

**REPORT
TO
STATES of ALDERNEY**



**ORGANISATIONAL ASSESSMENT
AND
IMPROVEMENT**



OVERVIEW

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1. Introduction

This overview report has been prepared at the request of the States of Alderney Chief Executive and Members. The purpose is to assess how well the States engages and leads the Island community, delivers service priorities and ensures continuous improvement across the range of its activities.

It does not cover legislative functions managed by the Greffier nor does it make detailed technical recommendations related to specific services.

The Chief Executive and all stakeholders interviewed during the course of this review acknowledge that change is required in a range of areas. There is frustration about the way things are planned and managed at present. However, it is encouraging that this is matched by enthusiasm and an appetite for change.

1.1 Scope of report

The report seeks to answer four headline questions which are underpinned by a series of themes. Issues arising have been set out in the form of recommendations for further work by the States which must be commensurate with the Island's size and capacity.

1) What is the States trying to achieve?

Ambition

- Have challenging but realistic ambitions been set that address the needs of the Island?
- Is community consultation effective?

Priorities

- Are there clear priorities and a strategy in place to deliver these?

2) What is the capacity of the States to deliver its ambition?

Leadership

- Is managerial and political leadership effective?

Capacity

- Are roles and responsibilities clear and do civil servants work effectively with politicians?
- Are decision making processes transparent?
- Is there adequate review and management of risks?
- Is financial capacity adequate?
- Is there an effective approach to staff development and workforce planning to ensure future needs are met?

Performance Management

- Is performance reviewed and challenged?
- Is performance information used to improve service delivery?
- Is performance management integrated with resource management?

3) How does it manage its resources?

Financial Management

- Are finances planned effectively to deliver priorities?
- Is there a sound understanding of costs and performance in the States activities?

Governing the business

- Has the States adopted the principles of good governance?
- Does the Island have a sound system of internal control including internal audit?
- Are clear arrangements in place to manage the risk of fraud and corruption?
- Are services and supplies procured with a focus on quality and value for money?

- Is relevant and accurate data and information provided to support decision making processes?

Use of Resources

- Are assets effectively managed?
- Is the workforce effectively managed and developed to deliver priorities?

- 4) What has the States achieved in relation to its priorities, services and impact on local quality of life?

1.2 Methodology

The overview report is based on document review and structured interviews with a number of staff, politicians and other stakeholders. These took place during a two day visit to the Island on 22–23 November 2012.

Over 40 people from the States and community were seen during the above visit and I am extremely grateful to everyone who contributed their time and frank views to the project.

Please note that this overview report reflects an assessment from a snapshot based on two days discussions and subsequent analysis. It has not been possible to corroborate all evidence in this time.

2. Executive Summary

Alderney is a wonderful place to live and work and an attractive tourist destination. It is a safe and friendly island which offers the opportunity to live in or visit a small community within reasonably close proximity to England, France, Guernsey and the other Channel Islands. All those who live on the Island do so through choice and nobody met during the course of this review wanted to leave. However the majority would like to see change in the way the Island is governed and managed and how services are delivered.

The States Government manages to keep public services operating at the moment and a number of things are done well. For example, cargo operations at the Harbour appear to be well regarded and stakeholders also speak highly of the willingness and flexibility of States Works operatives in reacting to minor emergencies. However, there is potential to do so much better if a structured and fit for purpose approach is taken to modernising the States and how it works. The majority of Islanders including staff, business stakeholders and young people feel that change is overdue and are frustrated with a number of aspects of the States at present.

The Chief Executive has taken stock over his first two years and now recognises the scale of what needs to be done. Five new States Members have also been recently elected and it is hoped that this change will be the catalyst to start making a difference. Feedback during the review identified a perception that a number of Islanders don't want change and would like things to stay as they are. No evidence of this was identified in the review. However, if such a view does prevail on the Island, it will hinder progress, restrict the development of the Island's potential and, in the much longer term, could well challenge the sustainability for future generations.

The headlines issues from the review are set out below:

- The States has no vision or effective strategic planning or performance management arrangements;

- There is a fundamental lack of community/stakeholder engagement as part of visioning, strategic objective setting, service planning or public accountability and reporting;
- No accurate demographic data;
- Limited evidence of strategic leadership or a coordinated Senior Management Team function;
- Some disconnect between members and the civil service and States Works;
- No culture of effective self-assessment, continuous improvement planning or value for money;
- No culture of staff development or performance appraisal as part of an integrated HR approach;
- No embedded culture of personal empowerment or corporate/personal accountability;
- A limited approach to strategic financial management, risk management and mitigation, and asset/stores management; and
- An absence of basic internal control mechanisms (including internal audit).

Where these characteristics are in place, they typically define a modern, fit for purpose public body. The scope for reform on Alderney and the focus of further development is wide ranging and reflected in the recommendations below. Any further development work would need to encompass not only the introduction of new arrangements but also look at the potential for refreshing and updating of those arrangements and approaches where some structures and systems do exist.

3. Recommendations

Detailed recommendations are included within the text and Appendix A sets out in more detail how the States could consider taking all areas forward using additional external capacity over a period.

The States is recommended to consider the range of recommendations as a series of separate modules to develop a streamlined Assurance Framework for Alderney. A number of the recommendations are not mutually exclusive and are considered to be essential if the States wishes to change and improve the way it leads and manages in future.

The essential areas are summarised below. All of these are capable of being delivered in a proportionate way to be commensurate with the size of the Island:

- 1) Agree a shared vision for the States and use this as a basis for development of a Strategy and revised outcome-focused Business Plan,
- 2) Develop a community strategy for the Island,
- 3) Liaise with States of Guernsey to promote a more open relationship,
- 4) Undertake a census,
- 5) Review current committee structure,
- 6) Develop an HR strategy for the States,
- 7) Introduce performance management at departmental and individual level,
- 8) Develop a Medium Term Financial Plan,
- 9) Set up a basic internal audit function on a limited basis,
- 10) Review the operation of States Works,
- 11) Appoint Tourism and Marketing Manager and prepare a Tourism and Marketing Strategy.

