraceptives for under 21s
h	The provision of the Travelling Allowance Grant as defined by the Social Insurance (Guernsey) Law, 1978
i	The provision of the Travelling Expenses Assistance Scheme (from general revenue)

- 1.10 The full resolution of the legal changes needed to implement the proposals in this Policy Letter will take at least a year to complete as some change will need to be made by Projet. It is proposed as an interim measure that the responsibility for the provision of benefits under the Health Service (Benefit) (Guernsey) Law, 1990 and for Travelling Allowance Grants under the Social Insurance (Guernsey) Law, 1978 be transferred from the Committee *for* Employment & Social Security to the Committee *for* Health & Social Care during 2019 by way of an Ordinance made under the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991 (subject to prioritisation).
- 1.11 These provisions will also enable the Committee *for* Health & Social Care to make regulations to approve the addition of new drugs to the approved list under the Health Service (Benefit) (Limited Lists) Ordinance, 2004. Until the financial changes can be completed, these services will continue to be funded from the GHSE.
- 1.12 The transfer of the statutory functions of the Administrator of Social Security under the Health Service (Benefits) legislation is more complex. A temporary transfer is not currently practical since these functions are integrated into the statutory role of the Administrator of Social Security. It is therefore proposed that, with the consent of the Committee *for* Employment & Social Security, the Administrator of Social Security will remain the statutory official responsible for the functions of the Administrator services under the Health Service (Benefit) (Guernsey) Law, 1990 and in respect of the travelling allowance grant but

reporting to the Committee *for* Health & Social Care for all matters relating to these benefits.

- 1.13 A long-term resolution will require extracting these functions from the role of the Administrator of Social Security. If a statutory function is still deemed necessary in relation to the much more streamlined legislation, a separate statutory function for the administration of Pharmaceutical Benefit and Medical Appliances could be created and added to the duties of an existing officer with suitable qualifications and experience.

## **2. Overview of health care provision in Guernsey**

- 2.1 In 2019, 35% of the States total expenditure on health and social care services is expected to be met through the Social Security system:

- £20m of expenditure is budgeted via the Long-Term Care Fund which is under review as part of the ongoing Supported Living and Ageing Well Strategy.
- £42m of expenditure is budgeted via the GHSF under the provisions of the Health Service (Benefit) (Guernsey) Law 1990.
- a further £3m of expenditure on the Travelling Allowance Grant is anticipated from the Guernsey Insurance Fund.

- 2.2 In order to ensure transparency of the total cost of providing health services, the 2017 States Accounts ([Billet d'État XVII, 2018](#)) included consolidated health and social care Accounts with total expenditure of £181m for 2017 (including £115m spent by the Committee *for* Health & Social Care).

- 2.3 The division of funding of health services originates from the design of the original Pharmaceutical Service. The GHSF was established 47 years ago under the Health Service (Pharmaceutical Service) (Guernsey) Law, 1972. The Fund was established to hold the monies allocated to it from contribution collected under the Social Insurance Law and to pay the benefits in the form of subsidised prescriptions. The 1972 Law was repealed in 1990 and replaced with the Health Service (Benefit) (Guernsey) Law, 1990.

- 2.4 The GHSF continued to exist under the 1990 Law and the contribution system was expanded to require those over State Pension Age to make Social Security contributions to the GHSF. The 1990 Law introduced Medical Benefit, in the form of a subsidy toward the cost of a consultation with a GP or nurse. The scheme was subsequently extended to cover Specialist Medical Benefit, Physiotherapy Benefit and Alderney Hospital Benefit. Further benefits, including the trial of free contraceptives for under 21s, have been added since.

- 2.5 The intention of the 1990 Law was to provide residents with access to free or subsidised health care at a time when many islanders could face financial hardships as a result of their ill health. While the 1990 Law refers to “insured



persons”, in practice the provision of these benefits is nearly universal as any person ordinarily resident in Guernsey is entitled to access these services. In practice, the qualification criteria are identical to that required to access services provided at the hospital which are financed from General Revenue.

- 2.6 Claims are determined by officers with authority delegated from the Administrator. Officers report that almost all claims are processed under standard processes with intervention by the Administrator or appeals under this legislation being very rare.
- 2.7 Unlike the two other funds managed by the Committee *for* Employment & Social Security which are subject to actuarial review projecting income and expenditure over a 50-year horizon to facilitate very long-term planning, actuarial reviews of the GHSF have only ever projected expenditure and reserves for 5 years. This is because of the high level of uncertainty about the future course of medical services and treatments. The capacity for the GHSF to be used to manage long term spending pressures, in the way the Guernsey Insurance and Long-Term Care Funds are used, is therefore much more limited.
- 2.8 At the same time, the inclusion of these benefits and the services they support within the Social Security System means that their provision is subject to a statutory framework which, with the exception of some elements of the prescription benefits and the provision medical appliances, would probably not have been applied if these services had been incorporated within General Revenue and the functions of the then Board of Health (now the Committee *for* Health & Social Care).

### **3. Issues with the current model**

- 3.1 The division of health care services between the Committee *for* Health & Social Care and the Committee *for* Employment & Social Security lacks transparency. While including consolidated costs in the States of Guernsey Accounts has taken some steps to address this in terms of identifying the aggregate spend, it does not address the larger issues of consistent and clear governance, the consistent application of policy or the limitations placed on service design by the existing structure.
- 3.2 The division of funding and responsibility is complex and not well understood by the community. As patients progress through the health-care system the funding of their care, and the ultimate political responsibility for it can transition from one Committee to another multiple times. At various times they may be receiving services funded by both systems simultaneously and at times it may be unclear to patients where political responsibility rests.

3.3 For example, in respect of a simple case of a patient visiting a GP with joint pain:

- Their GP visit is partially subsidised (by £12) by the GHSF. Unless they are in receipt of income support the patient is charged the remaining cost of the appointment by the GP practice;
- Their GP prescribes pain killers and anti-inflammatories, which are subsidised by the GHSF with a small prescription charge payable by the patient if they are not exempt. The GP also refers them for an X-ray and blood tests.
- The visit to the nurse to take the blood tests will be partially subsidised by the GHSF (by £6), but the patient will be charged by the GP practice for drawing bloods. The cost of testing the blood samples and taking an X-ray will be met by General Revenue as part of the budget of the Committee for Health & Social Care.
- Once the results are received the patient will return to the GP (partially subsidised by GHSF) who refers them to a specialist.
- Consultation with the specialist will be fully subsidised by GHSF. The specialist recommends surgery.
- The surgeon is funded by the GHSF but the theatre, hospital wards, nursing care and other elements necessary to provide the service are provided from General Revenue.
- Any painkillers or other medication prescribed while the patient is in the hospital are fully funded by General Revenue with no charge to the patient.
- On discharge from hospital the patients drug prescriptions return to their previous basis, funded by the GHSF with a prescription charge payable by the patient.
- The cost of any physiotherapy prescribed to support recovery will be met by the GHSF.
- Any other after care needed to support and rehabilitate the patient after discharge, other than GP and specialist visits, is paid for from General Revenue. This could include:
  - visits by community nurses to change dressings and administer treatments;
  - assessment by an occupational therapist, who may make recommendation for adaptations of their home; and/or
  - support by community carers while the patient has decreased mobility.

3.4 The arrangement is confusing and has led to inconsistencies of provision. In the above example, drugs prescribed within the hospital setting are issued free of any charge, whereas the same drugs prescribed outside the hospital setting are subject to a prescription charge of £4.00 unless the recipient is exempt (typically either because they are aged 65 or over or are in receipt of income support). Most medical specialists in Guernsey are employed by the Medical Specialist Group (and funded by the GHSF), but in recent years the States have employed in-house specialists whose salary and employment cost are met by the

Committee *for* Health & Social Care's budget and not via the contract with the Medical Specialist Group.

- 3.5 Provision of access to primary care services is a vitally important gateway to access health services, a critical part of the overall strategy for health provision and a key element of the delivery of the Partnership of Purpose. However, the current funding and legal structure means that policy responsibility for supporting access to GPs rests, not with the Committee *for* Health & Social Care, but with the Committee *for* Employment & Social Security. As a result, both committees must be involved in policy formation. The exclusion of such core health functions from the mandate of the Committee *for* Health & Social Care is clearly inconsistent with its primary purpose. It also engages the Committee *for* Employment & Social Security in decisions on health matters which do not sit comfortably within its mandate.
- 3.6 Operationally, some elements of service provision, such as the management of the Alderney hospital and Medical Specialist Group contracts are carried out by staff reporting primarily to the Committee *for* Health & Social Care, but the law under which these operate remains the responsibility of the Committee *for* Employment & Social Security and most of the staff costs are met from the GHSF. Again, this involves two Committees in forming policy which could be managed more efficiently by one.
- 3.7 For example, the Committee *for* Health & Social Care is engaged in work to clear the backlog of patients waiting for orthopaedic inpatient treatments. The provision of orthopaedic specialists is provided for by the contract with the Medical Specialist Group and funded from the GHSF. The Committee *for* Health & Social Care has determined that the most appropriate way to clear the backlog (which pre-dates the current contract) involves (among other measures) the referral of some patients off-island for treatment.
- 3.8 However, the existing legislation prevents use of the GHSF to provide these services outside the contract with the Medical Specialist Group. This means that while the GHSF has sufficient reserves to meet the estimated cost, it has fallen to General Revenue to provide the funding.
- 3.9 There are also issues with ensuring financial discipline. Emergency medical transfers, for example, cost an average of £5,000 each and emergency helicopter transfer by the coastguard can cost substantially more. The Guernsey Insurance Fund covers the cost of these under the Travelling Allowance Grant but the decision to call for emergency evacuation rests with officers reporting to the Committee *for* Health & Social Care, who assess the medical and legal risk of waiting for a scheduled flight. The Committee *for* Employment & Social Security is therefore responsible for funding a service over which it has little or no control other than the setting of the general policy framework. Placing both the medical, legal and financial risks under a single mandate ensures that these can be considered in unity.

