A Review of the Scope and Structure of Government in the Isle of Man

An Independent Report to the Council of Ministers

September 2006

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FOREWORD BY THE CHAIRMAN

It is a rare privilege to be invited to look at the whole of the scope and structure of a Government and to be able to offer ideas on how that scope and structure might be modified to serve the needs of the future. This report is our response to the invitation that we received from the Council of Ministers and we offer it, we believe, as a practical blueprint for progressive change.

In carrying out our task we have operated against two principal constraints. Firstly, the timeframe against which we were asked to report. To undertake such an extensive exercise on a part-time basis within 12 months has not been easy and this has precluded the possibility of investigating certain aspects in greater depth. The second constraint has been that, for reasons which we have fully understood and accepted, we have only been charged with looking at Government. We have not, therefore looked at Tynwald, although Tynwald is clearly a major influence.

Change is an inevitable and increasing part of modern life. At times it may be unwelcome, even threatening, but it is inescapable. Some may court it and embrace it willingly, more often, it is a driven response to external events. We hope that the changes that we propose will not be seen as threatening and will be embraced as a common-sense response to a number of problems.

The Isle of Man Government has already experienced fundamental change - the current Ministerial system, introduced in 1986/87 was radical and far-reaching. It was, by common consent, a necessary and successful change - so much so that Jersey and Guernsey have, to varying degrees, followed suit. But whilst the system has been refined over the years, there has been no wholesale reappraisal and no significant change to the basic model. Yet, during the same period, the economy of the Isle of Man has changed dramatically - as has the nature of the Island's community.

So, is there a case for change now? There is no crisis - there are no obvious external pressures, or overwhelming demands for significant alterations to the basic format of Government. With a General Election pending, there are the usual voices of dissatisfaction with the current political personnel, but that is a different matter. We are not concerned with personalities, but with structures.

Even if the structure has remained largely the same, Government itself has grown dramatically as a result of increasing demands for services. Economic good times have made this possible, but there is no guarantee that this will continue. There is a recognition that the current Government structure is unsustainable, and even if the economic growth which has made possible the dramatic growth in the public sector was to continue, the resulting stresses and strains could, if not addressed, impede the Island's future progress.

In Part 3 of the report, we present our findings. Essentially, we have identified five general themes which may be described as problem areas -

- The Scope of Government; which is too large;
- Value for Money; on which there has been insufficient emphasis;
- Corporate Government; there is a necessity for greater working together across Government;
- Separating Policy from Operations; there is a great need to redefine and separate the roles of the politician and the manager;
- Transparency; more openness and more information on Government and on Government decision-making would improve public understanding and debate.

These do not challenge the basics of Ministerial Government – the position of the Chief Minister, the Council of Ministers, Ministerial responsibility and the Departments delivering the principal services of Government, but they represent a sufficient agenda of issues that justify some significant changes. We have offered some 48 Recommendations, which, we believe, if implemented, will improve Government and provide a sound basis and sense of direction for the future.
Key to much of our thinking are the recommendations regarding a new Department of Corporate Development, in particular recommendations 19 and 20. This Department is intended as a driver for the changes and the pursuit of value for money which are at the heart of our report. It is the recommendations relating to this new Department and the consequential recommendations on which attention should be first focussed and on which early decisions will be needed.

Change will not happen overnight – indeed we see our recommendations, many of which will require further work, as being introduced on a phased basis and being a medium term blueprint for change. But to be successful there needs to be a positive commitment to the principles of the changes we propose and then those changes will need to be driven. The process of change itself will have to become part of the Government culture.

There is a danger that our recommendations, if misinterpreted, will increase the size of Government rather than reduce it. It is imperative that the public sector should not grow any further - ideally it should diminish or otherwise the Isle of Man Government, in twenty years, will be even more dominant than it already is – and the community will have to work even harder just to support the public sector.

To embark upon the course we propose will be a challenge – but challenges are the essence of politics!

The process of undertaking this Review has been our challenge. Most of us have already been involved in public life in the Island, and we have all relished the opportunity to reflect on how things are done, and ways in which resources can be used to greater effect.

As a team, we have worked well – there has been robust debate, and strong views have been articulated – but this report is unanimous and we submit it in the genuine confidence that, if implemented, it will make the Isle of Man a better place in which to live and do business. For my part, I would wish to thank my colleagues who have made my job as Chairman so easy - and so rewarding.

So now it is up to Government – we will watch with interest how the template we have proposed, is applied. The greatest return for our investment of time, energy and ideas would be for the Isle of Man Government, in five years time, to bear the imprint, in a recognisable way, of the changes we have recommended.
ACKNOWLEDGEMENTS

We were pleased with the level of interest shown in our work, particularly by present and former Members of Tynwald, present and former Government officers, staff organisations and representatives from the business community. We are grateful for the time people have taken to complete questionnaires, for making themselves available for interviews with the team and for sharing with us their views on how the scope and structure of Government could be improved.

We commissioned a number of pieces of research work which were conducted by three teams of officers from within Government, and we have found this research very useful in helping us to reach conclusions on the issues under consideration. We are conscious that we asked the research groups to conduct their work in a very short timeframe and we are grateful to all the officers concerned for their efforts, and in particular to the three team leaders Antony Hamilton, Chris Corlett and Carol Glover. The full list of officers who participated in the research groups is contained in Appendix 3.

In addition, we sought advice from a number of off-Island contributors in respect of scrutiny mechanisms within the United Kingdom Government, UK governmental structures and reforms to the machinery of Government in Jersey. Our particular thanks on these issues go, respectively, to Nigel Gale, Director, National Audit Office; Kenneth Ball, Agencies and Public Bodies Team, UK Cabinet Office; and Jeremy Harris, Policy Adviser, States of Jersey.

Finally, we have been well served by a secretariat of officers provided through the Chief Secretary's Office, who have kept us on our toes and ensured all meetings ran smoothly. Our thanks go, in particular, to Jon Callister, Jeanette Williams, Jamie Irving, Ian Gulland, Vicki Webster and Anne Shimmin for all their hard work.

Chairman:

Review Team Members:
SUMMARY OF RECOMMENDATIONS

Part One: Description to the Present System

In this part of the report we describe the historic background to the present ministerial system of Government introduced in 1986/87 and describe the system as it has presently evolved.

Part Two: The Review Process, Collection of Information and Summary of Comments Received

In this part of the report we describe the work undertaken by the Review Team – the inquiries, the meetings and discussions, the research into other jurisdictions – and summarise the comments received from those who submitted views to us on the scope and structure of Government and on the present culture of government and the political environment.

Part Three: Review Team Findings

Chapter 7: Overview

We recognise the considerable progress that the Island has made both constitutionally and economically, since the introduction of Ministerial Government, but warn against complacency and argue a case for making improvements. This case is based on the need to address 5 general themes:

- Reducing the Scope of Government;
- Efficiency and Value for Money;
- Improving Corporate Government;
- Separating Policy from Operations;
- Transparency.

The following matrix illustrates how these themes might be addressed by the recommendations contained in the succeeding chapters.

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There were a number of the features of the present system which we would regard as “givens” or things not to be changed by or following our review. These include:-

- There should continue to be a Chief Minister;
- There should continue to be a Council of Ministers on which all Ministers sit;
- There should continue to be Departments (not more than 9), each headed by a Minister.
Chapter 8: Alternative Means of Service Delivery

We relate the IOM Government to some international experiences and trends and discuss how some of Government’s services might be provided by means other than direct delivery. We also suggest a number of principles which need to be applied in any approach to alternative service delivery and advise that the implementation of any alternative service delivery strategy should be both careful and phased.

Recommendations

Recommendation 1

For the purposes of contingency planning, to assist its policy planning and budget processes and in the interests of efficiency, Government should undertake a review of the whole range of its activities. This review should seek to identify and agree Government’s core services and establish an order of relative priority for its remaining services. This review should be repeated at regular intervals.

Recommendation 2

Government should:

- seek to reduce the proportion of public services which it provides through direct delivery by making greater use of the alternative delivery mechanisms of privatisation, corporatisation, contracting-out and commercialisation;
- conduct in-depth appraisals into the possibility of using alternative delivery mechanisms for those services identified in paragraphs 8.4 to 8.17 in this report; and
- take forward those cases where, after in-depth appraisal, alternative delivery mechanisms have been shown to be justified, as the beginning of a rolling programme of change across a wider range of services.

Chapter 9: Improving Service Delivery

Whatever approach is determined in respect of alternative service delivery, most services will continue to be delivered directly. We, therefore, consider how Government’s performance in relation to these services might be improved by making internal structural changes additional to those matters discussed in Chapter 8 and by seeking out external comparisons and evaluations.

Recommendations

Recommendation 3

Government should look seriously at the Executive Agency model developed in the United Kingdom and should be willing to adopt that model and establish Executive Agencies within Departments, where the service provided and the internal structure of the Department make it likely that the model would produce a net benefit in terms of efficiency and effectiveness.

Recommendation 4

Where the Executive Agency model would not work successfully, Government should, to the greatest extent possible, develop and introduce, on a phased basis, a system of service contracts within Departments under which identified managers would apply a defined package of the Department’s resources and be responsible for achieving a set of clearly defined outputs.
Recommendation 5

Government should commit to programmes of regular and systematic external benchmarking and expert external reviews of service provision driven and coordinated centrally which, over a period of time, would potentially cover all significant areas of Government service provision.

Recommendation 6

The possibilities for achieving improved efficiency and value for money through the centralisation of individual services common across Departments should be evaluated by Government.

Chapter 10: Local Government

We look at the case for reforming local government and at the possibility of Government functions being transferred to a new and effective system of local government.

Recommendations

Recommendation 7

Government should commit to a restructuring of local government such that, after restructuring, local authorities should be large enough and have the capability to deliver a wider range of public services, including services devolved from Government.

Recommendation 8

In the meantime, and pending local government reform, Government should establish, as an executive agency reporting to the proposed Department of Local Government and Consumer Protection, a Local Government Transitional Agency, to which it should devolve those Government functions which it would propose, ultimately, to devolve to local government. We have suggested that these should include DLGE public housing, building regulations, first stage planning, certain environmental health functions, pest control, street cleaning, car parks and parking control, and waste management and refuse disposal.

Recommendation 9

The board of the transitional agency should comprise local authority representatives and should hold its meetings, so far as possible, in public.

Chapter 11: Accountability

We review the scrutiny, accountability and audit of Government in the light of changes elsewhere and the changes in prospect and recommendations for further change here on the Island. We also consider the direct public involvement envisaged in the proposals for an Ombudsman and for a Freedom of Information Act.

Recommendations

Recommendation 10

Treasury should consider, following whatever changes are made in the light of our recommendations, whether the Value for Money Committee continues to have a worthwhile role.
Recommendation 11

Treasury should consider:

(a) whether each Department and Statutory Board (or any successor structure) should be required to establish an audit committee, possibly incorporating external or lay members; and

(b) whether a consistent remit or central guidance should be prescribed in Financial Regulations in respect of the audit committees that are established.

Recommendation 12

Government should progress the early introduction of legislation to facilitate the Ombudsman service and the Auditor General and should also introduce legislation at an early date to give legal authority to the public’s rights under the Code of Practice on Access to Government Information.

Chapter 12: Human Resources

In response to the widespread concern represented to us we identify a need for Government to give urgent consideration to how it should deal with its corporate human resources responsibilities.

Recommendation

Recommendation 13

Government should urgently initiate a root and branch review into the future arrangements for developing and delivering Human Resource policies across the entire public sector, encompassing structural, cultural and process change, with the objective of establishing a more effective, centralised and streamlined approach to:

- Pay and pensions;
- Conditions of Service;
- Training and Development;
- Recruitment and Retention;
- Deployment;
- Employee Representation.

Chapter 13: Information Technology

We provide an overview of the status of Government’s Information Technology and suggest what, strategically, might be done to make it more effective.

Recommendations

Recommendation 14

The maximisation of the use of IT in delivering services and interfacing with the citizen should be pursued as a matter of corporate priority.
Recommendation 15

A five year rolling programme for corporate and major Departmental projects aimed at delivering the Corporate IT policy should be proposed by the Department of Corporate Development (see Recommendation 19) and agreed by the Council of Ministers. This should include a commitment to the necessary funding, staff training and productivity improvements.

Recommendation 16

Government’s budget for corporate IT projects should be held by the Department of Corporate Development, which should also be responsible for ensuring the planned benefits are achieved.

Recommendation 17

Individual Departmental IT projects should be subject to Department of Corporate Development approval, to ensure consistency and corporate integrity.

Recommendation 18

The Information Systems Steering Committee operating within the Department of Corporate Development should include external expertise.

Chapter 14: Strengthening the Centre

There is general agreement that Government needs good, clear leadership from the centre. We look at what might be done, structurally, to make the centre more effective. We envisage that in their key aspects most of the components of the centre of Government will remain largely unchanged. The recommendations that we make in respect of a new Department of Corporate Development are perhaps our most important and are closely related to the implementation of many of the recommendations from earlier chapters.

Recommendations

Recommendation 19

Government should establish a Department of Corporate Development which would be responsible for:-

- Driving a change agenda focussing on value for money which would include -
  - the consideration of alternative means of service delivery;
  - the consideration of establishing executive agencies and service contracts and promoting benchmarking, external reviews and the centralisation of services;
  - the transfer of functions to local government;
  - the commissioning of a review of Government’s human resources;
- A centralised human resources function (The Personnel Office should become a part of the Department);
- A centralised IT function (The Treasury Information Systems Division should become a part of the Department).
Recommendation 20

The Minister for Corporate Development should work directly to the Chief Minister in delivering the change agenda.

Recommendation 21

The Chief Officer of the Department of Corporate Development should carry the title of Chief Operating Officer.

Recommendation 22

The Chief Operating Officer should be responsible for the annual appraisal and reporting on the chief officers of the other Departments.

Recommendation 23

The Internal Audit Division of the Treasury should become a part of the Department of Corporate Development.

Recommendation 24

The Chief Minister’s leadership role and responsibilities should remain substantially unchanged except that:

- the list of the Chief Minister’s ad hoc statutory functions should be reviewed and reallocated to the greatest extent possible;
- the Chief Minister should be relieved of some of his chairmanship responsibilities for the standing and ad hoc committees of the Council of Ministers.

Recommendation 25

The role and structure of the Council of Ministers should remain substantially unchanged except that:

- there should be a review of the machinery of Council’s operations to establish whether there are matters which need not come before the Council or might be delegated and to see if the quantity of paperwork might be reduced;
- the Council of Ministers Act should be amended to include a statutory definition of the Council’s role.

Recommendation 26

Appropriate training should be provided for new Ministers, encompassing leadership skills, policy development, strategic planning, financial management, corporate governance and team building.

Recommendation 27

Detailed consideration should be given to the Isle of Man Government being established as a legal entity in its own right through the Council of Ministers for the purpose of entering into international agreements. This should be in addition to, and not in place of, the separate legal personality of individual Departments and Boards, and it should not impinge upon the legal personality of individual Departments and Boards.
Chapter 15: Refining the Structure

In this chapter we consider the structure of Government, other than those parts considered in Chapter 14. We acknowledge that there are a great many options for making detailed changes to the structure of Government and that there are alternatives to what we have recommended. We have suggested some principles which should apply and what we have recommended complies with those principles and is both slimmer and more inclusive than what exists at present.

Recommendations

Recommendation 28

Responsibility for Social Security should be transferred from the Department of Health and Social Security to the Treasury and the former should be renamed the Department of Health and Social Services.

Recommendation 29

A Department of Economic Development should be created, incorporating the economic development responsibilities of the Department of Trade and Industry, the tourism responsibilities of the Department of Tourism and Leisure and the promotional responsibilities of the Treasury for financial services and e-business.

Recommendation 30

The Department of Economic Development should have the sponsorship responsibility for the Post Office Authority (or company).

Recommendation 31

The training functions of the Department of Trade and Industry should be transferred to the Department of Education and that Department should be renamed the Department of Education and Skills.

Recommendation 32

The future role of the directly elected Board of Education should be reviewed with a view to its abolition.

Recommendation 33

The Department of Transport should be renamed the Department of Transport and Infrastructure and:

(a) responsibility for buses should be transferred to this Department from the Department of Tourism and Leisure;

(b) responsibility for Government estates and the land bank should be transferred to this Department from the Department of Local Government and the Environment.

Recommendation 34

The Department of Transport and Infrastructure should have the sponsoring responsibility for the Manx Electricity Authority (or company) and the Water Authority (or company).
Recommendation 35

The Department of Agriculture, Fisheries and Forestry should be renamed the Department of Countryside, Heritage and Leisure and its role should be extended to include coastline management, transferred from the Department of Transport, and leisure and heritage transport transferred from the Department of Tourism and Leisure.

Recommendation 36

The Department of Countryside, Heritage and Leisure should have a sponsoring responsibility for Manx National Heritage and any other cultural, heritage or leisure bodies supported by Government.

Recommendation 37

The Department of Local Government and the Environment should be renamed the Department of Local Government and Consumer Protection and should be responsible for overseeing the Local Government Transitional Agency as well as local authorities. It should also take over all General Registry functions other than charities registration, courts administration and legal aid administration.

Recommendation 38

As many regulatory responsibilities as possible should be brought together in the Department of Local Government and Consumer Protection, including, in particular:-

- The Office of Fair Trading;
- The Communications Commission;
- Mineral extractions licensing;
- The Road Transport Licensing Committee;
- Various tribunals and the regulation of professional bodies.

Recommendation 39

Departments should have only one or two political members in addition to the Minister.

Recommendation 40

The Water Authority should take over responsibility for sewage disposal from the Department of Transport and Infrastructure.

Recommendation 41

The Financial Supervision Commission and the Insurance and Pensions Authority should be amalgamated and renamed the Financial Services Commission. The new body should also take over the registration (from the General Registry) and the supervision (from the Attorney General) of charities.

Recommendation 42

In the longer term, consideration should be given to the Financial Services Commission taking over the responsibilities of the Gambling Control Commissioners.
Recommendation 43

The courts administration and the administration of legal aid and associated support services (parts of the General Registry) should become a new office called the Courts Administration Office and be responsible to the First Deemster and Clerk of the Rolls.

Recommendation 44

All Offices should be given legal personality for the purposes of contracting and legal proceedings.

Recommendation 45

Laxey Glen Mills should be sponsored by the Department of Countryside, Heritage and Leisure and its shares should be held by the Chief Officer of that Department and by the Chief Financial Officer.

Recommendation 46

Any future Government company should be sponsored by an appropriate designated Government Department and its shares should be held by the chief officer of that Department and the Chief Financial Officer.

Recommendation 47

Manx National Heritage should take over the functions of the Manx Heritage Foundation and the Gaelic Broadcasting Committee and should be sponsored by the Department of Countryside, Heritage and Leisure.

Recommendation 48

There should be a general review of the many minor committees and tribunals across Government to evaluate whether they all continue to have a valid purpose and are appropriately constituted.
PART ONE: DESCRIPTION OF THE PRESENT SYSTEM

1 The Historical Background

1.1 The Boards of Tynwald

1.1.1 Whilst Tynwald may be able to claim over 1000 years of unbroken history, the Isle of Man’s moves towards genuine home rule have been a relatively recent phenomenon beginning only in the nineteenth century.

1.1.2 Prior to 1866, whilst Tynwald and the House of Keys (in an unelected form) existed, the Government of the Isle of Man was essentially the Lieutenant-Governor, who was appointed by the Crown to administer its personal possession. Even after the reforms of 1866, when the House of Keys became popularly elected as a quid pro quo for Tynwald acquiring the right to retain certain limited tax revenues for the benefit of the Island and having some say in how the Governor performed his functions, the Governor was still unmistakeably “the Government”.

1.1.3 The process of evolution towards genuine home rule started in a hesitant way with certain executive functions being delegated to ‘Boards’ with individual legal personalities and comprising a number of members, including some drawn from the membership of Tynwald. The creation of Boards went hand in hand with changes in the fiscal relationship between the United Kingdom and the Isle of Man, such that the Island secured a source of tax revenue through the Common Purse Agreement which gave it a degree of financial as well as political independence.

1.1.4 As the process evolved, more and more executive functions were delegated to Boards, which became known as “Boards of Tynwald”, with functions as diverse as responsibility for Airports to Tourism through Highways, Harbours, Health, Education, Forestry and Social Security. Notwithstanding this development, the Governor retained responsibility for all areas not devolved to Boards. Like them, he was dependent on Tynwald for the financial resources he needed to carry out his duties, but most significantly, he retained control of the purse strings, acting as, in effect, Chancellor of the Exchequer until the creation of the Finance Board in 1961, but even then retaining a significant influence on the exercise of that Board’s very considerable powers. Incongruously the Finance Board was the only Board not to have its own legal personality – a weakness highlighted when disgruntled investors in the Savings and Investment Bank instigated legal proceedings against the individual members of the Board.

1.1.5 At the height of its development, the Board system drew on the talents of all members of Tynwald (indeed all were obliged by Standing Orders to serve on them), and a few non-Tynwald members, as each Board comprised at least three members, usually five, and in the case of Education, as many as twenty-nine. The majority of Members found themselves serving on at least two Boards, and the level of cooperation and coordination between the respective Boards was not always as great as might be imagined. Indeed there is at least one example of a Board indulging in litigation against another. Responsibilities were allocated by Tynwald acting on the nomination of a Selection Committee, an agency elected as first business after each General Election.

1.1.6 By 1986 there were 27 Boards of Tynwald.

1.2 Executive Council

1.2.1 In 1946 there was created an Executive Council which had the task of advising the Governor. This was the function exercised by the House of Keys in the earlier days. Moreover, it enabled the Governor to use the phrase “after consultation with Executive Council” which could justify any action in which democrats would argue that the people should have a say.

1.2.2 Gradually, however, Executive Council took on a life of its own. It assumed something of a leadership role within the Isle of Man Government, particularly after 1980 when the Governor
ceased to preside over its meetings. But, even in 1980, the Executive Council had its weaknesses. Council was directly elected from its Branches, five from the House of Keys and three from Legislative Council. It still had only an advisory status, the Chairman of Executive Council lacked authority and, because it only had 8 members, only a limited number of the Boards of Tynwald could be represented on it. Moreover, in practical terms, the Finance Board with its control of the purse strings was clearly a more powerful entity.

1.3 The Change to a Ministerial System

1.3.1 Because of frustration at the slow decision making characteristic of the Board system, and because of the perceived need for a more decisive, efficient and effective form of Government to meet the needs of the modern-day world, pressure grew over the early years of the 1980s for the introduction of a Ministerial system. This was reinforced by other pressures for the reform of Government and by the influence of new residents, both those who had come to work and those who had come to retire, who brought experience and expectations of Government from elsewhere.

1.3.2 It was at times a hesitant process, with Tynwald often baulking at proposals for reform which it considered to be overhasty or too radical. But, with the encouragement of the UK Government through the Governor, a series of changes were eventually made which were to fundamentally alter the political landscape.

1.3.3 Executive Council, the Select Committee on Constitutional Issues and the Select Committee on the Responsibilities of Boards of Tynwald were the principal instruments promoting change in Tynwald and the process climaxed in the period 1985-87. During this time, on the strength of a series of inter-related reports to Tynwald, there were established the 9 Departments of Government, initially all technically Boards of Tynwald. The Executive Council was reconstituted to include the chairs of those 9 Departments. Subsequently, through the Government Departments Act 1987 the transfer to the full Ministerial system was made with a Chief Minister and 9 Ministers each leading one of 9 Departments. The remaining Boards of Tynwald and some other bodies which had not been rationalised into the new Departments retained their separate existence as Statutory Boards under the Statutory Boards Act 1987.

1.4 Party Government

1.4.1 In the view of some, the logical conclusion of the move to Ministerial Government would have been the evolution of a more readily recognised Government/Opposition confrontational form of Government replacing the consensus form to which the Island had been accustomed. Traditionally there were few caucuses, Members voted according to their individual consciences (and to their Board loyalties) rather than under any party or philosophical ‘whip’.

1.4.2 Despite the efforts of some to bring this about, it has not yet happened, and this leaves a Ministerial form of Government, with the decision making process in the hands of individual Tynwald members, and with few of the features of a party political system such as identified leaders, pre-election agendas, and elections based on policy rather than personality.

1.5 The Main Elements of Ministerial Government in 1987

1.5.1 The basic elements of the structure created by the changes in 1985-87 were -

- An Executive Council comprising the Chief Minister and 9 Ministers;
- Nine Departments each headed by a Minister:
  - The Treasury;
  - The Department of Health and Social Security;
  - The Department of Agriculture, Fisheries and Forestry;
  - The Department of Home Affairs;
The Department of Industry;
The Department of Tourism and Transport;
The Department of Local Government and the Environment;
The Department of Highways, Ports and Properties;
The Department of Education;

Seven Statutory Boards:
The Board of Consumer Affairs;
The Financial Supervision Commission;
The Insurance Authority;
The Isle of Man Post Office;
The Isle of Man Water Authority;
The Manx Electricity Authority;
The Telecommunications Commission.

1.6 Subsequent Changes

1.6.1 Between the introduction of Ministerial Government in 1985-87 and our Review in 2005/06 there have been a number of changes made to the structure and to how Government functions. The principal changes need to be noted and are listed in the paragraphs below.

Changes to the New Structure

1.6.2 The principle changes have been:-

- Executive Council has become the Council of Ministers;
- The Department of Industry has become the Department of Trade and Industry;
- The Department of Tourism and Transport has become the Department of Tourism and Leisure;
- The Department of Highways, Ports and Properties has become the Department of Transport;
- The Board of Consumer Affairs has become the Office of Fair Trading;
- The Insurance Authority has become the Insurance and Pensions Authority;
- The Telecommunications Commission has become the Communications Commission;
- Gaming Control Commissioners has become the Gambling Control Commission.

The Civil Service

1.6.3 Following immediately in the wake of the introduction of Ministerial Government, the Civil Service Commission commissioned a report from the Staff Inspection and Evaluation Division of the United Kingdom Treasury into the implications of the changes arising from Ministerial Government for the senior civil service. The result was what became known as the Poole Report. The adoption, in 1988/89 of the recommendations made by Poole led to the establishment of the Chief Secretary post, the formation of the Chief Secretary's Office and a new role and job description for the chief executive officers of the new Departments.

The Policy and Budget Process

1.6.4 In 1987 the new Ministerial Government produced its first overall statement of policies. This statement was called "The Development of a Prosperous and Caring Society". Subsequently, with effect from 1988, an annual policy and budget cycle was introduced which saw the Council of
Ministers produce to the October Tynwald each year a Policy Document. This was, in part, an annual statement or restatement of policies and report of what had happened and been achieved in the previous year; but, most particularly, a statement of plans and programmes for the future, including estimates of costs and staffing implications. This document was used by Government following the October Tynwald debate as a lead-in to the Budget in the following spring. Once the Budget was dealt with, the cycle of preparing the Policy Document for the following October would begin again.

1.6.5 Changes were made progressively over succeeding years and, in particular, the annual Policy Document grew in size and detail but became increasingly formalised and stereotyped. Between 2003 and 2005 changes were made progressively and, whilst the concept of an annual Policy and Budget cycle was retained, formal business planning was introduced and the cycle was refined to include the publication of plans, initially called business plans, and the presentation of an annual report to Tynwald.

*Making Ministerial Government Work*

1.6.6 There were a number of developments in procedures and in rules and guidance issued, in the light of experience or in response to particular difficulties which were aimed at improving the functioning of Ministerial Government or which sought to clarify the roles or behaviour of those involved.

1.6.7 For example, it became the established practice that all government business for Tynwald would be submitted by Departments to the Council of Ministers, rather than direct to the Clerk of Tynwald’s Office. This allowed the Council to consider all such business and submit all the agreed items as a single package to the Clerk of Tynwald for inclusion on the Tynwald Order Paper. Rules and timetables for the submission of business to the Council of Ministers and the form of those submissions were laid down, and guidance to Ministers was agreed and issued on:-

- The work and procedures of the Council of Ministers;
- Collective Responsibility;
- The Receipt of Gifts and Hospitality;
- Private Interests.

1.6.8 In addition, written Guidance was issued on the Duties and Responsibilities of Ministers and Civil Servants and on Members of Departments and the delegation of functions.

1.6.9 More recently these guidance notes have been brought together and extended as the Government Code, under the umbrella of the Corporate Governance Principles and Code of Conduct.

*Size of Government*

1.6.10 Perhaps the most striking feature from the period 1986/87 to 2005/06 has been the increase in the size of Government. This is not, in itself, a consequence of Ministerial Government, but a reflection of the increased revenue available to Government and the use of that increased revenue for spending on public services.

1.6.11 In 1986/87 Government expenditure was about £95 million and the number of staff employed was about 6,000. By 2005/06, this had risen to an expenditure of £483 million and personnel numbering 7,924. Some of this growth is due to increased population (an increase of about 20% between 1986 and 2005), and some to the Government taking over services from local government. Inflation has, of course, been a major factor, but, in real terms, expenditure had risen by nearly 150%, reflecting both an increase in services and greater costs of services as well as these other factors.
2 The Present Structure of Government

2.1 Introduction

2.1.1 Although modestly sized in international terms, with a workforce of approximately 7,900 and annual gross expenditure of £774 million, the Isle of Man Government is, relative to the size of the area and population that it serves, a large and very diverse organisation. It provides for the people of the Island the full range of public services expected of a modern western European democracy, excluding only those services which are provided by the United Kingdom Government (and contracted services from United Kingdom public authorities) and those provided by insular local authorities.

2.1.2 In this chapter we seek to describe the scope and structure of the Isle of Man Government as we have found it in 2006/07.

2.2 United Kingdom Services

2.2.1 The Island is an internally self-governing dependency of the Crown, with a high degree of autonomy. The normal understanding of the constitutional relationship is that the Crown is responsible for the Island’s defence and external relations, and that it retains the ultimate responsibility for the overall good government of the Island.

2.2.2 The provision of defence is clear enough and defence is not an issue dealt with by the Isle of Man Government.

2.2.3 Under the heading of external relations the Crown (in practice, the United Kingdom Government) accepts responsibility internationally for the Island and represents the Island abroad. Manx citizens carry British passports and they can look to British embassies abroad for representation and assistance when required. By convention, the Isle of Man may be included with the United Kingdom in international agreements signed by the United Kingdom Government, but only after consultation and agreement with the Isle of Man Government. The Isle of Man also has a relationship with the European Union through Protocol 3 of the United Kingdom’s Treaty of Accession. This relationship is, in constitutional terms, a very limited one, but in practice there are wider areas of European Union activity which have implications for the Island and the Island needs to keep abreast of European Union developments.

2.2.4 The formal role of the United Kingdom Government in representing the Island abroad has, in practice, been refined in very recent years, giving the Island some scope to represent itself externally. For example, the Isle of Man is represented in its own right on the British-Irish Council set up as part of the Northern Ireland peace process: also, there have been a number of instances where the Island has represented itself internationally, usually before committees where Isle of Man issues have been specifically under consideration (United Nations, OECD, IMF, Financial Action Task Force) and the Island is now able, based on letters of entrustment from the United Kingdom Government, to enter into certain bilateral international agreements in relation to economic development and to taxation and exchange of information.

