

# EXECUTIVE COUNCIL

## CONFIDENTIAL

**Title of Report:** Review of Government – major outcomes  
**Paper No:** 233/08  
**Date:** 18 December 2008  
**Report of:** Chief Executive

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### 1. Purpose

- 1.1 This report summarises progress on the comprehensive Review of Government being led by the Chief Executive. It outlines the approach taken in conducting the review, reports findings from discussions with stakeholders and reviews of best practice overseas, and then analyses the key issues to provide a comprehensive set of proposals. These will achieve a more strategic, dynamic and efficient public sector best suited to achieve the aspirations of the Islands Plan within a challenging global context.

### 2. Recommendations

- 2.1 That Executive Council agree Recommendations 1 – 23 together with the Change Programme in Section 8 which includes as the next step a new organisational structure for Government to be provided to the next meeting of Executive Council.

### 3. Background

- 3.1 The Falklands Islands Government has not for a considerable time been subjected to a comprehensive review. It has though changed incrementally over time to reflect new needs and changed policies. This has been an effective process which has underpinned the Islands' economic success and provided sound governance.
- 3.2 The Government has many strengths including an impressively flexible and resourceful work-force, political leadership, high standards of probity, strong financial standing and an ability to range across the whole of the public sector within a small organisation.
- 3.3 On the other hand the lack of a comprehensive review (which would be common in most organisations every few years) has produced a number of obvious practical weaknesses, for example:

- Ad hoc changes to functions and departments have resulted in an organisation which overall has become difficult to manage (for example, the 26 heads of department which report directly to the Chief Executive);
  - Some strategic issues, such as increasing the role of the private sector, have not been tackled with sufficient clout;
  - Across the board improvements which could improve performance substantially (such as performance management, project management and technology) have not been achieved;
  - The organisation lacks the capacity to plan ahead and co-ordinate effectively to deal with complex developments pro-actively;
  - There is a strong feeling across stake-holders including staff that the organisation as a whole has become rather static.
- 3.4 Beyond such practical weaknesses, the incremental development of the Government over many years has meant that it is not clear what type of organisation the Government wishes to be. There are no clear organisational objectives or values which focus and motivate staff and against which the success of an organisation can be measured.
- 3.5 Organisations exist for political and social purposes, and different purposes require different organisations. The Islands Plan articulates the aspirations of the Islands yet its relationship with the organisation of Government appears loose. Ideally, a strong and clear vision for the Island with accompanying priorities would impact directly on the focus, organisation and priorities of Government; yet at present such an impact is at best limited.
- 3.7 Such issues and aspirations point towards the need to review Government to ensure that it is fully fit for purpose, reflects current best practice and is operating as efficiently and effectively as possible.
- 3.8 The arrival of a new Chief Executive is a good time to conduct such a review to benefit from a fresh perspective and objectivity. Accordingly, the Chief Executive agreed with Councillors that he would lead a comprehensive review of Government during 2008. The terms of reference are contained at Appendix One.

#### **4. Approach**

4.1 A two pronged approach has been taken:

- Focus group discussions with key stakeholders including the Governor, Councillors, managers, staff, the business community and members of the public. These have all followed a similar approach which looked at the strengths and weaknesses of government and considered ideas for the future role and shape of government;
- Research in to best practice overseas. This has centred on central and local government in the UK, and the island governments of Guernsey, Jersey and the Isle of Man. It has been hoped to look at best practice in the governments of other UK overseas territories, but neither discussions with the Foreign Office, National School

of Government or use of the Internet provided examples of best practice which could be practically explored at this point in time.

4.2 Material produced by stakeholders and best practice research has been synthesized and analysed to produce clear conclusions about how improvements can be made. These include a clear, simple vision for Government as an organisation, linked to the aspirations of the Islands Plan, followed by a large number of specific practical recommendations.

4.3 A Review Folio of relevant documents and references used in this Review is provided separately as background material.

4.4 This report is seen as a key milestone as it proposes the main improvements and steps to be taken over the next few years. In draft form it has been actively shared and discussed with a wide range of stakeholders including councillors, managers, staff, the business community and representatives of the public. Views expressed through this process have been taken in to account in framing the conclusions in section 8. This report has also been critically and independently reviewed by three reviewers:

- Dr Michael Blanch – previously Chief Executive of Eastbourne Borough Council, the London Borough of Bromley and the Falkland Islands;
- Sir Brian Briscoe – previously Chief Executive of Hertfordshire County Council and of the Local Government Association of England and Wales;
- Karen West and Caterina Alari – consultants at the National School of Government, UK.

## **5 Views of stakeholders**

5.1 Discussions with stakeholder focus groups were collated and summarised by consolidating similar comments about government weaknesses and issues in to broad themes. These themes were then developed to identify logical remedies and possible action points. These summarised themes, remedies and action plans were then discussed again with focus groups. The final analysis is given in Table One below.

<b>Table 1 – Weaknesses of government</b>		
<b>Weaknesses identified by groups</b>	<b>Remedy</b>	<b>Possible actions to discuss</b>
Unsophisticated policy planning (C/GMT/Gov) Poor links between policy objectives and resources (C/GMT/Gov) Lack of common purpose (HOD) Lack of a clear big picture (Staff)	<ul style="list-style-type: none"> <li>• Stronger strategic capacity and processes</li> <li>• Stronger corporate focus</li> <li>• Consequently, development of stronger forward visions and plans which are bought in to by stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Small team of strategic directors (6?) covering the whole of government</li> <li>• Focus on longer term and corporate strategy, policy, politics and major decisions (via performance management)</li> </ul>
Flat management structure (C/GMT/Gov) Limited career development (HODs and Staff) Poor communications (All internal groups) Fragmented departments (C/GMT/Gov) Too many small departments with small budgets (C/GMT/Gov) Stagnation (Staff)	<ul style="list-style-type: none"> <li>• Fewer, but larger, departments</li> <li>• Logical (and longer) career development from top to bottom</li> <li>• Creation of HR/workforce/management development plans</li> <li>• Stronger internal communications</li> </ul>	<ul style="list-style-type: none"> <li>• Close working by this team with councillors and stakeholders to strengthen Islands Plan vision and forward plans</li> <li>• Operational directors manage day to day work – performance managed by strategic directors</li> <li>• communications manager to manage internal and external communications</li> </ul>
Lack of performance management (C/GMT/Gov) Perception of operational staff that senior managers not performance managed (Staff) Lack of PRP (Staff) Lack of delegation; too much central control (Business) Lack of control – staff shopping in working hours (Public) Cushy jobs (Public) Poor time keeping (Public and Business)	<ul style="list-style-type: none"> <li>• Strengthened performance management, and delegation (opposite sides of same coin)</li> <li>• Competency framework at all levels</li> <li>• Stronger management accountability</li> <li>• Management development programme</li> <li>• More flexible systems and procedures (for example, flexitime)</li> <li>• Performance Related Pay</li> </ul>	<ul style="list-style-type: none"> <li>• Stronger performance management via business plans and performance appraisals</li> <li>• Re-introduce PRP (once performance management bedded in)</li> <li>• Develop Market Factors for hard to fill posts</li> <li>• Re-write standing orders to ensure delegation of management to managers with wider budgetary discretion</li> <li>• Introduce flexible working and</li> </ul>

		flexible reward systems
Inconvenient opening hours, especially middle of the day (Public) Public expectations vs. reality (HODs) Dispersed services (HODs) Too few people (HODs)	<ul style="list-style-type: none"> <li>• Improved public access to services and information (including ‘lunch hour’ opening)</li> <li>• Customer service standards</li> <li>• Better communication with customers/public</li> </ul>	<ul style="list-style-type: none"> <li>• Consider whether a ‘one stop shop’ approach would make sense</li> <li>• Look at use of internet</li> <li>• Open key parts of government 1200 – 1300 (consider 1630 extension too)</li> <li>• Communications manager to work to ensure public understand some of the difficulties we have as a small and diverse organisation</li> </ul>
Lack of continuity – contract staff (Public and HODs) Limited stake in the future – contract staff (HODs) Recruitment (HODs; Staff) Too few people (HODs) Small population (C/GMT/Gov) Succession planning (C/GMT/Gov) Depth of expertise (C/GMT/Gov)	<ul style="list-style-type: none"> <li>• Stronger efforts to develop local people/improved career and succession planning</li> <li>• Retain overseas recruits for longer and induct in to community</li> <li>• Develop flexible links with other bodies in other countries</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a clear career scheme for civil servants and change recruitment policies accordingly</li> <li>• Longer contract lengths and/or offer of local terms and residency to overseas recruits</li> <li>• Retain links with previous contract workers for re-employment or consultancy or mentoring</li> <li>• Develop strong permanent links with selected organisations overseas</li> <li>• Retain recruitment consultants</li> </ul>
Micro management by government (Business) Too many councillors at meetings (Public)	<ul style="list-style-type: none"> <li>• Focus government efforts at strategic level, and on outcomes</li> <li>• Devolve delivery and details</li> </ul>	<ul style="list-style-type: none"> <li>• Focus government on outcomes and setting frameworks – devolve details to private sector, agencies or if necessary internal departments</li> <li>• Define the role of councillor – job descriptions</li> </ul>

		<ul style="list-style-type: none"> <li>• Focus councillor effort on strategic, representational and scrutiny roles – e.g terms of reference of committees etc to be reviewed</li> <li>• Develop strategic tools such as Islands’ Plan, strategies and business plans for FIDC etc</li> <li>• Review Governance of quangos etc</li> <li>• Develop processes for representation and scrutiny roles</li> <li>• Role of PAC</li> <li>• Consider training &amp; development support from UK or elsewhere</li> </ul>
<p>More robust project management techniques to avoid the history of failed projects (Staff)</p>	<ul style="list-style-type: none"> <li>• Develop generic project management skills and processes across government</li> <li>• To include project and programme management reporting to GMT and councillors</li> <li>• Also standard ‘gateway’ review process to ensure projects approved only on good understanding of business cases, resources and risks</li> </ul>	<ul style="list-style-type: none"> <li>• Ports Project Manager to be asked to develop general approach across FIG, to include processes and training</li> </ul>

<b>Table 2 – issues re government role and structure</b>		
<b>Issue</b>	<b>Remedy</b>	<b>Possible action</b>
<p><u>FIDC</u></p> <ul style="list-style-type: none"> <li>• Lost direction and focus (Public; Business)</li> <li>• Unclear role (Public)</li> <li>• Dustbin (Business)</li> <li>• Lacks skills (Business)</li> <li>• Role should complement the private sector – strategic and facilitative (Business)</li> </ul>	<ul style="list-style-type: none"> <li>• Refocus FIDC on key strategic priorities</li> <li>• Review role and skills cf. private sector</li> <li>• Focus government involvement on strategy and outcomes; reduce role in operations</li> <li>• Strengthen organisation internally to deliver agreed objectives and roles</li> </ul>	<ul style="list-style-type: none"> <li>• Review and possibly re-write the FIDC Ordinance to re-define role and governance</li> <li>• Medium term business plan for FIDC (in line with Islands’ economic strategy) – defines specific objectives and how will achieve them</li> <li>• Strengthen internal processes to ensure activities are performance managed in line with objectives</li> <li>• Review staff capabilities and produce development plan to improve skills</li> </ul>
<p><u>Reducing role of Government generally</u>  Considerable scope for privatisation (Public; Business; HODs; C/GMT/Gov)  But substantial concerns about how to make it work:</p> <ul style="list-style-type: none"> <li>• Capacity and skills in Government currently – e.g procurement, contract management, regulation (C/GMT/Gov)</li> <li>• Capacity and skills in private sector (Public)</li> <li>• Monopolies – how to contain (HODs; Public)</li> <li>• Making contracting effort manageable (Business)</li> </ul>	<ul style="list-style-type: none"> <li>• Acquire/develop significant capacity in Government (and/or FIDC)</li> <li>• Structure Government appropriately</li> <li>• Changed roles for councillors and managers</li> <li>• Commission joint work with business and staff to identify and develop the best business cases for privatisation and details of how success can best be assured.</li> <li>• Commit to developing staff who may potentially be outsourced to enable them to participate in Management Buy Outs and similar arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Create senior post with direct responsibility for privatisation and contract management reporting to CE</li> <li>• Commission joint FIG – Business task force to develop business cases and processes for effective privatisation</li> <li>• Implement training and development programme for FIG, FIDC and business on government procurement and competition</li> <li>• Consider strengthened and independent regulatory function – could link to wider regulatory role and PAC (‘Office of the Regulator’)</li> </ul>