- 3.10 Unlike services operated under mandate, where transformation can be made under a Committee's discretion or by direction of the States, a change to the benefits provided under the 1990 Law is likely to require an amendment to the Law. In some cases, this change may have to be done by Projet which can take significantly longer potentially delaying transformation.
- 3.11 In some areas elements of the legal framework need to be retained. Section V of the 1990 Law outlines approved suppliers of pharmaceutical benefit and make these subjects to regulation (Health Service (Pharmaceutical Benefit) Regulations, 1990). Related Ordinances also govern approved prescribers (the Health Service (Benefit) (Approved Prescribers) Ordinance, 2017). These elements, which facilitate regulation and governance of the prescribing of drugs in the community need to continue.
- 3.12 In other areas the legislative Framework adds little. For example, the Committee *for* Health & Social Care and the Committee *for* Employment & Social Security operate two parallel processes for prescriptions. The first covers prescriptions in the community under the 1990 law which includes a list, made by regulation under the Health Service (Benefit) (Limited Lists) Ordinance, 2004 of permitted treatments. The second covers prescriptions in the hospital which operates without statutory standing. The management of these two processes is as closely aligned as current conditions allow. However, the formal transfer of responsibility for community (largely primary care) prescription policy to the Committee *for* Health & Social Care provides an opportunity to align these further and ensure a consistent approach.
- 3.13 Recommendations for inclusion of drugs and treatments on either or both lists are presented to the respective Committees by specialist officers. The Committee *for* Health & Social Care is of the view that the process of making formal regulations which are latter formally ratified by the States' for any changes made to community prescribing adds administration but little additional rigor to the process. The States receive no additional expert advice when these are presented for ratification.
- 3.14 The expressed preference of the Committee *for* Health & Social Care, in line with the recommendations of this Policy Letter, is that the statutory basis for the "Limited List" (the list of treatments which may be prescribed under the Law) be withdrawn. The propositions presented would enable the Committee *for* Health & Social Care to make changes by policy and allow the basis for provision of drugs in the community to be align with that of drugs provided in the hospital setting. The policy applied would need to be published in a readily accessible form and maintained to ensure all stakeholders had access to up to date information on permissible treatments.

- 3.15 The provision of medical appliances (which provides for prescriptions of things like as hypodermic syringes) operates in a similar way and an equivalent approach is suggested.
- 3.16 Relative to other Benefits, such as Medical Benefit (the subsidy paid towards appointments with a GP or nurse) the legal standing, while it provides a legal entitlement to qualifying persons and a framework for appeal, also creates a barrier to transformation. Similar subsidies established more recently, such as that provision of free pre-school education, operate without a statutory obligation ([Billet d'État X, 2014](#)).
- 3.17 The provision of services by the Medical Specialist Group is governed by a contract dictating the terms and conditions of the services they provide and set the expected levels of service. This contract, and those of a similar nature such as that governing Alderney Hospital Benefit will continue to operate uninterrupted after the legislation is withdrawn.
- 3.18 It should be noted that because circumstances in Alderney have changed in recent years it has been necessary to add additional dimensions to the contract for Alderney Hospital Benefit in regard the provision of services by GPs. This means the terms of this contract currently go beyond the provisions of the 1990 law. If the proposals to remove the statutory basis for this provision are accepted this issue will be resolved. If they are not it will be necessary to bring another Policy Letter to the States to amend the law to accommodate the extended contract.

#### **4. Consolidating governance, facilitating long term transformation and coordinated change**

- 4.1 The aim of this Policy Letter is to consolidate the governance of these services and facilitate transformation by unifying the finances, governance and legal structures under the mandate of the Committee *for* Health & Social Care. Achieving this requires amending the 1990 Law and related ordinances and the Social Insurance (Guernsey) Law 1978 as well as a formal extension of the mandate of the Committee *for* Health & Social Care.
- 4.2 It is proposed that reference to “health insurance” be removed from the mandate of the Committee *for* Employment & Social Security.
- 4.3 The mandate for the Committee *for* Health & Social Care should be reviewed and amended such that it will cover the operational and policy responsibility for the provision of the services to be transferred. Given that the mandated responsibilities of the Committee for Health & Social Care already cover “*the prevention, diagnosis and treatment of acute and chronic diseases, illnesses and conditions*” and “*mental health*”. Changes to the formal mandate are likely to be minor.

- 4.4 As set out in paragraph 3.11, it is considered advisable to retain elements of the legal structure and legislation that underpins the provision of pharmaceutical benefit to ensure that the legal and regulatory structure surrounding authorised prescribers and suppliers is retained. This is equally applicable to medical appliances.
- 4.5 It is proposed that, in the long term, the current functions of the Administrator in relation to pharmaceutical benefit and medical appliances, if they are still required, be transferred to an appropriate officer responsible to the Committee *for* Health & Social Care to administer Pharmaceutical Benefit and Medical Appliances. It is envisaged that this function, if required, will be added to an existing role.
- 4.6 It is not considered necessary to retain the statutory nature of the provision of the other services to be transferred, and it is proposed that this is withdrawn (see table 4.1).
- 4.7 For those benefits and services for which the legal standing will be withdrawn the formal *statutory* entitlement will end. **For the avoidance of any doubt, it is not proposed that funded access to any of these services will end as a result of the decisions being sought through this Policy Letter.** For the time being, they will continue to be provided under the mandate of the Committee *for* Health & Social Care and Islanders will have the same entitlement on a non-statutory basis.

**Table 4.1: Proposed statutory and non-statutory benefits**

Benefits and services to retain elements of the legal structure	Benefits and Services for which a statutory basis will be withdrawn	Services provided by CfHSC on a non-statutory basis (not exhaustive)
Pharmaceutical Benefit - in relation to approved prescribers and approves suppliers with the list of approved treatments to be set by published policy	Medical Benefit	Hospital services
	Medical Specialist Benefit	-Theatres
	Primary care mental health services	-Wards
	Alderney Hospital Benefit	-Nursing staff
	Physiotherapy Benefit	-Auxiliary and support services
Medical Appliances - in relation to approved prescribers and approves suppliers with the list of approved treatments to be set by published policy	Travel Allowance Grant	Radiology
	Visiting consultants	Pathology
	Free contraceptive for under 21s (under 12-month trial without statutory basis)	Community care
	Work on reciprocal health	Occupational health
		Public health

- 4.8 These services will be integrated into the long-term plans for transformation of health and care services and the development of the Partnership of Purpose. The Committee *for* Health & Social Care will bring forward proposals for change as

appropriate within the context of the wider scale transformation. Any changes made by the Committee *for* Health & Social Care to the benefits and services referenced in this Policy Letter will follow all necessary due process, public and stakeholder consultation and, where appropriate, seek formal States approval.

- 4.9 It is the view of the three Committees involved in this project that nearly three decades after the enactment of the 1990 Law, the provision of the services it subsidises have become an integral part of the scope and structure of health and care services provided by the States of Guernsey and that it is appropriate that they be placed on the same footing as the majority of care services provided in the Bailiwick. While the Committee *for* Health & Social Care may, at a subsequent point, recommend changing the way services are structured, it would be unacceptable, publicly and politically, to withdraw access to States funded secondary care services. The States could no more end access to this, than they could end the (non-statutory) provision of hospital services.
- 4.10 The removal of the statutory basis for these services does have significant advantages in improving the flexibility of the service delivery and facilitating transformation which could improve both the experience of patients and the overall cost of providing services. For example, at present secondary medical care is provided largely under the contract with the Medical Specialist Group and the high-level parameters of this service are defined in the 1990 Law. The existing legislation restricts the secondary care service model to an almost exclusive use of highly qualified, specialist medical consultants. This reliance on a small number of very highly specialised consultants tends to increase waiting times and inflate costs. Similar jurisdictions are moving away from this model to ones which offer a more efficient use of skills and a greater level of flexibility to reflect the specific needs of the patient.
- 4.11 The Committee *for* Health & Social Care and the Committee *for* Employment & Social Security are already engaged on a review of primary care which seeks to build on the existing service provision whilst making it more accessible. A review of the system of grants for GP and nursing appointments and how these resources are best utilised forms part of this work.

## **5. Interim measures**

- 5.1 This solution may take more than a year to effect. In the interim it is proposed that an intermediate solution be applied by way of an Ordinance under the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991 transferring responsibility for the relevant benefits and services to the Committee *for* Health & Social Care. This would include the powers to make regulations under:
- the Health Service (Benefit) (Limited Lists) Ordinance, 2004, which will enable the Committee *for* Health & Social Care to approve the addition of new drugs to the list of those authorised; and
  - the Health Service (Pharmaceutical) (Approved Suppliers) (Guernsey) Regulations, 1972 enabling the Committee *for* Health & Social Care to approve the application of any new suppliers.
- 5.2 Current powers do not allow a transfer of functions of the Administrator under the Health Service (Benefit) Law, 1990 and in respect of travelling allowance grant to be made by Ordinance. It is proposed that the Administrator of Social Security continues to fulfil the functions in relation to the responsibilities transferred and report to the Committee *for* Health & Social Care in respect of these. This arrangement will continue until either the legal restructuring in relation to this workstream is complete, or the amendments to Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991 approved by the States in 2015 are in force and an Ordinance made thereunder.