2.2.5 There is also the matter of the Island’s relations with the United Kingdom Government, which is, in practice, the Island’s principal area of external relations.

2.2.6 It follows from the foregoing that, although the Island’s external relations remain, in principle, a matter for the United Kingdom Government, there is a need, indeed an increasing need, for the Isle of Man Government to maintain a facility for dealing with external relations, including relations with the United Kingdom Government itself.

2.2.7 The Isle of Man Government makes an annual financial contribution to the United Kingdom Exchequer for defence and other services that it receives. In 2005/06 this amounted to £2.36m.
2.2.8 The third component of the Crown’s residual responsibilities is the ultimate responsibility for the good government of the Island. Implications which flow from this are -

- Certain Island appointments are made by or on behalf of the Crown – the Lieutenant Governor, the Lord Bishop, the Deemsters and the Attorney General;
- The Royal Assent is required for all insular primary legislation;
- The United Kingdom parliament is able to legislate for the Island, but, by convention, only does so with the Island’s consent;
- The Crown claims a right of direct intervention in Island affairs, although this would only be exercised in “circumstances of a grave breakdown or failure in the administration of justice or civil order”.

2.2.9 The Crown’s responsibilities for the Island’s good government do not, therefore, impact greatly on the Isle of Man Government’s day to day activities nor on the size and structure of the Island’s Government. Only the issue of external relations creates a significant workload for the Isle of Man Government.

2.2.10 Under this section, it is also worth noting that there are a number of very important components of the Island’s public services, particularly in the fields of education and health, which are United Kingdom-provided, but not as part of the constitutional relationship. A broad range of choice of higher educational establishments and various highly specialised and costly health facilities cannot realistically be provided on a small island. This is also true of some very specialised social service placements for children, special educational facilities and accommodation for certain categories of prisoner. They are provided, in the United Kingdom, on a contract basis, negotiated by the Isle of Man Government. The costs arising for these services form part of the Isle of Man Government’s budget, but the services themselves do not form a part of the Government’s establishment.

2.3 Insular Local Government Services

2.3.1 The Island has 24 local authorities (plus 14 combination authorities), all of which are small and some of which are very small. Their ability to provide public services is consequently limited. Depending on their size and resources, they may deal with -

- Commentary upon town and country planning issues affecting their districts;
- Refuse collection;
- Maintenance of street lighting;
- Public conveniences;
- Car parking;
- Libraries;
- Street cleaning;
- Maintenance of foul drainage sewers (funded by Government);
- Provision and maintenance of public sector housing (funded by Government);
- Building control;
- Environmental health (professionally staffed by Government);
- Provision and maintenance of amenities such as parks, gardens etc.

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1 House of Lords Hansard: 3 May 2000, Column WA180. Lord Bach in response to question from Baroness Strange to Her Majesty's Government stated: “The Crown is ultimately responsible for the good government of the Crown Dependencies. This means that, in the circumstances of a grave breakdown or failure in the administration of justice or civil order, the residual prerogative power of the Crown could be used to intervene in the internal affairs of the Channel Islands and the Isle of Man. It is unhelpful to the relationship between Her Majesty's Government and the Islands to speculate about the hypothetical and highly unlikely circumstances in which such intervention might take place.”
2.3.2 In the case of those of the above services which are essential, such as foul drainage, public sector housing, building control and environmental health, where these services are not provided in the district by the local authority, they are provided by the Isle of Man Government.

2.4 The Scope of the Isle of Man Government

2.4.1 Between the high level services of defence and external relations provided by the United Kingdom Government and the very local services provided by local authorities lies the wide range of public services made available to the Manx public for which the Isle of Man Government is responsible. Across this broad field of services, the Isle of Man Government is responsible for determining policy and devising relevant implementation strategies. It then has the responsibility for delivering the services physically to the individual users. It is also generally responsible for regulating or policing the services provided.

2.4.2 If we compare this to the United Kingdom we see there a position where, in many cases, the policy may be determined by central government but implementation is delegated to local or other authorities. We see also that the Isle of Man Government deals both in terms of policy and delivery and regulation with matters which in the United Kingdom may be the province of Central Government, Health Authorities, Education Authorities, Public Utilities, Private but Statutorily Regulated Companies, County Councils and other smaller Local Authorities. Given the range of its activities, not only in terms of policy formulation, but also in terms of service delivery and regulation, it is possible to argue that the Isle of Man Government is both more diverse and relatively larger than the United Kingdom Government.

2.4.3 It should also be noted that it is the norm that Isle of Man Government services are delivered by directly employed staff. Our report notes above that there are services, particularly in the areas of education and health, which, of necessity, are contracted from the United Kingdom. There is also some element of local contracting out of services in the areas of health (e.g. general practitioners, dentists and pharmacists), social and welfare services, information technology, construction and groundworks and in facilities management, such as cleaning and property maintenance. But these are exceptions. In the main, the Isle of Man Government services are delivered by Government-employed workers.

2.5 The Structure of the Isle of Man Government

2.5.1 The IOM Government Executive comprises the Lieutenant Governor, the Chief Minister and the Council of Ministers, the 9 Departments, the 7 Statutory Boards, 6 Offices and a sizeable number of other bodies, mainly small committees and tribunals.

2.5.2 As a Crown Appointment, the Governor may be seen as separate from the rest of the structure.

2.5.3 Central political leadership of the Insular Government as a whole is provided by the Chief Minister and the Council of Ministers. The 9 Departments, whose Ministers comprise that Council, represent a distinct upper tier in the administration and account for the great bulk of Government’s personnel, 86%, and Budget, 94%. They are the principal agencies through which the Island’s public services are delivered. The 7 Statutory Boards form a lower tier in the Government organisation. They are related to Council of Ministers through one of the Departments. The basic structure showing the Departments and the Statutory Boards is illustrated in the organisation chart on the next page.
2.5.4 There are six Offices and a number of other bodies, committees and tribunals which stand outside this basic structure and many of which are listed at paragraph 2.14. The subsequent paragraphs provide an overview of the component parts of the total structure.

2.6 The Lieutenant Governor

2.6.1 The Lieutenant Governor’s executive functions have been greatly reduced in recent years, as more and more responsibility has been transferred to individuals and bodies appointed directly or indirectly by Tynwald. He, nevertheless, continues to have a number of executive responsibilities under the Royal Prerogative or under UK statutes which have been extended to the Island. He also exercises some residual functions under Manx law, sometimes acting jointly with the Council of Ministers.

2.6.2 The Governor’s principal remaining executive functions are:

- Matters not covered by Insular Legislation - Passports, nationality and immigration, prerogatives of the Crown, Royal visits, Anglican Crown patronage, and other church matters and appointment of Captains of the Parish;
- Matters governed by Insular Legislation - various matters remain with the Governor. These can broadly be described as being matters for the Crown or the Royal Prerogative, functions relating to emergency powers and various appointments, usually of a judicial or quasi-judicial nature or concerned with arbitrations or disputes.

2.7 The Chief Minister

2.7.1 The Chief Minister is appointed from amongst the Members of Tynwald by the Governor. He is nominated by Tynwald, following an election in the Court, within one month of a House of Keys General Election and, unless he dies, resigns or is made the subject of a vote of no confidence by Tynwald, serves until the next House of Keys General Election. This provision is the foundation stone for the whole structure of the rest of the Government.

2.7.2 The Chief Minister’s principal statutory power lies in his ability to nominate, from within the membership of Tynwald, not more than 9 persons to be appointed as Ministers by the Governor and to allocate ministerial portfolios to those so appointed. He has an equivalent power to recommend to the Governor the dismissal of a Minister.
2.7.3 He is statutorily a member of the Council of Ministers and chairs meetings of the Council. His other statutory powers include, importantly, an ability to require Departments and Statutory Boards to provide him with information and to allow a person appointed by him access to departmental or board records and accounts etc. He also has statutory responsibility for authorising official interceptions of communications and for a small number of other matters, including certain appointments.

2.7.4 Although the Chief Minister’s statutory powers are limited, his position within Government, particularly in relation to work on the Government Plan, the Budget and policy making generally is pivotal. He leads the Government in Tynwald and represents the Isle of Man Government externally and within the Island community.

2.8 The Council of Ministers

2.8.1 The Council of Ministers comprises the Chief Minister and the Ministers of the nine Departments. Ordinarily the Council is supported at its meetings by the Attorney General, the Chief Secretary, the Chief Financial Officer and the Press Officer. Members of Departments, representatives of Statutory Boards and specific officers may also attend meetings, by invitation, depending on the business on the agenda.

2.8.2 The Council meets routinely most weeks in the year but occasionally there are additional meetings at other times to deal with matters of particular urgency or importance. The proceedings of the Council are statutorily confidential. In respect of day to day administration the Council of Ministers is supported primarily by the Chief Secretary’s Office, with support from the Attorney General’s Office for legal advice, the Personnel Office in terms of personnel policy and the Treasury on financial matters.

2.8.3 Whilst there are some legitimate comparisons that can be made, the Council of Ministers is not a full parallel to the United Kingdom Cabinet. The Cabinet has no legal personality and it conducts much of its day to day business through Cabinet Committees. The United Kingdom Government is also less involved in the direct delivery of services to the public.

2.8.4 Nor can the Council of Ministers be seen as the equivalent of the central Policy and Resources Committee of a United Kingdom local authority. The local authority does not have the autonomy and law-proposing functions of the Council of Ministers. It has a relatively limited range of functions and is a single statutory authority with powers delegated to individual committees. (In the Isle of Man each Department is a separate statutory entity with its own powers and responsibilities).

2.8.5 The Council of Ministers is an institution quite unlike any other, exercising both statutory and non-statutory functions. Its work may be described under the following headings:-

- Determining Policy and Priorities;
- External Relations;
- Informal Issues and Council Committees;
- Other functions.

**Determining Policy and Priorities**

2.8.6 Determining policy and priorities is the Council’s most important function and it is the largest component in the Council’s work. There is an evolving annual cycle which is followed and which begins with determining planning assumptions for the future and ends with a report to Tynwald on how it has performed.
2.8.7 Council annually agrees a set of central planning assumptions, projecting three years ahead regarding the Island’s national income and population and Government’s finances and personnel. These assumptions are circulated and used to assist Departments to plan their activities in a consistent and coordinated way and to assist Council itself in assessing Departmental proposals against needs and resources.

2.8.8 Each year a three year legislative programme is agreed by Council. This sets out the primary legislation which the Council proposes to introduce and reflects the relative urgency attached to each proposed bill. This is incorporated into the annual Government Plan.

2.8.9 The annual Budget proposes the funding and staffing necessary to carry the Government Plans into effect. It is prepared by the Treasury in accordance with its statutory obligations, but, before being submitted to Tynwald in February for the next financial year April to March, it requires Council’s approval and Council will have had a significant input throughout the budgetary process.

2.8.10 The Isle of Man Government Plan is prepared by Council and is published in March each year. It is published in tandem with related plans for all the Departments and Statutory Boards. These plans set out Government’s main aims and objectives, the actions planned to deliver those aims and objectives and the measures by which delivery and performance will ultimately be measured. These plans reflect the funding provided in the Budget which was submitted to Tynwald in the previous month.

2.8.11 Quarterly Reports and Performance Monitoring - during the course of the year, there are two sets of quarterly reports provided through which the Council receives information on (1) Government’s programmes and resources, and on (2) the economy.

2.8.12 Each October Council prepares and presents to Tynwald its Annual Report. It includes reports by Departments on progress made in the preceding year towards the achievement of Government’s aims. Starting with the 2005 issue, the report also identifies priorities for the coming financial year. This information is debated at the October Tynwald and is used as the basis for the Budget the following February, and the Government Plans published the following March.

2.8.13 In addition to the annual policy cycle described above, there is a steady flow of individual policy matters with which the Council is required to deal. These may be particular capital projects or they may be schemes to be funded from revenue or changes in policy where they are especially significant or controversial or where they establish a new principle and the Department wishes to secure Council backing before placing the matter before Tynwald. Individual items of Government primary legislation statutorily require Council approval before submission to the Legislature. Also, the Council has assumed responsibility for determining general personnel management policies applicable across the whole of Government: in this work Council is advised by the Personnel Office.

2.8.14 Council gives a collective consideration to the Government business which is intended for submission for inclusion on the Tynwald Order Paper and, subsequently, considers all Tynwald, House of Keys and Legislative Council Order Papers/Agendas, concentrating particularly on the business submitted other than by Government itself, in order to determine a corporate stance.

**External Relations**

2.8.15 As indicated above, the United Kingdom is the Island’s principal neighbour and is constitutionally responsible for the Island’s international relations. The Island’s external relations, including European Union matters, are, therefore, conducted formally with and through the United Kingdom Government, and dealing with these matters is, collectively, a responsibility of the Council of Ministers. The Council, with Tynwald approval on issues of significance, acts on behalf of the Island. Thus European Union matters, issues relating to treaties and conventions and questions between the Island and the United Kingdom Government come before the Council of Ministers for
consideration in the first instance. As noted earlier in this chapter, external relations is a growing area of work.

**Council Committees**

2.8.16 Issues which affect more than one Department and inter-Departmental differences are normally resolved by ad hoc inter-Departmental discussions or through the medium of a Council Committee (either a Standing Committee or an ad hoc Committee). Where agreement is not possible, Council may act as final arbiter.

2.8.17 Council is also used by Departments as a sounding board for testing proposals which, although clearly within the ambit of the Department concerned, may be controversial and on which the Department seeks a wider political view before a commitment is made.

2.8.18 In addition, Council provides a forum for the exchange or receipt of information. It offers an opportunity for Ministers to advise their colleagues on matters of interest from within their Departments and to receive background memoranda of various sorts which do not require a decision.

2.8.19 There are currently five Standing Committees of Council concerned with the Aims of Government. They are:-

- Constitutional and External Relations Committee;
- Economic Development Committee;
- Environment and Infrastructure Committee;
- Governance Committee;
- Social Policy Committee.

2.8.20 These Committees have wholly Tynwald membership, with varying components of Ministers and non-Ministers, supported by designated specialist officers. They are principally concerned with securing coordination across Government on the headings under which they operate. This may involve the Committees in reviewing Government’s aims under the relevant headings. But they may also be asked by the Council of Ministers to look at and report on specific issues within their general remit. Such reports may subsequently be published and form the basis of new or amended policies.

2.8.21 A further Standing Committee is the Overseas Aid Committee which stands apart from the others in that it has no ministerial membership. It includes three Tynwald members and one non-Tynwald member and is concerned with the allocation and distribution of those funds voted for the purposes of overseas aid.

**Other Functions**

2.8.22 The Council of Ministers Act 1990 is silent on the functions of the Council save for Sections 6(5) and 8(1) which provide respectively:-

- “6(5) The Council of Ministers shall consider any papers submitted to it by the Governor.”
- “8(1) Where by any statutory provision or resolution it is provided that a member of any body (other than a committee of Tynwald) shall be elected by Tynwald, the provision or resolution shall have effect as if it provided that the member shall be appointed by the Council of Ministers subject to the approval of Tynwald.”

2.8.23 Apart from the foregoing, the statutory functions of the Council of Ministers are limited. In the main, they are items that arise infrequently and were formerly matters for the Governor. These
have been transferred to the Council as part of the review of the Governor's functions and are generally functions for which no other more suitable authority has been identified.

2.8.24 A very important statutory power, which the Council has, is the ability to issue directions to Departments and Statutory Boards in relation to any matter which appears to the Council to affect the public interest. It is this power, ultimately, which gives the Council of Ministers its statutory muscle. But, in practice, this power is held in reserve and has been little used, as the Council has normally been able to persuade a Department or Board to follow its wishes without recourse to a formal direction.

**Governor in Council Functions**

2.8.25 "The Governor in Council" means the Governor acting on the advice and with the concurrence of the Council of Ministers. It represents a form of joint decision making, although the parties do not sit together to make the decision. Usually this device is used in certain residual matters where it has been considered inappropriate for the Council of Ministers to make the decision on its own. Some examples of residual Governor in Council functions are:

- recommending certain appointments;
- transferring functions between Departments, establishing new Departments, dissolving existing Departments and changing the name of a Department (all requiring Tynwald approval);
- appointing Members of Departments;
- certain emergency powers;
- various powers under intellectual property legislation;
- deciding on planning applications where the Planning Committee of the Department of Local Government and the Environment does not consider the matter because the Department itself is involved or where the issues have warranted a Special Inquiry.

2.8.26 In exercising his statutory functions or other functions exercised by custom or tradition or by virtue of the Royal Instructions given to him at the time of his appointment, the Governor may seek the advice of the Council if he so wishes.

2.9 The Departments

2.9.1 There are nine Departments, each of which is a separate legal entity with its own functions, powers and responsibilities set out in a number of Acts of Tynwald of specific relevance to its work. All are also governed by the Government Departments Act 1987 which sets out general provisions applicable to all.

2.9.2 Each Department has a Minister (selected by the Chief Minister) in whom all the Department’s powers and functions are vested and a Chief Executive, who is responsible to the Minister for the functioning of the Department and is also the Accounting Officer. Each Department also has a number of Members who assist the Minister. These Departmental Members must be Members of Tynwald and they are appointed to their Departments by the Governor in Council. In practice, Departments will have from one to three members in addition to the Minister. The Minister is able to delegate, and frequently will delegate particular responsibilities to the Departmental Members. Each Department is represented on the Council of Ministers by its Minister.

2.9.3 The relative size of each of the Departments may be gauged from the following table. This shows, for each Department, its estimated gross expenditure and staffing numbers for 2006/07 and the percentages that these figures represent of the totals available to all the Departments.
<table>
<thead>
<tr>
<th>Department</th>
<th>Gross Expenditure (£ million)</th>
<th>Staff* (FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture Fisheries and Forestry</td>
<td>17.1</td>
<td>132.3</td>
</tr>
<tr>
<td>Education</td>
<td>95.0</td>
<td>1,661.0</td>
</tr>
<tr>
<td>Health and Social Security</td>
<td>373.8</td>
<td>2,634.5</td>
</tr>
<tr>
<td>Home Affairs</td>
<td>36.5</td>
<td>576.0</td>
</tr>
<tr>
<td>Local Government and the Environment</td>
<td>40.7</td>
<td>171.0</td>
</tr>
<tr>
<td>Tourism and Leisure</td>
<td>29.8</td>
<td>346.3</td>
</tr>
<tr>
<td>Trade and Industry</td>
<td>13.7</td>
<td>90.0</td>
</tr>
<tr>
<td>Transport</td>
<td>61.3</td>
<td>729.0</td>
</tr>
<tr>
<td>Treasury</td>
<td>33.8</td>
<td>340.8</td>
</tr>
<tr>
<td>Other Revenue Funded Bodies</td>
<td>67.0</td>
<td>381</td>
</tr>
<tr>
<td>TOTAL</td>
<td>768.7</td>
<td>7061.9</td>
</tr>
</tbody>
</table>

N.B. *Staff subject to Personnel Control Mechanism

2.10 The Functions of the Departments

The principal functions of the nine Departments are listed below:

2.10.1 Agriculture, Fisheries and Forestry:
- Agricultural Support and Advice;
- Animal Health;
- Sea and Freshwater Fisheries Support and Management;
- Amenity and Commercial Forestry;
- Plant Health;
- Management of National Glens and Hill Land;
- Wildlife and Conservation.

2.10.2 Education:
- Primary, Secondary and Further Education;
- Youth and Community Service.

2.10.3 Health and Social Security:
- Health – Hospital and Specialist Services, Family Practitioner Services and Community Health Services;
- Social Services – Services for Children, Services for Older People and those with mental health problems and Services for those with a disability (including the operation of Residential Homes for the Elderly);
- Social Security – Provision of contributory and non-contributory benefits.

2.10.4 Home Affairs:
- Police;
- Fire and Rescue Service;
- Prison;
- Probation;
- Civil Defence;
- Contingency Planning.
2.10.5 Local Government and the Environment:
- Housing;
- Waste Management;
- Property Management;
- Town and Country Planning and Building Conservation;
- Mapping;
- Building Control;
- Environmental Protection including Food Standards and Pest Control;
- Health and Safety;
- Scientific Services;
- Government Estates and Land Bank;
- Supervision of Local Government.

2.10.6 Tourism and Leisure:
- Tourism;
- Leisure including the Arts Council and the Sports Council;
- Public Transport.

2.10.7 Trade and Industry:
- Economic Development;
- Mineral Resources;
- Marine Administration;
- Training Centre;
- Job Centre;
- Work Permits.

2.10.8 Transport:
- Highways and Traffic;
- Harbours and Foreshores;
- Airports;
- Sewage Treatment and Disposal;
- Animal Waste.

2.10.9 Treasury:
- Supervision of Government’s Financial Affairs including Investments and Currency;
- Economic Advice and Statistical Analysis;
- Economic Development in Financial Services Sector and E-Business;
- Income Tax;
- Customs and Excise;
- Information Technology;
- Internal Audit.

2.11 The Statutory Boards

2.11.1 There are seven Statutory Boards each of which, as in the case of the Departments, is a separate legal entity with its own functions, powers and responsibilities set out in a number of Acts of Tynwald of specific relevance to its work. All are also governed by the Statutory Boards Act of 1987, which sets out general provisions applicable to all.
2.11.2 But, unlike a Department, a Statutory Board is a Committee and does not have a Minister. It does not have a seat in the Council of Ministers but reports to the Council through one of the Departments. The Financial Supervision Commission and the Insurance and Pensions Authority report through the Treasury; the Communications Commission reports through Home Affairs; the remaining four report through Trade and Industry. This reporting arrangement is administrative rather than statutory, as only in the case of the Manx Electricity Authority is the reporting line statutorily prescribed.

2.11.3 Each of the Statutory Boards has its own constitution which as a matter of policy provides for a mix of Tynwald and non-Tynwald Board Members:

<table>
<thead>
<tr>
<th>Statutory Board</th>
<th>Tynwald Members</th>
<th>Non-Tynwald Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Fair Trading</td>
<td>Chairman + 2 Members</td>
<td>2 Members</td>
</tr>
<tr>
<td>Financial Supervision Commission</td>
<td>Not less than 3 Members*</td>
<td></td>
</tr>
<tr>
<td>Insurance and Pensions Authority</td>
<td>Not less than 3 Members*</td>
<td></td>
</tr>
<tr>
<td>IOM Post Office</td>
<td>4 Members*</td>
<td></td>
</tr>
<tr>
<td>IOM Water Authority</td>
<td>5 Members*</td>
<td></td>
</tr>
<tr>
<td>Manx Electricity Authority</td>
<td>5 to 7 Members*</td>
<td></td>
</tr>
<tr>
<td>Communications Commission</td>
<td>Chairman (Minister of DHA)</td>
<td>3 to 5 Members*</td>
</tr>
</tbody>
</table>

* May include Tynwald Members

2.11.4 Currently, all the Statutory Boards, with the exception of the Financial Supervision Commission are chaired by Tynwald Members. The Boards are appointed by the Council of Ministers, subject to Tynwald approval.

2.11.5 In three cases, IOM Post Office, IOM Water Authority and Manx Electricity Authority, the Statutory Boards are public utilities and are normally self-financing. Except where Government, for specific reasons, provides finance, the Water Authority raises all its funds through water rates; the Post Office and Electricity Authority raise theirs through sales. The remaining four Statutory Boards are all regulators funded either from fees from those being regulated or from Government’s General Revenue.

2.11.6 The estimated gross expenditures and staff numbers for 2006/07 of the Statutory Boards are shown in the following table –

<table>
<thead>
<tr>
<th>Statutory Board</th>
<th>Gross Expenditure (£ million)</th>
<th>Staff (FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Fair Trading</td>
<td>0.8</td>
<td>17.5</td>
</tr>
<tr>
<td>Financial Supervision Commission</td>
<td>4.1</td>
<td>63.5</td>
</tr>
<tr>
<td>Insurance and Pensions Authority</td>
<td>1.4</td>
<td>12.0</td>
</tr>
<tr>
<td>Post Office</td>
<td>19.6</td>
<td>318.6*</td>
</tr>
<tr>
<td>Water Authority</td>
<td>11.0</td>
<td>128.0*</td>
</tr>
<tr>
<td>Manx Electricity Authority</td>
<td>74.5</td>
<td>279.5*</td>
</tr>
<tr>
<td>Communications Commission</td>
<td>0.2</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>111.6</strong></td>
<td><strong>821.8</strong></td>
</tr>
</tbody>
</table>

N.B. *These posts are excluded from the Personnel Control Mechanism
2.12 The Functions of the Statutory Boards

2.12.1 The principal functions of the Statutory Boards are listed below.

2.12.2 Office of Fair Trading:
- Trading Standards;
- Consumer Advice.

2.12.3 Financial Supervision Commission:
- Regulation of Banks, Building Societies, Investment Business, Collective Investment Schemes and Fiduciary Service providers;
- Companies Registry.

2.12.4 Insurance and Pensions Authority:
- Regulation of Insurance Companies and Pension Business.

2.12.5 Post Office:
- Postal Services;
- Philatelic Bureau.

2.12.6 Water Authority:
- Water Supply.

2.12.7 Electricity Authority:
- Electricity Supply;
- Wholesale Natural Gas Supply.

2.12.8 Communications Commission:
- Regulation of Telecommunications;
- Regulation of Broadcasting.

2.13 The Offices

2.13.1 There are six offices, which do not fall under the control of any Department or Board and which do not have a formally nominated day to day political control. They are each led by a senior officer and each has important functions to perform. They each require inclusion in this chapter.

The Chief Secretary's Office

2.13.2 The principal responsibilities of the Chief Secretary's Office relate to the advising and servicing of the Council of Ministers and its Committees, providing a private office function for the Chief Minister, administering the annual policy cycle and dealing administratively with external relations matters. It also has a responsibility for Government House administration and to the Governor for dealing with his residual executive functions, including passports, immigration and nationality matters. The Office has an annual budget of £2,269,000 and a staff of 38. In practice the Chief Minister is answerable in Tynwald for the work of the Office.

The Attorney General's Chambers

2.13.3 The Attorney General, who is a Crown appointment, is responsible for the provision of legal advice and legal services to Government, for the drafting of legislation and for the prosecution of criminal matters in the Island’s courts. The Chambers support the Attorney General in this work with an annual budget of £2,504,000 and a staff of 27. The Attorney General is himself answerable in Tynwald for the work of the Chambers.
2.13.4 The General Registry, headed by the Chief Registrar, is responsible to the Deemsters, specifically the First Deemster, for courts administration, legal aid, the Public Record Office and the General Registry (including the civil registries in Ramsey, Peel and Castletown). The General Registry has an annual budget of £2,499,000 and a staff of 77.

2.13.5 The Personnel Office is the principal source of personnel policy experience and expertise within Government. It therefore advises and supports the Council of Ministers in relation to its responsibilities for determining general personnel management policies applicable across the whole of Government. It also advises and supports the Civil Service Commission (see paragraph 2.14.4) in relation to its responsibilities for the Civil Service, and the Whitley Council in relation to determining the terms and conditions of employment for manual workers. The office is also available as a source of advice on personnel matters to managers across the public service. It has an annual budget of £1,672,000 and a staff of 26. The Chairman of the Civil Service Commission or the Chairman of the Official Side of Whitley Council (normally the same person) or the Chief Minister, depending on the issue, is answerable in Tynwald for the work of the Office.

2.13.6 The Data Protection Supervisor promotes the principles of data protection, registers data users and supervises the operation of the Island’s data protection legislation. The Office has a budget of £194,000 and a staff of 4. The Supervisor is appointed by the Governor in Council.

2.13.7 The Industrial Relations Officer enforces employment law and seeks to assist in resolving collective and individual industrial disputes. The Office has a budget of £156,000 and a staff of 2.7 Industrial Relations Officers are appointed by the Governor in Council.

2.14 Other Bodies

2.14.1 There are a number of other bodies, usually operating on a board or committee basis, which form a part of Government or the Public Sector but which are not formally constituted as Statutory Boards under the Statutory Boards Act 1987. They do not feature in the organisation chart at paragraph 2.5.3, but they need to be included in this chapter. Three are of particular significance.

2.14.2 Manx National Heritage (or the Manx Museum and National Trust) is the largest and most significant of these other bodies, with a Government-funded budget for 2006/07 of £5,256,000 and a staff of 97. It is statutorily a Trust with 23 members, appointed by various bodies, (3 of whom have to be Members of Tynwald), and, apart from its Government budget, it receives additional, private funding from bequests and donations. Although not a Department or Statutory Board, it reports directly to the Council of Ministers and is treated in the annual policy and budget process, for the most part, as though it were fully a part of Government. In addition, as with Statutory Boards, the Council of Ministers may, after consultation, give Manx National Heritage such directions as to the exercise of its functions in relation to any matter which appears to the Council of Ministers to affect the public interest. Manx National Heritage has responsibility for the various museums, ancient monuments and National Trust Properties and for the promotion of Manx heritage.

2.14.3 The Gambling Control Commission regulates the casino, licensed betting offices, on-line gambling, controlled machines for amusement and prizes and society lotteries. The Commission comprises 5 persons, including a legally qualified chairman, all of whom are appointed by the Council of
Ministers. The Commission is supported by a staff of four and had a surplus from licence fees of £221,000 in 2005/06.

Civil Service Commission

2.14.4 The Civil Service Commission comprises a Chairman, who is a member of Tynwald, a non-Tynwald member appointed by the Council of Ministers and the Chief Secretary (ex officio). It is responsible for determining the civil service establishment, for the appointment and dismissal of civil servants, for their terms and conditions of employment and for the employment policies which apply to the civil service. (See also Personnel Office above).

Others

2.14.5 There are a considerable number of other committees and tribunals which exist within the structure of Government. A number exist within the structure of individual Departments, but most have a separate existence, performing some advisory, supervisory or quasi-judicial function. The list of such bodies includes:

- Advisory Council on Planning and the Environment;
- Arts Council;
- Advocates Disciplinary Tribunal;
- Chronically Sick and Disabled Persons Committee;
- Copyright Tribunal;
- Gaelic Broadcasting Committee;
- Health Services Consultative Committee;
- Manx Heritage Foundation;
- Police Advisory Group;
- Police Consultative Forum;
- Road Transport Licensing Committee;
- Sports Council;
- War Pensions Committee;
- Whitley Council for the IOM Public Service (Manual Workers);
- Civil Service Appeals Tribunal;
- Criminal Injuries Compensation Tribunal;
- Interception of Communications Tribunal;
- Legal Aid Committee;
- Police Disciplinary Appeals tribunal;
- Estate Agents Tribunal.

2.15 Financing and Staffing

Financing

2.15.1 Most Boards and Departments have some direct sources of income. These include various hypothecated taxes, fees and charges and sales of goods and services. Some of these sources of income are substantial - e.g. electricity charges, postal charges and water rates for the Electricity Post Office and the Water Authority and national insurance contributions which are a receipt for the Department of Health and Social Security. These various sources of income amount to approximately 40% of Government’s gross revenues.
2.15.2 But most of Government’s revenue and, therefore, the funding of most services comes from general taxation, which has two components – direct taxation and indirect taxation:

- Direct taxation, i.e. taxes on income contributes £154 million;
- Indirect taxation, i.e. taxes on consumption and customs duties contributes £373 million.