<ul style="list-style-type: none"> <li>• Tendering process (Staff)</li> </ul> <p>Strong feeling that effort needed to make a success of it is substantial and must not be under-estimated (C/GMT/Gov; Business; HODs)</p>		
<p>Specific government services identified as good candidates for outsourcing by some means:</p> <ul style="list-style-type: none"> <li>• FLH (C/GMT/Gov)</li> <li>• Figas (C/GMT/Gov; HODs);</li> <li>• IT (HODs)</li> <li>• Hospital services/Dentistry (Public; HODs)</li> <li>• Post Office (Public)</li> <li>• Financial Services (HODs)</li> <li>• Leisure Services (C/GMT/Gov)</li> <li>• Stanley Services (C/GMT/Gov)</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed business cases to be progressed by joint FIG/FIDC/business/public task groups</li> </ul>	<ul style="list-style-type: none"> <li>• As above</li> <li>• Task and finish group re disposal of FIG SSL shares will necessarily address many of the issues re regulation etc.</li> </ul>
<p><u>Councillor – civil servant – Governor relationships</u></p> <p>Some feeling that ambiguity inherent in changing roles could be usefully reduced (C/GMT/Gov)</p>	<ul style="list-style-type: none"> <li>• Define councillor, senior civil servant and Governor roles and relationships in a Protocol</li> <li>• Particularly useful in view of new constitution</li> </ul>	<ul style="list-style-type: none"> <li>• CE, AG, councillors and Governor to draft Protocol in time for new constitution</li> <li>• Ensure that frequent mutual review discussions take place between Governor, Councillors and senior government officials</li> </ul>
<p><u>Other quangos, statutory corporations etc</u></p> <p>Only limited specific discussion:</p> <ul style="list-style-type: none"> <li>• FLH – seen as also lacking clear</li> </ul>	<ul style="list-style-type: none"> <li>• Clarify long term future of FLH and produce business and development plans accordingly</li> <li>• Separate strategic and operational</li> </ul>	<ul style="list-style-type: none"> <li>• Task and finish group to review FLH</li> <li>• Task and finish group to review Tourism with a view to separating strategic and operational roles</li> </ul>

<p>direction and future (Business)</p> <ul style="list-style-type: none"> <li>• FITB – discussion with councillors about separating strategic role (led by FIG) and operational delivery (FITB)</li> </ul>	<p>roles for Tourism</p> <ul style="list-style-type: none"> <li>• Consideration also needs to be given to Fimco</li> </ul>	<ul style="list-style-type: none"> <li>• Board of Fimco to complete similar exercise to produce revised medium – long term business plan</li> </ul>
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## 6 Lessons from overseas

6.1 The public sector in the UK is a very relevant reference point as the Falkland Islands are a United Kingdom overseas territory which draws heavily on UK law, standards, traditions, thought and political, managerial and professional practice.

6.2 The UK public sector has undergone huge changes since 1980 and these continue. They have been extensively reviewed (a good recent example is the Prime Minister's Strategy Unit policy review on the Role of the State, completed in January 2007, which forms part of the Review Folio).

6.3 The underlying and consistent drivers of these changes have been:

- Severe pressure on public finances as public service costs have escalated whilst strong public and political consensus has sought reduced taxation. This has led to a constant campaign to improve economy and efficiency in public services, often involving radical solutions which in more benign times would not have been politically feasible;
- International economic pressures which have enforced restructuring of the UK economy including the role of the public sector and government finance;
- A dominant philosophical view that the state should be minimalist and enabling, focusing on outcomes, providing leadership and facilitating the role of the private sector, the third sector and individuals in achieving economic and social aims.

6.4 The changes resulting from these drivers have involved:

- Considerable reduction in both the overall sizes of the public sector and, within that, of the central and local civil service;
- Substantial privatisation of government services at national and local level involving considerable effort to provide effective markets and competition;
- Creation of non governmental organisations to carry out public service roles but at arm's length from government – reducing the day to day influence of politicians and civil servants;
- Substantial increase in independent or quasi independent regulatory bodies and functions, both to govern new markets created by privatisation but also to increase the pressure on public bodies to be accountable, economic and efficient;
- The development of managerialism across the public sector, involving such things as business planning, performance management, financial management and project management – reflecting the pressures to reduce costs and improve efficiency;
- Development of other new skills in the public sector, such as procurement, in order to ensure that markets can be used effectively by public organisations;
- Changed roles for politicians at national and local level – focusing on the executive roles of leadership, setting goals and determining policy, and the scrutiny of public services and representation of constituents. Politicians have withdrawn from the detail of delivery which is delegated to agencies, the private or third sectors, and managers. These changed roles have been replicated by senior civil servants, who similarly focus on strategic issues and devolve delivery. The ideal

Whitehall department is now a small policy core supporting the Minister, with delivery devolved to independent agencies (e.g. the Home Office)

6.5 Although many of these changes have been controversial and some, such as privatisation, remain contested, it would be fair to say that the overall body of opinion and evidence is that the goals behind the changes are substantially achieved. The public sector is increasingly efficient, economic competitiveness has improved and greater plurality in society has been achieved.

6.6 By comparison, the Falkland Islands Government has undergone much more limited change. This has reflected the circumstances of the Islands – much less pressure for change (as government revenues have generally been more than able to meet spending needs) and the difficulty of achieving things such as privatisation in such a small market.

6.7 But there is now far more pressure on Government to improve its efficiency as the picture on public finances has changed.

#### Specific comparisons between UK central and local government and the Falkland Islands Government

6.8 Of course, UK central and local government is far from perfect! But they have been subjected to large amounts of review, inspection and audit. As part of this, various standards and evaluative models have been developed to assess the efficiency and effectiveness of civil service departments and local authorities.

6.9 In particular, wide use has been made recently of the Capability Model to conduct Capability Reviews of civil service departments, and the Audit Commission uses the Comprehensive Performance Assessment model to assess local authorities (now being superseded by the broader Comprehensive Area Assessments which include quality of life indicators).

6.10 These provide a useful reference point in comparing UK government to the Falkland Islands Government. However, rigid application of such models would not be appropriate, as there is no exact comparison between either UK central and local governments and the Falkland Islands Government (for example, FIG is an amalgam of the two) and contexts and priorities are significantly different (for example, UK government currently emphasises policies such as community engagement, partnership working and equalities; the Falkland Islands do not require the same emphasis on such issues).

6.11 So rather than apply current UK evaluative models rigidly to the Falkland Islands Government, these have been used (together with wider review material such as the Prime Minister's Strategy Unit policy review on the Role of the State) as indirect reference points to help produce the practically focused comparison in Table 3 below. This table draws out the positive lessons for the Falkland Islands Government which results from the comparison and are relevant to the obviously different context and scale of the Government here. The UK models are though provided in some detail for reference in the Review Folio.

Table 3 - Comparison between the Falkland Islands Government and assessment models/policy reviews in current use for UK central and local government

<b>Issue</b>	<b>UK central government</b>	<b>UK local government</b>	<b>FIG</b>	<b>Learning points for FIG</b>
Aspirations and priorities	<ul style="list-style-type: none"> <li>• Emphasis on clear and compelling, shared visions, prioritisation and decision making</li> <li>• Evidence based</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasis on clear and challenging visions in community plans and Local Area Agreements which are widely shared and grounded in data</li> <li>• Emphasis on clear and robust priorities</li> <li>• Community Empowerment</li> </ul>	<ul style="list-style-type: none"> <li>• Islands Plan developing to provide a more focused statement of aspirations and priorities</li> <li>• But the Islands can be argued to lack a clear aspirational vision for the long term</li> <li>• Limited strategic capacity and working at top management levels (GMT spends relatively little time on strategic corporate issues, focusing rather on operational and departmental issues)</li> <li>• Only very limited use of data to help planning</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to improve Islands Plan process</li> <li>• Councillors lead a process with local organisations and people to develop a clear vision for the long term and to prioritise aspirations</li> <li>• More strategic capacity and activity at top management levels</li> <li>• Improve the collection, analysis and use of data to support decision making</li> </ul>
Corporate and business plans	<ul style="list-style-type: none"> <li>• Departments required to produce medium term and annual plans</li> <li>• Emphasis on linking plans to resources</li> <li>• Emphasis on practical activity planning</li> </ul>	<ul style="list-style-type: none"> <li>• Authorities required to produce community plans, corporate plans and departmental business plans</li> <li>• Plans contain resource plans and linked to budgets</li> <li>• Emphasis on practical activity planning and</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate and business planning being developed</li> <li>• Links between budget, MTFP and Islands and business plans being developed</li> <li>• Only very limited use of data to help planning</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to improve planning processes and in particular integration with financial planning and budget management</li> </ul>

		progress monitoring		
Financial planning and management	<ul style="list-style-type: none"> <li>• Emphasis on medium term financial planning and budget management via exhaustive three year public spending reviews and budgets;</li> <li>• Departments given cash limited budgets</li> <li>• Budget delegation</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing emphasis on three year medium term financial planning</li> <li>• Local authorities' performance assessment places very substantial weight on financial management and value for money</li> <li>• Performance assessment also emphasizes links with corporate and business planning</li> </ul>	<ul style="list-style-type: none"> <li>• Medium term financial planning developing, needs more detail and rigour in comparison</li> <li>• Budgets not cash limited (as it is possible to request supplementary expenditure)</li> <li>• Limited discretion in the use of virements delegated to HoDs</li> <li>• Little if any external evaluation of financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to progress medium term financial planning framework</li> <li>• Develop concept of managing to cash limited budgets and enhanced virement and delegations, including across financial years</li> <li>• Strengthen links to Islands, corporate and business planning</li> <li>• Develop external audit and inspection arrangements, together with financial performance indicators, to further increase financial discipline</li> <li>• Role of new Public Accounts Committee</li> </ul>
Performance management	<ul style="list-style-type: none"> <li>• Exists at all levels from Public Service Agreements between Treasury and departments, to key departmental performance indicators and individual performance appraisals</li> </ul>	<ul style="list-style-type: none"> <li>• Local authorities (together with their local partner organisations in the Local Strategic Partnership) sign Local Area Agreements with central government</li> <li>• Authorities required to produce and achieve</li> </ul>	<ul style="list-style-type: none"> <li>• Weak. Departments do not sign up to specific objectives in return for resources, are not systematically held to account for achieving performance indicators, and performance appraisal lacks an across the</li> </ul>	<ul style="list-style-type: none"> <li>• Priority area for improvement at all levels.</li> <li>• Important that additional drive provided by external challenge – role for new Public Accounts Committee</li> <li>• Could consider further</li> </ul>