## **6. Financial Flows and contribution allocations**

### **Financial Flows**

- 6.1 The intention is that, on completion of the reorganisation, all of the services currently provided from the GHSF and those to be transferred from the GIF will be incorporated within the mandate of the Committee *for* Health & Social Care and funded from General Revenue. The cash limit of the Committee *for* Health & Social Care will be increased to reflect its expanded mandate.
- 6.2 It is proposed that this be achieved by amending the Social Insurance (Guernsey) Law. The Guernsey Health Service Fund Allocations will be retitled the Guernsey Health Service Allocation and instead of being paid into the GHSF, the Law would be amended to enable this money to be credited to General Revenue. This would then be available to fund an increase in the cash limit of the Committee *for* Health & Social care to reflect the increase in its mandate.
- 6.3 To avoid paying money in both directions between the General Revenue and Social Security systems, it is also proposed that the contribution allocations be redistributed so it is possible to stop the payment of the grant from General



Revenue to the Guernsey Insurance Fund without reducing the income of that Fund (see figure 6.1). The Committee *for* Employment & Social Security has expressed full support for making the Guernsey Insurance Fund independent of General Revenue.

- 6.4 The grant payable to the Guernsey Insurance Fund was originally intended to act as a proxy payment to “top-up” the Fund in respect of those individuals whose income was too low to enable them to make the full value of their contribution (or “stamp”). In effect, General Revenue was used to subsidise the contributions for lower paid individuals. At the time the upper earnings limit was set so that the maximum amount a contributor would be asked to pay in social insurance contributions to the Guernsey Insurance Fund broadly reflected the potential value of the pension and other benefits they might receive.
- 6.5 The upper earnings limit for employers was doubled in 2008 which reduced the grant from general revenue as part of the package of financial measures implemented at the introduction of the new corporate income tax regime. The upper earnings limits for other contributors was subsequently transitioned to the same level allowing the revenue grant to be reduced further.
- 6.6 While these changes helped absorb some of the impact of the change in the corporate tax regime on General Revenue, it also transferred much of the redistributive function of the grant paid to the GIF directly onto the contributions system. The maximum value of contributions under the increased upper earnings limit now exceeds the likely value of the pensions and other benefits a contributor might receive. In effect the subsidisation of contributions for lower income individuals is now, in part, paid for by the contributions of higher earners.
- 6.7 Given that this has eroded the original function of the General Revenue grant, the Policy & Resources Committee and the Committee *for* Employment & Social Security are of the view that it would be appropriate to withdraw this grant entirely, making the Guernsey Insurance Fund independent of General Revenue, if this can be achieved without adversely impacting the financial sustainability of the Fund.

6.8 To withdraw the revenue grant without impacting the sustainability of the Guernsey Insurance Fund it is necessary to replace the lost income. Table 6.1 presents a proposed redistribution of contributions between what is currently the GHSF (to become the Guernsey Health Service Allocation) and the Guernsey Insurance Fund. These rates have been derived using the following key principles:

- **Total contribution rates will not increase for any class of contributors** (i.e. there will be no change in the total value of deductions made from people's income or paid by employers);
- The total income of the Guernsey Insurance Fund should remain the same, less a deduction equal to the expenditure on the Travelling Allowance Grant (which will be funded from the Committee *for* Health & Social Care's budget);
- Those over State Pension age should not become liable for contributions to the Guernsey Insurance Fund from which they may already be in receipt of a pension and from which they receive few other benefits;
- Employers should contribute only to the Guernsey Insurance Fund, reflecting their responsibility to contribute towards income replacement benefits, but be removed from any contribution towards health services. This will also facilitate any potential future moves to try and make the assessment process for contributions towards health and social care services uniform across all contribution classes (see section 10); and
- Employed and self-employed individuals should pay equal contributions to the Guernsey Health Service Allocation reflecting the fact that they are entitled to the same health benefits and assessed on the same definition of income (earned income only with no allowance on contributions);
- Contributions for non-employed people below State Pension age to the Guernsey Health Allocation may differ from those employed or self-employed. While their eligibility for health benefits is the same, they are assessed on all income and have access to an allowance not available to employed or self-employed people.

6.9 The current and proposed contribution rates for those above States Pension Age to the Guernsey Health Service Fund or Guernsey Health Allocation is lower than that of other contributors reflecting the fact that they were not liable for contributions under the original Health Service (Pharmaceutical Service) (Guernsey) Law, 1972. Contributions for those above State Pension age were introduced from 1996 after the Health Service (Benefit) (Guernsey) Law 1990 extended the range of benefits offered.

**Table 6.1: Contribution Allocations (based on 2018 accounting data)**

		<b>Current contribution rate</b>	<b>2018 value (£m)</b>	<b>Proposed contribution rate</b>	<b>Estimated value (£m)</b>
<b>Combined contribution rate</b>	Employers	6.6%	£76.3	6.60%	£76.3
	Employee	6.6%	£75.8	6.60%	£75.8
	Self-employed	11.0%	£16.8	11.00%	£16.8
	Non-employed	10.4%	£3.0	10.40%	£3.0
	>65	3.4%	£6.9	3.40%	£6.9
	<b>Total</b>		<b>£178.7</b>		<b>£178.7</b>
<b>Guernsey Insurance Fund</b>	Employers	5.0%	£57.8	6.60%	£76.3
	Employee	3.5%	£40.2	2.95%	£33.9
	Self-employed	6.5%	£9.9	7.35%	£11.2
	Non-employed	5.7%	£1.6	6.60%	£1.9
	>65	0.0%	£0.0	0.0%	£0.0
	Revenue Grant		£16.2		£0.0
	Less Travelling Allowance Grant		-£2.5 <sup>1</sup>		
	<b>Total</b>		<b>£123.2</b>		<b>£123.3</b>
<b>GHSF/ Guernsey Health Service Allocation</b>	Employers	1.6%	£18.5	0.0%	£0.0
	Employee	1.3%	£14.9	1.85%	£21.2
	Self-employed	2.7%	£4.1	1.85%	£2.8
	Non-employed	2.8%	£0.8	1.90%	£0.5
	>65	1.3%	£2.6	1.30%	£2.6
	<b>Total Health Service Allocation</b>				<b>£27.1</b>
	Former GIF revenue grant				£16.2
	Plus Travelling Allowance grant		£2.5		
	<b>Total</b>		<b>£43.5</b>		<b>£43.4</b>
<b>Long Term Care Fund</b>	Employers	0.0%	£0	0.00%	£0.0
	Employee	1.8%	£20.7	1.80%	£20.7
	Self-employed	1.8%	£2.7	1.80%	£2.7
	Non-employed	1.9%	£0.5	1.90%	£0.5
	>65	2.1%	£4.3	2.10%	£4.3
	<b>Total</b>		<b>£28.2</b>		<b>£28.2</b>

<sup>1</sup> TAG in 2018 was unusually high, with spending increased by atypical demand for emergency medical transfers. 2019 estimates are used instead.

- 6.10 The Guernsey Health Service Allocation will not be explicitly ring fenced within General Revenue- as it will only form a part of the total cash limit for the Committee *for* Health & Social Care, such segregation would have no meaning. However, to accommodate the additional services to be provided by the Committee *for* Health & Social Care, its baseline cash limit will increase by approximately £47m. The combined value of the proposed transfer of funding and the reduction in the revenue grant to the Guernsey Insurance Fund will be of approximate combined value of £45m, with a clear intended purpose. The shortfall will need to be met by General Revenue as set out in paragraph 1.7.
- 6.11 At present, the GHSF carries the risk of any mismatch between contribution income and the cost of providing these services and the value of this mismatch may change over time, including as a result of transformation activities or other cost pressures. By transitioning these services General Revenue will accept the risk of year on year fluctuation in the cost of the services and the contribution income.
- 6.12 Details of the cost of these services over the last ten years are provided in Appendix 1. Of the services to be transferred Specialist Medical Benefit (£18m in 2018) and Drugs and Medicines (£18m) are significantly larger than the other cost lines and represent the largest risk.
- 6.13 While cost growth in drugs and medicines has been relatively moderate over the last 10 years there are current pressures on the cost of providing this. Like most health cost there is a relationship between costs and the aging of the population. In addition, the cost of provision could increase very significantly if Guernsey were to adopt a policy of automatically accepting NICE recommendations on permitted treatments.
- 6.14 The cost of the Specialist Health Insurance Scheme has increased significantly over the past decade. Specialist Medical Benefit costs have risen by more than 70% between 2007 and 2017 in part reflecting an increase of the scope of services provided under the benefit.
- 6.15 A more detailed illustration of the current and proposed financial relationships are provided overleaf.