2.15.3 The product of general taxation is allocated amongst the various agencies of Government annually through the Budget. The annual Budget is prepared by the Treasury in consultation with the Council of Ministers and approved by Tynwald.

**Staffing**

2.15.4 Overall staffing numbers are determined annually by the Council of Ministers (except for a small number of bodies which fall outside this staffing control, principally because they are self-financing or seasonal) and the costs of the approved staffing levels are built into the annual budget.

**The Civil Service**

2.15.5 Civil Servants are recruited and employed centrally by the Civil Service Commission and represent a corps of administrative, professional and technical staff who are appointed to specific posts within particular Departments, Boards or Offices, but who are able to transfer and work across most areas of Government (excluding several of the Statutory Boards – the Financial Supervision Commission, the Insurance and Pensions Authority, the Electricity Authority and the Post Office, where civil servants are not employed). Their terms and conditions of employment are determined centrally by the Civil Service Commission and the establishment of civil servants in each Government body, i.e. the number and grades of officers, is also determined by the Commission. The Civil Service currently constitutes 28% of the Government workforce (measured in FTE).

**Other Staff**

2.15.6 Other staff, including teachers, health workers, police, fire and rescue, manual workers etc. are recruited and employed directly by the Department or Board concerned. The Department or Board also determines the numbers of these staff (subject to the Council of Ministers control on total numbers) and the terms and conditions of all these staff, except for manual workers, whose terms and conditions are agreed centrally through a Whitley Council.

**Ongoing Work**

2.16.1 During the course of our review Government has been conducting work in a number of areas which affect its scope and structure, and which we have had to have regard when reaching our conclusions on proposals for change. This includes:-

- Review of the Isle of Man Post Office;
- Review of the need for an Energy Regulator;
- DHSS Funding Review;
- Review of the Gambling Control Commission;
- Review of the Personnel Control Mechanism;
- Review of the Functions of the Lieutenant Governor under Acts of Tynwald;
- Reform of Council Sub-Committees;
- Identification of key policy issues for the next administration.
PART 2 - THE REVIEW PROCESS, THE COLLECTION OF INFORMATION AND A SUMMARY OF COMMENTS RECEIVED

3 The Review Process

3.1 We considered, from the outset, that it would be essential to try and draw widely on the experience and opinions of others and to provide an opportunity for comment to all those wishing to do so. We have, therefore, sought to canvass views from as wide a field as possible, but particularly from those with direct experience of working within the Government structure. We developed a detailed written questionnaire which we circulated to ministers and former ministers and to senior civil servants past and present, who had had experience of the ministerial system. In addition, we used a more limited questionnaire for those from outside of Government - local authorities, private sector representative bodies and individual persons and companies. Most of those who returned questionnaires were specifically invited by us to submit views. We placed a number of general advertisements in the local press and established a dedicated website seeking views from the general public.

3.2 Many of those who returned questionnaires indicated a wish or willingness to amplify their comments in discussion with the Review Team and, over the period October 2005 to April 2006, we met with 14 ministers or former ministers, 15 Members of Tynwald, 30 present or former senior Government officers, 1 staff trade union and representatives of 16 private sector representative bodies and companies and other interested persons.

3.3 We are grateful to all those who returned questionnaires and to those who subsequently discussed their views with us. A great range of opinions on a wide range of topics were offered and it has been of great assistance to us in our work to draw on that material. We discuss the questionnaires and the follow-up discussions in Chapter 4.

3.4 Our starting point was the matters addressed in the questionnaires. They seemed, at the outset, to be the main things which we needed to research. However, as the review progressed, it became clear that there were a range of other issues, less concerned with the Scope and Structure of Government as such, but which were important to the functioning of Government.

3.5 We received a number of comments pertaining to Tynwald and its relationship with and scrutiny of Government. We were established by the Council of Ministers to report to Government on Government. It would be outwith our task to discuss ideas and offer suggestions about how Tynwald should conduct its business.

3.6 Many more comments were concerned with what might be described as the culture of Government and the political environment within which it works. These issues fall within our terms of reference to the extent that they influence Government's scope and structure and efficiency or, more particularly, to the extent that they might themselves be influenced by improvements to Government's scope and structure. The cultural and political environment is, arguably, as important to the quality of Government's performance as questions of pure structure. We report further on these issues in Chapter 5.

3.7 A further topic, human resources, was not specifically referred to in our terms of reference and was not directly addressed in the questionnaires, but it emerged as one of the main issues in our discussions with politicians and officers. It showed itself to be a wide-ranging and multi-facetted problem requiring urgent consideration. We set out the gist of the views we received and our thoughts on how Government might approach this problem in Chapter 12.

3.8 In addition to the questionnaires and the subsequent discussions, we commissioned three particular pieces of research, which were undertaken for us by three teams of volunteer senior Government officers. The abridged remits for these three research projects were:
• **Scope of Government Services**
  To consider areas of Government activity on the Isle of Man which appear to present a prima facie case for alternative service delivery and to make recommendations accordingly to the Review Team.

• **Statutory framework**
  To review aspects of the statutory framework within which the Isle of Man Government operates and to consider whether there are changes that might be made to improve that statutory framework.

• **Structure of Government**
  To review aspects of the structure of Government within which the Isle of Man Government operates and to consider whether there are changes that might be made to improve that structure.

3.9 Again, we are grateful to the senior officers who have helped us and we have drawn on their work in formulating our thoughts and arriving at our conclusions.

3.10 Representatives of the Review Team had an opportunity of discussing some issues with a ministerial delegation from the Channel Islands that was visiting the Island (Senators Laurie Morgan and Stuart Falla of Guernsey and Senators Phillip Ozouf and Mike Vibert of Jersey) and we are grateful to them for their insights into the systems operating in Jersey and Guernsey. We also met with Jeremy Harris, Policy Adviser, States of Jersey.

3.11 In addition, we held meetings with Nigel Gale, Director, National Audit Office, to whom we are grateful for his valuable insight into scrutiny mechanisms within the United Kingdom and with Kenneth Ball, from the Cabinet Office, who provided a wealth of information on UK governmental structures.

3.12 We have had access to a great many Government reports and documents and to documents produced by others which have been of relevance to our Review. These include:
  - The relevant insular statutes;
  - The Government Code;
  - Corporate Governance Principles and Code of Conduct;
  - Report on Reorganisation of the Department of Health and Social Security;
  - Report on the outcome of the Consultation on Waste Management Functions;
  - Council of Ministers Report on the Strategic Direction of the Isle of Man Post Office;
  - Report of the Tynwald Select Committee on Scrutiny and the Functions of the Standing Committee on Expenditure and Public Accounts;
  - Isle of Man Government Plan 2006-2009;
  - Isle of Man Budget 2006-2007;
  - Reports on the Machinery of Government in Jersey and Guernsey;

3.13 Much of this material has been useful to us in updating our understanding of what reorganisation issues have been looked at in the past and the way that Government operates and is evolving. More widely, it provided information on what has happened and is happening in relation to public services elsewhere in the world that is relevant.
3.14 In Chapter 6 we draw on some of this written material to try and place the Isle of Man Government’s experience in a wider international context.

3.15 The way Government functions is not static and our Review is being undertaken at a time of particular change: new Government Plans, a new structure of Council of Ministers Committees, evolving procedures to assist the Council of Ministers to give a clear lead on policy, performance management, a new Audit Act and so on. Our secretariat has been able to keep us briefed on these changes, so that in arriving at our conclusions and recommendations, we are, hopefully, as up to date as it is possible for us to be.

3.16 We were keen that those who submitted comments and ideas to us should do so freely and in as uninhibited a way as possible. We, therefore, assured everyone that what they told us would be treated in strict confidence. In accordance with that undertaking we have not attributed any specific comment to any individual, but have summarised the comments received or set them out in such a way that their originators are not identified.
4 The Questionnaires and Follow-Up Discussions

4.1 Introduction

4.1.1 In discussions with the many people who agreed to speak with us we looked, particularly, for views on the following matters –

- The important challenges likely to face the Island over the next 10 years;
- The scope of Government: should its activities be extended, be reduced or kept broadly the same;
- Whether there are current Government functions which might be delivered by alternative means;
  - Through the use of private or voluntary sectors;
  - Through an effective system of local government;
- Whether there are functions currently delivered by other sectors or local government which might be delivered by Government;
- The roles of the Chief Minister, the Council of Ministers and its committees;
- The Departments and their functions;
- The Statutory Boards and their functions;
- The Offices of Government and Other Bodies and their functions;
- The possibilities for changing the Departments and Statutory Boards and transferring functions between them;
- The relationship between the Council of Ministers and the Departments and Statutory Boards;
- The possibilities for the separation of policy making, service delivery and regulation;
- Improving the efficiency and effectiveness of Government;
- The use of Information Technology within Government.

4.1.2 In the following paragraphs we summarise briefly the views submitted to us on these matters. We include these comments for completeness; these are the views of contributors, not necessarily those of the Review Team.

4.2 Important Challenges over the Next 10 Years

4.2.1 There was a high degree of consistency in the views that we received on the likely external challenges to be faced by the Island over the next 10 years. Stimulated, no doubt by the succession of international initiatives aimed at improving the regulation of the international financial services industry and combating “harmful tax competition”, which have impacted on the Island in recent years, the prospect of further related moves was seen by most as an obvious potential challenge. There were a number of variations on this general theme, but they all resolved down to one outcome – that the Island’s economy suffers and this results in a significant fall in national income and in Government’s revenue and that the cycle of growth that the Island has enjoyed for the last 20 years is thrown into reverse. It is, therefore, that outcome rather than a spectrum of threats ranging from the realistic to the fanciful that needs to be considered.

4.2.2 The other main threat to the Island was seen to be the potential for a self-inflicted wound – more likely to be a long slow haemorrhage than a single fatal blow. It was postulated to us that the continuing expansion of Government services posed this threat. These services are, in the majority of cases, heavily labour-intensive. The demand for more services and more staff appeared insatiable and there was no willingness to contemplate compensating reductions in older
areas of service. A failure to determine a viable long-term future health care strategy or provide adequately for public sector pensions or, more generally, control the growth of public spending, it was argued, had the potential to undermine Government’s finances and cause the same consequence as a fall in revenue.

4.2.3 Other external challenges suggested related to a range of matters such as climate change and immigration.

4.3 The Scope of Government.

4.3.1 We were keen to establish a general impression of what was felt about the scope and size of Government. The responses we received varied between-

- Government is too large and diverse and should shed non-essential functions;
- Government is in danger of becoming too large and diverse;
- Government is about the right size/ has broadly the right responsibilities.

However, the overwhelming view was that Government is too large and diverse and should shed non-essential functions.

4.3.2 There was little in the comments we received to suggest an appetite for further Government growth with most suggesting either that Government needed to be reduced in size and scope or that its size, in terms of staff and expenditure, should be pared back through efficiency savings without impacting on front line services. Private sector contributors tended to be those most keen to see a curtailment in Government’s activities.

4.3.3 However, the responses to our enquiries about where cuts might be made tended to focus on services or items of expenditure of very small scale, usually where Government could be seen to be competing in a commercial environment – bars, catering, cinema, leisure - or on facilities management; or on privatisation options (see below).

4.3.4 Although they were expressing a minority view, some of the Members of Tynwald interviewed could envisage new areas of expansion of Government services in the event of a problem e.g. shipping services, gas supply or bread supply, or of direct Government employment of staff e.g. children’s social services.

4.3.5 There was general agreement on the need for Government to be able to exercise an effective control over those services which are of strategic importance to the Island and that need is a factor which influences the scope of Government. There was room for debate on what services might be regarded as essential and also on how that control might be exercised – direct ownership and direct employment of the staff involved was not the only option.

4.4 Alternative Means of Delivering Government Services

4.4.1 No one had a completely closed mind on this. Everyone was prepared to contemplate the possibility of some element of Government services being delivered in a different way. We identified a number of alternative models of private sector or commercial involvement:

- **Privatisation:** where Government transfers to private ownership, by sale or otherwise, the right and/or the assets used to provide a service, normally with an understanding or an agreement that the new owners will continue to provide the service under contract to, or on terms directly controlled by, and regulated by Government.

- **Corporatisation:** the establishment of an undertaking which is beneficially owned by Government, but which is incorporated under and is subject to the Companies Acts. The undertaking is expected to operate commercially, although some Government subvention to support non-viable activities may be involved and there may be particular restrictions placed upon
the company by Government. The assets of the undertaking are transferred into the ownership of the wholly owned company.

**Contracting out:** where a service or part of a service which is provided by Government is delivered under contract by a third party.

**Commercialisation:** where a Government entity, other than a company, sells goods or services to the public at a price which wholly or largely covers the costs of providing that service.

4.4.2 Various contributors had a different list of services which might be considered for operation in accordance with one or other of the above models. It would not be helpful to try and list all these many services here but this is an important issue and we will return to it in greater detail in Chapter 8.

4.4.3 For a few, it was a given that private sector operation would automatically be better (cheaper and more efficient) than public sector operation; for another few, at the other end of the spectrum, public ownership and operation was always to be preferred. But for most people the question of whether a service should be considered for some form of private sector or commercial involvement was not a doctrinaire matter. It was a practical issue to be resolved on the basis of what was the most efficient and cost effective option for that particular service.

4.4.4 Other points made which commanded a degree of common support were –

- A service cannot be privatised in the absence of effective competition, unless it is properly regulated;
- Regulation is not a soft option and it requires a different skill set from direct delivery of a service;
- The direct employment of the staff providing a service can reduce risks and the possibility of disputes;
- There is experience of regulation of private sector provision of public services e.g. shipping services, telecommunications;
- The Manx Electricity Authority experience will make political acceptance of privatisation more difficult.

4.4.5 Some with experience of working within the Statutory Board framework, argued that reconstituting the utilities (electricity, water and post) as Government-owned companies would be an improvement. It was suggested that this would give the right commercial focus, particularly in a competitive environment, would assist Board members by helping them understand their role and would assist those dealing with the utilities to understand the nature of the organisations.

4.4.6 The possibility of devolving Government functions to an effective system of local government is another alternative that we were keen to explore. With few dissenters, this was generally welcomed, in principle, as an option for the delivery of local services. But everyone recognised that such a move was predicated on a reform of local government sufficient to create a system that would be genuinely effective and there was little optimism that that would be achieved in the near future.

4.5 Additional Services Delivered by Government

4.5.1 The question of whether there were services provided by the private sector or local government which could, with advantage, be delivered by central Government did not produce a high level of interest, given that most respondents were of the mind that Government was either too big or big enough. But there were those who could see circumstances where Government would be compelled to intervene in an additional private sector area in the event of an acute problem – gas supplies and shipping services were identified. As regards taking over local government services,
some of those we spoke to argued in favour of Government assuming responsibility for public sector housing and/or for a centralised all-Island refuse collection service.

4.6 **The Roles of the Chief Minister and the Council of Ministers and its Committees**

4.6.1 This was a big area of discussion with our contributors. It would be true to say that there was very strong support for the concept of a strong central leadership for Government which adopted a business-like approach and concentrated on policy and strategy and long-term planning. Almost everyone saw the structure of a Chief Minister working with a Council of Ministers as being the best way of providing for that leadership.

4.6.2 There were concerns that that leadership was not being currently provided because neither the Chief Minister nor the Council of Ministers were sufficiently free of commitments and other work to devote sufficient time to the task and that the support available to them was insufficient. It was also suggested that the Council of Ministers was not able to devote sufficient priority to the tasks of developing the economy and dealing sufficiently with external relations.

4.6.3 The Chief Minister’s role was felt by some to be impossibly overburdened and various suggestions were offered with a view to easing the pressure. These included appointing a deputy, possibly a minister, who could provide assistance; creating a properly resourced department for the Chief Minister to head; and giving the Chief Minister additional statutory powers.

4.6.4 The Council of Ministers was portrayed to us as devoting insufficient time to high level policy and strategic planning, being dominated by a weekly agenda of parliamentary political matters and (often) routine or low level (and over-documented) business items. In terms of providing a political lead, the Government Plan was generally regarded as a sound foundation, or alternatively as a good beginning. But it was seen as needing to be developed and followed up. It is not an end in itself.

4.6.5 Suggestions for easing the pressure on the Council of Ministers included more statutory powers, shorter and more focussed agenda papers, training programmes for ministers, delegating business to committees of the Council of Ministers and allowing deputies to attend Council in the absence of a Minister.

4.6.6 It was questioned by many whether the central administration was geared up to provide the right sort of support for the Chief Minister and the Council of Ministers. Some suggested that the Chief Secretary and the Chief Secretary’s Office, too, were overburdened. A number of contributors suggesting dividing the Chief Secretary’s job into Head of Civil Service and Chief Operating Officer. Some suggested the need for a high level strategic policy unit or think tank (variously made up of senior politicians, senior specialist officers and/or private sector strategists). Others suggested reinforcing the External Relations Division or separating out External Relations into a separate office.

4.6.7 Another theme was what additional functions might properly sit within the centre of Government in the Chief Secretary’s Office (or the Chief Minister’s Department). Suggestions included – determination of the Budget, personnel, economics and statistics, the Attorney General’s Chambers and the General Registry. More radical was the suggestion, in the interests of bringing central policy and control of resources together, that the functions of the Chief Secretary’s Office, the Treasury and the Personnel Office be amalgamated into a single large central department.

4.6.8 We asked, as required by our remit, about the Council of Ministers Committees, but they have very recently been reformed and reconstituted (based on the 6 principal aims of Government) and no one felt able, so soon after the changes, to offer any constructive comment or verdict on those changes.

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4.6.9 Finally under this section we refer to the Chief Officers Group – an informal body comprising the chief officers of the Departments and the Personnel office under the chairmanship of the Chief Secretary. It is not a part of the constitutional structure of Government, but is obviously an important and influential forum, bringing together the Island’s most senior civil servants. We did not include anything in our questionnaire about the Group, which is informal, but a number of observations on the Group and its role were offered by those to whom we spoke. It was questioned what its role was and whether membership of the Group should be widened. Some suggested that it should provide more advice to the Council of Ministers and help to formulate policy without being responsible for determining it. Overall, those who spoke about the Group saw it as an underused resource.

4.7 The Departments and their Functions.

4.7.1 It was accepted by all that Government cannot be a single monolith but has to be sub-divided to allow it to be controlled and managed and there was very wide support for the Departments, as a structural concept, as the building blocks of the Government structure below the Council of Ministers.

4.7.2 No one argued for an increase in the number of Departments, except that some saw the possible Chief Minister’s Department as an addition. Some contributors argued for a “streamlining” (i.e. reduction) in the number of Departments. The motivation for this was often the pursuit of a reduction in the number of Ministers in order to reduce the size of the Government vote in Tynwald.

4.7.3 Other comments about Departments generally included the suggestions that the work of Departmental members is not sufficiently demanding and that Departments would benefit from the recruitment of U.K.-style policy advisers.

4.7.4 There were a lot of ideas about transfers of functions and improvements that might be made to individual Departments. We report further on these in section 4.10.

4.8 The Statutory Boards and their Functions

4.8.1 Any consideration of the Statutory Boards needs to recognise that they are not a homogeneous group. Three are public utilities (electricity, water and post): the rest are essentially regulators. So a single model of organisation may not suit all. Also, the recent well-publicised difficulties at the Manx Electricity Authority have cast a long shadow over Statutory Boards and our work and clearly were a significant influence on many of those who completed questionnaires and appeared before us.

4.8.2 On the question of whether there should be Statutory Boards at all, there were divergent views. Some argued for their abolition and the transfer of their functions to the Departments. Some considered them to be a good model which should be retained. Others argued that some/all of the public utilities should be turned into Government-owned (or controlled) companies.

4.8.3 If they were to be retained, there were arguments offered in support of amalgamating some of them and putting in place greater controls (perhaps Treasury rules). There was general support for any remaining Statutory Boards continuing to relate to Government through one or more of the Departments.

4.8.4 There were divergent views on whether Tynwald membership on the Statutory Boards was necessary, with the MEA experience looming large. Most felt that, generally, some political membership was justified, although the Financial Supervision Commission and the Insurance and Pensions Authority were seen as special cases, recognising that international best practice dictated that financial regulators should not include politicians.
4.8.5 The comments from those we spoke to from within the Statutory Boards suggested a sort of semi-detached status where they felt themselves to be outside the mainstream of Government and that their links and relationship with Government were unclear and tenuous.

4.8.6 Some comments relevant to specific individual Boards are covered in section 4.10.

4.9 The Offices of Government and Other Bodies and their Functions

4.9.1 We have recorded the comments made to us about the Chief Secretary's Office in section 4.6, as they seemed most relevant to that discussion on the central components of Government. Comments made on the other Offices and Other Bodies were minimal.

4.9.2 It seemed to be recognised that the Attorney General's Chambers should continue to stand alone outside the main structure of Government. The need to maintain the independence of the Courts in any restructuring involving the General Registry was also recognised. The question of whether Manx National Heritage should be incorporated within the Government structure or continue to stand apart as a Trust was argued both ways. And the Gambling Control Commissioners seemed, allegedly, to exist in some sort of limbo, inadequately linked to the rest of the Government machine. But, otherwise, there were no comments on the considerable number of other small offices and committees which are listed in section 2.14.

4.10 Possible Improvements and Transfers of Functions

4.10.1 The vast diversity of Government is capable of being divided up in an almost infinite variety of ways. Synergies exist between the activities of many Government bodies. Bringing together activities which have a certain synergy will mean keeping apart other activities which may be equally synergetic. Lines have to be drawn and some structures are better than others, but, there can be no perfect solution and the best solution today, in the changed circumstances of tomorrow, may no longer be the best. So there is a degree of personal preference and arbitrariness about structural options and it is an issue that is fair game for suggested alternatives.

4.10.2 We list below a range of the suggestions put to us during our consultations:-

- Combine education, heritage, sport and leisure;
- Create a Department of Infrastructure, combining functions from Department of Agriculture Fisheries & Forestry, Department of Tourism & Leisure, Department of Transport and Department of Local Government & Environment;
- Create a Utilities Department;
- Create a Department of Central Government, combining Chief Secretary, Attorney General, General Registry and regulatory bodies;
- Transfer glens and Wildlife Park to Department of Tourism & Leisure;
- Department of Agriculture Fisheries & Forestry to take over land from Manx National Heritage;
- Create a Department of Countryside, Heritage and Leisure, combining tourism, leisure Department of Agriculture Fisheries & Forestry, Department of Local Government & Environment, notably planning and Manx National Heritage;
- Create a Department of Culture, Heritage and Media;
- Transfer Trading Standards to Department of Local Government & Environment;
- Centralise training in Department of Trade & Industry (alternatively in Education);
- Create a Department of Economic Development, combining Department of Trade & Industry, Tourism, Financial Services Division and possibly Agriculture;
- Create a Department of External Relations;
• Transfer General Registry, Immigration, Customs and Excise, Road Safety, Work Permits and Data Protection to Home Affairs;
• Transfer the Gambling Control Commissioners to the Treasury;
• Create a Department of Justice, combining Home Affairs and General Registry;
• Create a Department of Regulation;
• Make Tourism an agency;
• Transfer buses and trains to the Department of Transport;
• Transfer Social Security payments and National Insurance collection (and possibly policy) to the Treasury;
• Transfer footpaths to Department of Tourism & Leisure;
• Transfer Personnel to the Treasury;
• The finance industry should have its own Minister - not the Treasury;
• Bring together the clean and dirty water functions either in the Water Authority or in the Department of Transport;
• The possibilities of amalgamating the Financial Supervision Commission and the Insurance & Pensions Authority or keeping them separate were argued both ways.

4.10.3 Of these many suggestions, the ones which were most frequently offered were- the desirability of reducing the size of the Department of Health & Social Security, most rationally by separating out the issue of Social Security, the creation of a Department of Economic Development to provide a coordinated focus on growing the economy, putting the nationalised transport services in the Transport Department and bringing together the technologically similar services of water supply and sewage disposal.

4.11 The Relationship between the Council of Ministers and Departments and Statutory Boards

4.11.1 This section concerns the degree of central control and direction that should be exercised by the Council of Ministers over the Departments and Statutory Boards and the extent to which the Departments and Statutory Boards should be free to exercise their own independent discretion in their own areas of activity.

4.11.2 The question was argued both ways by different contributors. The majority was in favour of a strong centre to Government, with the implication that the Council of Ministers should be able to dictate policy strongly to Departments and Statutory Boards. But it was alternatively argued by some that Departments were subject to too much direction and control. It was suggested, in particular, that Council’s control over the Budget and personnel, left Departments with little freedom to exercise management and that as the expertise specific to the Departments’ functions rested in the Departments, they could be given greater freedom.

4.11.3 So far as the Statutory Boards were concerned, if there was a message on this issue, it was that there were insufficient links with the Council of Ministers and, therefore, by implication, they were not subjected to appropriate supervision. (There was a contrary view from one statutory Board representative who complained of being subject to overview by two separate Government Departments).

4.12 The Separation of Policy-Making, Operations and Regulation

4.12.1 In raising this question, we had in mind that in an ideal world the separate functions of determining policy, providing services/conducting operations and then regulating those services and operations (where that was needed) would be separated and done by different people.
4.12.2 The need to separate operations from regulation was readily recognised and those with whom we discussed the matter agreed that, wherever possible, such an obvious conflict of interest should be avoided.

4.12.3 There was less recognition of the desirability of separating policy making from operations, except that there was strong support for the idea that elected representatives, having made the policy, should not be involved in the detailed management of the delivery of that policy.

4.13 **Improving Efficiency and Effectiveness**

4.13.1 Efficiency and effectiveness are at the heart of this enquiry and many of the other questions that we have posed have as their motivation the pursuit of efficiency and effectiveness. This section provides the opportunity to pick up suggestions for improvements which we have not reported on elsewhere.

4.13.2 The main thought we should report is additional centralisation. Many suggestions were made regarding the possibility of centralising common services i.e. services which exist within a number of different Departments. These included –

- Human Resources;
- Estate management;
- Procurement;
- Vehicle fleet management;
- Financial processing;
- Health and safety;
- Project management;
- Radio communications;
- Laboratory services;
- Common Counter Services (One Stop Shop);
- An active website for handling most Government Transactions.

4.13.3 There was considerable support for the greater use of benchmarking as a means of reviewing comparative performance and identifying areas for detailed examination in the pursuit of efficiency.

4.13.4 There was also a great deal of criticism of the Control of Employment legislation and the requirement for incoming senior Government staff to obtain work permits. There was strong support for the idea that senior Government work was of such importance that the best candidate should always be recruited regardless of whether the person satisfies the criteria to be an Isle of Man worker.

4.14 **Information Technology**

4.14.1 This was an issue on which the more computer-literate of our contributors made comment. It was certainly clear that the majority of those who addressed this topic felt that Government had fallen behind the private sector and other competitor jurisdictions in making use of I.T., and that there was considerable scope for greater cross-Departmental cooperation and improving communications and services with the public. There was an additional concern that the public service may lack the skills necessary to take full advantage of the technology available. Others stressed that it would be necessary to re-engineer business processes across Government to take full advantage of the opportunities that I.T. offered rather than simply try to graft I.T. solutions on to existing manual systems.
4.14.2 One difference in the views submitted concerned the degree of central control and standardisation needed. Some argued for consistency across Government in the interests of transferable skills, inter-Departmental communication and corporate Government. Others argued that common standards hampered the development of bespoke solutions and that a more flexible approach to free up Departmental initiatives would give better results.
5 The Culture of Government and the Political Environment

5.0 It was a frequently voiced comment amongst current and former politicians and officials that what might be described as the cultural and political environment was a problem. Not all of these comments related to the same issue or the same series of issues, but from the views expressed we were given a picture of a number of separate but inter-related elements making up this environment. The most important of those elements are described below.

5.1 Blame and Avoidance

5.1.1 The Manx political/government scene is often said to be dominated by a blame culture which, as described by one of our contributors “starts at the very top, every Tuesday morning” – a reference to question time in Tynwald and its Branches. Question time is characterised by pursuit; pursuit of things which may have gone wrong or might have been done better and pursuit of those responsible. This is a legitimate and democratically essential parliamentary activity, but it was felt by some to be pursued with repetitiveness and a relish that is corrosive. The atmosphere is divisively challenging and critical and this feeds down through the government organisation.

5.1.2 This is reinforced by media reporting of parliamentary activities, which often focuses on personalities, disagreements and clashes and particularly on question time. By contrast, the remainder of the serious and worthwhile business activities of Tynwald goes relatively under-reported.

5.1.3 The response of Government to the blame culture is defensive. It leads to a refusal to admit mistakes and to a culture that seeks to avoid the possibility of blame – a culture that is risk averse, resistant to change and resistant to the risks associated with improvement. It was asserted that in the resultant stand-off between blame and avoidance, truth and balance is lost, credit is rarely given and public confidence in its parliamentary and governmental institutions is undermined.

5.2 An Interventionist Approach

5.2.1 There is scarcely an activity undertaken on the Island which is not run by Government or supervised by Government, or in which the Government would not be expected to intervene if problems arose. No doubt this is influenced by our being a small island, but other small islands are less centrally controlled, so there is a cultural element and a public expectation that is unique to the Island. Once, having become involved, Government will not or is not allowed to let go. It is almost unknown for Government to stop doing something or stop controlling something once it has started.

5.2.3 A second strand to this general approach is that anything Government does, it usually does using directly employed staff. Contracting out of service delivery is rare. Direct employment is the natural and unthinking first choice for any new Government service.

5.2.4 On the other hand, whilst the public pressure and expectation appears to be that Government should become more involved in the lives of the Island’s citizens and should provide more and better services, there is also a tangible concern at the scale of Government expenditure and the size of the Government’s workforce.

5.3 Development at the Expense of Efficiency

5.3.1 Driven by the desire to provide more and better services the Government’s priorities over the last 20 years have been infrastructure renewal and service improvement and expansion. Much of the Island’s infrastructure, somewhat neglected in earlier, leaner years, has been renewed and expanded and services have grown (partially as a response to the growth in population), and have been hugely improved. This has been a legitimate political choice and arguably it reflected the
Island’s needs and aspirations. In the meantime and whilst much lip-service has been paid to the pursuit of efficiency, priorities and energies have been directed elsewhere and value-for-money has not been at the top of the agenda. Few could point to specific inefficiencies, but there is certainly a widespread feeling that there are efficiency savings which could be made given sufficient political and organisational impetus.

5.4 The Constituency Imperative

5.4.1 One of the features of Manx government is the degree to which it provides what might be described as local government services. The Island is a small community of less than 80,000 people. Many services which are delivered elsewhere at a regional level or by local government are delivered centrally on the Island for reasons of scale and efficiency e.g. education, fire services, social services, police services, town and country planning, refuse disposal, water supply and sewage disposal.