Any agreed programme of change will impact on the current culture of the whole organisation. Effective leadership and communication will therefore be critical to get ownership from all States Members and Staff.

4. Context

4.1 The Island

Alderney is the third largest of the Channel Islands and part of the Bailiwick of Guernsey. The Island population is estimated at around 2100 permanent residents although there are some views that it is below this figure. The population figures in 1996 and 2007 were nearer 2400 and therefore it is widely held that the population is in decline.

Alderney is a relaxed, safe and friendly island with a great deal to offer, including a quiet stable way of life amidst beautiful surroundings. The Island boasts a rich and varied wildlife as its unique selling point. The Alderney Wildlife Trust actively protects and promotes this valuable heritage and the Island is extremely attractive to birdwatchers, ramblers and wildlife enthusiasts.

Alderney also has a fascinating history. In the last century it was occupied by the German army and evacuated until the end of the Second World War. Three labour camps and a concentration camp were built on the Island as well as a range of fortifications which still remain on a number of sites.

Transport to the Island is by sea and air. The Island has a small airport and handles over 70,000 passengers a year arriving by scheduled or charter flights from Southampton, Guernsey, Jersey (via Guernsey), or by private aircraft from the UK and the Continent.

Braye Harbour accommodates a passenger ferry from France and Guernsey as well as cargo vessels. The Island is also a popular destination for thousands of yachtsmen from all over Europe every year.

4.2 The States

The legislature of the States consists of a President and ten elected members. Members are voted for a period of 4 years with an 'ordinary election' after an interval of 2 years when 5 sitting members offer

themselves for re-election. The recent election in November 2012 resulted in five new States members being elected. Two former members were replaced and three decided not to stand. Turnout was high at 73% from a total of 1209 people registered to vote.

Executive functions are managed by the Chief Executive who is supported by a small team of civil servants including three senior managers. The States Treasurer is employed and paid for by the States of Guernsey.

The States Engineer is responsible for the public works team of around 50 staff who maintain the Island's infrastructure including water, sewage, waste, planning, building control, property maintenance and agriculture.

The States of Alderney delivers most of the public services on the Island. The exceptions to these are services such as health, police, education and airport operations. These 'transferred services' are provided by Guernsey under the terms of the 1948 agreement.

The annual revenue budget of the States of Alderney is £3m which is funded by a cash allocation of £1.9m from the States of Guernsey as well as income from property rents, coin sales and other fees and charges. Tax revenue from the Island is collected by the States of Guernsey.

A separate Water Board run by the States has a budget of around £600,000 in 2012 funded by income from water supplies.

Capital expenditure is financed using income from the Alderney Gambling Control Commission. Legislation on the Island allows electronic betting and Alderney offers internationally recognised regulation and fiscal advantage to online gambling ventures. The income from this in 2011 was £3m.

5. What is the States trying to achieve?

5.1 Ambition

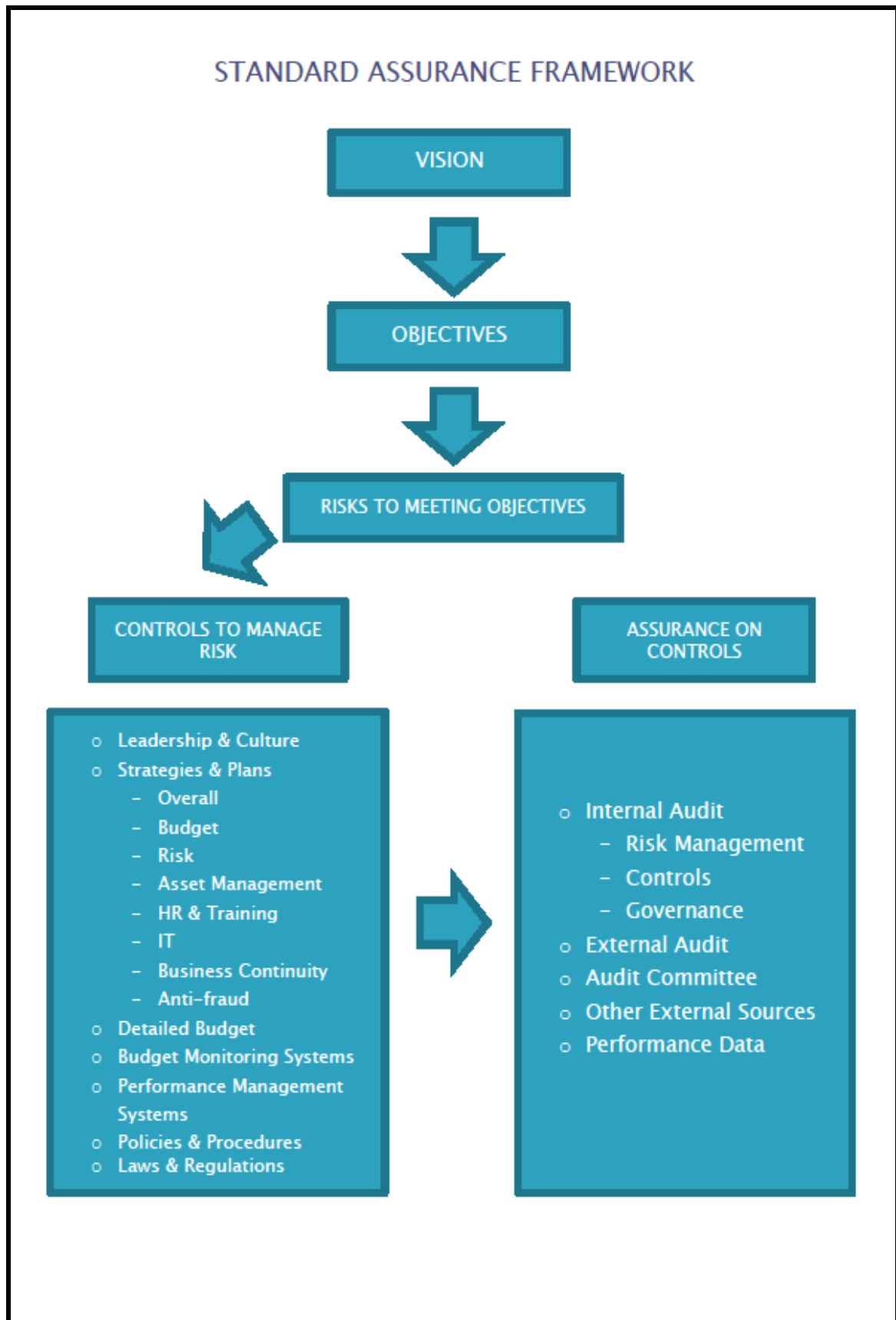
The States has no vision of what it wants to achieve for the Island community over the medium term. There is no strategy setting out how it wishes to address the underlying needs and promote the economic, social and environmental well-being of the Island. This represents a significant weakness. Without a common vision and a strategy based on needs and supported by common values and appropriate culture, the States will not be able to function as effectively or efficiently as it should.