Figure 6.2: Current financial arrangements (based on 2019 budget)

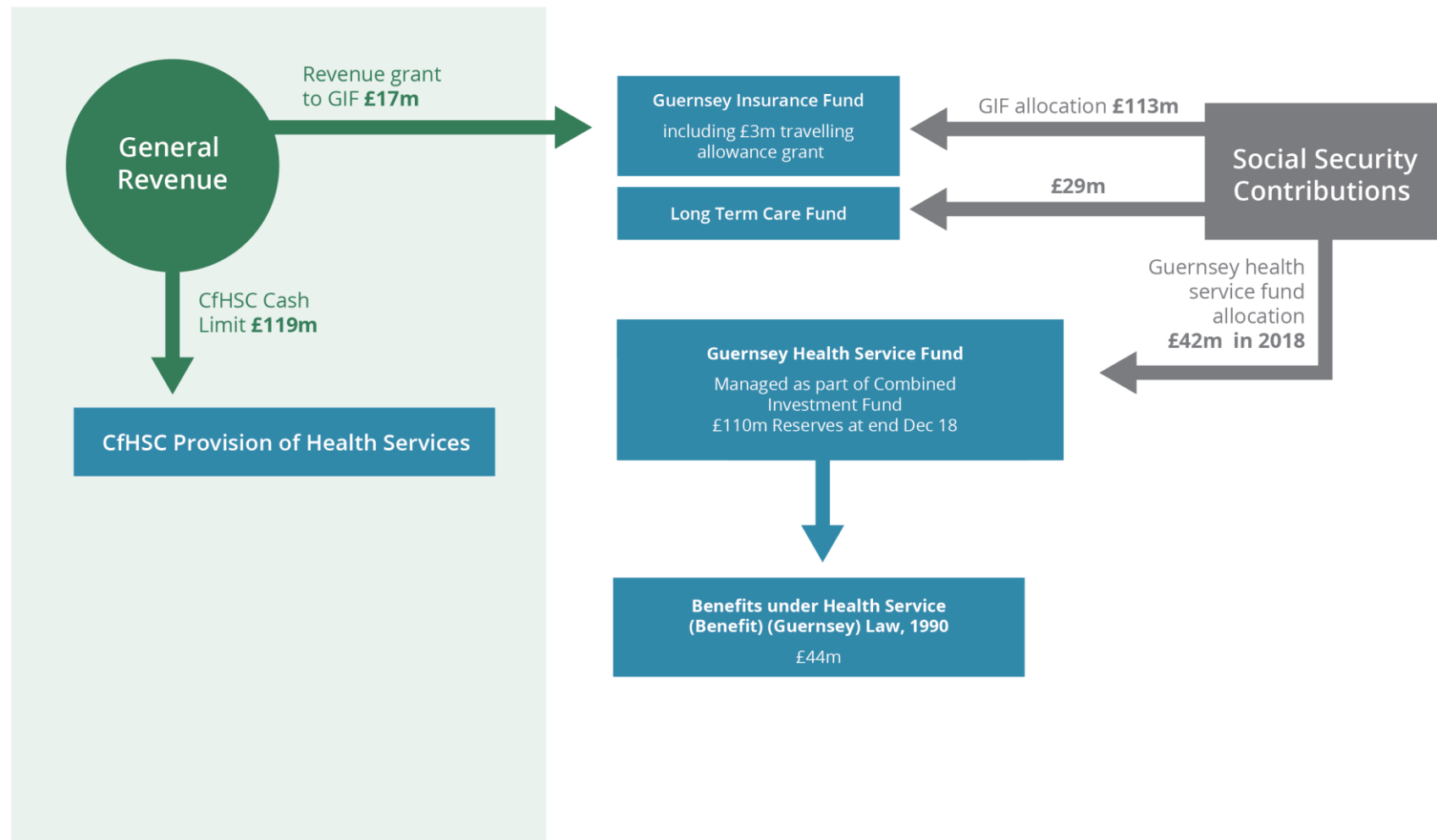
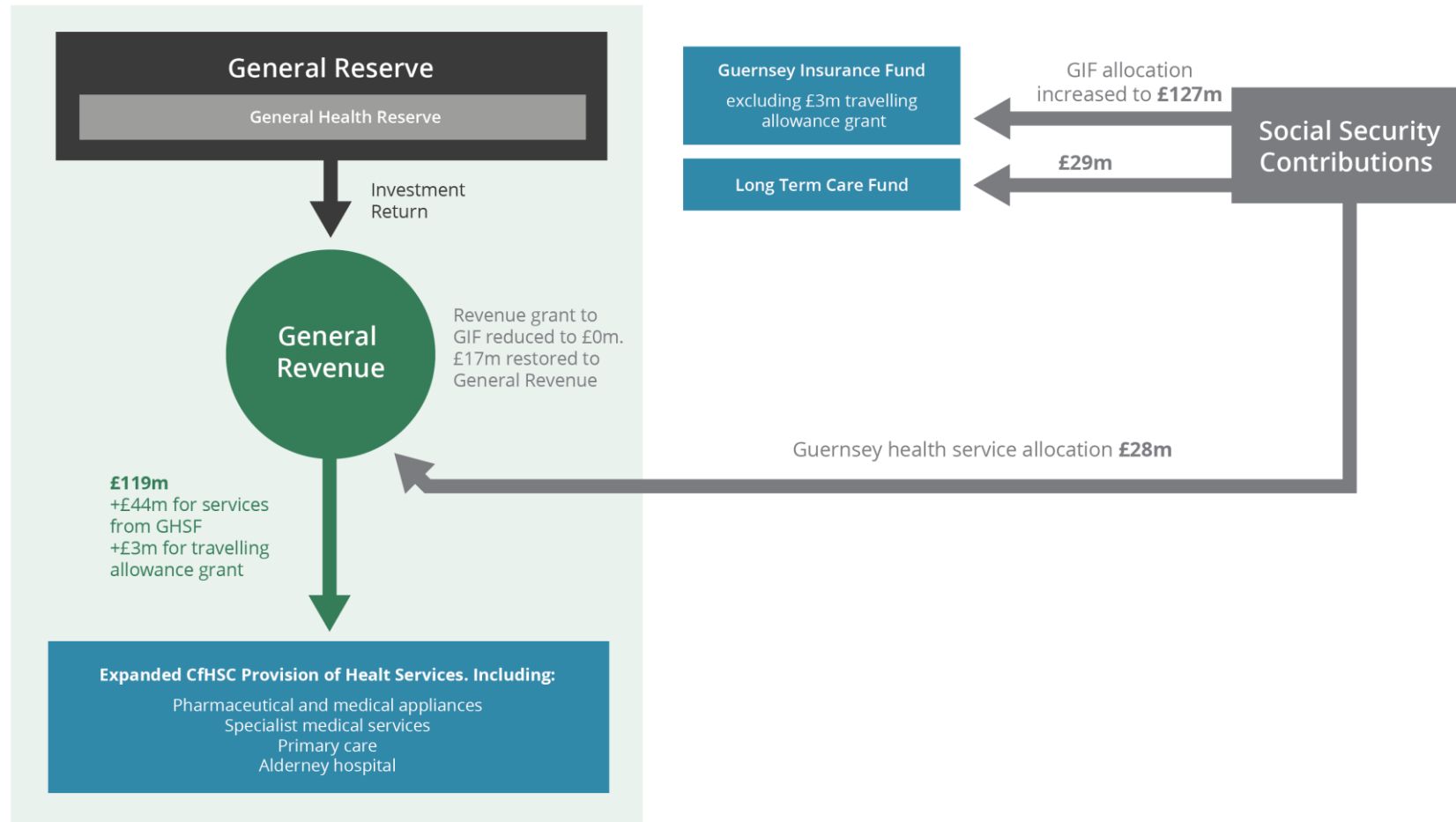


Figure 6.3: Proposed financial arrangement (based on 2019 budget)



## Setting Contributions Rates

- 6.16 Policy responsibility for contributions collected under the Social Insurance (Guernsey) Law, 1978 will continue to rest with the Committee *for* Employment & Social Security and recommended contribution rates are included in its annual uprating report. As a portion of contributions will be transferred to General Revenue to meet the cost of a consolidated health service greater co-ordination will be required in the setting of these rates.
- 6.17 The Policy Letter presenting the Partnership of Purpose ([Billet d'État XXIV, 2017](#)) quoted analysis which suggested that without action there might be a £21m real increase in public spending on health and care services between 2017 and 2027. The transfer of political and operational responsibility proposed in this Policy Letter should reduce the fragmentation of the system and aid the transformation of health services aimed at reducing expenditure growth in the long term. However, in the context of a strongly ageing population it is possible that, even with the changes proposed in this Policy Letter, it may prove necessary to raise additional revenues to support the provision of health and social care services in the future.
- 6.18 A proposition is included directing the Committee *for* Employment & Social Security to take into account within its annual Contributory Benefits and Contribution Rates Policy Letter any proposal from the Policy & Resources Committee to revise the contribution rates in order to change the allocation of contributions to the Guernsey Health Service Allocation.
- 6.19 Any future proposals to increase the contribution rate in this manner should take due consideration of the pressure on health and social care expenditure and the wider context of fiscal policy. This should include consideration of the impact any increase may have on compliance with the Medium-Term Financial Plan and its alignment with the Fiscal Policy Framework.