5.4.2 In larger jurisdictions with political parties, those parties promote themselves by pursuing national agendas aimed at securing the support of a whole country and most voting in national elections is based on those national agendas or inherited political loyalties. In the Island, an individual Tynwald candidate’s manifesto and focus is, to a greater degree, on the specific needs of the constituency and it is the extent to which the candidate meets or is expected to meet those needs that is key. Constituencies are small and individual Members are close to their voters and extremely accessible. That influence is crucial.

5.4.3 The effect of Government being heavily involved in the provision of local government type services, the absence of party politics and the paramount influence of the constituency results in much Tynwald/Government time and energy being taken up with local government and constituency matters.

5.4.4 In addition, it may be the case that aspiring politicians who wish to work on behalf of their communities in the provision of local services will stand for Tynwald, rather than their local authority, as it is Tynwald which deals with those local issues and it is through Tynwald that local communities can be served. The broader national and international issues which require the serious attention of Tynwald and Government and which arguably are best tackled by elected members with different interests and a different skill set can suffer as a consequence.

5.5 The Politician as Manager

5.5.1 It was suggested to us by a number of contributors that Ministers often involve themselves excessively, within their Departments, in issues of management at the expense of concentrating on issues of policy. In making this suggestion contributors frequently added that particular Ministers might find it more comfortable operating at that level rather at the level of policy or strategy. This allegation was made with sufficient frequency, and often by those who were in a position to speak authoritatively, that this appears to be a genuine issue.

5.5.2 Policy-making is a higher level of decision making than management and, as a generalisation, policy should be the province of the politicians and management the province of staff. Albeit that, at the margins, it can sometimes be difficult to determine what is management and what is policy.

5.5.3 A number of contributors, particularly some of those from outside of Government, tended to see the role of the Minister as being somewhat analogous to that of a non-executive director of a private sector company. Such a director would attend routine board meetings, help to determine broad policy and oversee the operations of the company and its executive, but would otherwise be at a distance from the company’s activities. To see a Minister in these terms, however, is legally and politically incorrect.
5.5.4 Section 3(1) of the Government Departments Act 1987 provides that “...the functions of each Department shall be exercised by the Minister in the name and on behalf of the Department.” The Minister is, in effect, the Department. All executive power resides in the Minister and he or she is the executive. In law all decisions are potentially made by the Minister; (subject to those departmental issues which may be outside his/her direct control because they are prescribed in Statute or subordinate legislation and subject always to the possibility of the Minister being directed by the Council of Ministers).

5.5.5 Politically too, the Minister is responsible and accountable. Tynwald and its Branches (and the press and wider community) will look to the Minister to speak for the Department in advancing the Department’s proposals and will expect him/her to be answerable for the Department’s actions and performance – however significant or trivial the issue. It would cut no ice for the Minister to argue that an issue was a managerial or administrative matter and that he/she could not interfere.

5.5.6 The situation is, no doubt, compounded by staff who, unclear about the boundaries of Ministerial responsibility or seeking to avoid personal risk and blame, excessively refer matters up for political approval; matters which are really within their own competence. But, it must be right that the Minister and his political colleagues should concentrate on the bigger, more strategic issues and delegate the lesser matters. And, more particularly, leave detailed management issues to be dealt with by staff.

5.5.7 The sentiments expressed above, in respect of Ministers acting as managers, were expressed also in respect of Members of Departments and political members of Statutory Boards.

5.5.8 We believe that it is worth recalling that both the Report by Commission of Inquiry into the Care of Young People in May 2006 and the Healthcare Commission’s Review of healthcare provided by Noble’s Hospital in July 2006 expressed concern about this issue. The Commission of Inquiry stated:

“...the Inquiry remains concerned that proper exercise of powers by the Minister and political member on the one hand and the duties of officers on the other and their practical application in the Social Services Division are not sufficiently widely known or clearly understood.”

whilst the Healthcare Commission stated:

“Local politicians had considerable influence to direct the delivery of healthcare...”; and

“...conflicts between local politics and the healthcare strategy can arise when specific issues are put forward as areas of priority for support and development that have not been identified as part of an assessment of health needs or as part of the healthcare strategy.”

Although both these Reports relate to the DHSS, in quoting them we intend no specific criticism of that Department. We believe these examples are merely illustrative of the situation across Government and how this is viewed by independent bodies.

5.6 Insufficient Emphasis on Policy and Strategy

5.6.1 It has been suggested to us that it is a corollary of the cultural elements that we have described as “The Constituency Imperative” and “The Politician as Manager” that insufficient senior Government time and energy is devoted to policy development and broader strategic questions. This lack of sufficient focus on the important issues was reported to us widely. One member of a department described the “whirlwind of work” which confronted Members and prevented adequate attention being devoted to the key tasks of strategy and leadership. Other contributors, with experience of the Council of Ministers, spoke about insufficient time being spent on the bigger more difficult issues, about agendas being cluttered with second rate matters, about Government reacting rather than planning and about short-term rather than long-term thinking.
5.6.2 It is clear that there is a widespread view that the top of Government is in need of focussing more on the top issues and unburdening itself of matters which could be dealt with at a lower political level or managerially, by the managers who are employed to do that work.

5.7 Lack of Transparency and Consultation

5.7.1 Although a number of those working within Government spoke of “working in a goldfish bowl” where everything and everyone is exposed to continuous scrutiny, the majority external view and the reality is that the Government lacks transparency. Meetings and discussions take place behind closed doors and it is normally only when matters reach the floor of Tynwald or are the subject of a carefully constructed Government press release that they are given an airing.

5.7.2 Much of Government’s work is of a confidential nature. Issues under consideration can be strategically or commercially confidential or can relate to the private interests of individuals. Policy issues under development and research papers should not be exposed prematurely to the public gaze. In fairness, Government has become more interested in recent years in making information available to the public as of right. But, the administration maintains a cloak of confidentiality over a range of issues which in the United Kingdom, for instance, would be much more transparent.

5.7.3 The principal reason for this difference is the extent to which local government type services are undertaken by the IOM Government. Local government, with its published agendas and meetings held in public is more transparent than Government and to the extent that local government services are undertaken by the IOM Government under normal Government operating methods then lack of transparency is the result.

5.7.4 To some extent this is encapsulated by Government's approach to consultation. The introduction, and adoption by Tynwald of the Corporate Governance Principles and Code of Conduct, brings with it a commitment to greater openness whereby Government should communicate and engage with relevant members of the Island’s community (including business) to encourage active participation. Things have certainly improved in recent years, and there are numerous examples of where Government has conducted consultation exercises of some value to policy development. However, the feeling remains that policy is developed without fully addressing the concerns and expectation of the general public. This is often manifested by a simple failure to properly engage non-ministerial Tynwald Members in the process.

5.8 Silo Mentality

5.8.1 One of the most frequently voiced concerns presented to us related to the “silo mentality” that allegedly exists within Government. It was put to us many times that each Government body (and, sometimes, each division of each body) tends to exist in isolation from the rest of Government, communicating with the rest of Government with insufficient frequency and inadequately. A number of specific instances of failures of communication were cited in evidence. This problem was sometimes otherwise addressed as “a lack of joined-up Government”.

5.8.2 Over the years much has been done to promote a corporate approach and good links across Government and, no doubt, the difficulties of maintaining adequate liaison across so diverse and fragmented an organisation are considerable. But if the comments made to us are to be believed, much work remains to be done in this area.

5.9 Jobs for Life

5.9.1 We discuss the whole issue of human resources more fully in Chapter 12, but, in the context of identifying elements of the corporate culture, reference must be made to the notion of “jobs for life”, because it featured strongly in the comments of many of those who spoke to us.
5.9.2 Rightly or wrongly, there is widespread belief that Government employees, particularly civil servants, once appointed, have employment for life. Certainly, there is a Government policy which seeks to avoid making staff redundant. Although there are policies and procedures in place which would enable the dismissal of under-performing personnel, what has been represented to us is that the culture within the organisation and the managerial practices are such, that very few staff are dismissed. In effect, the widespread belief in “jobs for life” and the comfort zone which goes with that within Government is de facto, generally, correct. This, in turn, implies that underperforming staff remain in post and this is both inefficient and de-motivating for staff generally.

5.10 Resistance to Change

5.10.1 Those who reported these problems with the culture of the organisation were also pessimistic about the possibility of change. They argued, in the context of Government trying to develop corporate strategies and performance management and in the context of this Review itself, that there was little political appetite for change and that staff and staff organisations would resist change. This inherent resistance to change was described as widespread and was alluded to with some frequency.

5.10.2 To be fair, many of those we spoke to from within Government, both politicians and officers expressed an interest in and a willingness to embrace improvement and they were seeking to promote change in many of their comments. Also, to be fair, staff representatives with whom we spoke adopted a progressive approach, and our appointment and remit certainly implies a willingness on the part of the Council of Ministers to consider improvement.

5.10.3 But it is one thing to talk about improvement and quite another to grasp the nettle and make change happen. In the end, Government will be judged by what it does, not by what it says.
6 The Public Sector - an International Perspective

6.1 The General Picture

6.1.1 It is certainly true that, historically, throughout the free world, governments and the public sector have grown substantially. They are self-evidently very much larger, more diverse and provide more services than they did 100 years ago or even 60 years ago. But it is also true that there has been some reversal of this trend of continuous growth in more recent times. National tax revenues 100 years ago were normally in the range of 8% to 10% of Gross Domestic Product (GDP). This percentage grew slowly at first but accelerated after 1945 and grew even more quickly after about 1960. National tax revenues normally now range between about 30% and 50% of GDP (a wide dispersion).

6.1.2 But, what has been happening internationally over the last 25 years has been a degree of questioning of the role of the state as the provider of services and some reversal of the trend of government increasing its share of GDP. Data up to 2005 shows a fall in the ratio between public spending and GDP in number of countries e.g. Norway, Sweden, Canada, Belgium, Netherlands, Denmark, Austria, Ireland, New Zealand, Italy and Spain.

6.1.3 There are a number of distinct strands of policy which have contributed to this change of direction. One is a consequence of governments looking to privatise services or provide them in a way other than by means of directly employed resources. Another has been a growing emphasis on good management and performance, drawing on experience from the private sector, greater use of technology and greater transparency and openness. A third, on the income side, has been a degree of tax competition which has seen countries recognising the need to keep taxation at moderate levels so as not to lose business to other lower-taxed locations.

6.1.4 The OECD has published a lot of recent work on public expenditure. The following are selected quotations from some of this published work which underline the changes that have taken place.

“Governing for Performance” 2004
“Performance- or results-based budgeting, management and reporting is the latest trend in attempts to improve government performance. These reforms seek to refocus management and budgeting processes away from inputs towards results.”

“Public Sector Modernisation: Changing Organisational Structures” 2004
“One of the biggest influences on structures of government in recent years has been the privatisation of state assets. Over the past decades, privatisation in OECD countries has raised in excess of three-quarters of a trillion dollars. Manufacturing and banking have led the privatisation process, followed by the non-competitive and infrastructure sectors of the economy such as water or public transport services.

“Public Sector Modernisation: The Way Forward” 2005
“Governments have made major changes to the way they manage the Public Sector in the past decades, privatising commercial activities, cutting red tape and making government more transparent and responsive.”

“The evidence that market-type mechanisms can secure efficiency gains is substantial. However, the decision to use these mechanisms needs to be made on a case-by-case basis and the specific design of these instruments is critical to their successful application.”

“Modernising Accountability and Control!” 2005
“In the past two decades, new forms of public sector management, privatisation and new technologies have changed the way the public sector operates, but have also created a need for new ways of making both agencies and governments accountable for what they do.”
6.1.5 These developments have seen some reflection in the Isle of Man. Gross Government Expenditure as a percentage of GDP fell from 55.6% in 2001/02 to 47.2% in 2004/05. But this is a consequence of tax policy rather than any conscious decision to restrain spending or to explore different ways of delivering services. The Government has also adopted some of the language of management with initiatives such as policy planning, performance management and business plans, but the political priorities of renewal and expansion of services has limited the emphasis on real efficiency improvements.

6.1.6 For comparative purposes it is interesting to note how the Isle of Man expenditure to GDP ratio compares to other jurisdictions, as shown below.

6.2 Examples

6.2.1 It is not our intention to look in detail at what has happened in all the countries where change has taken place within the last 25 years, but New Zealand and the United Kingdom are prime exponents of the changes and we look briefly at each.

New Zealand

6.2.2 In 1984, New Zealand faced a particular set of difficulties and problems. The most serious of these was an ageing population and a reducing tax base, related largely to declining agricultural exports. The election of that year brought to power a Labour Government which contained a number of key ministers who vigorously supported reform and a period of radical change followed which left virtually no aspect of the state sector untouched.

6.2.3 The overall purpose of New Zealand’s structural reforms was to improve the performance of the state sector, first by removing any functions that the government considered to be no longer the business of the state or could be better performed elsewhere and then by ensuring the agencies responsible for the remaining functions were structured to deliver their services as efficiently and effectively as possible. Key elements of the reform process included:

- The corporatisation and privatisation of government trading enterprises;
- Departmental restructuring to rationalise the functions and shape of the core public service, particularly by separating policy advice, service delivery and regulatory functions, and related to this the separation of the roles of funder, provider and purchaser;
- Decentralisation of departmental management. With chief executives responsible for decision-making with respect to human resources and the selection and purchase of inputs;
- An increased use of contracts (e.g. performance agreements between ministers and departmental chief executives, purchase agreements between ministers and departments, contracts between funders and purchasers and between purchasers and providers); and
- A change in the basis of state sector financial management through the introduction of accrual accounting, from a focus on inputs to a focus on outputs and outcomes.

6.2.4 The scope and face of the New Zealand government was changed substantially in the 1980’s and 1990’s. For example, OECD figures show that as a consequence of Governmental structural change, the cost of the New Zealand public sector compared to GDP reduced by 15 percentage points between 1988 & 2002 to a figure of 39.7% (although it has since risen back to 42%). In the context of reforms being made elsewhere, the New Zealand example was radical and was a product of the unique problems that the country faced at that time. It attracted much interest and favourable comment from around the world and represented an example of a government going back to basics to decide what its core role should be and then restructuring accordingly.

The United Kingdom

6.2.5 The United Kingdom was not faced with the extreme difficulties that had to be confronted by New Zealand, but the Thatcher Conservative Government of 1979 and later, partly for economic reasons and partly for reasons of political philosophy, began a substantial programme of privatisation and
other measures (including reducing higher education grants, sale of council houses, compulsory competitive tendering for local government services and breaking the link between retirement pensions and earnings) which redrew the boundaries between the public and private sectors. These changes have not been reversed by successive governments, indeed, the privatisation process has continued albeit at a slower pace.

6.2.6 Those industries and businesses that have been privatised since 1979 include –

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<tr>
<th>British Petroleum</th>
<th>British Motor Corporation</th>
<th>Water Authorities</th>
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<td>British Aerospace</td>
<td>British Telecommunications</td>
<td>Electricity Authorities</td>
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<td>Cable and Wireless</td>
<td>British Shipbuilders and Naval Dockyards</td>
<td>Trust Ports</td>
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<td>Amersham International</td>
<td>British Gas</td>
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<td>National Freight Corporation</td>
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<td>Associated British Port Holdings</td>
<td>Rolls-Royce</td>
<td>AEA Technology</td>
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<td>Enterprise Oil Jaguar</td>
<td>British Ports Authority</td>
<td>Train Operating Companies</td>
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<td></td>
<td>British Steel</td>
<td>National Air Traffic Services</td>
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6.2.7 Regulators were appointed to oversee those privatised industries which continued to provide essential public services.

6.2.8 Government revenues benefited from these sales, but the principal argument for privatisation lay in raising economic efficiency. State owned firms were seen as sleepy and inefficient – over-manned and badly managed. The introduction of private capital offered the opportunity to raise productivity. In the cases of the public utilities, following privatisation, there have been large savings in labour costs alongside higher outputs and lower prices to the consumer. But the benefits are not uniform. Particularly good results seem to be associated with those privatisations operating in a competitive environment. In other cases improvements may be no more than the continuation of trends begun before privatisation. Some privatisations, rail services for example, are not generally thought of as successes and it cannot be claimed that privatisation is always the right answer.

6.2.9 Another important development which was a part of the reform of the public service in the United Kingdom in this period was the introduction of Next Steps Agencies (Agencies). In February 1988 the Government announced its acceptance of a report produced by the efficiency unit within the Cabinet Office entitled *Improving Management in Government: The Next Steps*. This recommended that to the greatest extent practicable the executive functions of government, as distinct from policy advice, should be carried out by units designated within Departments and referred to as Agencies. We discuss the origins and operations of Agencies in more detail in chapter 9, but we record here that most UK civil servants now work in Agencies and that they have been a vehicle for drawing a distinction between policy making and operations, bringing greater clarity to what managers in the public sector are expected to deliver and in distancing Ministers from day to day management matters.

6.2.10 The 1984-94 New Zealand model was unique and is not wholly transferable except in the sort of circumstances that the New Zealand Government faced in 1984. But the sort of fundamental thinking about Government that was at the core of that exercise and the thinking in the United Kingdom, and elsewhere, about alternative ways of supplying public services and separating policy from operations have not been prominent strands of political and institutional thought in the Island. There have been some instances of Government agreeing the supply of a public service with a private contractor – telecommunications with Manx Telecoms, the operation of the energy from waste plant with SITA, Childcare Services with a variety of private and voluntary contractors and the link span user agreement with the IOM Steam Packet Co. But these are isolated examples, responding to individual circumstances, not the product of a corporate policy or general approach.
6.3 The Channel Islands

6.3.1 Our most obvious comparators, when looking at what has happened and is happening elsewhere, are our fellow Crown Dependencies – Jersey and Guernsey. They are particularly interesting from the point of view of our Review, because both have made changes in recent times, which have drawn on the Ministerial Government experience of the Isle of Man. Both have introduced forms of Ministerial Government.

Guernsey

6.3.2 Of the two, the Guernsey model is the least radical. In essence, Guernsey has retained its system of government by committees (called Departments). The chairman of each committee carries the title of minister, but can be outvoted by departmental members. There are ten departments and the ministers of those departments, together with the chief minister form the Policy Committee. The ten Departments are:

- Commerce and Employment;
- Culture and Leisure;
- Education;
- Environment;
- Health and Social Services;
- Home;
- Housing;
- Public Services;
- Social Security;
- Treasury and Resources.

Jersey

6.3.3 Jersey’s reforms, introduced in December 2005, bring that island closer to the Isle of Man model. There is a Council of Ministers, which is chaired by a Chief Minister, who, in Jersey’s case, has a Department. This Department provides support and advice to the Chief Minister and Council of Ministers and coordinates policies and strategies across the States. It also has responsibility for international relations, constitutional issues, States staffing and IT, statistics and the Law Draftsman’s Office.

6.3.4 There are nine other ministers who each heads one of the following Departments -

- Economic Development;
- Education, Sport and Culture;
- Health and Social Services;
- Home Affairs;
- Housing;
- Planning and Environment;
- Social Security;
- Transport and Technical Services;
- Treasury and Resources.

6.3.5 Each Minister is legally and politically accountable for his/her area of government. There are also a further 13 Assistant Ministers each with an area of political responsibility, but they are not part of the Council of Ministers. The number of Ministers and Assistant Ministers is statutorily limited to being a minority of the Members of the States (23 out of 53).
6.3.6 Jersey's rationalisation into ten Departments has almost eliminated the very many Committees that originally comprised the Executive. Jersey has no equivalent to the Isle of Man's Statutory Boards.

6.3.7 The Channel Islands' Ministerial Government experience is very new and still unproven, but it warrants examination. Jersey, in particular, has taken the IOM model and sought to improve on it, especially by examining appropriate linkages of responsibilities when setting up its Departments.

**Performance Benchmarking with Jersey and Guernsey**

6.3.8 In February 2004, KPMG produced a report for the States of Jersey which attempted some performance benchmarking of Jersey public services against services in Guernsey and the Isle of Man and, to a more limited extent, with Gibraltar, Bermuda and the Cayman Islands. The data was the most recently available at that time and dated from the period 2000 to 2003. There will be factors particular to each jurisdiction which will have influenced the figures and the data does not give a clear picture of whether service quality is consistent. In accepting this data presented by KPMG it was generally the case that the Isle of Man services were more expensive per head of population than in any of the comparator jurisdictions.

6.3.9 The following quotation and table, which relate to 2002, are taken from the KPMG report:-

“The figure below highlights that the overall cost per head of population for the provision of services in Jersey is considerably higher than Guernsey and Cayman Islands but comes more into line with Gibraltar and Bermuda and is lower than the Isle of Man.”

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>Total Cost of Services ('000)</th>
<th>Cost per head of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guernsey</td>
<td>64,818</td>
<td>£275,126</td>
<td>£4,244</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>41,934</td>
<td>£189,247</td>
<td>£4,513</td>
</tr>
<tr>
<td>Gibraltar</td>
<td>27,776</td>
<td>£142,566</td>
<td>£5,132</td>
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<tr>
<td>Jersey</td>
<td>87,480</td>
<td>£460,325</td>
<td>£5,262</td>
</tr>
<tr>
<td>Bermuda</td>
<td>64,482</td>
<td>£343,447</td>
<td>£5,326</td>
</tr>
<tr>
<td>Isle of Man</td>
<td>74,261</td>
<td>£508,821</td>
<td>£6,851*</td>
</tr>
</tbody>
</table>

6.3.10 The Isle of Man figure for cost per head of population is 28.6% higher than for the nearest other compared jurisdiction and 61% higher than Guernsey.

6.3.11 A comparison showing Government workforce as a percentage of total workforce for 2002 (also from the report by KPMG) presents the same six jurisdictions in a different order, but the Isle of Man is again at the top end, being exceeded only by Gibraltar -

- Bermuda 10.40%
- Cayman Islands 10.96%
- Jersey 12.26%
- Guernsey 12.92%
- Isle of Man 16.24%
- Gibraltar 22.97%

**Public Services**

6.3.12 The table on the next page illustrates further how the practice in the Isle of Man of the direct provision of public services by Government is not the universal practice. The comparison is with Jersey and Guernsey and in each case; in the Isle of Man, the service is provided by a Government Department or Statutory Board and delivered by staff who are on the Government's payroll.
6.4 Conclusions

6.4.1 It is important not to read too much into this information. International comparisons are difficult for a variety of reasons – different geographic, historic and cultural circumstances, different economic environments, different ways of accounting, different services, different qualities of service. But what is shown does reinforce the concerns expressed to us about the size and diversity of Government and about high costs and large staff numbers.

6.4.2 The examples we have referred to above are not unique. Governments throughout the world have been reforming for many years and the shift in emphasis has clearly been directed towards smaller governments focussing on core activities and allowing many of those activities to operate at arms length from policy setting mechanisms, free from political intervention. Reforms have involved improving efficiency, reforming management practices, and divesting public involvement in commercial enterprises.

6.4.3 In recent years, the Isle of Man has seen significant advances in its constitutional relationships, resulting in an increasing international personality, so that despite its size, the Island has found itself getting directly involved in meetings and negotiations at the highest levels with the UK, Europe and the USA. The Island is now represented at UN Committees, the Commonwealth, the OECD and others. At the same time, however, little progress has been made to pro-actively reform the structure of the Government to enable it to properly focus its attention on these growing international expectations. Too much time is spent diverted by internal issues caused, we believe, by an inability of the Government to be able to do justice to the full diversity of the functions it now controls.

6.4.4 This issue is explored further in Chapter 7, but it is important, in closing this section, to make it clear that the Isle of Man cannot ignore the lessons being learned by Governments elsewhere if only for the reasons of remaining competitive and retaining the ability to finance what is already in place. The Isle of Man Government needs to reflect on these changes and consider the benefits that might accrue from making similar changes here.
PART THREE: REVIEW TEAM FINDINGS

7 Overview

7.1 Introduction

7.1.1 The introduction of Ministerial Government in 1986/87 was a watershed which changed the Island’s political and administrative landscape. Some of the more significant consequences of the change were:

- The Government’s administrative machine was restructured and rationalised. The nine Departments were created, involving the rationalisation of some of the pre-existing boards. The remaining Boards were left intact and became known as “Statutory Boards”. This created a two-tier structure of Government bodies with the Departments being the upper tier and the Statutory Boards being the lower tier;

- Each Department was assigned a Minister. The statutory authority and responsibility for that Department’s services were vested in that Minister and the Minister became individually and personally accountable for the performance of his/her Department – a new era of personal responsibility and accountability;

- The position of Chief Minister was created as a leader and focal point for the executive; someone to speak for the Island and its Government, particularly externally and in relation to external matters;

- The Council of Ministers was created comprising the Chief Minister and the Departmental Ministers to provide a collective leadership of Government. This was a new and genuinely executive body with responsibilities to determine overall Government policy and objectives, to look at cross-departmental and wider issues and to coordinate policy development and corporate strategy;

- This creation of a more clearly defined central executive (the Chief Minister and the Council of Ministers) allowed a clearer distinction to be drawn between the executive and parliament (between Government and Tynwald);

- The restructuring of the senior civil service and the redefinition of the role of chief officers in more executive and managerial terms.

7.1.2 Those who submitted views or spoke to us were almost unanimous that the Ministerial system represented a significant improvement over the earlier Board system. With few exceptions, all those who had experienced both systems were convinced of the superiority of the present arrangements and those who were familiar only with the Ministerial system saw no merit in turning the clock back to the days of the Boards.

7.1.3 Significantly, both Jersey and Guernsey have very recently followed the Island’s lead by introducing forms of Ministerial Government. They had been operating board systems not unlike that of the Isle of Man pre 1986, but, inspired by their perception that the Isle of Man’s system was an improvement on what they had, they have introduced ministerial systems, based on the Manx model, but individually tailored to their own needs. It seems clear that the introduction of Ministerial Government into the Isle of Man is recognised as a significant improvement both inside the Island and elsewhere.

7.1.4 No doubt, this view is, in no small measure, due to the economic success that the Island has enjoyed; a success that has coincided with the period of Ministerial Government. And, whilst it can be argued that some of the foundations of that success were laid before Ministerial Government was introduced, it must be accepted that Ministerial Government has played a significant part in the Government’s generally successful stewardship of the Island’s affairs over the last 20 years.
7.2 A Successful Period

7.2.1 The period of Ministerial Government from 1986/87 onwards has been a time of spectacular economic success for the Isle of Man. Gross Domestic Product (GDP) has risen from £243 million in 1986/87 to a forecast of £1,705 million in 2006/07 and this represents a real increase of 242%. In 1985/86 GDP per head in the Isle of Man was 57% of that in the United Kingdom. In 2002/03 the Isle of Man's GDP per head was 2% more than the UK's, thus achieving a goal set at the outset of the Ministerial period. In 2004/05 (the latest year for which data is available) the figure has been reported as 13% more than the UK.

7.2.2 Economic success has been accompanied by population growth and by an influx of the economically active which has significantly improved the age-balance of the population, which, in the mid 1980s, was becoming seriously skewed towards the elderly.
7.2.3 Internationally, the Island has secured a higher and more positive profile as a successful and responsible jurisdiction, playing a constructive part in the ordering of global trade and financial services. The international interest in the Island has not always been welcomed or even sought by the Island’s authorities, but there has been an intelligent response to that international interest on the part of the Island’s authorities and that has safeguarded the Island’s position, at least for the present.

7.2.4 Economic success has enabled the Government to progressively reduce the rates of direct taxation whilst increasing public expenditure and putting significant sums into reserves. The standard of living, both in terms of individual disposable income and the range and quality of public services, has risen steadily and continuously. The number and scope of services provided by Government has expanded, the insatiable appetite for resources that is the National Health Services has been generously fed and Government spending and staff employment has reached record highs. There has been a very substantial capital investment in public services infrastructure – new hospital, schools, electricity, water, drainage, ports etc. - redressing the chronic underinvestment of earlier years, when financial resources were not available.

7.2.5 There are things that have gone wrong during the period - some of which have been serious, for example in relation to child care and electricity financing. There has been a continuous and consistent failure annually by Government to deliver on its capital and legislative programmes. Whether this is attributable to over optimism in the compilation of those programmes or to poor performance in delivery (or both) is a moot point, but, curiously, it has become so commonplace that it excites little public, press or political comment.

7.2.6 However, whatever the detail, any overview of the last 20 years must conclude that it has been a good period for the Island and it is tempting to argue therefore that there cannot be anything fundamentally amiss with the way Government is structured, so much has been achieved. This is a potent, if simplistic, argument, much used in evidence to us, and it is an argument with which we can sympathise given that Government has contributed toward an environment in which so much has been achieved.

7.2.7 But complacency is always the greatest threat to continuing success and we would certainly argue that it is worth examining the existing machinery a bit more closely, perhaps to identify any serious flaws, but, more likely, to see if there are refinements, which could update or improve what exists, without changing its basic character. It is important to realise that the Island’s economy must remain competitive and attractive, and to recognise our obligation to ensure a reasonable level of services for future generations.

7.3 A Case for Making Improvements

7.3.1 In part two of our report we summarised some of what had been said to us by interested commentators from within and out with Government. There was a lengthy list of critical comments and anyone listening to those comments could not fail to conclude that there was a case for making improvements. It is true that any review such as this invites critical comments rather than plaudits. It is an opportunity for those with improvements to suggest or grievances to air to come forward and the overall somewhat bleak and jaundiced collective picture that is painted tends to focus on failures and problems, rather than on positive points and may lack balance.

7.3.2 We need to be aware of this and try to put the critical comments received into a context that also takes into account the scale of the achievements and success enjoyed by the Island. We need also to recognise that the structural framework established back in 1986/87 appears still to enjoy the confidence and support of the wider community. There are, therefore, a number of the features of the present system which we would regard as “givens” or things not to be changed by or following this review. These include:-
• There should continue to be a Chief Minister;
• There should continue to be a Council of Ministers on which all Ministers sit;
• There should continue to be Departments (not more than 9), each headed by a Minister.

7.3.3 Having said that, it is our view from what we have learned that there is a need for the Isle of Man Government to make improvements. There are some serious issues which need to be addressed and one might almost conclude that the Island has been successful in spite of some of these. To be fair, a reasonable case can be made that managing the economic growth of the last 20 years and the expansion of services that has gone with it was a job which, by itself, fully engaged all of Government’s talent and resources; also that some of the issues have only come to the fore in very recent times. Be that as it may, the issues raised now are such that they require attention, some quite urgently. They go beyond mere tinkering, but they do not seek to reverse or change the important basics of what was established 20 years ago.

7.4 A Framework for Improvement

7.4.1 In approaching the task of setting down our thoughts on the improvements that need to be made we have first identified five general themes, which are broad areas of concern or difficulty where improvements ought to be made. We then look, in successive chapters, at some possible areas of reform which have the potential to influence positively the general themes about which we have concerns and make some specific recommendations.