		<p>national and local performance indicators with focus on outcomes</p> <ul style="list-style-type: none"> <li>• Authorities subjected to periodic comprehensive assessment</li> </ul>	<p>board approach with rigour comparable to UK</p>	<p>external assessment, for example in association with other Overseas Territories or UK Comprehensive Area Assessments</p>
<p>Decision making and conduct - politicians and staff</p>	<ul style="list-style-type: none"> <li>• Politicians focus on outcomes; responsibility for delivery devolved</li> <li>• Emphasis on the need to make difficult decisions</li> <li>• Substantial independent resources to ensure standards, such as Committee on Standards and Parliamentary Ombudsman</li> </ul>	<ul style="list-style-type: none"> <li>• Clarity of responsibility between politicians and officers</li> <li>• Emphasis on the need to make difficult decisions</li> <li>• Members focus on strategy and policy</li> <li>• Emphasis on transparent decision making, risk management and high standards of conduct</li> <li>• Standards Board for England and Local Standards Committees oversee conduct; Local Government Ombudsman deals with complaints of maladministration.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing and rapid change has led to some lack of clarity on roles and responsibilities</li> <li>• Safeguards for ethical conduct – often relying on the Governor – are not clear or transparent, and do not appear owned by the public</li> <li>• New constitution provides for a Complaints Commissioner, but this role is much more narrow than that covered by Standards activities in the UK</li> </ul>	<ul style="list-style-type: none"> <li>• Need to clarify roles and associated processes, which have been changing rapidly</li> <li>• Review/Provide appropriate codes of conduct and standing orders</li> <li>• Review how ethical standards can be assured in a suitably transparent, comprehensive and independent way</li> <li>• A councillor training and development programme drawing on experience from the UK and elsewhere would be a further positive step</li> </ul>
<p>Working with partner organisations</p>	<ul style="list-style-type: none"> <li>• Devolvment of delivery to quangos, private or third sectors is a substantial and enduring policy aim</li> </ul>	<ul style="list-style-type: none"> <li>• Authorities are seen as leading and facilitating partner organisations</li> <li>• Strong emphasis on partnership working at</li> </ul>	<ul style="list-style-type: none"> <li>• Many examples of good working between FIG and local partner organisations</li> <li>• Partner organisations form part of committee</li> </ul>	<ul style="list-style-type: none"> <li>• FIG needs to build on strengths to continue to bring partner organisations in to the policy process</li> <li>• A ‘compact’ with the</li> </ul>

	<ul style="list-style-type: none"> <li>• Emphasis on effective partnership working</li> </ul>	<p>political and officer levels</p> <ul style="list-style-type: none"> <li>• Substantial development of structures and processes to facilitate partnerships (e.g. Local Strategic Partnerships; Compacts)</li> </ul>	<p>structure and quangos (e.g. FIDB, FLH, FITB)</p> <ul style="list-style-type: none"> <li>• But some examples of ineffective and even adversarial working, particularly with business</li> <li>• Relationship with voluntary and not-for-profit sector predominantly a financial one, not a partnership/ compact</li> </ul>	<p>business (and third sector) community (agreeing on how the relationship is conducted) would strengthen the relationship considerably</p> <ul style="list-style-type: none"> <li>• A formal overarching policy forum between FIG and other leaders could be considered</li> </ul>
Inter-action with customers and the public	<ul style="list-style-type: none"> <li>• Strong current emphasis on engagement at community level, improving access to services and transparency</li> <li>• Internet and call centres widely used</li> <li>• Published service standards</li> </ul>	<ul style="list-style-type: none"> <li>• Strong current emphasis on engagement at community level, improving access to services and transparency</li> <li>• One Stop Shops, call centres and internet access are very developed in local authorities</li> <li>• Published service standards</li> </ul>	<ul style="list-style-type: none"> <li>• FIG is very close to its community and members and officers are very accessible</li> <li>• A wide variety of means are used to engage the public such as monthly public meetings and occasional phone ins. Members are looking to improve this using the Internet</li> <li>• Initiatives to systematically engage customers (Customer Care training, EFQM) not pursued with consistency and purpose</li> </ul>	<ul style="list-style-type: none"> <li>• Members wish to improve engagement further</li> <li>• By UK standards, there is considerable scope for improving access to services or delivering them in different ways (Internet, opening hours, one stop shops), but the small size of the community may not make this cost effective</li> <li>• Room for further pragmatic improvements such as contact points and service standards</li> <li>• Sustained culture and methodology to promote customer-first</li> </ul>

Capacity	<ul style="list-style-type: none"> <li>• Emphasis on creating a corporate culture and team working at top levels</li> <li>• Reference to workforce development strategy to develop/promote staff and develop skills</li> <li>• Positive encouragement to broaden career experience outside the civil service</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on capacity development to ensure aims are achieved</li> <li>• Cross departmental working, integration and corporate approaches singled out as important aspects of capacity</li> <li>• Emphasis on ‘shared service’ models to reduce expenditure</li> <li>• Workforce planning, recruitment, retention and development activity and cultural change are all included in authorities’ evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Limited corporate capacity and cross departmental working</li> <li>• Directors and heads of department present as having an almost complete departmental focus</li> <li>• Little organised or corporate attempt at workforce planning and development, including cultural change</li> <li>• EFQM programme did not become an effective vehicle for continuous improvement</li> </ul>	<ul style="list-style-type: none"> <li>• This area requires considerable and urgent development for FIG to be able to meet complex corporate challenges and to obtain significantly better efficiency</li> <li>• Workforce development/People Strategy, management development, performance management, competency frameworks, career development are all required to bring about change</li> </ul>
Direct/indirect provision of services	<ul style="list-style-type: none"> <li>• Remains a core government aim to minimize the direct provision of services by central government</li> <li>• Transfers to quangos, private and third sectors continue together with reductions in civil service numbers</li> </ul>	<ul style="list-style-type: none"> <li>• Authorities continue to be encouraged to take a ‘best value’ approach for the provision of services (i.e. a pragmatic approach)</li> <li>• ‘Shared services’ (within/between authorities) being pursued strongly</li> <li>• Commissioning, procurement and project management capacity/skills specifically included in</li> </ul>	<ul style="list-style-type: none"> <li>• FIG has clear aim to transfer activity to the private sector, but in practice has made limited progress overall</li> <li>• Considerable scope exists to transfer functions and services without the core civil service, with considerable potential value for money and economic growth benefits</li> <li>• But capacity in commissioning and</li> </ul>	<ul style="list-style-type: none"> <li>• FIG needs to acquire substantially greater capacity to commission and procure services if it is to achieve its goals</li> <li>• Close and constructive working with the business community will be needed to identify how to transfer activity in ways that will deliver best value and economic growth here in the</li> </ul>

		performance assessments	procurement is very limited	Falkland Islands <ul style="list-style-type: none"> <li>• Shared services provide a sensible way of improving efficiency in partnership with the private sector</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• A key plank of public service reform – to improve efficiency and access to services</li> </ul>	<ul style="list-style-type: none"> <li>• Technology based change has been on the forefront of authorities’ improvement agendas for more than 10 years</li> <li>• Assessment continues to stress ‘e-government’ to reduce costs and improve access</li> </ul>	<ul style="list-style-type: none"> <li>• Some good progress in recent years as government has been linked up, productivity tools e.g. e-mail have been taken up and access provided to the Internet</li> <li>• But very limited provision of customer facilities, and considerable additional scope remains to improve productivity (and so lower costs)</li> </ul>	<ul style="list-style-type: none"> <li>• Production of an e-government strategy in the way produced across the UK public sector would identify the optimal approach for FIG bearing in mind small volumes</li> <li>• Scope for joint network development for business, government and community and shared technical support</li> </ul>
Regulation	<ul style="list-style-type: none"> <li>• Regulation has grown substantially since 1980 as part and parcel of public sector reform. It remains a key tool of government.</li> <li>• Government itself is highly regulated at all levels</li> <li>• Under active review –</li> </ul>	<ul style="list-style-type: none"> <li>• Authorities are highly regulated; this has undoubtedly driven up performance but has also been burdensome</li> <li>• Authorities undertake many regulatory functions – here clear policies together with performance and</li> </ul>	<ul style="list-style-type: none"> <li>• FIG has little regulation and much of that is informal and/or unstructured</li> <li>• FIG regulatory activity is small by UK standards. It is not subjected to performance and efficiency measures. The policy framework is not always clear</li> </ul>	<ul style="list-style-type: none"> <li>• FIG’s performance and efficiency would benefit from much stronger and more explicit external regulation</li> <li>• Privatisation of government services and share ownerships will require a strong regulatory</li> </ul>

	Better Regulation Unit recently established	<p>efficiency measures are required.</p> <ul style="list-style-type: none"> <li>• Under active review – Local Better Regulation Unit recently established</li> </ul>	<ul style="list-style-type: none"> <li>• FIG regulatory activities take place in many small pockets</li> </ul>	<p>function</p> <ul style="list-style-type: none"> <li>• A number of FIGs regulatory activities would benefit from consolidation to improve consistency, skills and efficiency</li> </ul>
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## Other overseas territories

### Guernsey

6.12 As an island with a population of 65,000 and a single unitary government Guernsey has a number of useful similarities to the Falklands, albeit it has a ministerial system (from 2004) and obviously has a much larger population.

6.13 Guernsey is itself experiencing significant on-going change in its government, undergoing substantial Machinery of Government changes in 2004. This process, like the Falklands, involves a range of approaches to 'modernise' government.

6.14 Significant points of interest gained from study using only the Internet are:

- New emphasis on corporate strategy evidenced by the development of a comprehensive Government Business Plan and a Strategic Economic Plan (both adopted for the first time in 2007).
- Guernsey organises government in to just 10 departments (Chief Minister; Economic Development (including agriculture, fisheries and tourism); Education, Sport and Culture; Environment; Health and Social Services; Home Affairs (includes Police, Fire, Customs and Immigration); Housing; Public Services (public works); Social Security; Treasury and Resources), each led politically by a Minister and Deputy Minister and managerially by a Chief Officer;
- A mixed approach to public services provision is adopted, for example the Public Services Department runs the airport directly, but has created an independent States Works business which competes for both public and private sector work
- The introduction of a Public Accounts Committee in 2004 with a wider brief for value for money. It is supported by at least two staff and commissions the UK National Audit Office to undertake work

### Isle of Man

6.15 With a population of 80,000 the Isle of Man has a more complex structure than Guernsey (and Jersey) in that there are local authorities and greater use is made of agencies in undertaking regulatory roles and in the provision of some services such as power. The Government's annual revenue budget is about £500m and it employs about 7,000 staff. Ministers are appointed by the Chief Minister (elected by the Tynwald (Parliament))

6.16 Significant points of interest are:

- There are just 9 departments (Agriculture, Fisheries and Forestry; Education; Health and Social Security; Home Affairs (includes Police, Prisons, Fire and emergency planning); Local Government and the Environment; Tourism and Leisure; Trade and Industry; Transport; Treasury) together with several separate offices (e.g. Chief Secretary and Attorney General) and 10 statutory boards and agencies
- The Government publishes a four year Government Strategic Plan integrating policy objectives with detailed activities and budgets across all departments - this

Plan is reported on formally each year in great detail including progress on key actions and key performance indicators

- There is also a comprehensive economic strategy produced in partnership with the private sector
- The Isle of Man Office of Fair Trading undertakes competition/monopolies regulation as well as the usual range of consumer advice and protection services. It is a statutory board consisting of 2 Tynwald members and 3 non Tynwald members
- The Public Accounts Committee of the Tynwald contains only Tynwald members, it has a wide ranging remit including scrutiny of Government estimates and value for money, but it has no resources beyond committee clerks
- The Government appears to have made relatively little use of outsourcing/privatisation for its functions (it maintains a large direct labour organisation), though utilities are provided by statutory boards

## Jersey

6.17 Jersey has a population of about 90,000 and a unitary system of government. There is a new ministerial system of government (from 2005); a Chief Minister plus 9 other ministers are selected by the States (parliament) at the beginning of each parliamentary term. The Council of Ministers is supported by the Chief Executive and Corporate Management Board. The Government's annual revenue budget is about £530m.