## 7. Financial Reserves

- 7.1 The current system was designed to be broadly pay as you go but, over nearly five decades, operational surpluses and investment returns have created a substantial reserve fund. In practice this proposal will cease all incoming and outgoing transactions from the GHSF and leaves a balance of £110m in the Fund.
- 7.2 It is proposed that the fund be retitled the Guernsey Health Reserve and be transferred to be a ring-fenced allocation within the General Reserve. In the short term some or all of the investment return relating to this reserve may be used to cover the budgeted £1.8m funding shortfall for the services to be transferred, which is currently reported as an operating deficit on the GHSF. In the medium and long term, the transformation of health provision in Guernsey via the Partnership of Purpose towards a more cost efficient and sustainable model should close the funding gap.

- 7.3 It is also proposed that the reserves be used to address short-term health service funding issues and help manage the long-term pressure on the provision of health services as a result of the aging of the population.
- 7.4 It is proposed that the Policy & Resources Committee is given delegated authority to approve use of the Guernsey Health Reserve for the following purposes:
- a. To fund unanticipated expenditure pressures in providing health services that arise in-year and cannot be met within that year's budget of the Committee *for* Health & Social Care;
  - b. To fund revenue or capital expenditure on health transformation projects able to demonstrate long term benefits in the sustainability of Guernsey's Health care system, and to manage any transitional costs associated with implementing health related transformational programmes, subject to the same application process and governance conditions pertaining to the Transformation and Transition Fund or Capital Reserve; and
  - c. To fund revenue or capital expenditure on management of long-term health cost pressures associated with the aging of the population.
- 7.5 It is proposed that the additional costs incurred by General Revenue in order to clear the backlog of patients waiting for orthopaedic inpatient appointments (referred to in section 3) be repaid by a transfer from the Guernsey Health Reserve to the General Revenue Account Reserve once the legal changes have been made and governance structures are in place.

## **8. Other considerations**

### **Operational continuity**

- 8.1 It is not the intention of this Policy Letter to make immediate changes to frontline services and entitlement to benefits as enjoyed by members of the population. All operational functions will continue to be performed by the existing staff, and, reporting structures will be transitioned to reflect the political responsibility. The transfer of funding will include the transfer of staff costs (currently met from the GHSF) required to administer the services.
- 8.2 The Committee *for* Health & Social Care will incorporate these services into its transformation model and the development of the Partnership of Purpose. Any future restructuring of these will need to follow the same controls and decision-making processes for changing any service within the States. This should include all necessary consultation and stakeholder engagement on specific proposals for restructuring and, where appropriate, approval from the States.



- 8.3 There are areas where the policies currently applied under the 1990 Law are inconsistent with operational policies employed by the Committee *for* Health & Social Care and it is anticipated that the Committee will seek to consolidate and align these. For example, the currently separate lists of approved drugs issued in the community and in the hospital may be brought in to closer alignment. The Committee is also likely to progress changes which will enable doctors and pharmacists in the hospital setting to issue and dispense 30-day prescriptions in the same way in which doctors and pharmacist in the community do.

## **Appeals**

- 8.4 Part VIII of the Health Service (Benefit) (Guernsey) Law 1990 outlines a procedure for appeals under the Law. The use of this appeals process is very rare, which is unsurprising given the general universality of the benefit. Appeals permissible under this Law cover only the provision of the benefit, not the quality of the service provided.
- 8.5 Queries made under the Law (which rarely progress into a formal appeal) typically only arise in relation to a small number of patients who opt for private treatment, which may affect their access to government funded services or in relation to non-standard prescriptions. Complaints and appeals about the standard of the service received are typically dealt with via the joint complaints procedures for the Committee *for* Health & Social Care and the Medical Specialist Group.
- 8.6 Since the proposals within this Policy Letter recommend removing the existing statutory basis for most of the functions to be transferred, the ability to appeal to the Administrator will also be removed. The processes for appealing any decisions which would formally have been covered by appeal to the Administrator will need to be integrated into the existing processes of the Committee *for* Health & Social Care. If the dispute could not be agreed informally, there would be no statutory right of appeal for individuals to an independent Tribunal as under the current Law, but a person could make a complaint to the Chief Executive of the States of Guernsey under the Administrative Decisions (Review) (Guernsey) Law, 1986 or seek a judicial review of the decision before the Royal Court.
- 8.7 It is therefore proposed that the Committee *for* Health & Social Care reviews the single complaints policy to assess how it may best incorporate appeals/complaints in respect of the grants of benefits and to ensure that clear and accessible information be available to the public.

## **9. Consultation and engagement**

- 9.1 This Policy Letter has been drafted with extensive engagement and support of the Committees *for* Employment & Social Security and Health & Social Care. Officers at St. James Chambers have also been extensively involved in development.
- 9.2 At this stage the changes will have very little impact on the users experience of the services. Detailed public engagement will be undertaken by the Committee *for* Health & Social Care as appropriate during the progression of its transformation programme.
- 9.3 The Committees have communicated these proposals with the following key stakeholders to explain the changes proposed and their benefits:
- The States of Alderney
  - The Medical Specialist Group
  - The Guernsey Therapy Group
  - GP Practices
  - Dispensing pharmacists
  - Oxygen service
  - Mignot Memorial Hospital, Alderney
- 9.4 The States of Alderney were provided with a formal draft of this Policy Letter prior to release and provided with the opportunity to comment.
- 9.5 Officers held meetings with representatives of GP surgeries and the Medical Specialist Group to discuss the proposal. Proposals were also presented to the Care Watch Group (an independent panel made up of individuals and organisations across the community set-up in 2017 to engage with representatives of the community on matters relating to the provision of health and care services) prior to publication.
- 9.6 Opportunities to discuss the proposals have been offered to dispensing pharmacists, the oxygen service and the Guernsey Therapy Group and this will take place shortly after publication.

## 10. Future Stages

- 10.1 This Policy Letter forms the first phase of a larger piece of work to restructure the funding of health and social care in Guernsey. Subsequent stages are to look at how the contributions to these services through the Social Security Contributions system are structured and whether this is appropriate, fair and sustainable.
- 10.2 Much analysis has already been undertaken to look at possible long-term solutions. Consideration is being given to aligning the basis on which contributions are charged for health and social care and long-term care between different contribution classes to make the system more equitable.
- 10.3 In doing so it may be possible to fulfil in part the outstanding resolution from the Personal Tax Pensions and Benefits Review ([Billet d'État IV, 2015](#)) which resolved:
- *33. To direct the Social Security Department to review the assessment of Social Security contributions to ensure that the treatment of contributors in different contribution classes is equitable; such review to have particular regard to the upper earnings limit on contributions, the rates charged for self-employed and non-employed contributors and the definition of income used in the assessment of contributions for non-employed contributors.*
  - *34. To direct that, subject to the implementation of suitable administrative systems and suitable alternative sources of revenue, the Social Security Department further investigates a restructuring of Social Security contributions to apply an allowance for employed and self-employed individuals, such investigation to have regard to the findings of the report as described in Proposition 27A in relation to high earners.*
  - *35. To direct the Treasury and Resources Department to revise the grant paid to the Social Insurance Fund to compensate for the revenue lost to the Social Security funds if an allowance is introduced for employed and self-employed individuals.*
- 10.4 This is a complex area of work and it is important that as it is progressed it is clear what impact any changes will have on both residents and the States income streams.

## **11. Compliance with Rule 4**

- 11.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 11.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not to be put into effect.
- 11.3 In accordance with Rule 4(3), the Propositions are not requesting the States to approve funding.
- 11.4 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.
- 11.5 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee to advise the States and to promote and facilitate cross-committee policy development and to develop policies relating to fiscal policy and the financial resources of the States, and relations with the other islands of the Bailiwick.

Yours faithfully

G A St Pier  
President

L S Trott  
Vice-President

A H Brouard  
J P Le Tocq  
T J Stephens

**Appendix 1: Time series of cost lines proposed for transfer to General Revenue (£,000)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Travelling Allowance Grant (GIF)</b>	<b>1,453</b>	<b>1,588</b>	<b>2,060</b>	<b>1,921</b>	<b>1,853</b>	<b>2,037</b>	<b>2,229</b>	<b>1,938</b>	<b>2,095</b>	<b>2,070</b>	<b>2,043</b>	<b>2,785</b>
Drugs & Medicines	14,516	14,899	15,663	16,278	16,606	15,814	15,551	15,808	16,959	17,317	17,159	17,627
Appliances	478	480	567	584	601	639	689	722	783	817	889	961
Oxygen	246	276	286	251	276	299	267	263	302	368	386	460
Prescription charges receivable	-1,419	-1,539	-1,644	-1,742	-1,826	-1,870	-1,850	-1,913	-2,007	-2,182	-2,187	-2,234
<b>Net cost of Drugs and Medicines</b>	<b>13,813</b>	<b>14,107</b>	<b>14,872</b>	<b>15,371</b>	<b>15,657</b>	<b>14,882</b>	<b>14,657</b>	<b>14,880</b>	<b>16,037</b>	<b>16,320</b>	<b>16,247</b>	<b>16,813</b>
Specialist Medical Benefit	10,534	12,058	13,260	13,221	13,468	14,100	14,558	15,600	17,024	17,695	18,046	18,135
Physiotherapy Benefit	1,352	1,522	1,715	1,727	1,763	1,902	1,987	2,043	2,193	2,207	2,222	2,316
Alderney Hospital Benefit	55	65	71	70	71	74	76	78	83	164	285	274
<b>Total Specialist Health Insurance</b>	<b>11,941</b>	<b>13,645</b>	<b>15,046</b>	<b>15,018</b>	<b>15,302</b>	<b>16,076</b>	<b>16,621</b>	<b>17,721</b>	<b>19,300</b>	<b>20,066</b>	<b>20,553</b>	<b>20,725</b>
Doctors consultation					3,117	3,163	3,011	3,057	2,922	2,901	2,838	2,916
Nurses Consultation					488	484	377	473	489	464	464	474
<b>Total Consultation Grants</b>	<b>3,396</b>	<b>3,470</b>	<b>3,551</b>	<b>3,506</b>	<b>3,605</b>	<b>3,647</b>	<b>3,388</b>	<b>3,530</b>	<b>3,411</b>	<b>3,365</b>	<b>3,302</b>	<b>3,389</b>

# **RESPONSIBLE OFFICER FOR THE BAILIWICK OF GUERNSEY**

**Under “The Regulation of Health Professions  
(Medical Practitioners) (Guernsey and Alderney)  
Ordinance, 2015”**

## **ANNUAL REPORT FOR THE YEAR 2018**

**Dr Peter Rabey, MBChB, FRCA.**

**Responsible Officer**

**States of Guernsey.**

**Date: 8 March 2019.**

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# 1. Executive summary

The Responsible Officer is required to submit an annual report to the States of Guernsey, through the Committee *for* Health & Social Care, as to the discharge of his or her functions. This report provides a summary of activity relating to regulation and revalidation of doctors in 2018.