A standard assurance framework should be in place within the States and the model below illustrates the common elements that would be expected. Some aspects such as budget strategy and risk assessment are in place within the States but in the absence of a vision and objectives, it is difficult to see how these fit into a coherent approach to governance.

The model overleaf is therefore recommended for the States as a reference point when considering the context of change that needs to be made. Clearly any similar framework developed for Alderney would need to be commensurate with the scale of the Island.

In the absence of a shared vision, the Chief Executive has introduced business planning to the States which is a positive step. A plan was produced for 2012 which enabled managers to start thinking about the concept for the first time.

Exhibit 1 – Suggested model for a Standard Assurance Framework



The Chief Executive also established a Change Steering Group during 2011 with a view to agreeing areas for change in the way that things are done. This is a group of 11 plus the Chief Executive which meets monthly. A meeting with a number of representatives during this review confirmed that there had been limited impact so far. Staff felt that the group has no clear remit or focus and whilst suggestions were made, there were examples of these being vetoed by a manager at a later stage. Staff engagement is powerful in times of change and the States may wish to consider firstly, whether the Change Steering Group would be more effective with a clearer remit, and secondly, whether it is desirable to include three members of the Senior Management Team on the group.

The business plan provides the only evidence of strategic planning for the States but further development is required. The plan was put together with no involvement from States members and no consultation with the community. Whilst recognising that it is the first attempt and an encouraging start, it is a confusing document reflecting a mixture of service based objectives, goals, proposals and perceived 'performance indicators' with no common focus. It is underpinned by individual departmental values which, from evidence in discussions, are not owned by the staff.

From discussions with staff, there is currently limited ownership of the entire business plan, even at the senior management level. This is a concern. It has potential, but currently there are too many weaknesses to be used as a tool to manage the business and drive continuous improvement.

There are plans to repeat the process for 2013 but there is no evidence of corporate guidance at this time to develop and prepare the plan using lessons learned from 2102. There is no timetable or project plan with milestones and progress at the end of November varies significantly between departments. The Chief Executive's Department and Harbour seeming to be more confident of an outcome.

As business planning develops, it is recommended that the States introduces basic self-assessment disciplines to help identify current strengths, weaknesses, opportunities and threats.

Recommendations – Vision and Strategy

R1 Develop a shared vision of where Alderney wants to be in five years and what it would like to achieve.

R2 Introduce self-assessment disciplines to identify strengths, weaknesses, opportunities and threats at States and Departmental level.

R3 Use the vision to drive an outcome focused business planning process in 2013. States Management and Members to agree:

- *A project plan and timetable for business planning,*
- *Strategic priorities for the Island based on currently known needs,*
- *Improved mission statements ('what we currently do') for each Department,*
- *Priorities for each department,*
- *Shared values for the States.*

R4 Review the remit and constitution of the Change Steering Group.

R5 Develop a fit for purpose cultural change programme using the Standard Assurance Framework, to ensure all staff and States Members are engaged in the change management process. To include:

- *Awareness raising and ownership,*
- *Training,*
- *Communication and consultation on shared vision and values.*

5.2 Community Engagement

Community engagement on the Island is weak and should be a priority across the whole demographic in such a small community. There is widespread frustration amongst external stakeholders around the lack of opportunity to engage and influence the way the Island is managed and services delivered.

The only formal forum appears to be the People's Meetings prior to States meetings. These are not considered to be meaningful in terms of influence or achieving change with the exception of instances of short term crisis management. The Harbourmaster does have meetings with relevant parties and plans to do this in a more structured way in future, which is a good step.

As noted above, the business plan has not been formally shared and there is no public accountability through any form of annual report to account for progress and outline future plans.

The business and voluntary sector stakeholders spoken to during the review have a range of excellent contributions to offer. This includes the Chamber of Commerce representing 140 businesses. Similarly the School Council which effectively represents 130 young people on the Island is not engaged. They also have excellent views on services for young people that need to be part of the strategic planning process. It is recommended that one or more States Members formally engage with the School Council in future.

Recommendations – Community Engagement

R6 Develop a strategy for community engagement to include:

- *Public consultation,*
- *Engagement with business stakeholders,*
- *Engagement with the School Council,*
- *Website and social networking opportunities.*

R7 Use the 2013 business plan as a basis for consultation and planning for 2014.

R8 Develop an approach to annual public reporting.