6.18 Significant points of interest are:

- Government is organised in 10 departments (Chief Minister; Economic Development (includes Agriculture, Fisheries and Tourism as well as Financial Services and economic policy); Education, Sport and Culture; Health and Social Services; Home Affairs (Police, Prisons, Fire, Customs and Immigration); Housing; Planning and Environment; Social Security; Transport and Technical Services (includes public works); Treasury and Resources)
- The administration has been required since the recent reform programme to publish its strategic plan within 4 months of being elected. This strategic plan contains a large number of specific objectives and actions, and is supported by an annual corporate business plan and departmental business plans. Progress is reported formally and in detail every six months
- A Public Accounts Committee is chaired by a States Member and also contains equal States and non-States members. It has wide ranging functions including value for money and is supported by an independent, professional Comptroller and Auditor General.
- The Jersey Competition Regulatory Authority was established in 2000 to promote competition and consumer interests through economic regulation and competition law. It is an independent body accountable to the Minister for Economic Development. Its remit specifically includes telecommunications, posts and competition laws. There is also a Financial Services Commission, and a separate Director of Civil Aviation.
- Jersey does not appear to make use of large scale outsourcing/privatisation for its government services

6.19 Taken together, these small island states within the UK's sovereignty provide a number of useful pointers for the Falkland Islands. These include:

- The small (9 or 10) departments which follow similar lines;
- The emphasis placed on strategic planning, business planning and performance management;
- The remit of the public accounts committees (two with substantial independent professional support, one without);
- The approach to competition and monopolies regulation (in the cases of Isle of Man and Jersey);
- The generally more mixed approach to the public sector, with use made variously of outsourcing (Guernsey) and independent agencies (Isle of Man and Jersey).

6.20 The experiences and ideas of these island states will continue to make useful reference points as details are developed for implementation during the roll out of this review.

## **7. A new vision for Government**

7.1 The previous sections have provided a lot of very specific analyses and comment on various facets of the Falkland Islands Government. Taken together, they provide a very wide field over which practical improvements can be made and existing strengths conserved.

7.2 However, the Government also needs a clear vision which sets out the sort of organisation it believes it should be. Such a vision will provide focus and coherence to the organisation, motivate staff positively through a period of change and uncertainty and will enable success to be defined and measured.

7.3 This vision itself needs to be based on the aspirations for the Islands and the challenges faced in meeting those aspirations. This ensures that the organisation is fit for purpose and that a coherent improvement programme is focused on providing an organisation which is better placed to achieve the Islands' aspirations than the current one.

7.4 The Islands Plan sets out the longer term vision for the Islands and details nine key areas where specific aspirations and aims are prioritised. It has been recognised that this Plan will benefit from further development – arguably needing to be both more aspirational and more programmatic.

7.5 An important finding of this Review is that in order to achieve a stronger Islands Plan the strategic capacity of Government needs to be substantially improved, and until many of the recommendations of this Review are embedded it will be difficult to usefully develop the Plan.

7.6 Nonetheless, the Islands Plan sets out a range of high aspirations for the Islands:

- Self-determination (in the face of continuing Argentine claims)
- A strong economy (GDP and GDP growth at OECD levels)

- High standards of Health and Education (comparable to UK levels)
- Improving communications and infrastructure (to achieve communications at the level of advanced economies within a challenging situation)
- A viable Camp (reversing the long run population decline)
- Environmental protection (conserving the unique, unspoilt environment and wild-life)
- High quality of life and community safety (retaining standards that compare very well to developed states such as the UK)

7.7 Achieving these aspirations in the geo-political context of the Islands, against a backdrop of local financial and economic challenges and in the wider global economic context will be an immense challenge, at least as great as those which face any state.

7.8 So, it will require a public sector, and beyond that an economy, which is of world class standards in terms of:

- Strategic leadership – providing clear, focused direction and making well informed decisions which have a high degree of public support;
- Efficiency – deploying resources in a highly efficient, economic and well targeted way at least comparable to states like the UK
- Standards – across the public and private sector providing welfare and living standards which ensure the Islands are attractive as a place to live and work;
- Dynamism and innovation – facilitating rapid development, investment, competitiveness and entrepreneurialism
- Governance – probity, reliability, transparency and financial standing which compare with the best states and continue to encourage migration and investment.

7.9 At the present time, the analyses above have shown a Government and public sector which is:

- Practical and resourceful;
- Achieves high standards of Governance and financial standing;
- Close to its community, highly motivated;
- Keen to improve and open minded;

But which:

- Lacks strategic and corporate capacity
- Is monolithic and in some ways old fashioned in its structures and all embracing public sector approach – and as a result arguably failing to maximise economic growth
- Is significantly resource inefficient in its large number of small departments and budgets, undeveloped shared services and systems and lack of modern business management methods

7.10 The vision inspiring the recommendations of this report therefore is of a Government and small island state which by 2012:

- Provides strong aspirational leadership supported by an organisation which can think and plan ahead in an imaginative but well informed way;

- Engages and focuses the efforts of the community and of its own staff behind common endeavour, shared goals and a game plan;
- Achieves world comparable standards of performance and efficiency, able to deliver strong projects and good services in a much more challenging financial climate;
- Provides unity of outcome but diversity of delivery, thus stimulating initiative, creativity, competition, enterprise and stronger economic growth;
- Maintains and continuously improves its foundation of strong Governance, resourcefulness, financial standing and community orientation.

7.11 Achieving this vision will benefit the people and businesses of the Falkland Islands considerably. By thinking and planning ahead, problems and opportunities will be spotted and actions put in hand to address them in good time. By engaging with and focusing the community, the people of the Islands will focus on common goals and thus make them more achievable with our limited resources. By achieving higher standards of performance and efficiency, more will be achieved with limited public resources and the lives of all Islanders will be further improved; we will retain and enhance our attraction as a place to live, work and invest. And by providing diversity, opportunities will be presented to local businesses, business culture will develop more strongly and economic growth will be stimulated.

7.12 Achieving this vision cannot be done all at once. Some changes need to be made first to enable others to happen (for example, building strategic capacity is needed to allow us to strengthen our strategic leadership through visioning and planning ahead). Also, the range of issues is very complex and carry inherent risk; achieving change a step at a time will make it manageable and contain the risk.

7.13 An on-going programme of change which takes several years is inevitable. So the following Section which recommends a full package of specific changes is followed by another which outlines the optimum approach to achieve them over time.

## **8. The way forward**

### The shape and extent of the public sector

8.1 The Islands have an extensive and monolithic public sector which is very different from the situation in the UK. There is a considerable body of local opinion which believes this should be substantially reduced both on value for money and economic growth grounds. Government policy has been for some time to achieve this.

8.2 But progress has been difficult as a sustainable approach has not been found which would facilitate competition and value for money. There is justifiable concern that private sector monopolisation would result.

8.3 However, the UK's experience has found that considerable effort has to be made to create markets and to commission and procure services appropriately. Also that a strong regulatory framework is required.

- 8.4 So, to progress this widely desired agenda, the Government will need to invest significantly in capacity which has the time and skill to address the issues. Some specific targets for the proportion of government expenditure which will be transferred or outsourced would be helpful to focus effort and monitor progress.
- 8.5 It is vital that this is done in close partnership with the existing private sector who will have valid ideas and skills to contribute, and whose positive response will ultimately be required.
- 8.6 It is equally vital that existing staff form part of the partnership. Their skills, knowledge and commitment are vital. They will need to have confidence that there is a positive potential future in the private sector. The inclusion in the options of things such as Management (or staff) Buy Outs, and reassurances about terms and conditions are essential parts of a successful process.
- 8.7 Overall, the time and effort needed to progress a reduced public sector given the considerable challenges of scale, remoteness and lack of experience in the Islands should not be under-estimated. However, there is strong evidence to suggest that if this can be done then the benefits for government and the economy may be considerable.
- 8.8 It is not however just the size of the public sector that is the issue, but its make up. Only limited use has been made of bodies such as executive agencies and quangos, and such bodies (such as FIDC) have tended to be heavily government dominated in practice.
- 8.9 The advantage of quangos is that they separate strategy and policy making from delivery, enabling politicians to focus on outcomes and quangos to focus on delivery details unfettered by political considerations.
- 8.10 Again, the experience of the UK supports a considerable body of local opinion that greater use could be made of quangos and that such bodies ought to be much more independent of government.
- 8.11 The largest statutory corporation, the Falkland Islands Development Corporation, is already undergoing a review of its future role and structure timed to fit with this review. The conclusion of this review is that that review should include reducing the direct input of government and defining a more strategic relationship and operational independence for the Corporation. This would allow it to interact more effectively with the market to achieve its objectives. It can be achieved by measures such as reducing Government Board membership and focusing the relationship on agreement to a business plan and accompanying budget. Similar reviews need to be completed for other statutory corporations, boards and publically owned companies which also consider how this can be achieved.

**Recommendation 1:** Government should clarify its preference to achieve a strategic role for central government in the Falkland Islands and to review how delivery and operations can be devolved, and re-affirm its preference to reduce where possible both the overall size of the public sector and the size of the central civil service within the public sector. Some clear measurable targets would assist this process.

**Recommendation 2:** Government's preference to reduce the role of central government will only be achieved if considerable investment is made in its capacity to achieve this. Accordingly, the new organisational structure of government should as a first step include senior roles and specific resources dedicated to market making, commissioning and procurement, and the development of non governmental agencies.

**Recommendation 3:** A strategy to reduce central government will also fail if the private sector and Government's own staff are not closely and actively involved in achieving it. A joint task force should be commissioned which will recommend the parts of government which are most likely to be effectively transferred and then work up the details of commissioning and procurement.

**Recommendation 4:** the current review of the Falkland Islands Development Corporation should include how the Corporation can achieve a more strategic relationship with Government through such measures as reviewing Board membership and focusing on the agreement of the Corporation's Business Plan and budget as the key means of providing that relationship. Similar reviews must now be commissioned for each statutory corporation, board or publicly owned company.