## Key Findings:

- At the end of 2018 there were a total of 224 doctors on the Bailiwick Register and with a licence to practice. Of these 150 were “local practitioners” and 74 were “UK-connected Practitioners”. A breakdown of these numbers is given in the report.
- 96.7% of local practitioners had appraisals conducted on time in 2018. This is an increase on 2017, and compares favourably with UK rates of 91.3% [NHS England Annual Report for 2017/18 <sup>1</sup>]
- Delayed and missed appraisals: Firm plans are in place for all outstanding appraisals.
- Twelve local doctors required revalidation recommendations to the GMC by the RO in 2018. All received positive recommendations.
- Formal management of concerns was required for 5 doctors in 2018: 1 at high level (conduct); 3 at medium level (2 capability, 1 conduct); and 1 at low level (conduct).
- Four doctors began 2018 with ongoing General Medical Council investigations involving fitness to practice (begun in 2017). Two cases were closed in 2018 and 2 remain on-going.
- The RO is aware of 2 doctors with open investigations by the GMC at the end of 2018. A further 2 cases were opened and closed during the year at case investigator stage, with no further action.
- Governance: The Responsible Officer maintains strong links with the General Medical Council, NHS England, and the Faculty of Medical Leadership and Management (FMLM).
- The RO works closely with the Medical Practitioners Registrations Panel, which reports separately to States of Guernsey.
- Complaints: No complaints were received about the discharge of the RO function in 2018.

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<sup>1</sup> (<https://www.england.nhs.uk/wp-content/uploads/2018/10/report-to-ministers-responsible-officer-regulations-revalidation-1718.pdf> )



## 2. Purpose of the Report

This report is to inform the Committee *for* Health & Social Care and through them the States of Deliberation, as to the discharge of the Responsible Officer's functions during the calendar year 2018. This is a requirement of the Responsible Officer under the Ordinance.

## 3. Background

In 2015 the Bailiwick established the role of Responsible Officer for the States of Guernsey as part of "The Regulation of Health Professions (Medical Practitioners) (Guernsey and Alderney) Ordinance, 2015". The role mirrors, to a significant extent, that established in 2010 UK legislation ("The Medical Profession (Responsible Officers) Regulations 2010").

The Responsible Officer has prescribed obligations regarding medical practitioners which include: ensuring that appropriate annual appraisals take place (for local practitioners), liaising with UK RO's (for UK-connected doctors working here), making recommendations to the General Medical Council (GMC), investigating and referring concerns, protecting patients, and ensuring that any conditions are complied with.

The ordinance describes two classes of medical practitioner: "Local Practitioners" (those doctors on the local register who do not have a connection to UK designated body), and "UK Connected Practitioners" (those doctors on the local register who do).

The Bailiwick of Guernsey is not a UK Designated Body, and the GMC therefore recognise a Suitable Person role for local practitioners in the Bailiwick, rather than a Responsible Officer role under the UK Regulations. This is also the case in Jersey, Isle of Man, and Gibraltar (among others). The Suitable Person role is similar to the UK Designated Body Responsible Officer role in terms of making recommendations to the GMC about revalidation of doctors.

Dr Rabey remained the Responsible Officer for all but one local doctor in the Bailiwick in 2018. Dr Martyn Siodlak, Medical Director in Jersey acted as RO for one doctor working in the Bailiwick because of a conflict of interest (as described in the 2017 report).

Every licensed doctor who practices medicine in the Bailiwick of Guernsey must be registered with the General Medical Council and must revalidate. Revalidation helps to develop better practice and gives patients confidence that doctors are up to date.

## 4. Duties of the Responsible Officer

The duties of the Responsible Officer in relation to revalidation of doctors are laid out in schedules 2 and 3 of the Ordinance. For local practitioners they are as follows. For UK-connected practitioners they are similar except that responsibility for appraisal, revalidation, and fitness to practice recommendations lies with their UK responsible officer.

### ***Duties of responsible officer – appraisals and fitness to practise.***

*(1) In relation to the evaluation of the fitness to practise of every practitioner, the responsible officer must –*

*(a) assess –*

*(i) whether the practitioner undergoes regular appraisals, and*

*(ii) whether those appraisals satisfy the requirements of subparagraph (2), and receive such appraisals submitted by the practitioner,*

*(b) assess whether the designated body of the practitioner has established and is carrying out appropriate procedures, using appropriate persons, to investigate concerns about that practitioner's fitness to practise raised by any person,*

*(c) where appropriate, take all reasonably practicable steps to investigate concerns about the practitioner's fitness to practise raised by any person,*

*(d) where appropriate, refer concerns about the practitioner to a relevant body or officer for a relevant purpose,*

*(e) take any steps necessary to protect patients, including recommend to the designated body of the practitioner that that practitioner should be suspended from practising as a medical practitioner or should have conditions or restrictions placed upon his or her practice,*

*(f) where the practitioner is subject to conditions imposed by, or undertakings agreed with, the General Medical Council, monitor compliance with those conditions or undertakings,*

*(g) make recommendations to the General Medical Council about the practitioner's fitness to practise,*

*(h) maintain records of the practitioner's fitness to practise evaluations, including appraisals and any other investigations or assessments, and*

*(i) communicate to the designated body of the practitioner any concerns held by the responsible officer regarding the discharge or adequate discharge of that designated body's functions under this Ordinance.*

## 5. Governance Arrangements

### Register of Local Doctors:

The day to day running of the local register of doctors continues to be supported by the Registrations Officer, Mr Edward Freestone, with administrative support. The register describes the two classes of medical practitioners ("local" and "UK-connected"), and indicates whether the doctors main link is with the Medical Specialist Group (MSG), Health and Social Care (HSC), Primary Care (GP's), or "Other".

The list of names of doctors on the register is in the public domain, as is their GMC registration. The local register of doctors may be accessed by the public through the HSC website at <https://gov.gg/healthprofessionalregisters>.

The GMC register may be accessed through their website at <https://www.gmc-uk.org/registration-and-licensing/the-medical-register>.

#### The Registration Panel:

The Registration Panel has responsibility for supporting the local register. The Panel ensures that unsuitable applicants are not registered, and prevents registration where there are good grounds for concern. The Panel also serves as a review body to review decisions made by the Responsible Officer relating to registration under the Ordinance. Appointments to the Panel are made by the Policy & Resources Committee.

The Registration\_ Panel met in the first quarter of 2018. The panel has a legally-qualified Chair, lay-representation, and an independent medical practitioner who has not worked in the Bailiwick for 20 years.

#### Appraisal of Doctors:

The Responsible Officer works closely with Appraisal Leads to ensure that appraisals of doctors on the Local Practitioners List are conducted to appropriate high standards.

The following acted as Appraisal Leads in 2018 for the different groups of Local Practitioners:

HSC Doctors:	Dr Nicola Brink (to October 2018) Dr Heather Flambert (from October 2018)
MSG Doctors:	Miss Carol Makin
General Practitioners:	Dr Tony Chankun (supported by Karen Diamond.)

Appraisal policies are in place for all these doctor groups.

The Responsible Officer receives copies of relevant appraisal documentation. This includes information regarding scope of practice, supporting evidence, incidents and complaints, details of continuing professional development, reflection, the personal development plan, and the appraisal output form completed by the appraiser. The appraiser in every case must determine whether or not any concerns should be escalated to the RO, and sign statements about the doctor's fitness to practice.

The RO can access real-time information about progress of appraisals, allowing monitoring against due dates. This is monitored regularly and any issues flagged with the appraisal leads in the first instance.

#### Appraisal Quality Review:

New appraiser training is delivered by the Wessex Area Team from NHS England for primary care doctors, and by the University Hospitals of Southampton Appraisal Lead, Dr Henrik Steinbrecher, for secondary care doctors. The first 3 appraisals conducted

by a new appraiser are subjected to quality review. Appraisers must undergo regular refreshment training.

The Appraisers Network meeting is jointly chaired by the Appraisal Lead for HSC and MSG and considers matters related to appraisal policy and practice.

External Quality Assurance of appraisals in secondary care again took place in 2018. Dr Henrik Steinbrecher, Appraisal Lead for University Hospitals of Southampton visited on 24-25 May 2018 to provide training and assurance. He also provided individual feedback to each local appraiser as part of ensuring consistency of practice.