5.3 Relationships with the States of Guernsey

The relationship with Guernsey is important to Alderney as the major funder of the revenue budget and provider of the transferred services. The perception of the relationship amongst external stakeholders however, is a concern. There is a sense of limited empowered engagement with Guernsey. An analogy of ‘big brother’ was used by business and voluntary sector contributors as well as the school pupils. This was alongside a view that Guernsey citizens probably perceived Alderney as a ‘poor relation’. Whilst this may not be the reality, the perception is unhealthy and leads Alderney stakeholders to conclude that the States won’t stand up to Guernsey for fear of funding being cut back.

This suggests a need for a more mature and open relationship with the States of Guernsey. The funding of Alderney dates back to the 1948 agreement on the basis that Alderney would not be sustainable as a stand-alone Island. Therefore it was agreed that Guernsey would provide the transferred services and funding. In turn, Alderney taxes would be collected and administered by Guernsey.

The net impact of this arrangement in financial terms is not clear to residents of Alderney or Guernsey. From discussions with the States of Guernsey Chief Executive, this would be difficult to assess and probably not in the spirit of the 1948 agreement. Guernsey does not, and has no need to account separately for the transferred services as they are Guernsey services delivered on a different part of the Bailiwick. Similarly, it would be difficult to attribute the tax income from Alderney only, given the number of business that are on both islands. It may be possible at some point to do an economic assessment of the financial dependencies. This is something that both States may wish to consider in the future in the interests of openness and transparency and to inform future debates.

There are no service level agreements for the transferred services as this would not be appropriate given the nature of the services and the 1948 agreement. In the absence of this, or any other type of agreement with Guernsey, Alderney has limited influence over the major services delivered to its residents on the Island. Whilst recognising the nature of the transferred services from Guernsey, it may be worth considering whether there is an opportunity for a more structured basis for influence in future.

In relation to other services provided directly by Alderney there is potential for more inter-island working and this is recognised by the States of Guernsey.

Recommendations – Relationship with States of Guernsey

R9 Consider carrying out an economic assessment of the financial dependencies between Alderney and Guernsey.

R10 In liaison with Guernsey, consider opportunities for more influence in relation to all transferred services.

5.4 Prioritisation

In the absence of a strategy, prioritisation is also unclear and fragmented. Although it is possible to identify some priorities in the business plan, these are not linked to a coherent vision and in a number of cases they simply rehearse what services the department delivers on a day to day basis.

In order to develop priorities properly, the States needs to understand the needs of the community through improved engagement with a variety of stakeholders and service users. To do this effectively, the States needs to better understand the demographic of the Island.

There are no accurate figures for the Island population. In the absence of this, it is difficult to see how services can be configured to reflect needs.

Research on the internet suggests that the last detailed Alderney census was conducted by Guernsey in 2001 and the population was 2294. From discussions during the review visit, it is clear that the current population and the demographic are not known. Estimates vary from 1600 or less to 2100 and the only common view is that the permanent population is declining.

There are 1209 voters and around 130 school children and therefore the balance will be made up of pre-school children plus school leavers and others not entitled to vote.

A proposal was put to the States in December 2011 to carry out a census and this was defeated. It is difficult to understand why such a decision was taken and how the Island can lead, govern, deliver services to the community and plan for the future if it has no accurate idea what size and structure the community is.

On the basis of the brief overview, shared priorities to be considered by the States should include:

Exhibit 2 – Suggested areas for consideration as strategic priorities.

Priority areas

- A strategy for attracting more residents to the Island;
- A tourism strategy designed to make the most of the environmental assets and history of the Island with a view to attracting more visitors;
- Improving the services delivered by, and the public image of the States Works department;
- Services for young people; and
- An inward focused management plan to improve governance and management arrangements.

Recommendation – Census

R11 Commission a simple Island census to obtain accurate demographic details to inform needs assessment.

6. What is the capacity of the States to deliver its ambition?

6.1 Leadership

The States Senior Management Team (SMT) comprises the Chief Executive, States Treasurer, States Engineer and Harbourmaster. Monthly meetings are held which cover the range of governance issues. However, as the business plan is in its infancy, the agenda is not yet focused on performance management across a typical balanced scorecard. This needs to develop so that the SMT is seen as a collaborative and collegiate group that provides corporate direction and ensures accountability.

Responsibilities within departmental areas are clear but this has not yet universally translated into ownership or acceptance of a corporate management responsibility. Budgets were delegated to departments in 2012 for the first time with training from the States Treasury. This appears to have met with some resistance from the States Engineering team and Treasury staff are frustrated about failure to comply and provide reporting data by deadlines. Strong leadership will be required from the Chief Executive to ensure that all Senior Managers understand and accept their wider corporate management role. Failure to comply and provide things like core data and performance information should be more robustly challenged.

Political leadership comes from the ten States Members who are all independent. Five new Members were voted from November 2012 and it is hoped that the new Members will embrace the need for change. All prospective Members have set out their aspirations for the Island in their election mandates but evidence from discussions around previous experience suggests that once elected, it is difficult to promote an individual view or influence change within a group of ten. In this way, there may be limited accountability to the mandate once elected. This emphasises the need for a collective vision and strategy to be agreed by Members and Management.

The States Members are not representative of the Island community. All are male and there doesn't appear to be any information produced to explain the role or attract new candidates.

The lack of a strategy to date and limited involvement in the business plan indicate weaknesses in leadership by States Members. Stakeholders were critical of the way that the Island is governed by Members in terms of long-term planning, decision making and visibility. Despite States Members having portfolio responsibilities, States Works interviewees could not recall them visiting the workplace and trying to understand the real issues that need to be addressed.

The biggest frustration amongst staff and business/voluntary sector stakeholders was the unwieldy bureaucracy and time taken to make decisions. One stakeholder described States Members as '...being good at stopping you do things'.

Examination of the governance structures via the website shows a bewildering plethora of committees, sub-committees, advisory groups and panels to govern a small island community. Outside the monthly States meeting which is preceded by the People's Meeting, there are four main committees as follows:

- Policy and Finance Committee
- General Services Committee
- Building and Development Control Committee
- Water Board

Each of these has a clear mandate which is well set out and emphasises the policy development role and scrutiny. Whilst this has not been tested, feedback from staff was that this remit can become blurred and Members get too involved in managing implementation and minutiae.