### The structure of government

- 8.12 There is significant support locally for the contention that the structure of government needs to be rationalised to provide a more manageable and coherent structure, as well as better career development prospects. This structure needs to relate logically to both the Islands Plan and to the political structure.
- 8.13 There is also considerable support for the need to provide more strategic capacity and to ensure a more corporate organisation working in support of the Islands Plan. This is reinforced by UK perspectives which emphasize strategic capacity and corporate working.
- 8.14 Equally, this review has shown that new capabilities are required including commissioning and procurement, financial, project and performance management and regulation.
- 8.15 The wish to reduce management costs has also been articulated (particularly by business). This can be achieved potentially in three ways; in the short term by a reduction in posts and in the development of the remaining staff to adopt wider generic roles; and in the medium term by investing in new ways of doing business (including privatisation, technology and stronger financial, project and performance management).

- 8.16 Levels of delegation have been found to be uncertain and often Councillors and senior managers get involved in operational details. A new management structure will require clear role definitions in which the top decision makers focus on strategic issues and operational management is devolved. This will be need to be supported by significant on-going development particularly at middle management level to develop skills and embed changes to behaviour.
- 8.17 A further point in such a small organisation and society, with limited alternative employment, is avoiding stagnation in management, and reduce risk of silo thinking, through an approach which encourages movement to different departments or roles periodically.

**Recommendation 5:** A new organisational structure should be created which has:

- A small top team ideally of around 8 Corporate Directors which relates logically to the Islands Plan and political structure;
- These Corporate Directors will focus on strategy (including financial planning), corporate working, performance management of operational managers, commissioning and support for the political process;
- Below this a consistent tier of Service Heads who have clearly delegated responsibility for day to day issues within the policy and strategy set by Councillors and performance management provided by Corporate Directors;
- Corporate Directors and other managers which are as far as possible generic and capable of transferring responsibilities or taking on other roles such as managing projects
- Planned and managed rotation and career management of managers at all levels consistent with the need for professional and technical specialisms

**Recommendation 6:** the future management cadre for the public service will develop strong core management skills including strategic planning, financial management, business planning, performance management, project management and commissioning and procurement. This to be achieved through a strong corporate training programme linked to career development planning and appraisal (and see Recommendation 13 below).

## Regulation

- 8.18 The issue of regulation arises in several ways. If substantial privatisation of government is to be successful, then ways of assuring competition and protecting the consumer need to be found. Also, government currently undertakes a wide range of regulatory activities but they are spread across the organisation and sometimes undertaken as a small part of a much wider role, for example telecommunications regulation. On the other hand, some departments which focus on regulation only have a very limited span (e.g. civil aviation), and it must be questioned whether overall this is an efficient use of resources.
- 8.19 Some types of regulatory activity involves a very similar skill set irrespective of exact subject matter (logical thinking ability, eye for detail, investigatory and report writing skills, negotiation skills, ability to obtain and use technical advice etc). There are strong arguments in such a small place firstly to aggregate this

sort of regulatory activity (to make better use of limited resources and develop skills) and secondly to place them in a strong executive agency which is operationally independent of government, which would follow UK models. This would eliminate political involvement operationally and strengthen regulators' ability to operate objectively and independently. I set out below a list of current regulatory activities, earmarking those which may be suitable for transfer to an arms-length regulatory agency.

<b>Dept</b>	<b>Regulatory Activity</b>	<b>Suitability for transfer</b>	<b>Note</b>
Secretariat	<ul style="list-style-type: none"> <li>• C &amp; W</li> <li>• SSL fuel and bunker pricing</li> </ul>	<ul style="list-style-type: none"> <li>• Yes</li> <li>• Yes</li> </ul>	<ul style="list-style-type: none"> <li>• External agencies will increase as govt sets up suppliers of its services eg electricity, water</li> </ul>
Post Office	<ul style="list-style-type: none"> <li>• Wireless bands allocation and Telecoms Ordinance</li> </ul>	<ul style="list-style-type: none"> <li>• Yes</li> </ul>	
Planning	<ul style="list-style-type: none"> <li>• Development Control</li> <li>• Building Control</li> <li>• Environmental licensing including access, egg collection and shooting permits</li> </ul>	<ul style="list-style-type: none"> <li>• No</li> <li>• No</li> <li>• Possibly</li> </ul>	
Civil Aviation	<ul style="list-style-type: none"> <li>• Regulation under OTARs</li> </ul>	<ul style="list-style-type: none"> <li>• Possibly</li> </ul>	High level of technical knowledge invested in one person
Minerals	<ul style="list-style-type: none"> <li>• Licensing of exploration and regulation of extraction</li> </ul>	<ul style="list-style-type: none"> <li>• yes</li> </ul>	May be separated from marketing prospects and commissioning science
Agriculture	<ul style="list-style-type: none"> <li>• veterinary – animal health and FIMCO regulation</li> <li>• permits for farm activities eg fires</li> </ul>	<ul style="list-style-type: none"> <li>• no</li> <li>• yes</li> </ul>	
Customs and Excise	<ul style="list-style-type: none"> <li>• imports regulation</li> <li>• excise regulation</li> </ul>	<ul style="list-style-type: none"> <li>• no</li> <li>• no</li> </ul>	Fully integral to deptl function
Fishery	<ul style="list-style-type: none"> <li>• regulation of licensing, conditions</li> <li>• regulation of port</li> </ul>	<ul style="list-style-type: none"> <li>• no</li> <li>• yes</li> </ul>	<ul style="list-style-type: none"> <li>• Fully integral to deptl function</li> <li>• If CAA transferred, or if separate port authority set up</li> </ul>
Health	<ul style="list-style-type: none"> <li>• Public Health regulation</li> <li>• Looked After Children</li> </ul>	<ul style="list-style-type: none"> <li>• No</li> <li>• No</li> </ul>	

	regulation		
Police	<ul style="list-style-type: none"> <li>• Driver and vehicle licensing and testing</li> </ul>	<ul style="list-style-type: none"> <li>• Yes</li> </ul>	

8.20 Deciding what to include and what not is very much open to debate, but the principle is that a service is included unless:

- it requires direct political input (such as Development Control)
- it is primarily revenue related (such as Fisheries).
- it requires very high levels of specialist knowledge (Veterinary and Health)
- or is integral to a department's core function (Customs and Excise)

8.20 In simple terms, the Agency would replicate the various regulatory agencies in the UK such as Offtel, Offwat, MMC and so on. Its board, appointed by the Governor in consultation with Executive Council, would include appropriate government, business, consumer and relevant professional/technical membership. Its staff could remain civil servants for employment and career purposes.

8.21 There is also the issue of regulation of government itself. Historically this has largely been focused on traditional financial regulation, whereas in the UK regulation now encompasses value for money (including performance assessment) and this has been key in improving public services.

8.22 The arrival of the Public Accounts Committee with terms of reference which include value for money may provide one way to address this (if it can address value for money issues with sufficient rigour). Alternatively, or in conjunction with this, subjecting Government services to an on-going, risk based, programme of performance audits and inspections (including peer reviews) would underpin major improvements to efficiency, effectiveness and value for money.

**Recommendation 7:** The Regulatory function of Government should be strengthened through the aggregation as far as practicable of regulatory functions within one department with substantial powers to regulate across a wide but defined field including private sector monopolies and mergers, civil aviation, telecommunications and all services transferred from government to the private sector. In the future, a Regulatory Executive Agency could be created which is operationally independent of government.

**Recommendation 8:** An on-going programme of external performance audits and inspections should be provided for Government services to help drive up efficiency, effectiveness and value for money. The Public Accounts Committee whose terms of reference are planned to include value for money can also make an important contribution here.

## Developing and achieving shared priorities

- 8.23 Comment was made by stakeholders that the Government lacked a sufficiently clear big picture and that links between policy aims and resources were insufficient. Resources should of course not only include financial resources but human resources – ensuring that staff know and are actively following identified priorities.
- 8.24 Comments about the lack of performance management including performance related pay are integral to this picture, as it is performance management that directs, motivates and monitors staff effort.
- 8.25 It is not surprising given these comments that Government when compared to government in the UK does not have anywhere near as much effort put in to strategic and business planning or performance management.
- 8.26 Much more emphasis has been given to the processes of Islands Planning, business planning and performance management since the autumn of 2007. It is essential that this process continues and improves through the inevitable learning process if future government performance is to improve. Developing sufficient skills and embedding the approaches across the organisation will take some years.
- 8.27 Compared to the UK there are some aspects that remain in need of further development including:
- Providing a sufficiently aspirational and compelling long term vision for the Islands (the ‘big picture’). The Islands Plan would benefit from further improvement to provide a more ambitious and rounded big picture, underpinned by quality data and planning processes;
  - Engaging external stakeholders including the business community, third sector, military, the UK and the public in the process of developing overall priorities and policies
  - Linking aspirations and priorities to resources allocation in a direct way so that strategic and business planning is integral to financial planning
- 8.28 The current financial planning process involving green and white papers focusing on key strategic issues and choices seeks to focus more effort on key policy and financial issues and involve stakeholders more fully. This is in its early stages and will doubtless generate learning points.
- 8.29 The process could very usefully be extended and complemented by the establishment of a top level policy forum involving representatives of all key agencies and sectors of the community, such as is achieved by the local strategic partnerships in UK local government. It will give both councillors/senior civil servants and key stakeholders the opportunity to address key strategic and policy issues in a constructive way. Obviously decision making would rest ultimately with Councillors but all parties would be better informed and generally more supportive.

8.30 Relations with the business community are problematic. The Chamber of Commerce has sometimes depicted itself as ‘the opposition’. This is clearly an unsuitable role for representatives of business but reflects an excessively adversarial relationship. Overcoming this is fundamental for economic development and good government. A Compact which sets out the relationship and how it should work would go a long way to facilitating improvement.

**Recommendation 9:** continued emphasis should be given to the processes of Islands Planning, business planning and performance management in order to ensure that clear priorities are provided and cascaded to departments and individuals. The recent strengthening of integral links to financial planning needs to continue to be prioritised.

**Recommendation 10:** the Islands Plan should be further developed with a stronger, more aspirational and compelling vision for the Islands involving all stakeholders and which focuses and motivates all sections of the community.

**Recommendation 11:** a top level consultative Policy Forum should be established led by councillors with representatives of all key agencies and sectors across the community.

**Recommendation 12:** a formal Government – Business Compact should be agreed to set out the relationship and detail how it will work.

### People Management

8.31 A range of People Management issues were raised by staff and managers and once again these have been reinforced by the comparisons with the UK. They include;

- Lack of workforce planning, career development and skills development (particularly, but not confined to, general management skills)
- Recruitment difficulties and continuity problems particularly with fixed term contract workers
- Poor performance management including the lack of effective use of Performance Related Pay
- Generally static nature of the civil service

8.32 It appears that many of these issues have dogged the civil service for some time, and various approaches have been tried over the years with limited or mixed success. Many of the potential solutions come with their own drawbacks (such as PRP – can be expensive; or prioritising internal promotion which might attract criticism from those seeking to join the civil service).

8.33 But it is unarguable that the more local people are developed to take on specialist and senior positions and the more public sector workers are encouraged to vary their careers and assignments, then problems of career development, continuity, recruitment and stasis are reduced. In view of this it is surprising that the Government does not have a workforce development plan nor the means in place such as management development, fast-streaming

(whereby future top managers are identified and supported for training and career support) and flexible deployments (such as job rotation, secondments or project working including with the private sector and overseas).

- 8.34 Such measures if strongly and comprehensively managed could transform not only the career prospects of civil servants, but the capabilities and culture of the public service. They must form a core objective of future human resource management.