In addition local appraisers receive feedback from the Appraisal Leads, and if relevant, the RO. All appraisees provide feedback about their appraisal, which is provided in anonymised form to appraisers.

External appraisers undergo quality review from their host organisation: Wessex Area Team, NHSE, or University Hospitals of Southampton.

#### Engagement with External Bodies:

The RO remains an active participant in the Responsible Officer Network organised by NHS England, and attends the Suitable Person Reference Group meetings organised by the General Medical Council. The RO meets quarterly with the GMC Employment Liaison Advisor, and has further ad-hoc communication as required. A contract is in place with Wessex Area Team of NHS England to provide support, advice, and expertise for concerns regarding primary care doctors. The RO has an external Responsible Officer – Mr Peter Lees of the Faculty of Medical Leadership and Management, and takes part in appraisal and revalidation under their auspices.

## **6. Register of Doctors**

The Register of doctors is a live document and is amended regularly to reflect additions, departures, and other changes. The Bailiwick Register is available in summary form on-line at <https://gov.gg/healthprofessionalregisters>.

At the end of 2018 there were a total of 224 doctors on the Guernsey Register and with a licence to practice; an increase of 6 from 2017. Of these 150 were “local practitioners” and 74 were “UK-connected Practitioners”.

A breakdown for the position at the end of 2018 is provided in the table below, with the change from 2017 identified.

Local Register of Medical Practitioners 2018										
	HSC		MSG		GP's		Others		Total	
	2018	+/-	2018	+/-	2018	+/-	2018	+/-	2018	+/-
<b>Local Practitioners</b>	<b>33</b>	<b>-2</b>	<b>48</b>	<b>+3</b>	<b>68</b>	<b>+2</b>	<b>1</b>	<b>-5</b>	<b>150</b>	<b>-2</b>
<b>UK-Connected Practitioners</b>	<b>46</b>	<b>+11</b>	<b>4</b>	<b>-2</b>	<b>10</b>	<b>-2</b>	<b>14</b>	<b>+1</b>	<b>74</b>	<b>+8</b>
<b>Total</b>	<b>79</b>	<b>+9</b>	<b>52</b>	<b>+1</b>	<b>78</b>	<b>0</b>	<b>15</b>	<b>-4</b>	<b>224</b>	<b>+6</b>

UK Connected Doctors: 46 UK-connected doctors worked for HSC in 2018. This includes visiting doctors and visiting appraisers for doctors. Only four doctors working for MSG in 2018 retained a UK connection: all were locum doctors. A total of 14 GP's were connected to UK designated bodies; some of these acted as locums while in the Bailiwick and others remain on UK Performers' Lists.

Doctors Classed as "Others": This group consist largely of doctors who hold private clinics, provide medical advice to local firms, and services to Guernsey prison. The local RO is able to identify and communicate with any UK-connected doctors Responsible Officer through use of GMC Connect – the GMC's online portal for revalidation of doctors. In addition the public can search the GMC register to identify a doctor's Responsible Officer through the GMC website: <https://www.gmc-uk.org/index.asp> .

Conditions: The RO has authority to add conditions to a doctor's local registration. In 2018 this authority was not used under the ordinance, although one doctor worked to conditions under the Maintaining High Professional Standards policy while an investigation proceeded.

## 7. Medical Appraisal

### a. Appraisal and Revalidation Performance Data

In 2018 there were 150 locally connected doctors who required an appraisal in-year. This is not always the same as the total number of local practitioners because of movement within year, for example some may have had appraisals done before arriving in the Bailiwick. A total of 145 appraisals were completed within the agreed time period. The table below gives details:

Appraisals 2018					
	HSC	MSG	GP's	Others	Total
Number with appraisal due in 2018	33	48	68	1	150
Appraisals within agreed time period	32	45	68	0	145
%	97.0	93.8	100.0	0.0	96.7

Of appraisals not completed within prescribed time period:

- HSC: 1 doctor's appraisal has been delayed for health reasons with agreement from the RO.
- MSG: 1 doctor's appraisal has been delayed for health reasons with agreement from the RO. 1 off-island appraisal was completed late. 1 off-island appraisal is scheduled for March 2019 and will be late.
- GP's: 100% compliance.
- Other: 1 doctor had a late appraisal.

The overall in-year appraisal rate for local practitioners was 96.7%. This is an improvement on 2017 (95.3%) and compares favourably with the NHS England rate of 91.3% [NHS England Annual Report for 2017/18 <sup>1</sup>].

If the RO believes that a doctor may not be engaging appropriately in the process of revalidation he may, after consultation with the GMC Employment Liaison Advisor, request that the GMC send a non-engagement concern to the doctor directly by completing a "Rev6" form. In 2018, the RO submitted one Rev6 form in relation to a doctor who was not engaging in appraisal in a timely manner. The doctor agreed an action plan with the RO and completed their appraisal within 6 weeks of being contacted by the GMC.

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<sup>1</sup> <https://www.england.nhs.uk/wp-content/uploads/2018/10/report-to-ministers-responsible-officer-regulations-revalidation-1718.pdf>

## **b. Appraisers**

Medical appraisal is the cornerstone of revalidation of doctors. Doctors with a UK connection take part in appraisal and revalidation with their UK designated body. For locally-connected doctors there are 2 groups of appraisers. Most doctors fit cleanly into one of these groups, but for doctors in the “other” category, their appraiser is determined by best-fit (nearly always obvious).

Primary Care: Doctors in General Practice in Guernsey continue to demonstrate 100% engagement in appraisal. Two completed appraisals are described as category 1b: one doctor did not sign off the documentation within 28 days, and for another doctor the documentation did not include the previous appraisal date. The others were all category 1a. There were no missed or late appraisals. GP’s undertake appraisals either directly with the Wessex Appraisal Service, a service run by Health Education England; or with one of five on-island appraisers who receive support from the Wessex service. A total of 40 primary care doctors underwent appraisals through the Wessex Appraisal Service with an average of 4 appraisals per appraiser. One locum GP also independently sourced an appraisal from within the Wessex service. The remaining General Practitioners had on-island appraisers.

As well as receiving all relevant individual appraisal information, the RO receives an annual report from the Wessex Appraisal Service, reported from April to April. The latest report demonstrated that feedback rates from Bailiwick doctors remain very high, with 94% of doctors who responded reporting that their appraisal had been useful for improving patient care. Feedback confirms the high quality of this off-island appraisal service.

Secondary Care: On-island appraisals were delivered by a group of twelve trained doctors comprising of both States Employed doctors and doctors from the Medical Specialist Group. Individual appraiser feedback continues to demonstrate high levels of satisfaction with the quality of appraisers. Links with Southampton University Hospitals (SUH) for secondary care appraisal support continued in 2018. The SUH Appraisal Lead, Dr Henrik Steinbrecher, provided training and quality assurance to local appraisers. A local Appraisers Network meeting takes place quarterly, jointly chaired by the Appraisal Leads for HSC and MSG.

Secondary Care doctors in certain specialties had off-island appraisals in 2018 as part of a continuing programme to facilitate specialty-specific and independent appraisals over the revalidation cycle. Doctors in psychiatry, paediatrics, and surgical specialties had off-island appraisals in 2018. The intention is that over a five year revalidation cycle every secondary care doctor will have at least 2 off-island appraisals.

## **c. Quality Assurance**

Dr Steinbrecher, Appraisal Lead for Southampton University Hospitals, visited Guernsey in May 2018. He provided new appraiser training, an update session for existing appraisers and gave individual feedback to appraisers based on the PROGRESS tool. Overall he found a good quality of write-up, and found the understanding of the principles and ethos of appraisal revalidation was “solid and



sound". He also provided feedback to improve things further, including in moving to a single online system for secondary care appraisals.

Routine ongoing quality assurance is achieved by active involvement of the appraisal leads and the RO. This includes:

Appraisal portfolios:

- Review of appraisal folders to provide assurance that the appraisal inputs, including pre-appraisal declarations and supporting information provided is appropriate and available.
- Review of appraisal folders to provide assurance that the appraisal outputs including personal development plan, summary and sign-offs are complete and to an appropriate standard.
- Review of appraisal outputs to provide assurance that they include any key items identified before the appraisal as needing discussion.

For the individual appraiser:

- An annual record of the appraiser's reflection on his or her appropriate continuing professional development is included in their appraisal.
- An annual record of the appraiser's participation in appraisal calibration events such as reflection on appraisal network meetings.
- 360° feedback from doctors for each appraiser is collected at the conclusion of the appraisal process. The information is collected and reviewed by the appraisal leads, and collated and fed back to the appraiser in an anonymised manner. It is calibrated with the feedback for other appraisers and feedback to each appraiser includes anonymised score averages for all appraisers.

For the organisation:

- The RO receives real-time timelines of process of appraisal for each group of doctors.
  - Feedback from appraisees includes views on the systems used and support provided.

#### **d. Access, Security and Confidentiality**

The RO deals with a significant amount of sensitive personal data, and it is important that this is dealt with in line with best practice.

The Responsible Officer is registered with the Data Protection Commissioner for the Channel Islands, and has up-to-date Data Protection training.

Appropriate safeguards are in place. No information breaches were reported in 2018.