7.5 The Five General Themes

Reducing the Scope of Government

7.5.1 As stated earlier, the Government in Isle of Man terms is a substantial undertaking, whether that is measured in terms of income, expenditure or employees. Its size is not remarkable in any absolute sense, as there are a great many much larger organisations elsewhere in the world. What is remarkable is its size relative to the community it serves and, more particularly, its diversity. Whilst we have not attempted an exhaustive study of all governments elsewhere, it is clear that, of all the democratic governments that we have looked at or come across in the course of our review, the IOM Government is uniquely interventionist. It provides services which, elsewhere, are normally provided by local government, nationalised industries, the private sector and the voluntary sector as well as those which are conventionally national government services. Moreover, it almost always provides those services through its own directly-employed staff.

7.5.2 No doubt, the facts of being an island and being small have been influential in driving this approach; the opportunities for the establishment and growth of competitive markets are limited. But other islands, no bigger than the Isle of Man are less directly involved in service delivery and so there are, evidently, some unique historical, political and cultural influences at work.

7.5.3 The extent of Government’s diversity is an observable fact. It becomes one of our general themes because of the evidence that it is also a fundamental problem. We were concerned by what we were told, the gist of which was that the diversity of Government was now such that it was not capable of being effectively managed. This came from those directly involved, both at the centre of Government and elsewhere and both politically and managerially. It seemed to us to be clear, in particular, that the range of issues across all the Departments of Government and all the Statutory Boards, Offices and other bodies were beyond the span of effective control of the centre of Government. It is likely that the recent and serious problems revealed with the Manx Electricity Authority and the Child Care Services of the DHSS were, at least in part, attributable to the difficulties associated with trying to manage, at the extremities, such a diverse organisation. But these are just the headline issues. How much more poor control and management exists because the organisation cannot cope with all the responsibilities with which it is charged?
7.5.4 It would, we believe, be beneficial to Government if it could reduce the breadth of its activities and concentrate its political and managerial resources on a narrower field of operations.

7.5.5 While there may have been legitimate needs at the time of assuming increased responsibilities the continued growth in the size and scope of Government may not be sustainable, or desirable. We believe there is a need to reconsider what activities may be better provided by non-Government means.

7.5.6 In saying this, it is important to recognise that some functions that have (historically) not been commercially viable or attractive to the private sector in the past, may now be provided by non-Government sources at an equal or better value. Furthermore, where the private sector already provides the same services as the Government; there may be opportunities to divest functions if:

- they are non-strategic;
- they are competing directly with the private sector;
- there are alternative service providers;
- proper planning is conducted and contracts/guarantees are established; and
- value for money studies suggest equal or superior services will be provided in a sustainable manner.

Value for Money (vfm)

7.5.7 Our second general theme is the issue of value for money (vfm), a concept that includes efficiency within its meaning. This is at the core of our report and underscores all that we propose, as all the areas of improvement which we discuss later have, as part of their rationale, the improvement of Government vfm. It was also a dominant issue raised by those from outside of Government with whom we spoke. There is a clear concern outside of Government, shared also by many within, that vfm is not what it ought to be. And the scale of Government's operations is such that even a small percentage improvement in vfm would produce very sizeable savings.

7.5.8 The need for vfm does not require any justification and, perhaps for that reason, it is often rather taken for granted. But we are convinced that it needs to be moved right up the political and managerial agenda and that there are very considerable community benefits which would flow from this.

7.5.9 We have said earlier that the dominant political agenda of the last 20 years has been expansionist; the expansion and improvement of public services, the renewal of infrastructure and meeting all the expanding needs and wishes of the citizens. This has been the ministerial priority. This has been the priority shown in the political scrutiny by Tynwald. Government has responded to that priority. Much effort has been devoted and plaudits have been given for this expansion; little more than lip-service and relatively little credit has been given for the pursuit of vfm. Vfm has been assumed.

7.5.10 It is difficult to know how efficient or inefficient Government is. We all know some anecdotal evidence of some failure or inefficiency and perfect vfm is an unrealisable goal, so there is always scope for improvement. On the other hand we all know people working within Government of high quality and industry who could scarce be faulted. So, what does the data tell us? - In fact, very little. There are few comparative data. Still less is there any analysis of the reasons for differences shown by that data. In chapter 6 we referred to some benchmarking done by KPMG in 2004 for the States of Jersey, which looked at some aspects of public services in Jersey, Guernsey and the Isle of Man. This tended to show, in the areas compared, that the Isle of Man public services were the most expensive. This is indicative rather than conclusive and does not say anything about quality, but it does tend to support the general view from outside of Government and our own impression, that there is scope for significant improvement.
7.5.11 It is perhaps worth saying too that vfm is not just a question of productivity - doing something efficiently. It is also a question of doing the right thing. Any attempt to address vfm needs to look at both these aspects.

7.5.12 We believe that the time is now right to direct the most serious attention to the question of vfm within Government to realise for the community the benefits that are achievable. The issue has lain dormant for too long and if, as has been suggested to us, the Government's revenues may in the foreseeable future not grow at the same rate as in the recent past, vfm gains will be an essential resource. But vfm savings are not likely to be achieved unless they are pursued with the sort of political and organisational interest and determination that has, in recent years, been directed at service expansion and improvement. The Government Plan is currently silent on vfm.

**Improving Corporate Government**

7.5.13 Our third general theme reflects the need for the various parts of Government to communicate better and plan and work better both vertically and horizontally. The problem of “lack of joined up government” was identified or recognised by virtually all who spoke to us.

7.5.14 To be fair, Government has devoted much effort since the introduction of Ministerial Government to developing a corporate approach and improving inter-departmental cooperation and with some success and the reforms of 1985-87 had, as one of their objectives, that purpose. It would also be true to say that in so diverse an organisation, with human failings being what they are, an ideal level of communication and cooperation is unattainable.

7.5.15 But the impossibility of achieving perfection should not discourage effort and it is clear to us that there is still room for improvement in areas such as:

- Central strategic long term planning;
- Central control and direction of the work of Government;
- Inter-Departmental policy development and service delivery;
- Coordination of Departmental work programmes.

7.5.16 Progress in this area will largely be a question of improving the organisational culture and internal systems, but there are issues which would benefit from the implementation of the recommendations that we make later.

**Separating Policy from Operations**

7.5.17 Our fourth general theme is one which was put to us by politicians, by officers and by those from outside of Government. It was expressed in one of two different ways. Either- politicians are too much involved in operational matters or matters of detail, which should be left to the staff and they do not concentrate enough on matters of policy; or- politicians are too busy or have too many other commitments to be able to concentrate on the important matters of policy and strategy. These statements represent two perspectives on the same problem; and it is a problem.

7.5.18 This is an issue on which there is almost unanimous agreement: in principle policy-making is a higher level of decision making than management and is the province of the politicians. Operations are a matter for management. But, under operational conditions, this generalisation tends to lose its edge. The hierarchy of decision-making which places policy-making above management is a continuum in which the edges between policy-making and management often blur to the point of disappearance. It can be difficult to determine at the margins what is management and what is policy. In practice, where the indistinct line between policy and management is drawn at present within a Department tends to be a matter of specific (or tacit) negotiation between the politicians and officers of the day, which results in a working understanding unique to that Department at that time. Inevitably, practice varies from Department to Department.
7.5.19 There is also, quite often, the separate but related question of drawing a distinction between the politician's role as a policy maker within Government and his role as a representative of his/her constituents. Critically, it has been held that the politician’s role in Government should largely be confined to:

- the formulation of policies and plans;
- determination of priorities;
- provision of funding to execute policies and plans;
- ensuring the efficacy of management to deliver.

The clarity of the policy role should not be distorted by constituency considerations.

7.5.20 Self-evidently, if political resources can be redirected and focussed on the bigger issues of policy and strategy and away from matters of detail, the quality of Government will be improved. This issue, so clear in principle but less clear in practice, and on which there is such a consensus, needs to be addressed. If we can make proposals which can bring greater clarity to the respective roles of politicians within Government and management that should be welcomed by all those who brought this matter to our attention.

**Transparency**

7.5.21 Our fifth general theme was put to us with such regularity by contributors from outside of Government that it would be irresponsible of us to ignore it. Although it may, in part, be explained by an incomplete knowledge of the way Government works, the issue put to us was that people outside of Government had insufficient knowledge or understanding of the reasons behind Government’s decisions and how the decision making process worked. This was often accompanied by a suspicion about Government’s objectives and motives, in part, no doubt, nourished by that lack of knowledge.

7.5.22 There can be no doubt that the structure and workings of the Government are complex and it is difficult for the average citizen, who does not make a study of the structure and workings, to understand their systems and mechanisms. This is probably not sufficiently apparent to those within the organisation whose job it is to know the structure and who take their working environment for granted. It is also true that Government decision making takes place behind closed doors so that the reasoning and the internal debates are not apparent.

7.5.23 For most people for most of the time such considerations are not of great importance, but when something goes awry interest is aroused, and for some people who take an active interest in Government business lack of transparency is a continuous impediment to their legitimate curiosity. In addition, lack of transparency does allow suspicions, justified or unjustified to be voiced and fester and does allow those of ill-intent and the conspiracy theorists to fabricate.

7.5.24 We hope that some of our recommendations will be helpful in simplifying the structure of Government and in leading to some improvement in transparency.
7.6 **A Matrix for Improvement**

7.6.1 In seeking to address the five general themes outlined above we have considered issues and proposals under eight separate possible reform headings as follows -

- Alternative Means of Service Delivery;
- Improving Service Delivery;
- Local Government;
- Accountability;
- Human Resources;
- Information Technology (IT);
- Strengthening the Centre;
- Refining the Structure.

7.6.2 Each area of reform has the potential to impact beneficially on one or more of the general themes. This general statement is illustrated by the following matrix. Each of the possible reform headings is then explored in detail in one of the following chapters.

<table>
<thead>
<tr>
<th></th>
<th>Reducing the Scope of Government</th>
<th>Value for money</th>
<th>Improving Corporate Government</th>
<th>Separating policy from operations</th>
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8 Alternative Means of Service Delivery

8.1 Introduction

8.1.1 There is, of course, no single internationally agreed model of what size a government should be and what services it should provide. Each jurisdiction is different in the extent to which it dictates and controls the activities of its citizens, in the extent to which it provides services for the benefit of its citizens, in the extent to which it provides those services itself rather than through others and in the way it raises the funds necessary to meet its costs and deliver its services.

8.1.2 We have described the structure of the Island’s Government and have summarised what it does in Chapter 2. In Chapter 7 we have stated that the Island’s Government is particularly interventionist and we have argued that it is excessively large and diverse and that there would be benefit if Government could reduce the breadth of its activities. In the case of the Island, the scope of the Government is ultimately a matter to be determined by Tynwald. But, Government, as the executive arm of the state, has a responsibility for self-review and for placing proposals before Tynwald regarding its scope.

8.1.3 The body of functions and services provided by Government today is not the result of a single conscious decision-making process. Rather it is the accretion of many decisions and initiatives taken over a long period of years, some carefully thought through, some knee-jerk reactions and many reflecting similar decisions and initiatives taken in the United Kingdom. It is observable that whilst the Island quickly follows the United Kingdom’s lead in introducing or improving services, it rarely follows the United Kingdom’s lead when services there are curtailed or reduced. As the present portfolio of services features annually in policy documents and Government plans and is funded, after debate each year, in the Budget, it can be argued that those services represent something of a political consensus on what the scope of Government should be. But this is an unconsidered consensus as few opportunities have been taken for reviewing holistically and in detail, the present portfolio of services.

8.1.4 The views we received on this subject varied greatly. As indicated in Chapter 4 there was a split between those who thought Government was too large and those that thought Government was just about the right size. Interestingly, few contributors suggested that Government was too small.

8.1.5 In Chapter 6 we made reference to the New Zealand reforms of 1984-94. The principles underlying the New Zealand model of State sector reform are as follows:

- the State should do and/or fund only those things relating to exercise of its constitutional and coercive powers and/or those things where it has a comparative advantage (the redefined role of the State);
- every State agency should have unambiguous and transparent purposes with significant functional conflicts exposed and eliminated so far as practicable (clarification of agency purposes);
- fully commercial functions that remain the responsibility of the State should operate in private sector and competitively neutral forms under the governance of boards of directors, paying tax and dividends (corporatisation);
- advisory functions relating to the full range of the Government’s interests and responsibilities, support for the administration of government, and regulatory and service delivery functions relating to the State’s constitutional and coercive powers, should be performed by departments of the Public Service, and by the police and defence forces, directly responsible to Ministers (definition of the core State); and
- non-commercial and non-departmental functions should be performed where appropriate, by agencies operating under appointed or elected boards, or by statutory officers, or by competitively neutral private and voluntary sector suppliers (the non-core State).
8.1.6 We are aware that the New Zealand reforms were a response to a particular set of circumstances and we do not seek to advocate the wholesale application of these principles to the Isle of Man. As in New Zealand in the 1980s, the perception of the Government is often dependant on how the economy is performing. This in turn affects Government’s ability to meet the needs and expectations of the people. It was suggested to us that few people are concerned with how Government is run until a crisis of one sort or other starts to affect services; and it is only at this point that the public starts to take more active interest. We consider that on the Isle of Man, the rationalisation down to the core functions as articulated by the New Zealand model would be unrealistic, unless prompted by a serious economic imperative or other stimulus.

8.1.7 Few contributors to this review have suggested that there is presently a “burning platform” to justify the Government seeking to shed some of its responsibilities. But, arguably, it is better to consider such options when the time and resources permit than to be forced to make changes in haste when they do not. We suggest in this chapter that specific areas of Government activity, which are presently provided directly by Central Government, are likely to benefit from alternative means of service delivery. Our rationale for this, the criteria which have driven this thinking and our proposed “candidates for change” are set out below.

8.1.8 However, whether or not the changes and reforms we propose are adopted and whatever the subsequent governmental structure, there is a definite need for Government itself to review what it does and reach an understanding about what are its core services and about the relative importance and the priority of the residual or non-core services. There are three main reasons why Government should do this, as a matter of priority:

**Contingency Planning**

We were asked to comment on the threats that the Island might face over the next 10 years and it is possible to construct any number of scenarios at various levels of gloom and despair. Many, if not most, of these have as one of their consequences a serious reduction in Government’s annual revenue. Thus, to cater for this eventuality and as an exercise in contingency planning, it is essential that Government should review its activities to identify which of its services it should continue to provide in all circumstances and which it should, of necessity, cease or constrain at various levels of reduced revenue.

**Prioritisation**

Even if the contingency planning response is not actually required the exercise of prioritising Government’s services and expenditures for contingency planning purposes would have a value in establishing relativities between services or parts of services which could then be used in the normal policy planning and budget processes. Debate could be more readily focussed than at present on the possibility of reallocating resources from existing funded services of the lowest priority to new or expanded services of higher priority for which there are no identified resources.

**Refining the Scope of Government**

In addition to the contingency planning and resource reallocation outcomes, there may be the potential for identifying low priority activities, areas of duplication or redundant functions within departments, which could be purged, with little or no effect on services, in the interests of efficiency and minimising the scope of Government.

8.1.9 This exercise of prioritising existing services would need to be repeated at regular intervals (not more frequently than annually) to remain relevant. It would initially be complex, difficult and time-consuming, but once done, any repeat would be a relatively straightforward matter.
8.2 Options for alternative service delivery

8.2.1 Whatever is determined as the role of Government, i.e. whatever public services are judged to be necessary and fundable, it is the role of Government to ensure that those services are provided. That does not mean that Government should necessarily deliver those services directly, itself. Indeed, there is persuasive evidence, from experience elsewhere, that privatisation, or, in some cases, other less radical forms of alternative service delivery, are preferable in that they can produce benefits to the public in terms of efficiency, choice and service improvement. The issue of alternative service delivery is the subject of the rest of this chapter.

8.2.2 We recognise, of course, that there are services which do not lend themselves to delivery other than directly by Government and that there are other Government-provided services which, whatever the rationality of the situation, could not be done in any other way because of current political or public attitudes. But setting these aside, there is scope for looking at a range of other Government services which might be done differently.

8.2.3 There are a number of principles which we think need to be applied in any initial approach to the issue of alternative service delivery on the Isle of Man:

- Candidate services should not be core services (see paragraph 8.1.8);
- The more commercial a service the more suitable for alternative delivery it is likely to be;
- There should be a presumption that Government will not compete with private sector suppliers. Where direct competition currently exists, alternative provision should generally be considered or, if public provision is continued, Government must compete on a level playing field;
- Where any new service or service expansion is in contemplation, consideration should be given to the option of alternative delivery;
- Where a privatisation does not create competition in the market, Government should ensure that there is competition for the market (i.e. competition to acquire the right to provide the service), and strict regulation may be required;
- Before embarking on alternative delivery a business case should be produced which demonstrates the likely achievement of a net benefit (In particular the cost to the public plus the cost of regulation should be less than the direct delivery cost);
- Where privatisation of an existing monopoly service is proposed, Government should consider, for reasons of security in the first instance, retaining the ownership of the capital assets involved;
- There must be adequate regulation of the quality and value for money of those services provided through alternative delivery mechanisms.
8.2.4 In Chapter 4 we briefly set out the four basic models of private sector or commercial involvement which we considered represented the means by which present Government services could be provided as an alternative to direct Government provision funded mainly by taxation. These were privatisation, corporatisation, contracting-out and commercialisation. These models are not new to the Isle of Man Government and examples of how each have occurred or already exist within our structure are set out below:

**Privatisation**

Manx Gas (Outlying areas excluding Douglas)

**Corporatisation**

Laxey Glen Mills
Manx Radio

**Contracting-Out**

Maintenance
Security (e.g. Airport, Noble’s Hospital)
Children & Families Services
Timber Harvesting
Cleaning
Department of Transport - Building Trades
Information Technology
Energy from Waste Plant

**Commercialisation**

Manx Electricity Authority
Water Authority (metered water supply)
Post Office

8.2.5 There are also the precedents of the link span user agreement between Government and the Isle of Man Steam Packet Company and the telecoms licence granted to Manx Telecom, which have something of the character of contracting out agreements.

8.2.6 In respect of contracting out it is interesting to note a recent exercise within Government identified that the value of contacts let to the private and voluntary sectors currently amounts to approximately £13m per annum and involves the employment of something in the region of 500 full time equivalent staff. The majority of these contracting arrangements came into being after the introduction, in 1990, of the Personnel Control Mechanism. Some would argue that this was Government organisations specifically seeking to circumvent the constraints of the mechanism. Whilst in some cases this may be true, the reality is that one of the stated aims of the policy was, and remains, “to cause Departments and Boards to examine whether it would be more efficient and cost-effective to buy in services from the private sector”.

8.2.7 Therefore, the options for alternative service delivery can be justified, as they are models which are in use, albeit in a comparatively small way. Indeed, in respect of contracting-out, this is a key element of existing and long standing Government policy. The important question is whether their use should be extended and if so, into which areas? The answer to the first part of the question, we believe, is yes. In addressing the second part of the question, and before specifying the candidates for change, we believe it would be appropriate to examine in more depth the pros and cons of each of the four options identified.
**Privatisation**

Definition: where Government transfers to private ownership, by sale or otherwise, the right and/or the assets used to provide a service, normally with an understanding or an agreement that the new owners will continue to provide the service under contract to, or on terms directly controlled by, or supervised by Government.

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<tr>
<td><strong>Assets</strong>: enables the release of funds, through the sale of assets</td>
<td><strong>Perception</strong>: loss of control of a key function, which, without political intervention, other than through overall policy setting and regulation, might lead to repeats of recent governance problems</td>
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<td><strong>Law</strong>: ensures the undertaking is regulated through company law and associated governance frameworks</td>
<td><strong>Regulation</strong>: there will remain the need to monitor and regulate the activities of entities; the costs of setting this up may outweigh the benefits</td>
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<td><strong>Competition</strong>: where the market is sufficient to sustain it, privatisation can create competition which can drive down costs and result in better prices for customers</td>
<td><strong>Complexity</strong>: it may not be appropriate or desirable to shed all elements of an activity and a home will be needed for the residual functions. In the IOM where multiple roles (policy, regulation and operations) may be performed by the same individual - we do not have the economies of scale enjoyed elsewhere - dividing those functions between different people may be costly and difficult to achieve</td>
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<td><strong>Workforce</strong>: reduces the size of the government workforce and removes the attendant liabilities and constraints</td>
<td><strong>Scale</strong>: in the Isle of Man, a stand alone Manx based company might not be viable and it may be necessary for the undertaking to form only a small part of a wider UK/worldwide corporate entity, which may not have the interests of Manx residents at heart, nor provide local employment etc</td>
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<td><strong>Specialists</strong>: greater likelihood of specialist expertise being deployed, ensuring a more professional service</td>
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**Corporatisation**

Definition: the establishment of an undertaking which is beneficially owned by Government, but which is incorporated under and is subject to the Companies Acts. The undertaking is expected to operate commercially, although some Government subvention to support non-viable activities may be involved and there may be particular restrictions placed upon the company by Government. The assets of the undertaking are transferred into the ownership of the wholly owned company.

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<td>As above in respect of <strong>Law, Competition</strong> and <strong>Workforce</strong></td>
<td>As above in respect of <strong>Perception, Regulation</strong> and <strong>Complexity</strong></td>
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<td><strong>Political accountability</strong>: the separation of roles can enable politicians to separate themselves from operational matters, enabling them to focus upon the IOM’s policy agenda</td>
<td><strong>Markets</strong>: Care may need to be taken to ensure that a corporatised entity, supported by Government subvention, is not competing unfairly in the marketplace in contravention to applicable EU/WTO rules</td>
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<td><strong>Evolution</strong>: corporatisation can act as an intermediate step to privatisation, by ring-fencing activities, enabling clearer comparisons of public/private options and ultimately de-coupling the public function if deemed appropriate</td>
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**Contracting-Out**

Definition: where a service or part of a service which is provided by Government is delivered under contract by a third party.

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<td>As above in respect of <strong>Law, Competition, Workforce</strong> and <strong>Specialists</strong></td>
<td><strong>Management</strong>: requires an increase in oversight and contract management within central government.</td>
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<td><strong>Flexibility</strong>: The use of time limited contracts gives Government flexibility in respect of deployment of resources. No longer tied down to a “jobs for life” culture.</td>
<td><strong>Risk</strong>: dependant upon there being sufficient private operators to ensure the service is being provided at a lesser cost and to an equivalent quality than would be possible if provided directly</td>
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**Commercialisation**

Definition: where a Government entity, other than a company, sells goods or services to the public at a price which wholly or largely covers the costs of providing that service.

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<td><strong>Funding</strong>: No direct call on Government Revenues</td>
<td><strong>Subsidy</strong>: There may still be a requirement to provide financial assistance in certain cases.</td>
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<td><strong>Charges</strong>: May lead to increase in costs borne by users, which may be inequitable in nature</td>
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8.2.8 It needs to be understood that these alternative delivery mechanisms are not soft options. Government cannot simply reallocate these services and then wash its hands of the consequences. It is important to recognise that Government has responsibility for the quality of its decision to use an alternative means of service delivery and for the quality of the result. A different set of skills is required to negotiate and manage a contract for service delivery than for the management of a direct labour force. As contract management is not yet a skill widely available or widely understood within Government, there would be an education and training need in this area.

8.3 Candidates for Change

8.3.1 As stated in Chapter 3, we commissioned three particular pieces of research, which were undertaken for us by three teams of volunteer senior Government officers. One team was requested to consider areas of Government activity on the Isle of Man which appear to present a prima facie case for alternative service delivery. The areas examined were as follows:-

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<tr>
<th>Department of Tourism &amp; Leisure</th>
<th>Statutory Boards</th>
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<td>Buses</td>
<td>Water Authority</td>
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<td>National Sports Centre</td>
<td>MEA</td>
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<td>Tourism Events</td>
<td>Post Office</td>
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<td>Villa Marina/Gaiety Theatre</td>
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<td>MER and Steam Railway</td>
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<td>Works Division</td>
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<td>Quarries</td>
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<th>DAFF</th>
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<tr>
<td>Knockaloe Experimental Farm</td>
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<tr>
<td>Commercial Forestry</td>
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<tr>
<td>Fish Hatchery</td>
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<th>Department of Trade and Industry</th>
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<th>Department of Local Government &amp; Environment</th>
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<td>Housing Operations</td>
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<td>Waste Operations</td>
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<th>Statutory Bodies</th>
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<tr>
<td>Manx National Heritage</td>
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<td>Road Traffic Licensing Committee</td>
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8.3.2 We do not suggest that this list is definitive or indeed anything more than a snapshot of some of the more obvious candidates that could be considered for alternative supply. No doubt there are many other areas of Government activity which could, with advantage, be examined. And we recommend that further areas are examined at the earliest opportunity.

8.3.3 We have recognised that with the time and resources available to us, it has not proved possible to undertake sufficient in depth analysis of each of these areas of activity in order to obtain irrefutable evidence one way or the other about the extent to which these areas would be suitable for delivery by one of the alternative means identified above. In any case, more often than not, decisions of this nature come down to issues of politics and culture irrespective of how compelling the logical argument. That said, we have identified below a number of candidates for change which we recommended as suitable for alternative means of delivery although we recognise that further and more detailed work would be required. This would not only be to make such change happen but also to fully test the feasibility of the options we propose.

8.4 Buses

8.4.1 The DTL currently operates, maintains and promotes the Island’s bus service. Its remit is to provide accessible bus transport for all groups and provide a passenger transport service which meets the work and social needs of the population including continuation of free travel for senior citizens and state school children. Bus provision was originally provided by a private company and Douglas Corporation, but was taken over by IOM Government when the providers no longer wished to continue the business.
8.4.2 In the UK, Channel Islands and Europe, most, if not all bus services are run by private companies. Some are totally privatised, others run by the private company with funds coming from the Local Authority to cover pensioners etc. School services are often separated from the main bus services and run by another company totally under contract to the Local Authority concerned.

8.4.3 On the Island expenditure on bus services is approximately £8.5m, generating income of £2m. This is unlikely to be an attractive short term proposition for a private operator, unless it was free to rationalise services and routes. This may be undesirable. However, the bus service is a distinct trading operation which we believe might function more efficiently if it was at arms length from Government and managed on a commercial basis, whilst retaining the ability to receive support for its requirement to fulfil an important social role. For that reason, we believe the possible corporatisation (or privatisation with a government subsidy) of the Island’s bus service is something which should be considered.

8.5 National Sports Centre

8.5.1 The aims of the NSC are to provide a balanced programme of activities and opportunities for all groups of the community at the NSC and regional facilities. Encouraging development of participation in a wide range of sports by working pro-actively with local associations, clubs and various agencies across Government, The NSC complex includes the swimming pools, sports halls, gymnasion and café. The NSC is designed to provide extensive sports development programmes, facilities for teaching swimming in schools, and promote facilities to local clubs etc.

8.5.2 Swimming Pools and sports facilities across the UK are generally owned by Government (usually Local Government) but often operated by the private sector under a contract to the government body. The building maintenance, costs of running the building (electricity etc) are paid by the government body but they are staffed by the private sector.

8.5.3 The staff numbers within the NSC are outside the personnel control mechanism and mostly paid on Whitley Council Leisure rates on a 7 day rolling week basis. We believe there is scope for greater cost efficiency if elements of the NSC were subject to contracting out arrangements whilst ensuring control of service provision by sound contract management. We believe therefore that consideration should be given to the possible contracting-out of the National Sports Centre.

8.6 Tourism Events

8.6.1 The DTL organises, co-ordinates, provides support and promotion for sporting & cultural events held on the Isle of Man. The biggest event run on the Isle of Man is the TT races, which has its own brand that is part of the Isle of Man and can be used to promote the Isle of Man abroad. We believe the brand should be maintained by Isle of Man Government but the scheduling and organisation of events could be carried out by private operators under contracting out arrangements. This could apply to other tourism events currently managed by the DTL. Of the total expenditure in this area £1.775m is on the TT (60%).

8.6.2 Such an approach could bring greater professionalism to events organisation and result in some savings to Government.

8.7 Villa Marina/ Gaiety Theatre

8.7.1 The National Arts and Entertainment Centre (NAEC) based around the Villa Marina and Gaiety Theatre Complex provides a mixed programme of quality entertainment and arts performances. The Gaiety is the principal theatre on the Isle of Man and is one of a small number of Victorian theatres remaining in the United Kingdom. It is part of the Island’s heritage and provides a vital service to IOM residents. The Villa Marina was taken over by Government when negotiations with Douglas Corporation over Government support for the facility failed.
8.7.2 The Villa Marina may not be reaching its full potential either in terms of entertainment or conference facilities. Time needs to be taken to establish a development programme for the Villa Marina and Gaiety that provides balance between arts and entertainment events for each year. Conferences, concerts and other uses (weddings, etc) need to be developed to their full potential. The Loan charges on the Villa Marina of approximately £1.3 m per year, however, would not make it practical option for privatisation. Furthermore both the Villa Marina and Gaiety Theatre are regarded as national landmark buildings which should remain in Government ownership.

8.7.3 In 2005/06, gross expenditure on the NAEC was £4.4m of which about £1.7m was on salaries. The income achieved was £2.7m, representing an operating loss of £1.7m. As a trading entity, we believe the NAEC could be operated more effectively by private contractors.

8.7.4 This could bring a more professional approach to the running of the events, and provide greater cost effectiveness. It may also lead to increased revenue by better use of facilities available. It is our view, therefore, that this option is worthy of further consideration.

8.8 Airport

8.8.1 The majority of UK airports are privately owned, although some, such as Manchester are owned by the Local Authority operated as a commercial entity. Some of the airports have grown rapidly especially when they have become a base for low cost airlines, such as Liverpool John Lennon Airport. Ronaldsway Airport directly operates the following activities:

- Air Traffic;
- Cleaning;
- Baggage Handlers;
- Meteorological Services;
- Fire Service;
- Airport Police;
- Maintenance;
- Car Parks.

8.8.2 Only security and catering are contracted out. In the UK, airports which have remained in local authority ownership do not directly provide the majority of services. Instead these are contracted out to specialist operators.

8.8.3 We believe there is a case to be made for the airport to be run on a commercial basis and this is the norm throughout Europe. We recognise that there is a large amount of capital expenditure required to extend the runway and upgrade the infrastructure generally. It is unlikely that this could be funded by a private sector company. Furthermore, the Island has to recognise the strategic importance of the airport, and as such, its retention within Government ownership is, we think, essential.

8.8.4 However, there is scope for considering the corporatisation of the airport, which could bring benefits to Government through encouraging a more commercial approach, reducing dependency on government revenue funding and enabling a more competitive approach in respect of staff terms and conditions of service.

8.9 Harbours

8.9.1 Many UK harbours are run by the private sector, with exceptions including the Highlands and Islands. Jersey has recently transferred its harbour board to a government owned company wholly owned by the States of Jersey. We understand that in Ireland the fishing ports are Government owned and operated, however the commercial ports are privately run.
8.9.2 On the Isle of Man, responsibility for harbours and provision of the port services is the responsibility of DOT and with the exception of some security services are directly provided by Government personnel. As with the airport, we believe there is merit in considering the possible corporatisation of Ports and Harbours. This could provide greater flexibility to react to user requirements and develop sites on a commercial basis. It would provide freedom to contract out services if required and charge commercial rates to all users, subject to any constraints imposed by Government regulation.