**Recommendation 13:** the Government should produce and actively manage a Workforce Development Strategy to ensure that future senior and specialist skills are available locally and to ensure a dynamic, flexible civil service. It should include measures such as management development, fast-streaming and flexible deployments. This responsibility should form a core priority for those responsible for Human Resources in the future.

#### Improving things for the customer

- 8.35 The proximity of government and extent of face to face contact means FIG provides in many way a level of customer service second to none. It would be the envy of most people in the UK and is a key strength of FIG. However, it is not clear if staff themselves feel empowered to improve the experience for the customer or have their voices heard. The EFQM exercise carried out a few years ago produced many suggestions from staff which don't appear to have been followed up. Government must retap this energy.
- 8.36 That having been said, representatives of the public consulted for this review did feel strongly that perceived limited opening hours were an issue and hard to justify, especially the way many government departments closed for the lunch period. It is also true to say that very little use is made of the internet to access government services, a method which is very popular in other states.
- 8.37 There also appears to be a significant issue in communications. Managers felt strongly that there could often be unrealistic expectations of such a small and diverse organisation, and that often too little was done to inform the public and explain the Government's position.
- 8.38 Councillors have prioritised improving communications and the recently launched Legislative Council web site is an excellent example of how technology could be used to improve things.
- 8.39 But lack of resources and expertise in communicating with the public has undermined the Government's ability to progress policy in a way that involves and explains adequately to stakeholders and the general public. Public relations in this sense is not a luxury add on, it is essential to sound policy and good decision making which is at the heart of government.
- 8.40 Compared with UK central and local government FIG puts relatively little resources in to communications as a discrete activity, and has invested very

little in public facing technology. Its efforts have, instead, been directed at external PR through FIGO and the retention of press lobbyists.. Even a small district council in the UK, of a similar size to FIG, would have a full time professional Communications/PR officer and provide one stop shop and internet access for many services. This alone would suggest there is much scope to improve the inter-face with our customers, and may offer the scope for savings in externally commissioning the PR function.

- 8.41 On the other hand, the small volumes and high costs of technology development in the Islands means UK style technology led programmes are much less likely to be cost effective.
- 8.42 All this suggests that FIG needs to find its own way of exploiting technology both to improve the customer inter-face and also its own efficiency. Solutions will need to embrace the public sector as a whole to be cost effective.
- 8.43 Improving access via enhanced opening hours will also require both careful planning in some areas (to ensure staff are available who can actually deal meaningfully with most enquiries) and changes to working practices to facilitate more flexible working.
- 8.44 Staff at all levels have a huge amount of knowledge about their services and will have many ideas of customer service improvements that could be made (many good ideas were provided a few years ago in the European Quality Management seminars, EFQM) but were alas generally ignored and ways must be found of involving staff and developing their ideas.

**Recommendation 14:** There is significant scope for improving the inter-face with the customer and general public whilst conserving the closeness and personal service which is a major FIG strength. As a next step, a short Improving Access Plan should be developed by a task and finish group of FIG staff and customer representatives which prioritises areas for improvement, sets some achievable targets and dates together with an action and resource plan.

**Recommendation 15:** public information and government communications are much more limited than in comparable organisations and this prevents FIG from operating effectively. A new organisational structure for FIG should include clear responsibility at a senior level for communications and staff involved should be appropriately trained and equipped.

#### Improving efficiency

- 8.45 In many ways FIG is a remarkably efficient organisation. The same size as an average English district council in terms of turn-over and staff numbers, it covers virtually the whole of the public service and provides many services which nowadays would be in the private sector in the UK. This has only been achieved through great flexibility and resourcefulness by staff.

- 8.46 Year on year incremental budget reductions have driven out any slack in staffing, within the constraints of a traditional organisational structure and low use of technology. At the same time, efforts to focus on defined service levels with established costs have faltered. More explicit political identification of service levels, based on clear resources is essential and will enable Government to focus on what it provides and what it does not.
- 8.47 Further efficiency is achievable but not generally within the current parameters of organisational structure, weak management systems (e.g. business planning, budget management, performance management and project management) and low technology investment.
- 8.48 Also, more explicit identification of service levels, based on clear resources, will enable Government to decide what it wants to provide and what it does not.
- 8.49 FIG compares poorly with UK central and local government in respect of its structure, management systems and technology. Once again, views from stakeholders consulted for this review have highlighted similar issues.
- 8.50 This review has already identified the need for a new organisational structure to facilitate strategic and corporate working and career development. A new structure can also facilitate greater efficiency both by reducing over time the number of management and administrative posts but also by giving managers sufficient scope and delegation to develop their services more efficiently.
- 8.51 To do this, there will need to be larger management units which link together logically services from which synergies and operational efficiencies can be achieved. This will need to include larger budget responsibilities both in terms of budget size and ability to flex resources within overall departmental cash limited budgets.
- 8.52 More corporate working and larger management units will also enable a reduction in administrative costs as resources formally committed to small units can be shared. Examples include personal assistant, office manager and finance clerk posts. Such 'shared services' have enabled substantial efficiency gains and cost reductions in the UK. Though it has to be recognised that other recommendations of this review for reducing the role of government through developing quangos and privatisations may make such savings harder to achieve as they rely significantly on scale. But equally shared services such as payroll, financial processing, IT support and recruitment processing can be pooled and utilised not only across the public sector but across public and private as well, and indeed across continents. Thus a government supported but ultimately commercially based shared services organisation could grow business and make links overseas.
- 8.53 Stronger management systems will produce both greater efficiency and effectiveness as they have done in the UK. Staff effort will be focused on clear objectives and performance targets, budgets will be linked closely to objectives and service outputs, and developments and projects will be more robustly scoped and delivered. Work to strengthen such systems is already in hand and

must continue firmly. But they will need to become embedded in the organisation before on-going results can be seen and this is inevitably a journey of some years.

- 8.54 Technology has been a key tool of improved efficiency in the UK, albeit a controversial one. Subject to rigorous business case appraisal, project management and procurement it has a lot to offer if linked to organisational change. FIG has in many ways made good progress with technology and this has boosted productivity, for example use of corporate e-mail.
- 8.55 But technology has not achieved its potential in FIG. Existing technology could be used better to drive up efficiency if linked to changed working practices (e.g. use of Outlook to maintain diaries and make appointments; use of HR system by departments and individual staff). Additional technology could potentially make a real difference in the same way, particularly if linked to shared services.
- 8.56 But to do this technology will have to be brought out of the half light within FIG and have an enthusiastic advocate at Corporate Director level who also controls the other essential levers of organisational improvement such as HR and a remit for business process improvement. This post holder should lead the development of a FIG e-government strategy such as has produced benefits for UK local authorities.
- 8.57 The importance of technology is much wider than FIG efficiency. As a remote island technology will play a particularly key role in future economic competitiveness and growth (as it is in most other states). The more a critical mass of expertise and facilities exists within the islands the easier this will be and as the largest employer by far FIG has a major economic development role here.
- 8.58 Key to improving efficiency in the UK and in states such as Guernsey has been the work of strong bodies such as the Public Accounts Committee, National Audit Office or the Audit Commission. Local authorities have been subjected to considerable scrutiny and their finances and efficiency. This has focused political and managerial attention. The Falkland Islands would benefit for a Public Accounts Committee with a similar remit and support from professional resources.

**Recommendation 16:** a new organisational structure for FIG should include:

- larger management units linking services logically and with increased budget delegation (within clear cash limits) to enable efficiencies to be achieved
- the creation of a shared services approach for administrative, processing and support activities which includes potentially both public and private sectors and which can be placed in the private sector to operate commercially and expand

**Recommendation 17:** management systems such as business planning, departmental budget management, performance management and project management must continue to be implemented strongly as key to improving both efficiency and

effectiveness in the longer term

**Recommendation 18:** Technology is a key tool of improved efficiency if rigorously appraised and managed but must be linked closely to wider process improvements and changes to working practices. It is also key to the Islands' economic development. In future, responsibility for technology, HR and organisational change needs to be included in a single Corporate Director post. An e-government strategy should be produced as an early priority by this person.

**Recommendation 19:** agreeing with elected Members specific service levels, and with the civil service some clear measurable medium term targets for efficiency, as these reforms are achieved, will be an essential component of the process. The Public Accounts Committee should include the monitoring and evaluation of these targets in its core work programme.

### Political leadership and relationships with civil servants

8.59 FIG's political leadership represents a key strength for FIG. Without the drawbacks that can arise from party politics, and very close to the community and to staff, councillors are able to focus pragmatically on the issues at hand.

8.60 But political roles have been undergoing rapid change as councillors take on more responsibility from the UK and have also looked at ways of sharing such responsibilities amongst themselves within the constraints of the Islands' political structure (that structure itself is beyond the terms of reference of this review). This has inevitably resulted in some ambiguity in how political leadership roles relate to managerial ones in the civil service.

8.61 Everyone involved is gaining experience as the situation changes and it is inevitably trial and error. There is evidence to suggest that sometimes councillors can become too involved in management issues. Equally, it is arguable that the strategic leadership of the Islands requires more input from councillors supported by their top management team. Certainly, the policy in the UK is very much to focus political leadership on defining outcomes and holding managers to account but standing back from delivery details.

8.62 The way the civil service operates has discouraged political leadership roles. There has been very little emphasis on strategy and policy at a corporate level; the Government Management Team has not worked cohesively on such issues and until recently there was a hiatus in terms of Policy Unit resources to support such work.

8.63 Neither has there been in most cases sufficiently defined, clear processes in place – such as Islands and business planning – which facilitate the political role and delineate it from the management one.

8.64 But the current development of Islands Planning, business planning, financial green papers and so on will encourage strategic thinking and underpin the development of more strategic roles for councillors. This can be usefully

underpinned by a formal review of such things as the Management Code and terms of reference for committees led by the Attorney General to see if further or revised protocols are needed to govern councillor and civil servant roles and relationships.

- 8.65 Concern has also been expressed quite widely by stakeholders that councillors are over involved in agencies such as the Development Corporation. There is certainly evidence to support the contention that there are “Too many councillors at meetings (Public Stakeholder group).” This review is recommending far greater distance between government and quangos and that will if accepted inevitably mean a reduction in direct councillor input in to such bodies with councillors focusing on strategic roles via the performance management of such bodies. But this process should not be pushed to the extent that political knowledge and buy in to issues is weakened (for example, if there were *no* FIG political or managerial representation on key bodies such as the Development Corporation), however, one might question whether the time is now right for FIDB and FLH to be chaired by someone other than an elected member or a Chief Executive
- 8.66 Recommendations contained in previous sections about strategic leadership and relationships with stakeholders (Recommendations 9 - 12) are highly relevant here. Councillors will want to consider how to expand their strategic and relationship roles and the civil service will need to develop the capacity to support this. The recommendation on a professional senior communications role is highly relevant here (Recommendation 15).
- 8.67 There is little real training and development offered to councillors in the Islands and this is unusual when compared certainly to local authorities in the UK. There considerable resources are expended on councillor training and development since it is seen that this is key to improving local authority performance. Councillors are progressing a pilot project for training and development involving UK local government and this is much to be welcomed.
- 8.68 Something which may be helpful and reflects increasing UK practice is a job description or role brief for councillors – ideally competency based and focussed on expected outcomes. This would clarify for the benefit of all the various facets of the job and would underpin where necessary further definition of how aspects of the role can be carried out and supported. In UK local authorities, councillors’ roles are seen to focus on the distinct aspects of executive (leadership and decision making), representational (promoting the interests of electors) and scrutiny (ensuring public services are operating efficiently and effectively). This sort of depiction can help to ensure that each role is understood by all and can be carried out effectively, and underpins training and development.
- 8.69 Finally, the Islands lack the independent standards setting and enforcement roles which are present both nationally and locally in the UK. The Complaints Commissioner represents a step in the right direction, but as an occasional role undertaken reactively by different people following specific complaints it is likely to lack the continuity and pro-activity present in the UK (for example by

Local Standards Boards for local authorities). Defining the remit of the Complaints Commissioner more broadly and enabling the appointment of a Commissioner on a ‘task and finish’ basis to pro actively review and develop standards may be one way of addressing this.