Minutes for all main committees are available on the website and the issues to be discussed at the monthly States Meetings are set out in

the Billet d'Etat which also supports the People's Meeting. In this way, the debates are open.

Supporting the committees is a large number of sub committees and advisory groups to cover all aspects of Island business. As a result of this, many issues are presented and discussed at least twice before a decision is made. For example, financial issues are discussed by three or four members at Finance Advisory Group (FAG) before consideration at Policy and Finance Committee which includes the same Members from FAG. Members are therefore making recommendations to themselves. One example quoted was the new motor required for the pilot launch. It is understood that a business case with three quotes was initially prepared in July 2012, yet the motor has still not been finally agreed or delivered.

The committee structure also feels resource intensive in that all ten members sit on Policy and Finance with seven and six on the Water Board and General Services.

The States should consider streamlining these decision making processes by reducing the number of sub-committees and advisory groups and sticking to the roles as set out in the mandates. Numbers of States Members on each committee should also be considered as the volumes currently may imply a lack of trust between Members.

Public perception of strong member leadership and appropriate behaviour commensurate with a public role is crucial in organisations. The States has Rules of Procedures and a Code of Conduct for Members but the perception of staff and public is that personal issues can sometimes prevail. In the course of this review, it has not been possible to test this but the common perception suggests that it is something to be reflected on.

The Nolan principles of public life are universally accepted in the UK and commended to the States for adoption.

Exhibit 3 – The Nolan 7 principles of public life

1. Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

2. Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

3. Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

4. Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

5. Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

6. Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

7. Leadership

Holders of public office should promote and support these principles by leadership and example.

Recommendations – Leadership and Governance

- R12 Review the operation of the Senior Management Team to ensure effective team working and business protocols.*
- R13 Provide training for new States Members on their new role. To include formal adoption of the 'Nolan principles'.*
- R14 Look at opportunities to attract a more representative group of States Members in advance of the next elections.*
- R15 States Members to enhance their visibility on the Island in line with portfolio responsibilities.*
- R16 Consider streamlining the current committee structures and numbers of Members on each committee.*
- R17 Review and refresh Code of Conduct for Members to ensure it reflects modern practice.*

6.2 Capacity

Capacity is understandably limited in terms of finance and resources. Resources, particularly in States Works are used flexibly to make the most of this limitation. However, evidence from discussions suggests more can be done as there are some works operatives with too much to do and others with not enough to do at times. Overtime levels quoted at the harbour are extremely high as 51% of cargo is unloaded out of hours.

There is no HR strategy at present within the States and succession planning is critical on the basis that a number of employees are due to retire in the near future. Processes are in place for recruitment but evidence suggests that individual departments depart from these processes on occasions.

Morale is described as poor in a number of departments and SMT may wish to consider a baseline survey of staff to identify the underlying issues. This could then be repeated after a period of 18 months to assess progress.

Risk management is an area that has developed with a risk register being produced during 2012. This is a comprehensive document and identifies a wide range of service and organisational risks, some of which are critical and have not been mitigated appropriately.

Discussions suggest that more needs to be done in relation to risk management and in the meantime, unacceptable risks are routinely taken. Three examples were offered to illustrate this.

Exhibit 4 – Examples of unacceptable risks referred to in discussions

1. Harbour Crane

This is vital to the Island and needs to be in good repair to enable unloading and loading of cargo ships each week (97% of freight is delivered by sea). The crane is in serious need of upgrade and the back-up crane is out of action at present. There has been a recent crane failure which revealed the paucity of maintenance records and although a critical risk and a priority, funding has not yet been made available for a replacement.

2. Harbour Office

This is a risk to the Harbour staff as it has electrical faults and vermin. It is therefore a priority and a replacement was agreed in 2011. Preliminaries have been completed but final design and sign off by Policy and Finance is still awaited.

3. Green waste shredder

The green waste shredder is broken and needs replacing. In the meantime, it is understood that a Works operative disposes of green waste by burning or using an excavator to push waste over the cliff. If this is the case, this is a serious and unacceptable health and safety risk. The budget has not been made available for the replacement.

As business planning is developed in future, risk management should be incorporated into this.

The Treasury function is well regarded on the evidence of our discussions. Financial management and value for money issues are discussed later in this paper.

Recommendations – Capacity

R18 Develop a fit for purpose HR strategy including:

- *Recruitment and retention,*
- *Training and development,*
- *Workforce planning, and*
- *Performance management.*

R19 Undertake a baseline staff survey using a small number of questions and repeat in 18 months.

R20 Review the risk register and ensure red risks are mitigated properly. Integrate this with the business planning process.

6.3 Performance Management

Performance Management has been introduced by the Chief Executive alongside the business plan and although it is in the early stages, introduction of the process is a positive step.

Each department has identified a series of objectives in the business plan and progress against these is reported using crude Red/Amber/Green (RAG) rating and a brief commentary on status.

Six out of the seven departments have a small number of objectives which are reported on. The exception is the States Engineering Department which identified 69 objectives in the business plan. Many of these relate to routine functions or tasks which do not need to feature in the business plan at this level. Given the volume of indicators, monitoring and reporting will prove to be difficult and this is evident in the monthly reports. The Engineering Department has not embraced business planning or reporting in the same way as the other departments. The feedback report from the department is poor, it contains no commentary and whilst the May 2012 example showed 15 issues marked as 'Red', there is no indication why and what remedial action will be taken. As a result, the Engineering progress report is somewhat meaningless and neither the States Engineer or Superintendent of Works felt that it was something they should be spending time on. This needs to be addressed by the Chief Executive as part of the development of a collegiate management team.