8.10 Works Division

8.10.1 The Works Division within the Department of Transport does not have a budget of its own, but instead its costs are charged out to other divisions of the DOT, or to Government Departments, as and when work is carried out, under direct labour organisation arrangements. The Works Division has five component individually managed functions and these are outlined as follows:

- **Engineering Works**: Highways/Drainage, Airport, Harbour Projects, Maintenance.
- **Building Works**: Projects, Maintenance, Electrical and Electronic, Garden and Ground Maintenance.
- **Transport & Plant**: Vehicle and Plant Hire, Maintenance, Blacksmiths, Divers, Cranes.
- **Quarries**: Stone Products, Bitumen coated, Macadams, Dry stone aggregates, Rock Armour.
- **Support Services**: Purchasing, Stores, Job costing, Charging, Administration and Wages.

8.10.2 Concerns have been expressed to us regarding the cost to Government of these services compared with prices available in the private sector. We understand an internal review into this issue is being undertaken by the Department, but its findings were not available to us in the timeframe of our review. However, on the face of it, it seems clear to us that opportunities must exist to achieve financial benefits if the functions of the Works Division were contracted out. We understand that external contracts to the value of over £700,000 already exist within Works Division, covering such areas as general builders, gardeners, flooring contractors and electric engineers. Consideration should, we believe, be given to extending these contracting-out arrangements. We believe this is particularly important in respect of quarries, which we deal with below.

8.11 Quarries

8.11.1 We do not believe it should be a core function of Government to operate a quarry.

8.11.2 We stated above that there should be a presumption that Government will not compete with private sector suppliers. Where such competition currently exists, alternative provision should generally be considered. On the Island, a number of quarries are operated privately and so the possibility of at least contracting-out the Government owned quarries section, should be explored.

8.12 Knockaloe Experimental Farm

8.12.1 The Knockaloe farm site covers 346 acres (140 ha) including 18 acres of forestry and initially the farm's main purpose was to act as a livestock breeding station, supplying breeding cattle, sheep, pigs and poultry to the Island's farmers. Over time the provision of breeding livestock ceased and the emphasis was placed on farming demonstrations. However, in recent times the farm has been unable to create much in the way of technology transfer opportunities to the farming industry and it is recognised that the Department could maintain its commitment to promote, assist and develop instruction in agriculture and rural industries without the need to actively farm Knockaloe.

8.12.2 The farming enterprise is currently losing money (approx £40k annually) and based on the assumption that the farm has no long term use, the Department has already identified and implemented an action plan to provide a short term (2-year) holding position for the site until a
The longer term solution is identified, agreed and implemented. The holding plan has been devised to protect both the core Departmental use of the Knockaloe site (principally the office suite) as well as the environmental features of the site while fundamentally seeking to reduce the losses and retaining the options for the farm in the future.

8.12.3 We support the work being conducted by DAFF to find alternative uses for the Knockaloe site, and support the proposal to cease government operated farming on the site. Any continuation of farming activities should be on a commercial basis, through contracting-out arrangements and not by directly employed Government personnel.

8.13 Commercial Forestry

8.13.1 Commercial forestry is managed by the Forestry, Amenity and Lands Division of the Department of Agriculture, Fisheries & Forestry. Commercial forestry includes harvesting, saw-milling and production of timber goods and is viewed by the Department as being both an essential and integral part of the long term management of the Island's forestry plantations. The Division manages 57 plantations of which around 25% are relatively small (less than 10 hectares).

8.13.2 The Division also operates its own sawmill at St Johns to service forestry operations. The facility was opened in 1982 and much of the equipment in use dates back to this time and even earlier; major investment in modernisation is now required as the sawmill is the only operation capable of processing round timber on the Island.

8.13.3 It is recognised that there is a need for a local sawmill operation to continue processing timber from the forestry plantations as the cost of transporting and treating timber off-island is prohibitive and also the market for the goods produced is principally on-island. There is however plenty of competition for some of the goods produced by the sawmill e.g. garden furniture, the cost of which is comparative to the prices charged by the sawmill when taking into account the quality of alternative products. There is currently limited scope for any change in prices or expansion of the market.

8.13.4 The commercial forestry operation is currently budgeted for an annual deficiency of approximately £320,000, although with additional (hidden) costs we understand the true deficit is more in the region of £0.5m per annum. The majority of these costs are salaries and wages.

8.13.5 The present condition of the sawmill equipment coupled with its poor financial performance does not potentially make it a commercially viable business option for privatisation at this stage. The commercial forestry operation does not represent a cost effective Government operation, but it does ensure that the Island’s natural landscape is afforded a sufficient level of protection and also that the Island can be reasonably self-sufficient in terms of timber supplies.

8.13.6 A recent external review of the Forestry, Amenity and Lands Division of DAFF indicated that the implementation of their recommendations to introduce business efficiencies could potentially turn the sawmill operation into a break-even / cost neutral operation thus making this element of the forestry operation more attractive in commercial terms to non-Government parties. We therefore support further work being conducted into the options for the contracting-out of commercial forestry operations.

8.14 Fish Hatcheries

8.14.1 The DAFF Freshwater Fisheries are located on two sites Lag Vollagh, Cornaa and Laxey Glen. The section has statutory obligations under the Inland Fisheries Act 1976 to be responsible for the supervision and protection of freshwater fisheries and for fostering the establishment and development of such fisheries. The section also works to enhance recreational angling facilities on the Island by rearing rainbow trout for stocking to the Island’s reservoirs and is working towards the establishment of a comprehensive monitoring and development programme.
8.14.2 The current hatchery operation takes up around 40% of the Freshwater Fisheries staff time with a
greater level of work required during the open fishing season to stock the reservoirs and rivers. This
element could be contracted out using the existing specialist site at Lag Vollagh, Cornaa and through
transfer of the lease of the Laxey premises.

8.15 Water Authority

8.15.1 Most small jurisdictions have control of their water companies either as part of a Department of
Works or similar (as in Guernsey), or as a corporate entity (as in Jersey – 74% Government
ownership). The Isle of Man Water Authority currently functions effectively as a Statutory Board, it
has a clear strategy for the future and a management plan to implement that strategy.

8.15.2 Corporatisation is an option which should be considered. It would provide a degree of separation
from the political environment, enable the authority to operate on a more commercial basis, and
ensure it was freed from the customary constraints of Government intervention such as personnel
control.

8.15.3 It is important, however, to investigate the possibility of transferring to the Water Authority the
“sewage operation” functions currently vested in the Department of Transport, and this is dealt with
in more detail in Chapter 15.

8.16 MEA

8.16.1 In similar jurisdictions to the Isle of Man a commercial approach to electricity generation and supply
is the norm. The Jersey Electric Company Ltd is listed on the London Stock Exchange and has a
62% States of Jersey shareholding. It does not have a “regulator” but due to its dominant position
in the market would be subject to the general comprehensive competition controls applying in
Jersey. Guernsey Electric Ltd on the other hand is a private limited company with 100 %
shareholding owned by the States of Guernsey. It does have a dedicated regulator in the Office of
the Utilities Regulator which licenses their operation and has laid down fairly tough targets and
controlled prices. Bermuda and Singapore have privately owned electricity suppliers whilst Hong
Kong also has a private supplier with a “Scheme of Control” agreed with their regulator that allows a
permitted return on average fixed assets.

8.16.2 Given the present financial state of the Manx Electricity Authority there is likely to be little
enthusiasm to make significant change at present. However, we suggest that corporatisation should
take place now and the current Board stay in office as Directors of a wholly owned Government
company. A move to a corporate structure may be viewed with scepticism by some who might see
this as a means of removing accountability. However, we would argue that corporatisation, and the
controls imposed by the Companies Acts arguably require greater levels of corporate governance
and personal liability for directors than currently exists with the Statutory Board status. Further, in
the longer term, the possibility of privatisation should not be ruled out.

8.16.3 Regardless of any other considerations, in line with the principles set out in paragraph 8.2.3, we
would seriously question the need for the MEA’s retail operations.

8.17 Post Office

8.17.1 We are aware that in January 2006 Tynwald accepted the report “Strategic Direction of the Isle of
Man Post Office” which recommended that the Post Office should remain as a Statutory Board albeit
that it should be allowed to diversify subject to the authority of the DTI under Section 4(g) of the
Post Office Act 1993. A new mechanism for the approval/authorisation process also had to be
agreed between DTI and Treasury to speed up the process and Treasury was requested to give
consideration and report to the Council of Ministers on the proposal for bespoke Financial
Regulations to apply to the Post Office, and other Statutory Boards.
8.17.2 If the Post Office is to survive in an increasingly global and competitive market place its adoption of a stronger commercial approach is clearly necessary. Not only must the organisation be able to react to changing market conditions but it must also contemplate collaborative business arrangements with private sector companies. It is difficult to see how the arrangement recently approved by Tynwald could satisfy this trading need. Further, it is questionable whether the proposed arrangement could afford government control comparable to company law. We therefore believe that the proposed corporatisation of the Post Office should be reconsidered, with a view to it being privatised in the longer term.

8.17.3 Again, the commercialisation of such entities is the norm in similar jurisdictions. Both Jersey and Guernsey have corporatised their postal services. Jersey currently has 38% private shareholding in Jersey Post whilst the States of Guernsey hold a 100% shareholding in Guernsey Post. Regulation arrangements are the same as for the electricity companies.

8.18 Other Candidates

8.18.1 From the list of areas examined in section 8.3, it will be apparent that a number of functions we considered as candidates for change onto a more commercial basis have been excluded from our recommendations for further study. Some of these cover functions which we believe should be delivered by a more effective system of local government (i.e. housing and waste operations) and we deal with how this can best be managed in Chapter 10.

8.18.2 In addition, we have concluded that Manx National Heritage, heritage transport (MER and Steam Railway) and the Road Transport Licensing Committee should remain as directly provided services. However, we recommend alternative organisational settings for each and this is dealt with in Chapter 15.

8.19 Summary

8.19.1 The following table summarises our preliminary assessments -

<table>
<thead>
<tr>
<th>Activity</th>
<th>Preferred Option</th>
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<tbody>
<tr>
<td>Buses</td>
<td>Corporatise/Privatise</td>
</tr>
<tr>
<td>NSC</td>
<td>Contract out</td>
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<tr>
<td>Tourism Events</td>
<td>Contract out</td>
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<tr>
<td>Villa Marina/Gaiety Theatre</td>
<td>Contract out</td>
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<tr>
<td>Airport</td>
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<td>Harbours</td>
<td>Corporatise</td>
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<td>Works Division</td>
<td>Contract Out</td>
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<td>Quarries</td>
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<td>Knockaloe Experimental Farm</td>
<td>Contract out</td>
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<td>Commercial Forestry</td>
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<td>Fish Hatcheries</td>
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<td>Water Authority</td>
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<td>MEA</td>
<td>Corporatise/Privatise</td>
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<tr>
<td>Post Office</td>
<td>Corporatise/Privatise</td>
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</table>
8.19.2 Having suggested that Government should consider providing some of its services through alternative delivery mechanisms, the purpose of our preliminary assessment exercise has been to open up the debate on the sorts of services which might be considered for alternative delivery and on the alternative delivery options that might be appropriate in each instance. In no case have we been able to go into sufficient depth to reach firm conclusions, but, in all cases, there is, in our view, a sufficient prima facie case for change to warrant a further and in-depth examination.

8.19.3 Whilst we are convinced that there are benefits to be gained from an initiative aimed at increasing the scope of delivering public services by alternative means and that those benefits should be realised as soon as practicable, we do recognise that the approach to this initiative needs to be carefully planned. It would not be sensible to rush into alternative delivery mechanisms wholesale and across a broad front, or without detailed advance study and planning. Ideally, Government should select a small number of prime candidates (sensibly from the options which we have identified) and having verified the justification for the alternative service delivery in each case should promote them as prototypes for change. We would expect that the learning process, experience and track record of making those changes in a few prototypes would then assist and justify further change enabling a rolling programme of wider change to be developed.

8.19.4 We would see a programme such as this –

- Reducing the scope of Government by pushing services out to alternative providers;
- Improving value for money as it has done elsewhere and by allowing Government's limited political and administrative resources to be concentrated on other core activities;
- Helping with the programme of separating policy-making and service-delivery;
- Aiding transparency by requiring the service level agreement for each service to be explicit and in the public domain.

8.20 Recommendations

We recommend that:

Recommendation 1

For the purposes of contingency planning, to assist its policy planning and budget processes and in the interests of efficiency, Government should undertake a review of the whole range of its activities. This review should seek to identify and agree Government’s core services and establish an order of relative priority for its remaining services. This review should be repeated at regular intervals.

Recommendation 2

Government should:

- seek to reduce the proportion of public services which it provides through direct delivery by making greater use of the alternative delivery mechanisms of privatisation, corporatisation, contracting-out and commercialisation;
- conduct in-depth appraisals into the possibility of using alternative delivery mechanisms for those services identified in paragraphs 8.4 to 8.17 in this report; and
- take forward those cases where, after in-depth appraisal, alternative delivery mechanisms have been shown to be justified, as the beginning of a rolling programme of change across a wider range of services.
9 Improving Service Delivery

9.1 Introduction

9.1.1 In Chapter 8 we looked at some alternative ways for Government to deliver some of its services. The alternatives identified are not realistic options for all of what Government does and even if our initial suggestions are acted upon, change will take time and most services will continue to be provided by Departments at least for the foreseeable future. In this chapter we discuss some options for securing improvements in the delivery of those remaining services.

9.2 Executive Agencies

9.2.1 In describing international developments in chapter 6 we made a brief reference to the establishment of Next Steps Agencies in the United Kingdom. The rationale behind the establishment of those bodies (now more usually called Executive Agencies) was the wish to tackle a number of key weaknesses identified in the delivery of public services by central government in the UK, namely:-

- Ministers were overloaded and top management was dominated by its policy role;
- insufficient attention was given to the management and the delivery of outputs;
- there was a shortage of management skills and experience in the Civil Service;
- the Civil Service was too big and too diverse to manage as a single organisation.

9.2.2 There is a clear resonance between these weaknesses and what we have found in our current review of the Isle of Man Government. We have, therefore, looked carefully at the UK Executive Agency model to see if it brought improvements in the UK and if, as a model, it is transferable to the Isle of Man.

9.2.3 Executive Agencies began to be created in 1988 and, as at June 2006, there were 84 agencies of Whitehall departments, plus four other organisations which work on Next Steps lines. They employ over 70% of the UK Civil Service. They are the vehicle through which most central government services to the public are provided. They perform a wide variety of functions and there is no consistency of size - they vary in staff numbers from a low of 50 to a high of 90,000. However, there is a clear consensus that they have been a success and, even where there have been spectacular difficulties, for example in the Child Support Agency, the problems are not regarded as being a consequence of the body's agency status.


9.2.5 The key to Executive Agency working, as recommended at the outset was that -

“To the greatest extent practicable the executive functions of government, as distinct from policy advice, should be carried out by units clearly designated within Departments, referred to as “Agencies”. “
9.2.6 It was further proposed that -

“The main strategic control must lie with the Minister and Permanent Secretary. But once the policy objectives and budgets are set, the management of the agency should have as much independence as possible in deciding how these objectives are met... the presumption must be that, provided management is operating within the strategic direction set by ministers, it must be left as free as possible to manage within that framework”

9.2.7 For each Executive Agency there is a framework document (a contract between the Minister and the Agency which includes whatever delegation of Ministerial powers that is necessary). The framework document has a three year life and there are annual corporate plans which further define what the Minister expects the Agency to deliver and the Agency makes an annual report which is laid before parliament. The Minister remains responsible for the Agency and politically answerable for it.

9.2.8 Agencies are headed by a Chief Executive. They do not have governing boards, but many Agencies (like UK Government Departments) have a management board made up of senior staff and a number of external (often independent) members. A number of sub-committees may report to the management board (including an audit committee in line with Government accounting rules).

9.2.9 The Executive Agency arrangement is flexible. The Agency is an administrative creation, not a statutory one, so a Department can create or modify an Agency without the necessity of new legislation. Executive Agencies are part of the Crown. They do not usually have their own legal identity, but instead operate under powers that are delegated from Ministers and Departments. If it is necessary for an Executive Agency to have a legal identity - for instance for control of assets or liability purposes - legislation may be required, or an alternative legal personality chosen.

9.2.10 There is no doubt that the Executive Agency concept has worked well in the United Kingdom. The question is whether it would be as successful in the Island and, in our view, there is no single answer to that question. It is a “big government” solution, which is more difficult to achieve in a small jurisdiction with small resources and small teams of staff. There needs to be not only a discrete area of defined and self-contained work on which the Agency can focus, but there needs to be sufficient expertise and experience of that work in both the Agency and in the Minister’s Office within the Department to ensure a sensible dialogue between the two in agreeing the framework document and the annual plans. We can well see that there will be areas of work within Government where the Executive Agency model would be appropriate and would work well, but it is not a universal panacea. It is not likely that all Departments will be able to separate simply into a head office advising the Minister and a number of Executive Agencies each delivering a part of the Department’s service to the public, although that is a model which we find attractive.

9.2.11 What we conclude on Executive Agencies is that it is an attractive concept and Central Government and Departments should give it the most serious consideration and be willing to adopt it as a Departmental structural principle wherever it is likely to produce a net benefit. Possible areas within the Isle of Man Government where the Agency approach might be considered in the first instance include Social Security, Income Tax Division and Customs and Excise Division.

9.3 Non Departmental Public Bodies

9.3.1 Of rather longer history, and certainly more numerous, than the Executive Agencies are the UK Government’s Non Departmental Public Bodies. These are rather similar to the Executive Agencies, but are separate legal entities set up under specific legislation run by boards appointed by the Secretary of State. They sometimes have names which, confusingly, include the word agency - e.g. Teacher Training Agency, Oil and Pipelines Agency, Environment Agency, British Council, Construction Industry Training Board.

9.3.2 They manage their own budgets, (funds provided by Government) and they recruit their own staff (not civil servants) and employ them on their own terms and conditions. But the Minister remains politically accountable for their actions, and the Chief Executive operationally accountable.
9.4 Non Ministerial Departments

9.4.1 A third UK variant is the Non Ministerial Department. These include the Food Standards Agency, Charity Commissioners, Crown Prosecution Service, Forestry Commission, HM Revenue and Customs etc. Again they are run by Boards appointed by the Secretary of State. They answer to Parliament through a relevant Minister and are not usually established by legislation.

9.5 Service Contracts

9.5.1 The differences between these three different types of organisation are less important than the similarities. These similarities are that:-

- they are government funded;
- a Minister remains politically accountable for their work;
- they in turn are accountable to the Minister; and
- they operate with managerial freedom within a framework and a set of objectives determined by the Minister;
- both the manager of the Executive Agency and the Minister and his advisers benefit from the greater clarity of roles achieved by separating policy from operational management.

9.5.2 It is this set of features which attracts us to the Executive Agency and these features can operate within a variety of different relationships. Translating this into an Isle of Man context it is clear that it could work not only in the case of an Executive Agency but also within an existing Department, even if no Executive Agency is established. Thus we could envisage a Minister agreeing what would be, in effect, a service contract with a part of his Department led by an identified manager under which funds and resources would be made available to the manager in return for a set of defined outputs for which the manager would be responsible. This would be clearer and more satisfactory if the service contract was agreed in the context of an Executive Agency, but in circumstances where that is not possible, a service contract could still be made.

9.5.3 Government planning is already moving in this direction but the service contract model which we suggest is not yet a declared objective. It would not be easy to achieve:-

- It would be necessary for the Minister and his/her team to negotiate with the identified manager at the start of the year exactly what resources were to be made available and what the part of the Department (or Executive Agency) would be expected to deliver. This requires not only clarity of thought and purpose, but a willingness for the Minister to operate a hands-off approach in relation to the operations of the relevant part of the Department (or Executive Agency);
- It would be necessary for the identified manager, also, to have clarity of thought and purpose and have the strength of character to shoulder the managerial responsibility for delivering what the service contract required.

9.5.4 It is, in some ways, more comfortable for both parties to leave what is expected unclear and flexible, as it is often is now. Each side then has some room for manoeuvre, particularly if circumstances change or if problems develop. But comfort should not be the objective and we would advocate the discipline of good planning and service contracts as a means to raising performance.

9.5.5 Realistically, we would expect moves in this direction to be phased, with the earliest examples being the easiest - those areas of work which are the most managerial in nature and which generate the least political interest. But with growing experience and confidence we would hope to see the service contract model being more widely used. Certainly we would recommend that Government commits itself to moving towards the introduction of the service contract model that we have described.
9.5.6 Although we have not seen an example of such a document, we understand that the Government of New Zealand operates a system of service contracts.

9.6 Benchmarking

9.6.1 We have touched on the issue of benchmarking earlier in the report, but it is an important component in our thinking about the future and requires some further explanation.

9.6.2 In practice, benchmarking usually encompasses:-

- Regularly comparing aspects of performance with best practitioners;
- Identifying gaps in performance;
- Seeking improvements to raise standards.

9.6.3 It is possible to do a certain amount of internal benchmarking where there are common aspects of services across Departments. It is also possible (and frequently done) to benchmark with the past using current and historic data for the same service. But, for the purposes of this Review we are concerned with external benchmarking.

9.6.4 External benchmarking involves seeking outside organisations that are truly comparable and, ideally, the best in class or are at least thought to be good performers. Comparisons then give indications of the quality and value for money of the compared services and provide pointers to what might be done to raise performance. In chapter 6 we drew on data from a KPMG survey which was, in essence, an exercise in external benchmarking undertaken by the States of Jersey.

9.6.5 It is not always easy to find good comparators and, in practice, benchmarking is only likely to be valid and valuable if focussed on comparators that are similar to the Island and on a very specific service or services:-

- If ostensibly comparable data is used from a jurisdiction that is markedly different from the Island in terms of size, geographical location, economic development, cultural environment, etc. then those factors, apart from any difference in the quality of the service that there might be, are likely to render the comparison questionable;
- Equally, a comparison even with a similar jurisdiction, if the subject of comparison is too wide and ignores differences between what is done in the two jurisdictions will be of limited value.

9.6.6 But when benchmarking takes place comparing like services and like jurisdictions it is a potent indicator of how well or otherwise the Government is performing. Such benchmarking can use financial or any other relevant data and we would be very keen to see Government do more of it and do it on a continuous basis so that Government's performance and progress can be clearly demonstrated. Benchmarking with the past, showing progress against historic measures is to be welcomed, but this does leave open the question of absolute performance compared to others. Regular and systematic external benchmarking needs to be a feature of Government's on-going self-review and, in our opinion, it needs to be driven and coordinated centrally.

9.7 External Review

9.7.1 Somewhat related to the subject of benchmarking is expert external review of insular services. There is a long history of HMI inspections of the Island's constabulary and of inspections of schools (and the Department of Education itself), in recent times by OFSTED. Other services have also been subjected to external review including the Department of Home Affairs (probation service and the prison), and the DHSS (Noble's Hospital). The principle behind external review is a sound one. An external review of an Island service by inspectors expert in the service concerned gives an authoritative assessment of the Island service and provides, where necessary, pointers or
suggestions for improvements. Such reviews can be invaluable to the service concerned, to Government, to Tynwald and to the public and, provided they are approached constructively and without ill-will by all parties, they need not be traumatic or divisive.

9.7.2 As with benchmarking, we see scope for greater and more systematic use of external review in verifying the quality of local services and as a means of encouraging value for money and best practice. There is, we believe, considerable scope for drawing on professional expertise mainly, but not exclusively, from the UK - from central government, local government, the health service, academia, public service industries, the private sector, etc, and we would recommend the establishment of a rolling programme of external reviews coordinated at the centre of Government which, over a period of time might cover all the significant areas of Government service provision.

9.8 Key Performance Indicators and Performance Management

9.8.1 Government's annual plans have featured key performance indicators for a number of years and with each succeeding year these are refined and made more specific and challenging. We are supportive of this work and would like to see it given additional momentum. Government is also committed to the related initiative of performance management both at organisational and individual level. Again, progress is being made, but a further injection of momentum would be beneficial. KPIs should be sufficiently challenging, they should be set by the top of the organisation and they should aim to cover as wide a range of Government's core services as possible, not just those which are easy to measure or easy to meet.

9.8.2 Government has, in the last five years, made significant progress in the development of business and service plans. However, the Isle of Man Government Plan 2006-2009 remains something of a soft-centred document. It says nothing about taxation, there is no statement of intent to work within cash budgets, personnel budgets or to provide services within the limits of available resources. There is nothing substantive about value for money or efficiency or about delivering the legislative programme. There was a general consensus amongst our contributors that the planning process within Government needs to be further developed.

9.8.3 The issues raised in the earlier part of this chapter - executive agencies, service contracts, benchmarking and external review, if adopted as a package, would, over time, all make a substantial contribution to Government's work on Key Performance Indicators and Performance Management. All are concerned with identifying areas for improvement and defining what Ministers should expect the Government machine to deliver. They have the potential to give considerable additional impetus to Government's existing work which seeks to clarify its objectives and measure its performance.

9.9 Centralising Common Services

9.9.1 A theme that occurred frequently in the discussions which we had with people was the possibility of services or functions which exist within more than one Department being brought together, in the interests of efficiency and achieving economies of scale. Thus, for example, responsibility for the maintenance of all Government properties might be brought together, rather than allowing Departments with a significant property portfolio, (e.g. Education or Health and Social Security), to maintain the buildings that they own and use.

9.9.2 The theme of such centralisation was raised in relation to procurement, vehicle fleet maintenance, financial processing, administrative and legal services, human resources, IT, project management, radio communications, laboratory services and health and safety as well as property maintenance.

9.9.3 This is not an issue on which in the time available we were able to form a view and, in fact, it is probably not something on which the same answer would be right in all cases. Each of the functions needs to be looked at in some detail and evaluated separately and this evaluation should be part of what we hope will be Government's renewed emphasis on pursuing value for money.
9.10 Summary

9.10.1 We would see the measures we propose for improving service delivery:

- Improving value for money by making comparisons with best practice elsewhere and by reinforcing Government’s planning and performance management initiatives;
- Making a major contribution to the separation of policy making and service-delivery through the introduction of Executive Agencies and Service Contracts;
- Aiding transparency by requiring the framework documents and annual plans of Executive Agencies and the service contracts agreed within Departments to be explicit and be in the public domain.

9.11 Recommendations

We recommend that:

Recommendation 3

Government should look seriously at the Executive Agency model developed in the United Kingdom and should be willing to adopt that model and establish Executive Agencies within Departments, where the service provided and the internal structure of the Department make it likely that the model would produce a net benefit in terms of efficiency and effectiveness.

Recommendation 4

Where the Executive Agency model would not work successfully, Government should, to the greatest extent possible, develop and introduce, on a phased basis, a system of service contracts within Departments under which identified managers would apply a defined package of the Department’s resources and be responsible for achieving a set of clearly defined outputs.

Recommendation 5

Government should commit to programmes of regular and systematic external benchmarking and expert external reviews of service provision driven and coordinated centrally which, over a period of time, would potentially cover all significant areas of Government service provision.

Recommendation 6

The possibilities for achieving improved efficiency and value for money through the centralisation of individual services common across Departments should be evaluated by Government.
10 Local Government

10.1 Introduction

10.1.1 We have referred earlier to the desirability of reducing the diversity and complexity of Government as an aid to increasing Government’s focus on its key responsibilities and thus improving its efficiency. One option which might be pursued in furtherance of this aim would be to devolve some of Government’s functions to an effective system of local government. There are a number of services which might be considered for transfer because, although they are currently provided by Government, they are local government in nature, i.e. they are provided by local authorities in other jurisdictions.

10.1.2 Apart from the gains to be derived from uncoupling Government and Tynwald from the detail of the provision of local services, there are some additional benefits which would arise from transferring some of Government’s functions to local authorities:

- Decisions in relation to the transferred functions would be taken nearer to those affected by the decisions;
- There would be greater transparency in the operation of those functions, which derives from the more public decision-making processes of local government;
- The greater responsibilities of local government should serve to attract greater interest in local politics and, hopefully, more candidates for local elections;
- It should encourage Members of Tynwald to focus more on national issues.

10.1.3 We found, in our discussions with others, considerable support for the principle of local authorities existing alongside Government and no enthusiasm for sweeping them away and having all services provided centrally through Government. No one suggested that functions could be devolved whilst the existing local government structure remained in place, but the concept of Government transferring some of its functions to an effective system of reformed local government was one which commended itself widely to those with whom we spoke.

10.2 The Existing Structure

10.2.1 The existing local government structure is both old and complex. The statutes establishing the Island’s local authorities were passed in the late nineteenth century, concluding in 1894. There were at that date 26 local authorities:

- 4 towns: Douglas, Castletown, Peel and Ramsey;
- 5 villages: Laxey, Michael, Onchan, Port Erin and Port St Mary; and
- 17 parishes: Andreas, Arbory, Ballaugh, Braddan, Bride, German, Jurby, Lezayre, Lonan, Malew, Marown, Maughold, Michael, Onchan, Patrick, Rushen and Santon.

10.2.2 Little has changed in the subsequent 112 years. Various boundary extensions reflecting the growth of the urban settlements have extended the various towns and villages at the expense of the adjacent parishes and in recent times Onchan Village and Onchan Parish and Michael Village and Michael Parish have been merged reducing the total number of local authorities to 24.

10.2.3 There have been a number attempts over the years to achieve radical reform of local government, but none has secured political approval for any one reform package and, ultimately, all have failed. One consequence of this failure is that new functions and services which might have been given to the local authorities had they been larger and better resourced have been assumed by central government or have been given instead to combination authorities (new authorities created for a specific purpose and made up of representatives of a number of local authorities). There are
currently 14 combination authorities (or joint boards) responsible for administering elderly persons sheltered housing complexes (7), local swimming pools (3), civic amenity sites (3) and refuse collection (1). These 14 need to be added to the 24 local authorities to complete the picture.

10.2.4 Few of those with whom we spoke had any confidence that the political establishment would be able to deliver significant reform of local government in the foreseeable future. But as there appears to be the potential for significant gains and there is a lot of support for the principle of devolving some Government services to a reformed and effective system of local government, we feel that a determined new attempt ought to be made.

10.3 Local Government Services

10.3.1 Leaving to one side the combination authorities, the 24 local authorities presently provide a limited and varied schedule of services. Generally, the larger the authority the more services it provides.

10.3.2 All authorities consider Town and Country Planning issues affecting their district, are responsible for refuse collection (in some cases through a joint board), have powers to provide street lighting and responsibility for certain legislation relating to environmental health (although the professional staff to advise on environmental health matters are provided by the Department of Local Government and the Environment). Some provide public sector housing, public conveniences, parks, playgrounds and other leisure facilities, car parking, libraries and control of dogs. Building control is provided by the local authorities in Douglas, Peel and Onchan and the Department of Transport’s responsibilities for sewerage, sewage disposal and street cleaning are, in a few cases, undertaken on an agency basis by the larger local authorities.