**Recommendation 20:** greater clarity of the councillor and civil servant roles and relationships contained in job descriptions, codes and protocols would help all parties to understand and support each others’ roles. The Attorney General should lead a task and finish group involving councillors, officers and the public to review and make specific detailed recommendations

**Recommendation 21:** In comparison with UK policy and practice and reflecting some local concerns, a more strategic and policy oriented role for councillors would strengthen the Islands. The civil service will need to improve its approach to enable this to be effective through greater senior input in to corporate policy.

**Recommendation 22:** the pilot project for councillor training and development is to be applauded and should be built upon especially with regard to the new Council from November 2009.

**Recommendation 23:** the planned Complaints Commissioner should have a broadly defined role which enables ‘task and finish’ appointments from time to time to pro-actively review and develop standards issues.

## 9 Change Plan

9.1 This review provides a substantial programme for change across the public sector in the Falkland Islands (whilst at the same time conserving and strengthening the considerable strengths that exist). Any such programme cannot be implemented overnight and contains evident risks which need to be contained through careful management over time.

### Risk management

9.2 The table below summarises the most evident and significant risks together with mitigation measures:

Risk	Likelihood	Impact	Containment
Reduction in service performance during a period of substantial change	High	High	<ul style="list-style-type: none"> <li>• Manage the pace of change to reduce impact at any one time</li> <li>• Provide some resources to support the change</li> <li>• Communicate well with stakeholders</li> </ul>
Negative effects on staff and community of change experienced as threatening or which leads to job	High	High	<ul style="list-style-type: none"> <li>• Provide re-assurance re job and income security and allow any reduction in posts to occur naturally over time</li> </ul>

loss/change			<ul style="list-style-type: none"> <li>• Ensure high levels of communication at all stages</li> <li>• Provide re-assurance re role changes and skills through evident training and development programme</li> </ul>
Unrealistic expectations amongst stakeholders re speed of improvement and tangible benefits	High	Medium	<ul style="list-style-type: none"> <li>• Manage expectations through reinforcement of message that this is a long term journey not a quick fix</li> <li>• Provide early signs of improvement in key areas to reinforce confidence</li> </ul>
Political and managerial change (elections and turn over at senior management levels)	High	High	<ul style="list-style-type: none"> <li>• Ensure wide ownership/support for Change Programme through consultation</li> <li>• Embed changes at early stage through new management structure and roles</li> </ul>

9.3 Much rests on implementing these changes in a careful, paced way which reduces the chances of problems on the way and ensures that in the long run benefits are delivered. Also, there is a logical sequence to the change programme – some changes can only happen effectively if others have happened before them.

9.4 The key initial ingredient of the change programme is re-structuring the senior management team at director and head of department level. Once this happens the key resources are in place to push forward the rest of the programme.

9.5 During the early stages of the change programme, additional management resources will be needed to support it and avert risk. One way this can be provided is by staff made supernumery in the programme and without a permanent role (such staff may be planning to retire, or seeking a substantive role in due course, or on contract). Retaining such staff will mean that the financial benefits of the changes will be postponed, but that in the long run those benefits will be much surer.

#### Programme management

9.6 This programme of change will need to be managed actively and in line with best practice in project management. So in addition to a continuously updated risk management register, it will need a clear project plan with key activities, timescales, milestones, accountabilities and resources, and a management and accountability structure involving a Programme Board, Senior Responsible Officer (SRO), Project Manager and Project Team.

9.7 It is proposed that a Programme Board consist of:

Senior Responsible Officer – Chief Executive  
\*Project Manager – to be appointed  
User - Councillor  
User – Staff representative  
User – Business representative  
Project HR Officer – Personnel Officer  
Project Finance Officer – Financial Services Manager  
Project Communications Officer – Policy Officer  
Project Administrator – Policy Officer

\* = full time role.

9.8 Progressing the initial stages of the Change Programme, at least until the new management team is in place and able to put some weight behind subsequent changes, will require substantial additional effort if it is to move reasonably quickly and cleanly, as is essential to minimise the risk of disruption.

9.9 The appointment of a Project Manager, with good organisational skills and a good grasp of management concepts, on a temporary basis will be essential during this early stage. Such a role would suit an existing or aspirant head of department if they could be released (but may require back-filling).

9.10 It is proposed that the temporary position of Change Project Manager be established for a six month period (subject to review and a further report to Executive Council) on an indicative grade C (c£20k inclusive for 6 months) if this report is approved by Executive Council.

9.11 The table in Appendix One gives a high level, indicative, Project Plan of the proposed change programme if this review is agreed in full. This Plan will need further review and development by the new Corporate Management Team and Change Project Team, but it indicates the range of major activities, their inter-relationship and likely timescales.

9.12 The first stage is agreement on and implementation of a new management structure at GMT and Heads of Department level. If a specific, costed, proposal was agreed at the January or February Executive Councils, then Government could cut over to the new structure on 1 July 2009. Substantial ancillary activity will be required to enable this to happen including management training, adjustments to administrative processes such as the Management Code, and budgets, as illustrated in the Project Plan.

9.13 It cannot be stressed too much that this is just the first stage in a complex and lengthy process which will take some years to achieve completely. It would be a huge mistake to assume that cutting over to a new management structure was anything more than a precursor to wider changes which will be required to change behaviour and build capacity. Initially there may well be as much pain as evident gain.

## **10 Financial Implications**

10.1 This report provides a set of principles, objectives and an overall route-map for Government over the next few years; it does not recommend any specific change at this point in time (such specific changes will be the subject of later reports to Executive Council). Therefore, although there are likely to be significant financial implications attendant to later reports – including reductions in expenditure over time as well as potentially increases in the short term – there are no specific financial implications arising from this report save that of the Project Manager.

10.2 The Project Manager post would cost £20k for a six month period, falling entirely within the 2008/9 financial year. A request has been made to the Governor as to whether the balance of Overseas Territory Programme Fund money allocated to support this review can be used for this purpose. If not, the amount may be found from economies within the Secretariat budget.

## **11 Legal Implications**

11.1 The proposed change programme will involve substantial changes to employment for many staff (including potentially the transfer of staff) plus commissioning and contracting with the private sector, all of which will have significant legal implications which will need to be considered at the time. However, subject to the satisfactory development of the details and the following of appropriate consultation processes and so on, no inherent legal difficulties are foreseen at this stage. There are no specific legal implications to this report itself.

**APPENDIX ONE – CHANGE PROGRAMME INDICATIVE PROJECT PLAN  
FOR NEW ORGANISATIONAL STRUCTURE**

<b>Activity</b>	<b>Time-scale</b>	<b>Comments</b>
Briefing staff and other stakeholders on the Review proposals	November 2008 – January 2009	<i>This will require substantial face to face meetings in the run up to, and after, the December Exco meeting</i>
<b>Structure of Government</b>		<i>This to be completed first to provide necessary management resources to implement other aspects</i>
Consulting staff on specific organisational structure proposals	December 2008 – January 2009	
Specific organisational structure proposals to Exco (to include process of assimilating staff to new structure)	January 2009 Exco	
Assimilation of staff to new organisational structure	February – March 2009	
Initial training/induction programme for new structure	May 2009	
Adjust administrative procedures including budget accountabilities	April - May 2009	
Cut over to new structure	1 July 2009	
Accommodation – move staff if/where needed to new work areas	July – August 2009	
<b>People Management</b>		
Revise performance appraisal system	January – March 2009	<i>To review lessons from 2008 and move towards PRP from 2010</i>
Performance Management training for new directors	April 2009	
Performance statements for new directors wef 1.7.09	May 2009	<i>To fit with new corporate planning, budget and performance management schedule</i>
Performance statements for all managers	June – August 2009	
Revise Management Code for new structure and processes	January – June 2009	<i>Comes in to effect 1.7.09</i>
Develop generic management competencies, JDs and person specifications (etc) for all levels of management	Directors and HODs: January 2009; Other managers: April 2009	<i>Developing all managers is essential to achieve effective change and prevent stalling in top layer.</i>
Develop initial training programme for all levels of manager	January – March 2009	
Implement initial management training programme	April – June 2009	
Develop on-going	July – September 2009	

management development programme for all levels of manager and aspiring managers		
Commence on-going management development programme	October 2009	
<b>Financial management</b>		
Develop new Financial Procedure Rules, cost centres etc for new structure and delegations	January – March 2009	
Exco approval of new financial structure and FPRs	March 2009	
Training for budget managers	May – June 2009	<i>This is a high intensity period for Treasury due to budget preparation.</i>
Cut over to new budgets and FPRs	1 July 2009	
Financial monitoring – formal quarterly Finance and Performance Management Reviews for all directors	From October 2009	<i>Detailed budget, business plan, performance and project monitoring meetings between Chief Executive and Directors each quarter. Variations and actions to be reported to Exco/SFC.</i>

**Review of Government**

<b>Original Recommendation</b>	<b>Amended Recommendation</b>	
<p>1. Government should clarify its preference to achieve a strategic role for central government in the Falkland Islands and to review how delivery and operations can be devolved, and re-affirm its preference to reduce where possible both the overall size of the public sector and the size of the central civil service within the public sector. Some clear measurable targets would assist this process.</p>	<p>1. Government recognises that the number of services historically provided by it, because of the small size of the community, is unusual in a market orientated economy, and gives it a dominant position in the labour market; it also recognises that its essential strategic role is being diluted by the extent of the other services for which it is responsible. Government therefore reconfirms its strategy to transfer from Government to the private sector the provision and delivery of services where this can be demonstrated to be in the public interest, and thus reduce where possible both the overall size of the public sector and the size of the central civil service within the public sector.</p>	<p><b>Amended recommendation agreed by Executive Council 29 January 2009</b></p>
<p>2. Government's preference to reduce the role of central government will only be achieved if considerable investment is made in its capacity to achieve this. Accordingly, the new organisational structure of government should as a first step include senior roles and specific resources dedicated to market making, commissioning and procurement, and the development of non governmental agencies.</p>	<p>2. It will be necessary to review how delivery of non-strategic services and operations can be devolved, and considerable investment in capacity will be necessary to achieve this. Accordingly the new organisational structure of government should include senior roles and specific resources dedicated to market making, commissioning and procurement, and the development of non governmental agencies if necessary.</p>	<p><b>Amended recommendation agreed by Executive Council 29 January 2009</b></p>
<p>3. A strategy to reduce central government will also fail if the private sector and Government's own staff are not closely and actively involved in achieving it. A joint task force should be commissioned which will recommend the parts of government which are most likely to be effectively transferred and then work up the details of commissioning and procurement.</p>	<p>3. A strategy to reduce central government will fail if the private sector and Government's own staff are not committed to it, and closely and actively involved in achieving it. A joint task force should be commissioned of suitably qualified people which will recommend the parts of government which are most likely to be effectively transferred, and then work up the details of commissioning and procurement.</p>	<p><b>Amended recommendation agreed by Executive Council 29 January 2009</b></p>