The current reporting framework is capable of development into a more robust mechanism once the next business plan is produced. At this point, management should agree objectives that are measurable and assign milestones to them so that progress reporting is less judgemental. Once agreed, it is recommended that accountability is improved by preparation of a routine performance report for States Members to consider at Committee.

Alongside the objectives that should be identified and monitored following the business plan revision, the States should also consider

identifying a small number of performance indicators to measure performance and improvement on a routine basis. Many services areas and corporate activities are typical of areas where internationally basic performance indicators can be easily applied.

In the absence of robust objectives, there is no approach to performance appraisal within the States and this is recommended as an area for development.

Discussions with staff suggest that performance and management are variable. In some cases, unacceptably poor performance is tolerated rather than being managed. By introducing objectives and targets at individual or team level, the States will be able to improve overall people management and individuals would be given a better opportunity to develop.

Recommendations – Performance Management

R21 Develop a proportional suite of key performance indicators linked to the business plan.

R22 Enhance the existing performance reporting framework by agreeing measurable objectives and targets in the business plan at departmental level.

R23 Introduce monthly performance reporting using the above and present to States Members.

R24 Introduce performance review and appraisal processes at individual level on the basis of the objectives and targets.

7. How does it manage its resources?

7.1 Financial Management

There is a good degree of accountability to the States of Guernsey in relation to financial management and discussions with the Guernsey Chief Executive did not reveal any issues.

The States budget is set in July/August for the following calendar year and is a basic allocation system across departments. At present it is disconnected from the business planning process and as business planning develops, the two processes should become synchronised so that resources follow priorities after a more informed debate.

The budget report in its current form is well presented and demonstrates good awareness of income and costs on an annual basis.

The capital programme forecast is longer term with current bids up to 2016 although committed funds are only identified in 2013. In order to accelerate the process, it is recommended that the capital programme is agreed by Committee annually accompanied by detailed project estimates.

Capital Expenditure is largely financed from the Alderney Gambling Control Commission income and it is not clear whether this is a fixed arrangement. The risk register highlights loss of this income as a potential risk with high impact and low likelihood.

The States may wish to consider a more strategic approach to overall financial planning in future by developing longer term capital and revenue forecasts within a fit for purpose, simple Medium Term Financial Strategy. This should be part of an integrated process alongside the business plan and risk management. As part of this, funding options could be considered including whether the AGCC income must be ring-fenced in future, and whether loan funding would be an option given the favourable rates at present.

Financial reporting is on an income and expenditure basis with actuals being reported at the same time as the budget. There is no fixed asset accounting and depreciation. In time, the States may wish to consider introducing double entry bookkeeping and accounting for asset use.

In a time of financial pressure in all public organisations in the Channel Islands and UK, it is essential that value for money and efficiency considerations are high profile. This was acknowledged by all staff in our discussions and some examples provided where various quotes had been sought before purchasing an item. Other examples were given where business cases are poor or non-existent.

There is evidence of inefficiencies in States Works. Routine work planning is described as poor and as a result, Works operatives spend an inordinate amount of time going backwards and forwards to the local supplier for materials. States Treasury receives a substantial volume of invoices from Blanchard's, the main supplier each month. Materials and supplies merely require a job number and there is no control to ensure that the materials are used on the specific job.

An example quoted was the refurbishment of a small public toilet which was estimated at £12,200 with a 10% tolerance. Currently costs are running at £18,200 without labour. This level of variation suggests that estimation is weak or cost control is out of control.

Basic financial procedures are as set out in the Guernsey procedure manual with a proportionate interpretation where necessary. Approval limits for revenue and capital spending are clearly set out and assigned to either committees or individuals. There does not appear to be any delegated approval authority for capital expenditure and all sums require a committee vote. The States may wish to consider whether delegated authority to senior managers of capital expenditure under £10,000 would be more efficient.

Recommendations – Financial Management

- R25 Develop a medium term financial plan and bring this into line with the business plan.*
- *Consider options for using funding differently if possible.*
- R26 Review processes in States Works for procuring supplies and allocation to jobs.*
- R27 Investigate significant variances on current jobs to understand reasons.*
- R28 Consider delegated authority at senior management level for capital expenditure under £10,000.*

7.2 Governing the business

Much of this has already been covered in the sections above.

In addition to areas that have already been covered, the States has no Internal Audit function. Development of a fit for purpose internal audit is recommended to enhance the internal control arrangements within an overall assurance framework to both provide assurance and review value for money.

As noted above, job control in States Works is poor and there is also limited control over the Island stores. A limited store is held and controlled by the Superintendent of Works or the Office Manager, However, there are occasions when the key will be left for Works operatives to simply take what they need for a job and leave a note. The lack of control over a public authority store is unacceptable and should be addressed.

The priority area for an internal auditor, if agreed, should be the operation and working practices in States Works. This is the biggest spending department and some controls are poor. It is a reasonable assumption that there are inefficiencies, waste and losses that are avoidable.

The States also has no anti-fraud and corruption strategy and this is another area that could be quickly addressed by an internal auditor.

Recommendations – Internal Controls

R29 Set up a limited internal audit function on the Island.

- *Identify risks and carry out a programme of reviews on a priority basis i.e. States Works.*
- *Prepare and communicate an anti-fraud and corruption strategy.*

R30 Improve record keeping and controls in the Works store.

7.3 Use of Resources

As discussed earlier, the States should develop a simple HR strategy to make the most of its workforce.

In terms of other resources, the States has a record of vehicles and plant and property. The property schedule is valued at £39m for insurance purposes but values in the vehicle schedule are limited with the exception of the Harbour schedule which is complete.

The vehicle and property schedules should be supported by condition information and maintenance schedules but this has not yet evolved. Annual servicing is being added to the vehicle schedule by the Superintendent of Works whilst the mechanic is off sick. It is not clear why this had not been done previously or why the apprentice mechanic

hasn't been given the responsibility to do this and relieve the burden from the Superintendent.