10.3.3 This limited and inconsistent schedule of services could be augmented by transferring some functions presently undertaken by Government. Generally, the larger the local authority, the greater its capability, thus, the more radical the reform of local government in terms of reducing the number of local authorities and increasing their size, the greater the scope for transferring Government functions. It is not a part of our task to make specific proposals regarding the structure of local government. Such proposals are outside our remit and must come from others. But we can offer suggestions for a list of additional functions, presently undertaken by Government, which could be transferred to local authorities if local government reform was sufficiently radical. These functions could include:-

- Administration of the public sector housing owned presently by DLGE;
- Building Regulations;
- Town and Country Planning (perhaps limited to first stage);
- Environmental health matters (other than in respect of the local authorities own activities, where a regulation should remain with central Government);
- Pest Control;
- Street cleaning;
- Car parks and parking control;
- Waste management and refuse disposal.

10.3.4 Such transfers might, perhaps, be perceived as fragmenting the provision of certain services, with the possibility of greater costs, but this need not be the case. The contracting of one local authority by another to provide a service would not be precluded, nor would authorities co-operating in arrangements such as the present combination authorities.

10.3.5 The list above is not necessarily exhaustive. If local government were reformed, we would encourage the identification of other services which might be transferable from central Government.
10.4 A Transitional Arrangement

10.4.1 The above list of services (or any alternative list which might be determined) could not be transferred to the current local government structure as it stands. What we would propose, therefore, as a transitional arrangement, is that the Government services which are identified as transferable to local government be brought together under the control of a single body, within Government and responsible to Government, pending local government structural change. The services could complete their transfer to local government following local government reform. Where one or more of existing local authorities currently fulfil one or more of the above list of functions, we would envisage that during the transitional period they continue their functions.

10.4.2 We reported in chapter 9 on the subject of executive agencies and have commended the creation of agencies as a means of delivering certain of Government’s operational services. We would see the transitional body which we are proposing as being such an agency, responsible to the proposed new Department of Local Government and Consumer Protection (see Chapter 15). It would have the freedom to manage the services entrusted to it within a policy framework laid down by the Department.

10.4.3 We would also see it as being reasonable to appoint a number of local authority representatives to a Board to oversee the new agency in order to give a local authority input and to give some members of local authorities some experience of the services involved. We would also see it as being desirable, in the interests of transparency and accountability, for this Board to meet in public to transact as much of its business as possible.

10.4.4 The Department of Local Government and Consumer Protection would have as part of its remit the responsibility for bringing forward proposals for local government reform which would include the transfer of the services being undertaken by the transitional agency. This should happen within a reasonable and defined timescale. We would suggest that the aim should be to complete the reform and the transfer within three years.

10.4.5 We have included waste management and refuse disposal within the suggested remit for the local government transitional agency. Because of the chosen technologies, this is not a service which could ultimately be wholly sub-divided between a number of local authorities. The energy from waste plant and the animal waste processing plant will require a single controlling body and we would see this as, perhaps, being a new combination authority made up of representatives of the new and rationalised local authorities.

10.4.6 In the meantime the creation of the transitional agency with services identified for transfer would provide some reassurance to local authorities that reform would be accompanied by some real extension of local authority powers.

10.5 Local Government Finance

10.5.1 We make no assumptions and make no proposals regarding the funding of the additional services that might be transferred to local authorities. Whether they would be financed by local taxation or wholly or partly from central revenues is an important issue which would need to be determined as part of the reform and transfer agenda. Securing a satisfactory balance in restructuring and refinancing local government will be essential if successful reform is to be secured.
10.6 Summary

10.6.1 We would see what we propose for local government:-

- As reducing the scope and complexity of Government by transferring functions to local authority management;
- As leading to an improvement in value for money, by removing functions from Government and allowing Government to concentrate its political and managerial resources on an alternative and narrower range of responsibilities;
- As helping to separate policy from management. The high level policy in a number of areas e.g. housing and waste management will remain with central Government, whilst operational management will be devolved;
- As improving transparency and accountability in those areas transferred to local government, because of the more public nature of the transaction of local authority business.

10.7 Recommendations

We recommend that:-

Recommendation 7

Government should commit to a restructuring of local government such that, after restructuring, local authorities should be large enough and have the capability to deliver a wider range of public services, including services devolved from Government.

Recommendation 8

In the meantime, and pending local government reform, Government should establish, as an executive agency reporting to the proposed Department of Local Government and Consumer Protection, a Local Government Transitional Agency, to which it should devolve those Government functions which it would propose, ultimately, to devolve to local government. We have suggested that these should include DLGE public housing, building regulations, first stage planning, certain environmental health functions, pest control, street cleaning, car parks and parking control, and waste management and refuse disposal.

Recommendation 9

The board of the transitional agency should comprise local authority representatives and should hold its meetings, so far as possible, in public.
11 Accountability

11.1 Scrutiny and Accountability

11.1.1 Our remit relates to Government to the exclusion of Tynwald but to strictly maintain that division in dealing with scrutiny presents difficulties. The activities of both Government and Tynwald in relation to scrutiny are somewhat entwined and certain resources, notably the Members of Tynwald, are a shared resource. Further, by Tynwald resolution of July 2006 we are required to consider the specific issue of the political accountability of Manx National Heritage. The most practical approach, is to consider the various mechanisms in a holistic manner.

11.2 Scrutiny

11.2.1 Scrutiny is essentially a process of measuring Government's effectiveness and efficiency against the achievement of the aims and objectives which have been set for it, including the benchmarking of its performance against other relevant jurisdictions. Importantly, in the political context, it is a process to determine the accountability of Ministers, Members and Officers who have particular responsibilities.

11.2.2 The process of Scrutiny falls to both Government and Tynwald. In the former case its activity is centred on ensuring the efficacy of management including operations and compliance with the various administrative and financial regulations. Parliamentary scrutiny is primarily concerned with policy, legislation and expenditure, and with holding Government to account in these areas. The ultimate objective is to bring about high quality policies and service delivery, at an affordable price.

11.2.3 Ready access to information is vital to effective scrutiny and, in the Tynwald context, calls for open and transparent government. The flow of such information has increased in recent years but there remains a need for further improvement. Contributors have also suggested that there is a requirement to strengthen the political and other mechanisms to make better use of the information provided.

11.2.4 In the Isle of Man situation the scrutiny of Government presents some obvious difficulties. The membership of Tynwald is relatively small and at present, all Members of Tynwald are Members of Departments, Statutory Boards or Offices. This apparent first call by Government on the time of Members limits their availability for parliamentary duties. However, our recommendations in Chapter 15, concerning Members of Departments, may, if progressed, present an opportunity for Tynwald to revisit the issue of Members taking on an exclusive scrutiny role.

11.3 Accountability

11.3.1 Accountability is the process by which Ministers, Members and Officers are required or expected to justify their actions or decisions in respect of their Government responsibilities. It is achieved by all parties having a clear understanding of their responsibilities, and functioning in a robust structure with clearly defined roles.

11.3.2 Ministers are legally accountable for their actions in accordance with the Government Departments Act 1987. Chief Officers have a legal responsibility as Accounting Officers in accordance with the Financial Regulations to ensure, inter alia, that:-

- financial procedures are followed;
- public funds are properly and well managed;
- in the consideration of policy proposals relating to expenditure or income all relevant financial considerations are taken into account;
- the Department has appropriate systems to assess and measure outputs or performance;
• all managers are given well defined responsibilities for making the best use of resources;
• managers have information about costs, training and the availability of expert advice.

11.3.3 The mechanisms by which Tynwald Members and Government Officers can be held accountable for their actions are varied and include the Standing Committee on Standards and Members’ Interests, the Standing Committee on Expenditure and Public Accounts and Civil and Public Service Discipline and Capability Procedures.

11.3.4 Tynwald recently approved the Isle of Man Corporate Governance Principles and Code of Conduct which states:-

“effective government relies on the credibility of, and public confidence in, elected politicians and departmental officials. By making explicit the high standards Government expects itself to meet, it can give confidence to potential partners, the public, private, or voluntary sectors, and to the people of the Isle of Man.”

11.3.5 Despite this, there is, rightly or wrongly, a common perception on the Island that politicians and officers are rarely made accountable for their actions when things go wrong.

11.4 Government Scrutiny

The Audit Bill

11.4.1 During our consultation, a number of contributors expressed concern regarding auditing standards as applied to central government, local authorities and other public bodies. In this regard we have taken note of the Audit (Amendment) Bill 2006, and the improvements envisaged. At the time of writing the Bill was awaiting Royal Assent.

11.4.2 The Explanatory Memorandum to the Bill states it takes into account auditing, accounting and governance arrangements for comparable entities in the United Kingdom. It states that the legislation addresses to some extent the need for a framework for corporate governance, in that the external auditors will be able to consider the effectiveness of the system of internal control and compliance and provide assurance that resources have been used for the purpose intended by law.

11.4.3 We have received confirmation from the External Auditors that the Bill aims to enhance accounting standards and attain compliance with Generally Accepted Accounting Principles (GAAP) and Statements of Recommended Practice (SORP). However, the Bill is silent on the extent to which GAAP and SORP will be adopted across Government, as this will be covered by subsequent regulations. We think it is important that the Isle of Man Government should embrace accounting and governance standards that are recognised internationally and hope that this will be reflected in the new Accounts and Audit Regulations when produced.

Extent of present audit

11.4.4 Departments, Statutory Boards and Offices, and Local Government components, are audited by the External Auditors retained by the Treasury although it is a limited audit largely concerned with the validation of annual accounts.

11.4.5 The Internal Audit Division of Treasury is charged with the examination of Government activities to assist the constituent parts to effectively discharge their responsibilities. Its primary aim is to perform an independent appraisal function throughout the Isle of Man Government by examining, evaluating and reporting on the adequacy of internal controls and providing assurance to Chief Executive Officers of their organisation’s systems of control.
11.4.6 The role of the Value for Money Committee of Treasury is self-evident. The committee consists of
senior officers of Treasury under the chairmanship of a political member of that department. The
impact of the Value for Money Committee has been slight and, given the remit, and the limited
number of investigations carried out by the Committee, its current value is questionable. We discuss
later in this report the possible more extensive use of audit committees, an Auditor General and a
role on value for money for a new Department of Corporate Development. If our recommendations
are adopted, the Value for Money Committee could probably be abolished.

Audit Committees

11.4.7 A recent development has been the introduction of Audit Committees. The three Trading Statutory
Boards (MEA, Post and Water) have Internal Audit Committees which monitor the accounting
systems and report to their parent body. We have been advised that the current membership and
role of each is as follows:-

MEA
Role: To advise the Board on matters of internal control, internal audit, risk management,
financial reporting and external audit.

Membership: Three Board Members
Other Attendees: The Chief Executive, the Director of Corporate Services, the Director of
Finance, the MEA Head of Internal Audit and Treasury Chief Internal Auditor

Post Office
Role: Review submissions to the Board in relation to any audited accounts, discuss problems
and reservations arising from the interim and final audits, review the system of internal control
and review the internal and external audit programmes

Membership: Two Board Members
Other Attendees: Finance Director, Audit & Finance Manager, Post Officer Internal Auditor, a
representative from Treasury Internal Audit Division and a representative from the External
Auditors, KPMG.

Water
Role: To review and challenge the assurances and reports which are available to the Board and
the way in which these assurances and reports are developed. In addition, the Committee can
support the Board by offering advice on issues concerning risk, internal control, financial reports
and associated information issued by the Board.

Membership: Two Board Members
Other Attendees: Chief Executive, the Director of Finance & Information, a representative from
Treasury Internal Audit Division and a representative from the External Auditors, KPMG.

11.4.8 In addition, one Government Department (Home Affairs) has now established an Audit Committee
the remit and membership of which is as follows:-

Role: The Audit Committee shall monitor on the DHA’s behalf the appropriate processes and
controls resulting from policies set by the DHA; this will include particular focus on:
• The scope, results and effectiveness of Internal Audit reports;
• Effectiveness of the processes of governance;
• Effectiveness of spend/value for money;
• Compliance with policy and statutory requirements;
• Internal controls including adherence to policy;
• Safeguarding of assets.

Membership: Department Member, Director of Finance and Research, and one additional
DHA Officer.
11.4.9 The constitution and role of Audit Committees in central government in the UK has developed significantly in recent years. HM Treasury's Code of Practice on Corporate Governance recommends that each Department should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control, and to achieve this, Departmental management boards should be independently advised by an audit committee chaired by an independent non-executive member.

11.4.10 The extended use of audit committees is likely to complement the other measures for securing value for money that we are recommending and appears to have merit. However, the ad hoc development of audit committees in a few parts of Government, each with its own different remit, does not, on the face of it, appear to be the soundest approach. It may be that the audit committee fits more easily into a Board structure rather than into a department and within departments an audit committee may have a more limited and advisory purpose. However, whether in a Statutory Board or a Department, there is the potential for involving external or lay members to assist the internal specialists. Government needs to take a corporate view on the worth and purpose of audit committees and the Treasury should take the lead on this.

11.5 Parliamentary Scrutiny

11.5.1 It is not within our remit to suggest changes in parliamentary scrutiny but a summation of what exists, and parliamentary proposals to strengthen this activity, is recorded to provide a holistic picture.

11.5.2 Parliamentary scrutiny evolves on (a) Scrutiny by Tynwald and its Branches, including scrutiny by committee, and (b) Scrutiny by way of Motions and Questions at sittings of Tynwald and its Branches. This scrutiny extends to primary legislation, secondary legislation, policy, expenditure and service delivery.

11.5.3 There is a broad consensus that scrutiny of primary legislation is generally adequate, but there have been concerns about parliamentary scrutiny relating to secondary legislation, policy and expenditure. A number of Select Committees have made proposals to improve the situation. The most recent report is that of the Tynwald Select Committee on Scrutiny and the Functions of the Standing Committee on Expenditure and Public Accounts whose recommendations were approved by Tynwald at the July 2006 sitting.

11.6 Auditor General

11.6.1 One of the Select Committee's recommendations is particularly relevant. It concerned the creation of a post of Auditor General who would report to Tynwald and would be charged with-

- the ultimate responsibility for auditing all Government bodies and in this work he could enlist the assistance of private sector accountants;
- carrying out Value for Money investigations;
- providing assistance to the PAC by conducting investigations; and
- carrying out investigations which are referred to his Office by Members of Tynwald.

11.6.2 During our review, we took evidence from Mr N Gale, Director, UK National Audit Office. He was encouraged by the proposals for an Auditor General in the Isle of Man and indicated that the NAO would be pleased to offer help either on an ad hoc or a more structured basis, both in setting up the office of Auditor General and once the role is developing.

11.6.3 As a result of the proposal to establish the position of Auditor General we have noted that this will require amendments to be made to the new Audit Act, to reflect the creation of the position and redefine Government's relationship with the external auditors. We strongly endorse the creation of an Auditor General.
11.7 Ombudsman

11.7.1 We have considered the merits of an Ombudsman and examined the Report of the Council of Ministers on this subject dated June 2004. This report was considered and received by Tynwald on the 14th July, 2004 and we understand the Council of Ministers is in the process of preparing legislation to take the matter forward.

11.7.2 The proposition as we understand it is that an Ombudsman Scheme should be introduced to provide a fair and impartial assessment of complaints concerning Government maladministration which is divorced from either political or administrative involvement. While the procedures would be largely analogous to those in the UK, members of the public would have a right of direct access to the Ombudsman.

11.7.3 We strongly endorse the creation of an Ombudsman System to address complaints of maladministration, and would envisage that it will be an important step towards more open and accountable government. We would also expect that the availability of an Ombudsman service would, in time, reduce the amount of political time spent on dealing with individual complaints. These issues are important complements to our work and we urge the early introduction of legislation to facilitate the Ombudsman service.

11.8 Access to Information

11.8.1 At its sitting in December 2005, Tynwald decided that the Code of Practice on Access to Government Information should be given legislative authority. We understand that the Council of Ministers is currently determining the precise contents of this legislation, with a view to its introduction in 2007. We are fully supportive of an Access to Information Act to secure the rights of our residents and enhance the Island’s standing from an external perspective. We urge the early introduction of such legislation.

11.9 Summary

11.9.1 We believe that what we are proposing, and the actions in train to which we are lending our support, in relation to accountability will:-

- Improve the value for money of Government by strengthening the audit arrangements and improving the mechanisms available to the public to better understand what Government is doing and, if appropriate, to challenge Government decisions;

- Improve the scrutiny and transparency of Government and thus its accountability.
11.10 Recommendations

We recommend that:-

Recommendation 10

Treasury should consider, following whatever changes are made in the light of our recommendations, whether the Value for Money Committee continues to have a worthwhile role.

Recommendation 11

Treasury should consider:-

(a) whether each Department and Statutory Board (or any successor structure) should be required to establish an audit committee, possibly incorporating external or lay members; and

(b) whether a consistent remit or central guidance should be prescribed in Financial Regulations in respect of the audit committees that are established.

Recommendation 12

Government should progress the early introduction of legislation to facilitate the Ombudsman service and the Auditor General and should also introduce legislation at an early date to give legal authority to the public’s rights under the Code of Practice on Access to Government Information.
12 Human Resources

12.1 Introduction

12.1.1 The issue of Government's personnel and human resources policy was not something that was specifically referred to in our terms of reference and it was not a subject which, at the outset, we expected to be a significant part of our workload. We did not, for instance, include questions about human resources in the questionnaires that we circulated to interested parties at the start of our Review. But, as we spoke to people and as we reviewed the available data, the more concerned we became that this was a problem area for Government and that we should include it as a specific topic in our report.

12.2 Staff Numbers

12.2.1 The actual number of people employed by Government at the end of 2005/06 was 9,654; of these 2,350 (24%) were civil servants. Some of these were part-time staff, so these figures translate into FTE (full-time equivalents) as 7,773 and 2196 (28%).

12.2.2 The Government introduced a policy called the Personnel Control Mechanism in 1991 to manage the number of new permanent posts it created. This policy states that:

"the Government workforce should, wherever practicable, not be allowed to exceed:

(a) The rate of growth of employment in the private sector (measured by comparison with the size of the economically active population); and

(b) The rate in increase in real terms of Government income."

Performance against this policy is shown in the following table -

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Government Staff (FTE)</th>
<th>Economically Active Population</th>
<th>Treasury Income (At 1995 values)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995/96</td>
<td>6,401</td>
<td>34,811</td>
<td>£212.0 million</td>
</tr>
<tr>
<td>2000/01</td>
<td>6,726</td>
<td>39,155</td>
<td>£331.0 million</td>
</tr>
<tr>
<td>2005/06</td>
<td>7,773</td>
<td>40,900</td>
<td>£399.1 million</td>
</tr>
</tbody>
</table>

Percentage increase over the period 21.4% 17.4% 88.3%

12.2.3 Whilst the number of new posts created is comfortably within the rate of increase in Treasury Income, it exceeds, by 4%, the rate of growth of the economically active population, with the sharpest increases in the most recent years. This data probably understates the rise in Government staff numbers compared to the increase in the economically active population as the former is measured in FTE and the latter in actual number of people.

12.2.4 It is important to stress at this point however, that in 2000, in view of the demands for public services (both for expansion of existing services and for new services) the Council of Ministers agreed to 100 additional staff each year to the number calculated by reference to the above policy for a period of 4 years commencing April 2001.

12.2.5 Although the Budget for 2006/07 projects a small reduction in income for the year compared to 2005/06, there is a projected further growth of Government’s personnel of 36.29.
12.2.6 In addition to the 900 or so full-time equivalents formally excluded from the mechanism (Trading Statutory Boards etc.), there are currently 248 full-time equivalent staff effectively employed on a permanent basis on contracts outside the Personnel Control Mechanism, employed principally in the Departments of Education and Health and Social Security.

12.2.7 In 1986/87 the civil service represented 18% of the total Government workforce; in 1995/96 this was 23%; and in 2005/06 it was 28%. Whilst we recognise there may have been structural changes over the years to explain this growth, it appears that the definition of what constitutes a civil servant lacks clarity. In some cases, notwithstanding the provisions of the Civil Service Act 1987, whether staff are civil servants or not appears somewhat arbitrary.

12.3 Salaries and Wages

12.3.1 The annual earnings survey shows that public sector earnings are on average 14.5% higher than those in the private sector. This may not be significant in absolute terms as the jobs in the public and private sectors may not be comparable. Of greater significance, is the relative movement of the data over time. These show that in 1996 the differential in favour of public sector workers was 7.6% and that there has been a gradual widening of that differential over the last 10 years.

12.3.2 The following payroll data relates only to the nine Departments as equivalent data for the rest of Government was not readily available to us:-

- Payroll costs represent 34% of total expenses. In 1995/96 the figure was 31.7% so that payroll costs have risen faster than Government’s costs overall;
- The annual increase between 2004/05 and 2005/06 was 5% for payroll and was 4% for expenses excluding payroll;
- The budgeted increase for 2006/07 for payroll is 7% and is also 7% for expenses excluding payroll;
- Based on population assumptions, the cost of payroll per head of population was £2,902 in 2004/05 rising to £3,018 in 2005/06 (4% increase) and is budgeted in 2006/07 to be £3,223 (7% increase).

12.4 Pensions

12.4.1 There are 18 active pension schemes in existence within the public sector. All of these are final salary schemes.

12.4.2 The current estimate of future liability under these pension schemes exceeds £1 billion.

12.4.3 New pension arrangements for civil servants were introduced in the UK in October 2002 for all new staff and should have also been introduced at that time on the Island. These changes are only now being applied locally but on a retrospective basis. However, we are advised that there should be no impact on the long-term liability as there is an increased contribution rate applicable.

12.5 Some Facts and Figures

12.5.1 In 2005/06 staff turnover was 3% in the civil service and 5.6% in the non-civil service. These compare with 4% and 3% respectively in 1997/98. In Jersey the turnover in 2005 was 12.6%.

12.5.2 In 2005/06 34 civil servants (1%) and 123 non-civil servants (2%) retired early. This compares to 13 (1.4%) and 64 (1.7%) in 1995/96. According to records held within the Government’s HR system about 16% of the Civil Service workforce is scheduled to reach retirement age in the next five years.
12.5.3 The average number of sick days per FTE in 2005/06 was 6.02 for the civil service and 4.87 for non-civil service, compared to 9.06 (only a combined figure available) in 1995/96. These figures do not include all departments as some, including DoE and DHSS do not fully record sickness absence on the Personnel system. The Jersey figure for 2005 is an average of 8.28 days. In the UK absence in 2004 averaged 9.1 days per public sector employee against 6.4 days per private sector worker.

12.5.4 In 2005/06 there were 95 occurrences of long term sick leave (over 4 weeks) recorded for civil servants and 299 for non-civil servants.

12.5.5 In 2005/06 the average number of training days recorded by personnel per individual employed was 0.84 for civil servants and 0.27 for non-civil servants. The figures for 1995/96 were 0.43 and 0.14 respectively. As recording of training data is not consistent across Government we suspect these figures are probably an understatement.

12.5.6 There are over 40 unions representing staff within Government.

12.6 **Indicators of Problems**

12.6.1 This data needs to be used with some caution when trying to reach firm conclusions. It would be necessary to drill down further into the figures and look for explanations before that were possible. But they are indicators and they suggest a number of things, as detailed below.

12.6.2 Notwithstanding the self-imposed constraints of the Personnel Control Mechanism, the size of Government's workforce has grown significantly over the last 20 years. The increased numbers of civil servants has been particularly striking. This growth has exceeded the parameters of the Personnel Control Mechanism so that a significantly greater proportion of the working population is now working for Government (now over 19% - based on FTE). In addition, the existence of a significant number of long-term contract appointments outside the Personnel Control Mechanism suggests that the Departments who have made the contract appointments have by-passed the Mechanism and the annual personnel allocations made by the Council of Ministers, in their desire to provide enhanced services. These facts suggest an organisation that is not being as effective as it perhaps should be, at managing the size of its workforce.

12.6.3 The data suggests that public sector pay on the Island has increased more rapidly than that in the private sector. There is no evidence that this is a consequence of improved productivity; rather the reverse, as there is some evidence from off-Island that private sector productivity has increased whilst productivity in the public sector has stagnated. Government’s estimates suggest an expectation that Government’s payroll will continue to increase at a faster rate than inflation and pay elsewhere on the Island. This suggests Government could be doing more to control the pay of its workforce.

12.6.4 Public sector pensions are a very considerable long term liability. Historically, they have been inflation-proof and based on final salary. The greater the number of staff and the higher the salaries (and both staff numbers and salaries are rising) the greater Government’s liability. The problem has been recognised and Government has begun building a reserve to help meet the future cost. But more needs to be done either in terms of setting aside additional funds or by modifying the schemes for future entrants or both. The private sector and the public sector elsewhere appear to be ahead of the Government in making the changes necessary.

12.6.5 The amount of time devoted to the training of staff has increased significantly over the last 10 years, but, in an age when the emphasis is on lifelong learning and continuous professional development, the number of training days per individual for Government staff, from data supplied to us, is still low.
12.6.6 The number of unions, the number of employers, the different categories of staff and the range of
different terms and conditions of employment applicable to those staff are at the core of the
complexity of the Government’s human resources function.

12.7 The Human Resources Function

12.7.1 Government’s overall personnel policies are determined by the Council of Ministers, advised by the
Personnel Office. Civil servants, who work across all Departments and many other bodies, comprise
some 28% of the workforce. They are recruited and employed by the Civil Service Commission,
again advised by the Personnel Office. Manual workers are recruited by their employing
Departments, but their terms and conditions are determined through collective bargaining by the
Manual Workers Whitley Council, serviced by the Personnel Office. Other staff are recruited and
employed by their respective Departments with Health and Social Security and Education being the
largest employers.

12.7.2 There is a mix of centralised and devolved personnel policy and management with the Council of
Ministers and the Personnel Office at the centre, but with larger Departments, notably the DHSS and
the Department of Education having their own directly-employed personnel specialists in addition.

12.7.3 It was disappointing that few of those we spoke to had anything very positive to say about the
Personnel Office, the Civil Service Commission or the Whitley Council. No doubt, views were
coloured by the roles of all three which include elements of control and direction which limit the
freedom of Departments to deal with personnel issues in the ways they might wish. But, the
dissatisfaction extends beyond this so that the very existence of a central personnel function has
been questioned. Whether this is a reflection on the quality of the service or of the difficulties of
dealing with personnel matters in so diverse and complex an organisation has been impossible for
us to ascertain in the time available.

12.8 Appraisal and Performance Management

12.8.1 Government has recently implemented staff appraisal arrangements related to its objectives and key
performance indicators through a system of performance management. Whilst we support the
principles and the endeavour, what has been achieved to date is limited and does not seem to have
yet won the hearts and minds of those required to deliver it. For the longer term, a good quality,
respected and trusted staff appraisal system linked through performance management to
Government’s objectives and key performance indicators will provide a framework for good staff
management but, at this stage, it cannot be said to be working well.

12.8.2 When we met with the Government Officer’s Association (the Civil Service Union) they indicated
they were very supportive of moves towards improved performance management and were
committed to working with the Government to make change happen.

12.9 A Root and Branch Review

12.9.1 It has been disappointing for us to learn and record in this chapter some of the difficulties which
Government has, at present, with its personnel and human resources policy and management. (And
we should not lose sight of the relevant cultural elements brought to our attention and recorded in
chapter 5). Human Resources is a big topic and there is no quick fix solution. It goes far beyond our
brief and our resources, but what is clear to us is that there is a need for Government to revisit the
topic and, with appropriate professional external guidance, review its current arrangements and
policies from top to bottom. We make some recommendations in chapters 14 and 15 about how
Human Resources as an issue might fit within the structure of the centre of Government. The
additional review we suggest would go beyond that to put some flesh on the bones of our
recommendations and to make some recommendations about the policies that might be pursued.
12.9.2  Such a further review should consider:-

- Whether there is scope for the rationalisation of pay, terms and conditions of employment and pensions of all the various staff across Government;
- Whether there remains a case for a distinct civil service and, if so, what staff should it include;
- Whether there should continue to be a Civil Service Commission;
- Whether the Manual Workers Whitley Council should be retained in its present form;
- The adequacy of Government’s current personnel policies particularly in relation to staff numbers, rewards and pension arrangements;
- The adequacy of present training and development provisions;
- How more effective systems of staff appraisal, performance management and reward based on performance might be delivered;
- The extent to which senior management needs to be strengthened or changed to enable change to take place;
- The extent to which administrative and secretarial staff numbers could be reduced in recognition of new technology and methods of working;
- The steps that need to be taken to develop more effective succession management within the Civil Service;
- How the central personnel function and the departmental personnel functions should be staffed and how they should inter-relate;
- How to develop a supportive and positive culture within the centralised personnel function;
- The professional qualifications and qualities that should be required for senior staff working in the area of human resources.

12.9.3  In suggesting that such a review be undertaken, we are conscious that in June 2005, Tynwald resolved that:-

“following the completion of the Review into the Scope and Structure of the Isle of Man Government that the Council of Ministers institutes an organisation and methods study into the operation of every Department to establish whether there are any positions which could be dispensed with, or changed for better effectiveness of service provision, to ensure that human resources are being used to maximum benefit and to report to Tynwald”

12.9.4  This, of course, would be similar to the review of staffing conducted in the late 1980s following the introduction of Ministerial Government (“The Poole Report”). However, we believe the review should go beyond issues of workloading, grading and efficiency as envisaged by the resolution, but extend into the more strategic issues identified at paragraph 12.9.2.

12.10  Summary

12.10.1  We believe that the review of Human Resources that we are recommending has the potential for providing a basis for the long term management of the Government’s HR function which, in turn, will lead to:

- gains in efficiency and value for money; and
- improvements in corporate government as staff across Government work better together within a more coordinated HR framework.
12.11 Recommendations

We recommend that:-

Recommendation 13

Government should urgently initiate a root and branch review into the future arrangements for developing and delivering Human Resource policies across the entire public sector, encompassing structural, cultural and process change, with the objective of establishing a more effective, centralised and streamlined approach to:-

- Pay and pensions;
- Conditions of Service;
- Training and Development;
- Recruitment and Retention;
- Deployment;
- Employee Representation.
13 Information Technology

13.1 Introduction

13.1.1 The issue of Information Technology was specifically referred to in our terms of reference, which requested us to identify whether administrative functions common to a number of Departments may be executed more efficiently and economically if centralised, including the implications of e-government and centralised service user access.

13.1.2 In June 2001, Tynwald endorsed the JUPITER project (Joined Up Information for The Electronic Resident) which had, as its primary goal -

“the modernisation of the business of Government itself, achieving joined up working between different parts of government and providing new, efficient and convenient ways for citizens and businesses to communicate with government and to receive its services.”

13.1.3 At that time the Chief Minister said “It is always important for the government to practice what it preaches, and just as we are encouraging the private sector to become e-enabled (through the Electronic Transactions Act (ETA)) it is also important for government itself to become e-friendly and to be able to offer an electronic communication channel to those whom we serve”. He added “In order to realise the full benefits of the investment in this new technology, it will be important for government departments to re-engineer their back office processes in order to provide a joined-up service to the citizen and to provide those services outside of normal hours”.