## **e. Clinical governance**

Prior to their appraisal, doctors receive information about all complaints and incidents in which they are named. This report is available to appraiser, appraisal lead and to the RO. In addition some doctors may be asked to reflect with their appraiser about specific incidents or events at their appraisal. The appraisal systems allow for such specific items to be identified clearly to both the appraiser and to the RO, to ensure that appropriate reflection and learning has taken place and been evidenced.

## **8. Revalidation Recommendations**

Revalidation typically takes place over a five year cycle, at the end of which the GMC seek a recommendation from the doctor's RO / Suitable Person (if they have one).

In 2018, twelve doctors required revalidation recommendations to the GMC. Positive recommendations were made by the RO for all doctors, following review of their appraisal portfolios and the evidence submitted against GMC requirements.

No deferral recommendations were required (made when the doctor has not produced sufficient evidence to support a positive recommendation, or when a process concerning fitness to practice is in place).

There were no notifications to the GMC of non-engagement by a doctor in processes for revalidation.

Of the twelve positive recommendations, 11 have been accepted by the GMC and one remains under review at time of writing. (Appendix B presents numerical details using the NHS England audit template.)

## **9. Recruitment and engagement background checks**

Background checks remain in place for doctors seeking to join the local Register, including:

- Checks of GMC registration:
  - o Current GMC Registration
  - o Holds a valid Licence to Practice
  - o On the Specialist Register or GP Register (as appropriate)
- Curriculum Vitae (CV) of the doctor
- References (minimum of two)
- Form of information completed (contact details, training, qualifications, etc.)
- Specimen Signature
- Registration fee paid (£80).

When a doctor's name is added to the local register a circular is sent widely (including all island pharmacies) informing them of the name, specialty, and role of the new doctor, and providing a specimen signature.

Doctors will, of course, undergo the normal employment checks by their prospective employer in addition to the process of adding to the local register.

Guernsey remains in a favourable position in terms of obtaining appropriate information for background checks before a doctor's name is added to the local register. The use of very short-term locums is impractical for geographical and regulatory reasons, and there are robust processes for identifying and checking on any new doctors who work in the Bailiwick.

## 10. Responding to Concerns and Remediation

Concerns about doctors can be raised in many ways. In addition to the powers given to the RO under the Ordinance, local policies for responding to concerns are in place for both Primary and Secondary Care. The policies are based on "Maintaining High Professional Standards", and provide pathways for action when a concern arises, including:

- involvement of independent advice where appropriate,
- how the concern must be investigated and escalated,
- management of confidentiality,
- the processes to be gone through regarding any restriction of practice,
- exclusion from work,
- management of risk to patients,
- reviews of any exclusions,
- informing other organisations, and
- procedures for dealing with disciplinary, capability and health issues.

Concerns about doctors may result in informal or formal management. Informal management typically is used for minor matters, and when there is no risk to patients, the doctor demonstrates insight.

Appendix A presents numerical information about formal management of new concerns raised about doctors in 2018.

General Medical Council (GMC): Three cases known to the RO remained under investigation under Fitness to Practice procedures at the end of 2017. Two were closed with no action during 2018. Two others remain under investigation at the time of writing. In addition a patient had directly referred a local doctor to the GMC in 2017 without reference to the local RO. The GMC closed this at case examiner stage without opening a formal investigation. (As the 2017 RO report notes, it is possible under GMC procedures that a patient and/or family might report a doctor to the GMC without the RO being involved, if closed at an early stage.)

Two new cases were reported to the GMC in 2018 – one was a self-referral by a doctor and one was reported by a patient. Both were closed within the year at case examiner stage with no action.

No local doctors were subject to any GMC sanction in 2018.

It should be noted that certain traffic offences which result in convictions in Guernsey are dealt with by the system of fixed penalty points in the UK. All convictions must be reported to the GMC, whereas UK doctors with points on their licence do not come to the GMC's attention. In practice these cases have been closed without action by the GMC as they have not been considered to impact on a doctor's fitness to practice.

## 11. Risks and Issues:

Complaints: In 2018 no complaints were received about the discharge of the RO functions.

Conflicts of Interest: No new conflicts of interests were reported in 2018.

## 12. Progress against 2017 “Next Steps”

All stated aims for progress in 2017 have been achieved. In particular:

Appointment of a new Appraisal Lead for secondary care: Dr Flambert was appointed as the new Appraisal Lead for Secondary Care, in succession to Dr Nicola Brink. Advice was taken from the GMC about this appointment.

Continued external involvement in appraisals: Mechanisms to ensure off-island involvement for appraisals for both primary and secondary care doctors over the 5 year revalidation cycle are now in place and working.

Ongoing training and quality assurance: As described above both primary and secondary care appraisals continue to have strong external involvement, through the Wessex Appraisal Service for primary care, and Dr Henrik Steinbrecher for secondary care. Both report favourably on arrangements in Guernsey.

## 13. Next Steps for 2019:

Plans for 2019 include:

- Consolidation of secondary care appraisals onto a single appraisal system for all doctors in HSC and MSG.
- Improved allocation and reminder systems for appraisal dates, and enhanced monitoring for poor compliance.
- Improved administrative support for secondary care appraisals.
- Review and update of the appraisal policy.
- Increase resilience of the local system by having another local doctor undergo Responsible Officer training.

## 14. Conclusion

This annual report has presented details of the discharge of the Responsible Officer's functions in the year 2018. Standards around revalidation remain high, and processes for identifying and acting on concerns are in place and working effectively.

The RO would like to thank all those involved in helping to deliver high quality regulation of doctors in the Bailiwick in 2018.

## 15. Annual Report Appendix A: Audit of concerns about a doctor's practice.

Concerns about a doctor's practice	High level <sup>1</sup>	Medium level	Low level	Total
Number of doctors with concerns about their practice in 2018 (new concerns).	1	3	1	5
Capability concerns (as the primary category) in the last 12 months	0	2	0	2
Conduct concerns (as the primary category) in the last 12 months	1	1	1	3
Health concerns (as the primary category) in the last 12 months	0	0	0	0
<b>Remediation/Reskilling/Retraining/Rehabilitation</b>				
Numbers of doctors with whom the designated body has a prescribed connection as at 31 December 2018 who have undergone formal remediation between 1 January 2018 and 31 December 2018. Formal remediation is a planned and managed programme of interventions or a single intervention e.g. coaching, retraining which is implemented as a consequence of a concern about a doctor's practice				0
Consultants				0
Staff grade, associate specialist, specialty doctor				0
General practitioner				0
Trainee: doctor on national postgraduate training scheme				0
Doctors with practising privileges who are independent healthcare providers				0
Temporary or short-term contract holders				0
Other (including all responsible officers, and doctors registered with a locum agency, members of faculties/professional bodies, some management/leadership roles, research, civil service, other employed or contracted doctors, doctors in wholly independent practice, etc) All Designated Bodies				0
<b>TOTALS</b>				0
<b>Other Actions/Interventions</b>				
Local Actions:				
Number of doctors who were suspended/excluded from practice between 1 January 2018 and 31 December 2018:				0
Duration of suspension: Less than 1 week				0

<sup>1</sup> [http://www.england.nhs.uk/revalidation/wp-content/uploads/sites/10/2014/03/rst\\_gauging\\_concern\\_level\\_2013.pdf](http://www.england.nhs.uk/revalidation/wp-content/uploads/sites/10/2014/03/rst_gauging_concern_level_2013.pdf)

1 week to 1 month (*Doctor did not return from exclusion due to sickness)	0
1 – 3 months	0
3 - 6 months	0
6 - 12 months	0
Number of doctors who have had local restrictions placed on their practice in the last 12 months?	1
GMC Actions: Number of doctors who:	
Were referred by the designated body to the GMC between 1 January 2018 and 31 December 2018	0
Underwent or are currently undergoing GMC Fitness to Practice procedures between 1 January 2018 and 31 December 2018 (includes investigations; see section 10 above)	2
Had conditions placed on their practice by the GMC or undertakings agreed with the GMC between 1 January 2018 and 31 December 2018	0
Had their registration/licence suspended by the GMC between 1 January 2018 and 31 December 2018	0
Were erased from the GMC register between 1 January 2018 and 31 December 2018 (*Not including those who voluntarily relinquished their registration due to normal retirement).	0*
National Clinical Assessment Service actions:	0
Number of doctors about whom the National Clinical Advisory Service (NCAS) has been contacted between 1 January 2018 and 31 December 2018 for advice or for assessment. (NCAS now part of NHS Resolution)	1
Number of NCAS assessments performed	0

## 16. Annual Report Appendix B – Audit of revalidation recommendations.

Revalidation recommendations between 1 January 2018 to 31 December 2018	
Recommendations completed on time (within the GMC recommendation window)	11
Late recommendations (completed, but after the GMC recommendation window closed)	1*
Missed recommendations (not completed)	0
TOTAL	12
Primary reason for all late/missed recommendations : For any late or missed recommendations only one primary reason must be identified	
No responsible officer in post	0
New starter/new prescribed connection established within 2 weeks of revalidation due date	0
New starter/new prescribed connection established more than 2 weeks from revalidation due date	0
Unaware the doctor had a prescribed connection	0
Unaware of the doctor's revalidation due date	0
Administrative error	1
Responsible officer error	0
Inadequate resources or support for the responsible officer role	0
Other	0
Describe other	-
TOTAL [sum of (late) + (missed)]	1

\* One recommendation was submitted 9 hours after the prescribed date ended, due to annual leave.