Recommendations – Use of Resources

R31 Improve the current asset register and ensure all property is properly valued.

R32 Undertake condition surveys on all fixed assets and develop a proper rolling maintenance and replacement programme.

8. What has the States achieved in relation to its priorities, services and impact on local quality of life?

It is difficult to assess what the States has achieved in relation to its priorities as these have not been clearly articulated. Departmental objectives are set out in the business plan and the RAG reports do indicate progress on an individual basis. During the brief review, service areas were discussed and it is worth reflecting the headline issues in summary form here for two areas.

8.1 Tourism and Marketing

Tourism and marketing Alderney is crucial for both the short term and longer term future. Currently the lead Tourism and Marketing post is vacant and therefore activity is limited.

Appointment to this post should be a priority and the consensus from all external stakeholders is that an imaginative marketing strategy is then required to promote the Island to both tourists and potential residents. Following the earlier theme of public engagement, this should be prepared in consultation with interested stakeholders.

There is a feeling that more should be made of both environment and heritage and any future Alderney marketing product must not be lost in an overall Guernsey offering which may have been the case in the past. Marketing should also target France more aggressively given that it is only 8 miles away. Residents were also keen to point out that the Island would need to be more presentable if it is to be attractive to tourists.

Infrastructure remains the critical factor and whilst beyond the remit of this paper, the commonly shared view was that the States (in liaison with Guernsey where appropriate) should continue (or finally close) the debates on:

- Options for improving the airport by extending the runway to allow bigger aircraft in;

- Options for more ferry passengers from UK, Guernsey and France;
- A decision to progress with the proposed Marina.

Recommendations – Tourism and Marketing

R33 Appoint Tourism and Marketing Manager as a priority.

R34 Develop a tourism and marketing strategy to focus on selling the Island's assets and attracting both tourists and potential residents.

8.2 Services for Young People

The young people from St Anne's School had a wealth of views to offer about the pros and cons of living on Alderney. Universally, they would rather live on Alderney than the mainland or Guernsey but they are bored.

Services for young people are limited and they are not consulted effectively despite making up a significant percentage of the population.

They would like to know if there is possibility for a leisure centre, a youth club or a skate park, for example. Many services for young people are provided by volunteers and they also question whether grants to voluntary organisations could be made available in a structured way.

Recommendation – Services for Young People

R35 Ensure that St Anne's School is engaged so that ideas from young people are incorporated into the Island Strategy.

Next steps

Suggestions for capacity support to implement recommendations

| R | Recommendation | Suggestions for capacity support or responsibility. |
|---|--|--|
| | Vision and strategy | |
| 1 | Develop a shared vision of where Alderney wants to be in five years and what it would like to achieve. | See 3 below |
| 2 | Introduce self-assessment disciplines to identify strengths, weaknesses, opportunities and threats at States and Departmental level. | See 3 below |
| 3 | <p>Use the vision to drive an outcome focused business planning process in 2013. States Management and Members to agree:</p> <ul style="list-style-type: none"> • A project plan and timetable for business planning. • Strategic priorities for the Island based on currently known needs, • Improved mission statements ('what we currently do') for each Department, • Priorities for each department, • Shared values for the States. | <p>Stage 1. External support to carry out workshop session with States Members and Senior Managers to agree a vision, priorities and values.</p> <p>Stage 2. External support to help develop and draft a Strategic Plan for Alderney for 2014–2018.</p> |

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|---|---|---|
| | | Stage 3. External support to help develop and draft departmental business plans for 2014. |
| 4 | Review the remit and constitution of the Change Steering Group. | External support to facilitate group to agree a draft remit and way of working in future. |
| 5 | Develop a fit for purpose cultural change programme using the Standard Assurance Framework, to ensure all staff and States Members are engaged in the change management process. To include: <ul style="list-style-type: none"> • Awareness raising and ownership, • Training, • Communication and consultation on shared vision and values. | External support to recommend a change programme and undertake awareness training. |
| | Community engagement | |
| 6 | Develop a strategy for community engagement to include: <ul style="list-style-type: none"> • Public consultation, • Engagement with business stakeholders, • Engagement with the School Council, • Website and social networking opportunities. | External support to prepare a draft Community Engagement Strategy. |
| 7 | Use the 2013 business plan as a basis for consultation and planning for 2014. | Members and Chief Executive. |
| 8 | Develop an approach to annual public reporting. | External support to work with Chief Executive on an annual report. |

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| | Relationships with Guernsey | |
| 9 | Consider carrying out an economic assessment of the financial dependencies between Alderney and Guernsey. | Members and Chief Executive. |
| 10 | In liaison with Guernsey, consider opportunities for more influence in relation to all transferred services. | Chief Executive with support. |
| | Census | |
| 11 | Commission a simple Island census to obtain accurate demographic details to inform needs assessment. | Members and Chief Executive. |
| | Leadership and governance | |
| 12 | Review the operation of the Senior Management Team to ensure effective team working and business protocols. | External support to observe SMT and facilitate team building session. |
| 13 | Provide training for new States Members on their new role. To include formal adoption of the 'Nolan principles'. | External support with training (link to item 5). |
| 14 | Look at opportunities to attract a more representative group of States Members in advance of the next elections. | External support to draft material to attract new Members. |
| 15 | States Members to enhance their visibility on the Island in line with portfolio responsibilities. | States Members. |
| 16 | Consider streamlining the current committee structures and numbers of Members on each committee. | Members and Chief Executive. |
| 17 | Review and refresh Code of Conduct for Members to ensure it reflects modern practice. | External support to review and revise in liaison with Chief Executive. |