<p>7. The Regulatory function of Government should be strengthened through the aggregation as far as practicable of regulatory functions within one department with substantial powers to regulate across a wide but defined field including private sector monopolies and mergers, civil aviation, telecommunications and all services transferred from government to the private sector. In the future, a Regulatory Executive Agency could be created which is operationally independent of government.</p>	<p>4. A strategy to reduce the size of the public service also fail if the regulatory function of Government is not strengthened. This can be achieved through the aggregation, as far as is practicable, of regulatory functions within one department, and the provision of substantial powers and a firm legal basis to properly regulate across a wide but defined field, including private sector monopolies and mergers, civil aviation, telecommunications, fuel supply and distribution, banking and all services transferred from the Government to the private sector.</p>	<p><b>Amended recommendation agreed by Executive Council 29 January 2009</b></p>
<p>4. The current review of the Falkland Islands Development Corporation should include how the Corporation can achieve a more strategic relationship with Government through such measures as reviewing Board membership and focusing on the agreement of the Corporation's Business Plan and budget as the key means of providing that relationship. Similar reviews must now be commissioned for each statutory corporation, board or publicly owned company.</p>	<p>5. The current review of the Falkland Islands Development Corporation can assist and support the implementation of this strategy, and how the Corporation can contribute to the creation and implementation of the Economic Development Strategy for the Falkland Islands. This will require a review of the necessary resources, structure and Board membership, and focusing on agreement of the Corporation's business plan and budget as the key means of establishing the ongoing role of the Corporation.</p>	<p><b>Amended recommendation agreed by Executive Council 29 January 2009</b></p>
<p>5. A new organisational structure should be created which has:</p> <ul style="list-style-type: none"> <li>● a small top team ideally of around 8 Corporate Directors which relates logically to the Islands Plan and political structure;</li> <li>● these Corporate Directors will focus on strategy (including financial planning), corporate working, performance management of operational managers, commissioning and support for the political process;</li> </ul>	<p>6. A new organisational structure should be created which has:</p> <ul style="list-style-type: none"> <li>● a small top team ideally of around <b>8 to 10</b> Corporate Directors which relates logically to the Islands Plan and political structure;</li> <li>● these Corporate Directors will focus on strategy (including financial planning), corporate working, performance management of operational managers, commissioning and support for the political process;</li> </ul>	<p><b>Agreed with amendment shown in bold, by Executive Council 18 December 2008 – now renumbered</b></p>

<ul style="list-style-type: none"> <li>● Below this a consistent tier of Service Heads who have clearly delegated responsibility for day to day issues within the policy and strategy set by Councillors and performance management provided by Corporate Directors;</li> <li>● Corporate Directors and other managers which are as far as possible generic and capable of transferring responsibilities or taking on other roles such as managing projects;</li> <li>● Planned and managed rotation and career management of managers at all levels consistent with the need for professional and technical specialisms.</li> </ul>	<ul style="list-style-type: none"> <li>● Below this a consistent tier of Service Heads who have clearly delegated responsibility for day to day issues within the policy and strategy set by Councillors and performance management provided by Corporate Directors;</li> <li>● Corporate Directors and other managers which are as far as possible generic and capable of transferring responsibilities or taking on other roles such as managing projects;</li> <li>● Planned and managed rotation and career management of managers at all levels consistent with the need for professional and technical specialisms.</li> </ul>	
<p>6. The future management cadre for the public service will develop strong core management skills including strategic planning, financial management, business planning, performance management, project management and commissioning and procurement. This to be achieved through a strong corporate training programme linked to career development planning and appraisal (and see Recommendation 13 below).</p>	<p>7. The future management cadre for the public service will develop strong core management skills including strategic planning, financial management, business planning, performance management, project management and commissioning and procurement. This to be achieved through a strong corporate training programme linked to career development planning and appraisal (and see Recommendation 12 below).</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>
<p>8. An on-going programme of external performance audits and inspections should be provided for Government services to help drive up efficiency, effectiveness and value for money. The Public Accounts Committee whose terms of reference are planned to include value for money can also make an important contribution here.</p>	<p>8. An on-going programme of external performance audits and inspections should be provided for Government services to help drive up efficiency, effectiveness and value for money. The Public Accounts Committee whose terms of reference are planned to include value for money can also make an important contribution here.</p>	<p><b>Agreed by Executive Council 18 December 2008 without amendment</b></p>

<p>9. Continued emphasis should be given to the process of Islands Planning, business planning and performance management in order to ensure that clear priorities are provided and cascaded to departments and individuals. The recent strengthening of integral links to financial planning needs to continue to be prioritised.</p>	<p>9. Continued emphasis should be given to the process of Islands Planning, business planning and performance management in order to ensure that clear priorities are provided and cascaded to departments and individuals. The recent strengthening of integral links to financial planning needs to continue to be prioritised.</p>	<p><b>Agreed by Executive Council 18 December 2008 without amendment</b></p>
<p>10. The Islands Plan should be further developed with a stronger, more aspirational and compelling vision for the Islands involving all stakeholders and which focuses and motivates all sections of the community.</p>	<p>10. The Islands Plan should be further developed with a stronger, more aspirational and compelling vision for the Islands involving all stakeholders and which focuses and motivates all sections of the community.</p>	<p><b>Agreed by Executive Council 18 December 2008 without amendment</b></p>
<p>11. A top level consultative Policy Forum should be established led by Councillors with representatives of all key agencies and sectors across the community.</p>		<p><b><u>Recommendation not approved</u></b></p>
<p>12. A formal Government-Business Compact should be agreed to set out the relationship and detail how it will work.</p>	<p>11. A formal Government-Business Compact should be agreed to set out the relationship and detail how it will work.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>
<p>13. The Government should produce and actively manage a Workforce Development Strategy to ensure that future senior and specialist skills are available locally and to ensure a dynamic, flexible civil service. It should include measures such as management development, fast-streaming and flexible deployments. This responsibility should form a core priority for those responsible for Human Resources in the future.</p>	<p>12. The Government should produce and actively manage a Workforce Development Strategy to ensure that future senior and specialist skills are available locally and to ensure a dynamic, flexible civil service. It should include measures such as management development, fast-streaming and flexible deployments. This responsibility should form a core priority for those responsible for Human Resources in the future.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>

<p>14. There is significant scope for improving the inter-face with the customer and general public whilst conserving the closeness and personal service which is a major FIG strength. As a next step, a short Improving Access Plan should be developed by a task and finish group of FIG staff and customer representatives which prioritises areas for improvement, sets some achievable targets and dates together with an action and resource plan.</p>	<p>13. There is significant scope for improving the inter-face with the customer and general public whilst conserving the closeness and personal service which is a major FIG strength. As a next step, a short Improving Access Plan should be developed by a task and finish group of FIG staff and customer representatives which prioritises areas for improvement, sets some achievable targets and dates together with an action and resource plan.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>
<p>15. Public information and government communications are much more limited than in comparable organisations and this prevents FIG from operating effectively. A new organisational structure for FIG should include clear responsibility at a senior level for communications and staff involved should be appropriately trained and equipped.</p>	<p>14. Public information and government communications are much more limited than in comparable organisations and this prevents FIG from operating effectively. A new organisational structure for FIG should include clear responsibility at a senior level for communications and staff involved should be appropriately trained and equipped.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>
<p>16. A new organisational structure for FIG should include:</p> <ul style="list-style-type: none"> <li>● larger management units linking services logically and with increased budget delegation (within clear cash limits) to enable efficiencies to be achieved</li> <li>● the creation of a shared services approach for administrative, processing and support activities which includes potentially both public and private sectors and which can be placed in the private sector to operate commercially and expand.</li> </ul>	<p>15. A new organisational structure for FIG should include:</p> <ul style="list-style-type: none"> <li>● larger management units linking services logically and with increased budget delegation (within clear cash limits) to enable efficiencies to be achieved</li> <li>● the creation of a shared services approach for administrative, processing and support activities which includes potentially both public and private sectors and which can be placed in the private sector to operate commercially and expand.</li> </ul>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>
<p>17. Management systems such as business planning, departmental budget management, performance management and project management must continue to be implemented strongly as key to improving both efficiency and effectiveness in the longer term.</p>	<p>16. Management systems such as business planning, departmental budget management, performance management and project management must continue to be implemented strongly as key to improving both efficiency and effectiveness in the longer term.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>

<p>18. Technology is a key tool of improved efficiency if rigorously appraised and managed but must be linked closely to wider process improvements and changes to working practices. It is also key to the Islands' economic development. In future, responsibility for technology, HR and organisational change needs to be included in a single Corporate Director post. An e-government strategy should be produced as an early priority by this person.</p>	<p>17. Technology is a key tool of improved efficiency if rigorously appraised and managed but must be linked closely to wider process improvements and changes to working practices. It is also key to the Islands' economic development. In future, responsibility for technology, HR and organisational change needs to be included in a single Corporate Director post. An e-government strategy should be produced as an early priority by this person.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>
<p>19. Agreeing with elected Members specific service levels, and with the civil service some clear measurable medium term targets for efficiency, as these reforms are achieved, will be an essential component of the process. The Public Accounts Committee should include the monitoring and evaluation of these targets in its core work programme.</p>	<p>18. Agreeing with elected Members specific service levels, and with the civil service some clear measurable medium term targets for efficiency, as these reforms are achieved, will be an essential component of the process. The Public Accounts Committee should include the monitoring and evaluation of these targets in its core work programme.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>
<p>20. Greater clarity of the councillor and civil servant roles and relationships contained in job descriptions, codes and protocols would help all parties to understand and support each others' roles. The Attorney General should lead a task and finish group involving councillors, officers and the public to review and make specific detailed recommendations.</p>	<p>19. Greater clarity of the councillor and civil servant roles and relationships contained in job descriptions, codes and protocols would help all parties to understand and support each others' roles. The Attorney General should lead a task and finish group involving councillors, officers and the public to review and make specific detailed recommendations.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>
<p>21. In comparison with UK policy and practice and reflecting some local concerns, a more strategic and policy orientated role for councillors would strengthen the Islands. The civil service will need to improve its approach to enable this to be effective through greater senior input in to corporate policy.</p>	<p>20. In comparison with UK policy and practice and reflecting some local concerns, a more strategic and policy orientated role for councillors would strengthen the Islands. The civil service will need to improve its approach to enable this to be effective through greater senior input in to corporate policy.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>

<p>22. The pilot project for councillor training and development is to be applauded and should be built upon especially with regard to the new Council from November 2009.</p>	<p>21. The pilot project for councillor training and development is to be applauded and should be built upon especially with regard to the new Council from November 2009.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>
<p>23. The planned Complaints Commissioner should have a broadly defined role which enables ‘task and finish’ appointments from time to time to proactively review and develop standards issues.</p>	<p>22. The planned Complaints Commissioner should have a broadly defined role which enables ‘task and finish’ appointments from time to time to proactively review and develop standards issues.</p>	<p><b>Agreed by Executive Council 18 December 2008 – now renumbered</b></p>