| Capacity | | |
|------------------------|--|--|
| 18 | Develop a fit for purpose HR strategy including: <ul style="list-style-type: none"> • Recruitment and retention, • Training and development, • Workforce planning, and • Performance management. | External support to draft an HR strategy in liaison with States Treasurer. |
| 19 | Undertake a baseline staff survey using a small number of questions and repeat in 18 months. | External support to undertake survey and report findings. |
| 20 | Review the risk register and ensure red risks are mitigated properly. Integrate this with the business planning process. | Senior Management Team. |
| Performance Management | | |
| 21 | Develop a proportional suite of key performance indicators linked to the business plan. | External support to recommend a draft set of PIs. |
| 22 | Enhance the existing performance reporting framework by agreeing measurable objectives and targets in the business plan at departmental level. | Follows item 3. External support to develop draft performance measures for business plan. |
| 23 | Introduce monthly performance reporting using the above and present to States Members. | External support to work with Chief Executive on agreeing a balanced scorecard for reporting to members. |
| 24 | Introduce performance review and appraisal processes at individual level on the basis of the objectives and targets. | External support to train staff in performance management and target setting. |

| Financial Management | | |
|----------------------|---|--|
| 25 | Develop a medium term financial plan and bring this into line with the business plan. <ul style="list-style-type: none"> Consider options for using funding differently if possible. | External support to work with States Treasurer on drafting a medium term financial plan. |
| 26 | Review processes in States Works for procuring supplies and allocation to jobs. | Recommended as a priority subject to internal audit function being set up. |
| 27 | Investigate significant variances on current jobs to understand reasons. | States Treasurer and States Members. |
| 28 | Consider delegated authority at senior management level for capital expenditure under £10,000. | States Members. |
| Internal Control | | |
| 29 | Set up a limited internal audit function on the Island. <ul style="list-style-type: none"> Identify risks and carry out a programme of reviews on a priority basis i.e. States Works stores. Prepare and communicate an anti-fraud and corruption strategy. | External support to prepare a proposal and audit programme based on risks. |
| 30 | Improve record keeping and controls in the Works store. | States Engineer with support from Treasury. |
| Use of Resources | | |
| 31 | Improve the current asset register and ensure all property is properly valued. | Senior Management Team |
| 32 | Undertake condition surveys on all fixed assets and develop a proper rolling maintenance and replacement programme. | Senior Management Team |

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| | Tourism and Marketing | |
| 33 | Appoint Tourism and Marketing Manager as a priority. | Chief Executive |
| 34 | Develop a tourism and marketing strategy to focus on selling the Island's assets and attracting both tourists and potential residents. | Tourism and Marketing Manager with specialist external support. |
| | Services for Young People | |
| 35 | Ensure that St Anne's School is engaged so that ideas from young people are incorporated into the Island Strategy. | Chief Executive and Members. |

List of Interviewees

| Name | Role |
|------------------------------|-------------------------------------|
| Roy Burke | Chief Executive |
| Kerry Hatcher-Gaudion | States Treasurer |
| Julie Martin | States Engineer |
| Mark Gaudion | Harbour Master |
| Tim Birmingham | Superintendent of Works |
| Paul Rose | Water Board |
| Nigel Shaw | Deputy Harbour Master |
| Barbara Beynon | Tourism and Marketing |
| Helen Williams | Treasury Assistant |
| Managing change group | |
| Liz Sumner | General office |
| Janine Page | States Works-Office Manager |
| Liz Maurice | Deputy States Treasurer |
| Penny Oakman | Treasury Assistant |
| Adam Rose | Assistant Harbour Master |
| Mark McManus | Waste Management chargehand |
| Howard Coleman | States works joiner |
| Sue Price | Executive Assistant |
| External stakeholders | |
| Andrew Eggleston | President Chamber of Commerce |
| Nigel Lawrence | Chamber of Commerce |
| David Storer | Director, Alderney Wildlife Trust |
| Roland Gauvain | Manager, Alderney Wildlife Trust |
| Derrick Williams | Alderney Volunteer Fire Brigade |
| Paul Moore | Alderney Volunteer Fire Brigade |
| Dr Rosalind Michel | St Johns Ambulance |
| Miss J Madin | Deputy Head, St Anne's School |
| School Council (15 pupils) | St Anne's School |
| Richard Proctor | General Manager, Braye Beach Hotel |
| Mike Brown | Chief Executive, States of Guernsey |

Review carried out by:

Stephen Taylor CPFA

Stephen is an independent consultant with substantial experience in England and Europe in strategic management, governance and assurance. Until November 2012 he was Director of Audit for the Audit Practice of the Audit Commission for England and operated with stakeholders at the highest professional level.

He has over 25 years' experience of working in partnership with a range of diverse local authorities and NHS bodies in England. In his role at the Audit Commission he:

- Has had major impact with a broad range of local authority bodies and other agencies that have led to strategic and operational change.
- Was part of the national leadership team responsible for 900 staff with a lead role for people issues.
- Contributed to the development and delivery of the national strategy and business plan.
- Led development of a more professional, efficient, compliant and impactful audit approach for the Audit Commission nationally.
- Introduced a Talent Management model and an Employee Engagement Group within Audit Practice.

From 2010 until November 2012, Stephen was the elected President of the European Organisation of Regional Auditors (EURORAI). He has over 10 years' experience supporting European audit organisations and regional governments on a range of public management issues. He has been keynote speaker at a number of European events including the Council of Europe.

Doug Elliott

Doug has a track record of implementing public sector reform programmes/projects at a national level both in the UK and internationally. As a freelance consultant, and formerly as the Head of the Audit Commission in Wales and the Welsh Government's Head of Regulation, Doug has worked extensively with Governments, national bodies and local organisations across public sectors specialising in governance and management reform, performance reviews and public sector regulation.

Doug's recent work has included:

- Advising the States of Jersey Government as part of a major housing management reform programme on the island.
- Advising appointed Commissioners on new governance and management arrangements as part of the Welsh Government's formal intervention at the Isle of Anglesey Council.
- Managing a national research and review programme in Wales, examining public sector self-assessment approaches, on behalf of the Welsh Local Government Association.