13.1.4 The reality five years later is that the goal of using technology change to enable cross-Government business process re-engineering has made little progress. Few Government services can be transacted online and the Isle of Man Government is falling behind other jurisdictions, including Jersey and Guernsey, in terms of its online sophistication. The Government has also failed to fully meet the provisions of the Electronic Transactions Act 2000, and is presently exempted (along with local authorities) from the certain requirements of the Act, until November 2007.

13.1.5 We understand that the first attempt at progressing the JUPITER project failed as the focus was on adding facilities to the front end of existing old processes, which is not generally an effective or efficient solution. A second attempt, in 2003, involved establishing the position of E-Government Development Manager, to be based centrally within Government (within the Chief Secretary’s Office) with the remit to encourage and drive business change across the organisation. Unfortunately, Government was unable to successfully recruit to this position and a further re-think was required.

13.1.6 Having said that, it is clear much progress has been made to build the common IT infrastructure necessary to support future business change. This has included the Magic XP project to upgrade all Government PCs to the latest Microsoft versions, which was completed in June 2005; the Connect Mann project to upgrade Government’s telephone and data networks; the HostMann project to commission a 2nd data centre for Government; and perhaps most significantly, the development of Common Services infrastructure for security (including on-line service enrolment and authentication), records and document management, citizen address change and payment mechanisms. We understand these will initially be used in the One Mann project providing services for DAFF and Treasury (Income Tax & Customs & Excise), but will form a base of re-usable components for subsequent online services.

13.1.7 In addition, there have been successful projects such as the TT race management system; the land and property register; and linking GPs surgeries, hospital pathology and pharmacies.

13.1.8 We are also aware of further projects currently in hand including Project Maxim, Government’s Financial and Management Accounting System, and the development of Vehicle Registration and Licensing as an electronic service.
13.1.9 One significant development, of course, has been the Government’s website. In 1995 the website had 80 pages of information, covering 22 government agencies, attracting 20,000 online visits a year. Now it hosts over 9,100 pages with around 25 pages being added or altered daily. In July 2006 the site received in excess of 620,000 visits.

13.1.10 The website is very effective at providing information and generating e-mail queries, but it remains the case that the people of the Isle of Man, many of whom are now very comfortable conducting electronic transactions (such as banking, retail etc), still have little opportunity to use the website to perform their everyday transactions with Government.

13.1.11 Inward investors come with an expectation of an increasingly sophisticated level of Government. Many are “asset light” and if they perceive that Government is failing to be as agile, responsive or innovative as they expect, and is not providing a comparable level of service to other jurisdictions, then leaving the Island for another jurisdiction is not particularly difficult. It is somewhat ironic that Government is promoting the Island to leading electronic sectors as a beacon of e-business, yet Government’s own systems are falling behind those of its competitors. This includes both Jersey and Guernsey.

13.2 The Issues

13.2.1 Based on the evidence from contributors and from our own research, it appears to us that the use of Information Technology in Government has been hampered by an inability to embrace the change necessary to enable progress to be made to achieve the JUPITER goal. In particular:

- Processes are slow and appear mainly designed to suit the convenience of the Government body concerned rather than the customer;
- Performance measures are limited and are seldom used to contribute to process improvement;
- The customer continues to carry a burden in terms of form filling, timely renewals, duplication of effort with different parts of Government and limited choice of hours to do business (i.e. 9am to 5pm);
- There appears to be a lack of consistent, up-to-date and complete information available to aid front-line service delivery;
- Data about citizen, business, property, etc is currently held in many places, whereas it should be held once only for accuracy, consistency and ease of adherence to Data Protection requirements;
- The age and sustainability of some systems which support core business processes are of concern as they are written in languages which are no longer common and therefore have a decreasing pool of competent resources to develop or support them.

13.2.2 The need for customer focus is paramount. The challenge is to provide services that are accessible, reliable and efficient, where customer needs (not Government organisation) shape the business processes.

13.3 Way Forward

13.3.1 There has, in the last few years, been a good deal of talk about what Information Technology can do to improve services to the public and bring about improvements to internal efficiency. What is required now, we believe, is greater emphasis on delivery. The Government has adopted the following principles aimed at encouraging the provision of services which are convenient, personalised, timely and effective:-
Where feasible, citizens or businesses should be able to complete transactions or enquiries satisfactorily at their first point of contact with Government.

The primary objective of all IT enabled development should be about increasing efficiency and effectiveness in Government, with a view to enabling transfer of resource allocation to front-line services.

E-Government services should be customer focussed, add value, comply with entity data, process and technology architectures wherever practical, and be delivered within a consistent contractual and legislative framework.

Business rules will be applied consistently no matter how the service is delivered.

Government will pro-actively encourage adoption of the electronic service channel in preference to (but not totally displacing) manual service channels.

Government will actively move to primacy of electronic records wherever possible, with a consistent corporate approach to Electronic Document & Records Management.

13.3.2 We endorse these principles. But in order to give effect to them, we believe Government has to recognise that continuing investment in IT enabled change is essential; investment must be business case driven and prioritised and a ‘whole of Government’ approach, which avoids Departments “doing their own thing”, must be encouraged. In Chapters 14 and 15 we make proposals for strengthening the centre of Government and refining the structure. One key feature of our proposals concerns the future location of the Information Systems Division of Treasury, which we believe will help to give IT the priority required.

13.3.3 Within the proposed new organisational framework we believe there is merit in considering the following specific actions in respect of IT projects:

- The Government service planning process should require Departments, Boards and Offices to indicate IT requirements and priorities. For many projects we would suggest they are treated in the same manner as capital projects, requiring a detailed appraisal process;

- The Information Systems Steering Committee (ISSC) – which includes both political and officer membership – should be given responsibility for authorising and monitoring projects based on overall prioritisation as to how Government will get the best outcomes, as well as compliance with appropriate standards and guidelines. Government bodies should not be funded for any substantive local development (over £25,000) without central authority from the ISSC;

- Sufficient funds need to be committed to meet an IT development schedule which shows positive improvements and delivers results each year. A long term commitment to the IT Fund is essential.

13.3.4 In terms of business change:

- The principles of business process change and project management need to be adopted throughout Government, and relevant training/education provided to Chief Officers and other relevant staff;

- Clear targets must be set for Departments to re-engineer their processes to enable greater improvement in operational efficiency through technology;

- Arguably, private sector IT companies tend to be more at the leading edge than the public sector, within more experience in progressing IT related change programmes. Government needs to consider how to build private/public sector relationships to capitalise on this knowledge.

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13.3.5 A number of possible areas where Government should develop online services as a matter of priority include booking appointments with doctors and dentists, booking diagnostic facilities at Noble’s Hospital, hospital appointments and hospital transport, driving licences, booking seats at the Gaiety Theatre and Villa Marina, purchasing tickets for public transport, VAT returns and payments, income tax returns and payments, payment of local authority rates, water rates and electricity bills. Present online services appear limited to Cattle Passports, although it is understood certain income tax and VAT services are expected to be available online before the end of the 2006/07 financial year.

13.3.6 We are proposing that the central IT function should form part of the new Department of Corporate Development, and that Department should become the central driver for delivering a strong corporate IT development programme. This programme should operate on a five year rolling basis and should aim at maximising the use of IT in delivering services and interfacing with the Island’s citizens. The programme should be concerned with specific practical deliverables within specific timescales, with “quick wins” and should be rigorously judged on the extent to which it delivers. It should also be recognised that perfection is unlikely to ever be attainable, and action should not be delayed in a probably futile attempt to achieve it.

13.3.7 There are IT projects of an inter-Departmental or cross-Government nature and others which are Department-specific and both need to be taken forward energetically. There needs to be central funding for projects going beyond the needs of a single Department and there needs to be examination and coordination of Department-specific projects to make sure they fit within the corporate programme and priorities. We would see the Department of Corporate Development being the budget-holder for the corporate funds and the appropriate body to review Department-specific projects.

13.3.8 Within the Department of Corporate Development, we would see a continuing role for an Information Systems Steering Committee, but would see a need for including external expertise within the membership of that Committee to compliment Government’s internal expertise and to import experience and practical knowledge of best practice from elsewhere - preferably from off-Island, from a source with no commercial links with Government’s IT.

13.4 Summary

13.4.1 We believe that what we are proposing in relation to IT would -

- Make a significant impact on Government efficiency and value for money - particularly in increasing the automation of back office functions and in increasing the possibilities of the citizen conducting business on-line with Government;
- Improve corporate government by creating information systems with cross-Government applications and greater exchange of valuable information between Departments; and
- Assist with the transparency of Government by allowing the citizen greater access to Government information and services electronically.

13.5 Recommendations

**Recommendation 14**

The maximisation of the use of IT in delivering services and interfacing with the citizen should be pursued as a matter of corporate priority.
Recommendation 15

A five year rolling programme for corporate and major Departmental projects aimed at delivering the Corporate IT policy should be proposed by the Department of Corporate Development (see Recommendation 19) and agreed by the Council of Ministers. This should include a commitment to the necessary funding, staff training and productivity improvements.

Recommendation 16

Government’s budget for corporate IT projects should be held by the Department of Corporate Development, which should also be responsible for ensuring the planned benefits are achieved.

Recommendation 17

Individual Departmental IT projects should be subject to Department of Corporate Development approval, to ensure consistency and corporate integrity.

Recommendation 18

The Information Systems Steering Committee operating within the Department of Corporate Development should include external expertise.
14 Strengthening the Centre

14.1 Introduction

14.1.1 One of the consistent messages that we have received from those inside of Government and from those outside, is the need for Government to have good, clear leadership from the centre. This was expressed in various ways and a range of suggestions were offered to us about what might be improved. These suggestions tended either towards putting more resources into the centre or towards relieving those at the centre of existing responsibilities, freeing up time to allow concentration on important questions of policy and strategy. We concur that, if Government is to perform well in an increasingly competitive, demanding and intrusive world, a strong and effective centre is essential. In this chapter we explore what might be done.

14.1.2 In our view, looking at the structure as it exists; most of the elements are sound in their fundamentals – the position of Chief Minister, the Council of Ministers with each Minister representing one of the Departments and individual Ministerial responsibility. There can be discussion on the number of Departments – there should not be so few that the workload on individual Ministers is excessive and management impossible and there should not be so many that the Council of Ministers becomes unwieldy and cross-Government coordination is threatened. There is also a Tynwald dimension which requires that the Council of Ministers should not be so large that it dominates the Court. Since Ministerial Government was introduced there have always been 9 Ministers (in addition to the Chief Minister) and, whilst there is nothing absolute about that number and cases can be made for alternatives, that number feels about right and has stood the test of time.

14.1.3 We return to the existing elements of the centre of Government later in the chapter, but first we offer a strengthening recommendation that is an addition. It is a vehicle for the delivery of many of our other recommendations.

14.2 A Department of Corporate Development

14.2.1 In Chapters 8 to 13 we discussed and made recommendations about a wide range of issues relevant to improving Government. Many of these require the lead to be taken by the centre of Government. These include –

- Alternative means of service delivery (chapter 8): how Government might deliver services through means other than direct delivery;
- Improving service delivery (chapter 9): how Government might use the model of Executive Agencies or service contracts, benchmarking, external review and centralisation of services to raise standards;
- Transferring functions to local government (chapter 10): to reduce the scope of Central Government;
- Human Resources (chapter 12): a proposed review of human resources within Government and the centralisation of the function;
- Information Technology (chapter 13): the importance of IT in modernisation and securing efficiency and the centralisation of the function.

14.2.2 In recommending this package, which constitutes a substantial change agenda, we recognise that it impacts on all Departments, it represents a considerable workload and that it is an ongoing responsibility. It would be unrealistic to expect this change agenda to be delivered by the Chief Minister, who has too many other calls on his time, or by the Council of Ministers, each of whom has a full-time job and, arguably, some vested interest in part of the status quo, or by an officer who, whatever his mandate, would not have sufficient status and authority.
In our view, the change agenda needs:-

- An explicit commitment to the principles from the Chief Minister and the Council of Ministers;
- A new Department of Government which we propose should be called the Department of Corporate Development which would have, as its principal responsibility, the implementation of the change agenda;
- A Minister of the new Department, working directly to the Chief Minister, charged with the task of delivering the reforms, assisted by a small staff headed by an officer of chief officer rank who we suggest should carry the title of Chief Operating Officer;
- The new Minister would have a seat in the Council of Ministers and the Chief Operating Officer would have a seat in the Chief Officers Group to give their work drive and profile. The Chief Minister and the Chief Secretary would be in a position to arbitrate between the Department of Corporate Development and the other Departments in respect of the implementation of the change agenda should that become necessary.

Although a Department in its own right, the Department of Corporate Development would, in effect, be an addition to the centre of Government and would be a substantial new resource.

As regards Human Resources, we would see the Department’s first task as being responsibility for the review of Government’s current human resources arrangements (as recommended in chapter 12), but it would then assume the on-going responsibility for the central HR function. As regards Information Technology, the Department would again assume responsibility for the central IT function. But the main purpose of the Department would be to push through the change agenda that we are recommending and driving for value for money across Government – a theme that has not had sufficient corporate priority in the past. We would see the Internal Audit Division (presently part of Treasury) being transferred and becoming an arm of the new Department, because of the obvious synergy between its task and the main purpose of the new Department.

We would also propose that the Chief Operating Officer should become responsible for the annual appraisal and reporting on the chief officers of the remaining Departments. This would help relieve the workload of the Chief Secretary and would be appropriate because we would expect:-

- the Chief Operating Officer to have more operational contact with the other chief officers than does the Chief Secretary; and
- the chief officers to be judged, in significant measure, on their performance in delivering the change agenda and in delivering value for money.

The position of Chief Minister is the foundation stone of the whole Ministerial system. The Chief Minister nominates and is able to recommend the dismissal of individual ministers; he/she allocates ministerial portfolios and chairs the Council of Ministers. He/she speaks for the Government within the Island and represents the Island externally. The Chief Minister has few statutory powers but the post potentially has significant influence over Government and its work and is pivotal in matters of collective policy. It is a matter of leadership and we would not wish to see any of this changed.

Although some have suggested otherwise, we see no necessity for the Chief Minister to be given any additional statutory powers in order to strengthen his leadership role. But, there is a list of ad hoc Chief Minister statutory functions which have grown up over the years and which, in a number of cases, are merely occasional distractions from the main purpose of leading the Government. It would be useful if that list was to be reviewed and the statutory functions reallocated to the greatest extent possible.
14.3.3 It would also assist the Chief Minister in focussing on the main task if he/she could be relieved of
some of the chairmanship responsibilities which have attached to the role – principally the standing
and ad hoc Council of Ministers Committees. There is no necessity for the Chief Minister to chair all
the meetings on all or even most of the cross-Departmental issues. Except in the case of the most
important issues, when central or cross-departmental committees are established a conscious effort
should be made to avoid giving the chairmanship responsibility to the Chief Minister.

14.3.4 Some of those who argued for the strengthening of the centre of Government proposed a single
central Department of Government, headed by the Chief Minister politically and the Chief Secretary
managerially. As variously proposed, such a Department would bring together a disparate group of
functions which might be seen as being “central” in nature. We would not recommend this approach
because it seems to us to be important that the Chief Minister (and the Chief Secretary) should not
be encumbered by the political and managerial responsibilities associated with running a substantial
department, but should be free of such burdens in order to provide the best political and
organisational leadership possible. On the subject of central political organisation, we feel it would
be counterproductive to have the formal creation of a Deputy Chief Minister.

14.3.5 External relations is a collective responsibility of the Council of Ministers, with the Chief Minister
taking the lead and acting as spokesperson. Some have argued for the creation of a new and
separate Department of External Relations on the basis that external relations is now a more
important topic than it once was and is an onerous and unnecessary burden on the Chief Minister.
Certainly, external relations is very much more demanding than it was even 10 years ago, but:

- Constitutionally, external relations remains a function of the Crown (i.e. the United Kingdom
  Government) and an insular Minister for External Relations would be something of a fiction;
- In most cases, the Island’s external relations are single-issue topics and are an additional
dimension of an existing area of domestic policy, e.g. taxation, financial regulation, animal
health, customs and excise. There is already a Minister with responsibility for each of these
areas. To have a Minister for External Relations involved in external discussions on these
topics would be, at best, a complication;
- Where external relations are not issue-specific e.g. British-Irish Council, VIP visits (either
from or to the Island) then the Chief Minister would normally be the most appropriate
person to represent the Island;
- External commercial promotions have, in the past, often involved the Chief Minister. Our
proposals in chapter 15 for a Minister of Economic Development would offer an alternative
leader for future Island commercial delegations which do not require the high profile
presence of the Chief Minister.

14.3.6 We, therefore, do not see a persuasive case for a separate Department of External Relations and we
take the view that the status quo remains the best option, with the proviso that, if the Island is to
deal responsibly with international matters, the external relations function needs to be well-
resourced quantitatively and qualitatively at a staff level.

14.3.7 From this discussion, it should be clear that we would wish to see the leadership position of the
Chief Minister remain substantially unchanged, albeit with some steps taken to remove unnecessary
commitments and with some potential reinforcement in terms of resources. In particular, we
recommend that there should be a conscious effort to remove some of the Chief Minister’s
miscellaneous statutory responsibilities and chairmanships and we trust that the creation of the
Department of Corporate Development will provide the Chief Minister with a substantial and valuable
additional political and managerial resource.
14.4  The Council of Ministers

14.4.1  We provide a full description of the role of the Council of Ministers in Chapter 2 and report some comments received on the culture of government and the political environment within which the Council operates in Chapter 5.

14.4.2  In practice, the Council of Ministers has to struggle to reconcile some not necessarily compatible forces. The Ministers each bring to the Council their individual views, their constituency interests and the separate priorities of their particular Departments. They seek to establish a consensus and a set of policies and strategies which reconcile their different interests and priorities. However, this has to be done against a multi-layered political backdrop of friendships and alliances which cut across the division between the Council of Ministers and Tynwald and within a political environment that is both increasingly demanding and critical of failure and is sometimes unpredictable in nature.

14.4.3  Ministers are required to try collectively to produce a top-down leadership. However, Government is a hugely diverse organisation, where the expertise on any issue lies within the individual Department and there are never sufficient resources to meet the aspirations of all Departments. Therefore the historic pattern is a bottom-up approach. Policy proposals emerge at departmental level and are assessed, by political judgement in the absence of any objective yardstick, in competition with an array of alternative and equally worthy proposals from other Departments for the scarce resources available.

14.4.4  For all its difficulties, we see no better alternative and none of those we spoke to suggested anything fundamentally different. It is the essence of democratic institutions that they try to resolve difficulties and reconcile competing interests and the Council of Ministers is the key component within Government in that process. The Council includes the Chief Minister and the 9 Ministers i.e. all the senior appropriate political representatives, and it is supported by the Attorney General, the Chief Financial Officer and the Chief Secretary, so it has available to it the most senior legal, financial and administrative advice from within Government. It has also a strategy unit within the Chief Secretary’s Office to assist in the essential functions of policy and strategy development.

14.4.5  So, if the basic construction of the Council of Ministers is sound, is there anything in terms of scope and structure which might be done to enable it to work better? We offer just two thoughts.

14.4.6  First, those to whom we spoke who are involved with the Council often had concerns about the nature of much of the business transacted, e.g. excessively long agendas and papers, too much business of a routine and detailed nature, too much emphasis on political tactics and insufficient high level policy work or long term planning. We would expect that the reforms that we have proposed, which are aimed at improving corporate government, separating policy from operations and emphasising value for money would bring about a change in the nature of the business that Departments and the Chief Secretary’s Office would place before the Council. We would also expect that our proposals for separating policy from operations would allow Ministers more time and opportunity to refocus their attention on higher level matters, but that is also a matter of individual discipline and inclination and would require the Chief Minister to give the right sort of lead.

14.4.7  Beyond that there are the mechanics of the agendas, the form of the papers that are offered for consideration and the business that needs to be considered by Council. We have not been able, in the time available, to look at these matters in detail, but it would appear that there needs to be an analysis of the Council business and how it spends it time to see if there are matters which need not come before the Council or might be delegated and to see if the quantity of paper work might be reduced to further facilitate higher level working by the Council of Ministers.

14.4.8  Second, it is, by-definition, the case that newly-appointed Ministers take up their tasks with no prior experience. They will have had some experience of Tynwald and probably some experience of working as a member within at least one Department. Some of them may also have had some previous experience of running a business or some other organisation. But Ministerial responsibility is something different and the possibility of Ministers undergoing some relevant training in the early
stages of their appointments has been commended to us by a number of persons, not least some past and present Ministers. Some work has been done within Government on this in anticipation of a new administration following the 2006 General Election, and we endorse this initiative. The training given might include leadership, policy formulation, governance and finance, but, as a package, it should be agreed with the Ministers, with the Chief Minister being proactive in identifying those elements of particular importance.

14.4.9 There were two further matters specific to the Council of Ministers which were raised with us, but which we were not inclined to support -

   (a) *The possibility of additional legal powers being given to Council to reinforce their authority over Departments and Statutory Boards.*

   We were not persuaded that there were any particular gaps in Council's authority which required to be filled. It did seem to us, however, that the Council of Ministers Act 1990 was unhelpful in explaining the role of the Council and that anyone seeking an understanding of the functions of the Council would not find it in the statute. We would, therefore, recommend that the policy formulation and strategic coordination and leadership roles of the Council of Ministers should be added to the Act, with the proviso that any statutory definition of the role of the Council should not be so narrowly drawn or restricting that it inhibits the Council's work or natural evolution. We would also see the Council of Ministers being established as the Isle of Man Government's legal personality, and we explore this issue further in section 14.9.

   (b) *The possibility of a deputy (a member of the Minister’s Department) attending a meeting of the Council when an individual Minister is unable to attend.*

   The Minister is appointed as a member of the Council of Ministers in his individual capacity not as a representative of a particular Department and is expected to consider a wide range of matters many of which will not have a relevance to the work of the Minister's Department. It is not likely that a deputy would reflect the views of the Minister on the whole range of Government business that would be on the Council's agenda and would not be in a position to commit the Minister. Where business relevant to a Department is on the Council's agenda, the Council is able to request the attendance of a departmental representative in lieu of an absent Minister for the consideration of that item. This appears to us to be a sufficient arrangement.

14.5 Council of Ministers Committees

14.5.1 The Council has the freedom to appoint whatever committees it wishes and, at present, the Council has five main standing committees with broad subject areas and a number of ad hoc committees looking at specific topics. We were asked to comment on these committees, particularly the standing committees.

14.5.2 The current standing committees are a relatively new creation which take their roles from the six core purposes of Government:-

- Economic Progress;
- Social Well-being;
- Quality Environment;
- Sound Infrastructure;
- Good Government;
- Positive National Identity.
14.5.3 These core purposes are cross-Departmental concepts and there is certainly logic in creating a set of Council committees with the purpose of securing cross-Departmental working on these core purposes. But, very reasonably at this stage, no one with whom we spoke was prepared to offer a view on their performance, as it is too early to assess their value.

14.5.4 We did comment in paragraph 14.3.3 on the possibility of relieving the Chief Minister of some of the responsibilities of chairing Council committees and, in that connection, we note the useful example of United Kingdom Cabinet Committees where the practice is that the committees which are not chaired by the Prime Minister are chaired by another Cabinet member whose Department has no direct interest in the subject matter and who may, therefore, be deemed to be impartial as between the Departments directly involved.

14.6 Link to Departments, Statutory Boards and Corporatised Bodies

14.6.1 The Council of Ministers has direct and close links with the Departments, through the Ministers. Each Department has, in effect, a voice and a direct input into the Council and the Council has a direct link into each Department. Council also has a residual power to direct a Department should that become necessary. This seems to us to be a basically sound arrangement and requires no change.

14.6.2 We will discuss the structure of the rest of Government in the next chapter, but we do not see it as being desirable to try and shoehorn into the 9 Departments all those parts of Government not presently within the Departmental structure. These residual parts of Government may be Statutory Boards or companies, other statutory entities or trusts. There will be times when it is desirable for those bodies to speak directly to the Council of Ministers, but we do not think it reasonable that they should routinely link-in to Government directly with the Council. In matters of routine, the link with the Council should be indirect (as it is now in most cases) through a sponsoring Department.

14.6.3 The question arises whether such a link provides sufficient control or a sufficient safeguard, having particular regard to what has happened at the Manx Electricity Authority. Enquiries regarding the MEA are continuing and we are not able to anticipate what findings and lessons will emerge. What we say here may need to be modified in the light of whatever lessons are learned.

14.6.4 Council's powers to direct and the Chief Minister's power to require information are clearly sound, in principle, and they should be continued or extended to ensure that all government bodies, whatever their legal structure, are encompassed by them. The involvement of a Department in sponsoring/reporting on one of the non-Departmental bodies should not be mere tokenism. The role of the Department is not to interfere in the day to day decision making and running of the body, but it should maintain a sufficient link with the body to be able to understand its activities, to represent its interests in the Council of Ministers and to intervene, if necessary, should it appear that the body is embarking on a course that would embarrass the Government financially or otherwise. The relevant legislation or corporate memorandum and articles of association should provide for this.

14.6.5 We, therefore, see the position of the Council of Ministers remaining substantially unchanged except that we believe that its focus on policy and higher level strategic issues would be improved by the adoption and implementation of the recommendations that we have made in previous chapters. Also we suggest that its performance might be sharpened by a review of the mechanics of how the Council does its work and by a programme of training for new Ministers. There would also be merit in making an amendment to the Council of Ministers Act which would define the role of the Council.

14.7 The Chief Secretary's Office

14.7.1 The functions of the Chief Secretary's Office were described in paragraph 2.13.2 and we will say a little more about its position within Government in Chapter 15. But, for the purpose of this chapter, suffice it to say that it has an important role in supporting the Chief Minister and the Council of Ministers and in managing the policy planning process. Just as we proposed that the positions and roles of the Chief Minister and the Council of Ministers should remain fundamentally unaltered, so we propose no major change for the Chief Secretary's Office other than transferring responsibility
for the annual appraisal and reporting on the chief officers of the Departments from the Chief Secretary to the Chief Operating Officer. But, as with the Chief Minister and the Council of Ministers, we do anticipate that the recommendations for change that we have made, if implemented, would influence significantly the nature of some of the work of the Chief Secretary’s Office, focussing it more on policy and strategy aspects.

14.7.2 We received a number of comments to the effect that the Chief Secretary should have something of a Chief Executive of Government role and be a line manager for and be able to direct the chief officers of the Departments. These comments ignore the statutory construction of the Government which has established each of the Departments as a separate legal entity with the Minister in executive control. The chief officer of the Department is directed by and is responsible to the Minister. There cannot, rationally, be a second and distinct line of direction from the Chief Secretary, who has no statutory responsibility for the work of the Department. The Chief Secretary may, of course, short of giving directions, offer advice and guidance to chief officers, particularly in relation to wider Government issues and priorities.

14.8 The Chief Officers Group

14.8.1 The Chief Officers Group is a non-statutory committee comprising the Chief Secretary, the Chief Officers of the 9 Departments and the head of the Personnel Office. It is essentially a semi-formal gathering of Government's most senior officers which discusses internal management and operational matters and is available as a resource to consider wider matters or policy options at the Council of Ministers discretion. Its remit is a public document and its minutes are circulated to Members of Tynwald. It is, no doubt, a valuable forum for the officers concerned and is only a part of the centre of Government in an informal way and to the extent that it may be given tasks by the Council of Ministers or asked for advice and the members of the Group will, on occasion, meet together with the members of the Council of Ministers for broadly-based policy discussions.

14.8.2 We received a number of comments on the Group during our review. Some saw it being given a more defined role, a broader remit, a statutory identity or even some executive purpose. But, in our view, none of these are appropriate and the Group, which is a staff creation, with Ministerial approval, should remain in much the same form as it is now. However, we believe that the Group is an under utilised resource and we endorse its continued and developing existence as an advisory forum for the Council of Ministers.

14.9 Legal Personality of Government

14.9.1 A further issue we considered in respect of strengthening the centre of Government was the possibility of creating the Isle of Man Government as a single legal entity with powers and functions to be delegated to Departments, Statutory Boards etc.

14.9.2 In Guernsey, the States is a single legal entity but Departments are established by resolution of the States Parliament rather than by statute. Any legal action against the Government in Guernsey is taken against the States, with service being on the Law Officers. It is understood that the States does not consider this to be entirely satisfactory and a proposal is currently being worked up to see how this might be changed, possibly to follow the Isle of Man model.

14.9.3 In Jersey, the States is a single legal entity but it was clear that each Minister is legally and politically accountable for the actions of his Department and can be sued because each “ministry” is a corporation sole, similar to the Departments of Isle of Man Government.

14.9.4 In England and Wales, Her Majesty's Government can be sued but the suit is against the Crown. Nevertheless, it is the Secretary of State and his Department that is the defendant in any action.
14.9.5 One of the key aims published in the Isle of Man Government Plan relates to Positive National Identity in terms of protecting and developing the Island’s national identity and ensuring that its interests are vigorously promoted, recognised and defended internationally. There is a deficiency at present in that the Isle of Man Government is unable to sign agreements or enter into contracts itself and must do so through the medium of a Department. There is also a perception that “Isle of Man Government” itself lacks substance as a result of not having a legal existence in its own right and it would strengthen the whole structure of Government for this to be remedied, thus binding it together and removing what might be perceived as a weakness by those wishing to do business with us.

14.9.6 We believe that, for these reasons, there is merit in Isle of Man Government being created as a single legal entity for the purposes of external and international relations but whether all of the powers, responsibilities and accountabilities of this new entity should rest with the Council of Ministers, which would then delegate the same to Departments, Statutory Board, etc., is a rather different matter.

14.9.7 We do not believe that the present statutory authority of Government Departments should be diminished or that, if a third party were to have cause to sue Government Departments (and their Ministers), the Departments should be able to avoid direct accountability for their actions. In other words, we believe that the creation of Isle of Man Government as a legal entity should be in addition to, and not in place of, the separate legal personality of individual Departments (and Boards).

14.9.8 In practical terms we see that legal identity existing through the Council of Ministers. The opportunity to progress this legislative change can we believe, be taken in tandem with the changes we propose at paragraph 14.4.9 above, although we recognise that much additional may be required to fully assess the implications of this change on the existing statutory framework for Government Departments.

14.10 Summary

14.10.1 We would see what we propose for strengthening the centre of Government:–

- As laying the foundations for a substantial new drive towards value for money across Government. We would see the Department of Corporate Development working directly to the Chief Minister as being the agent for change;
- As one of the consequences of the change agenda, we would see Ministers being in a position individually and collectively in the Council of Ministers to devote more attention to policy and long term strategic planning and thus improving corporate government;
- As being the principal driver in separating policy from operations.
14.11 Recommendations

We recommend that:-

Recommendation 19

Government should establish a Department of Corporate Development which would be responsible for:-

- Driving a change agenda focussing on value for money which would include: -
  - the consideration of alternative means of service delivery;
  - the consideration of establishing executive agencies and service contracts and promoting benchmarking, external reviews and the centralisation of services;
  - the transfer of functions to local government;
  - the commissioning of a review of Government’s human resources;
- A centralised human resources function (The Personnel Office should become a part of the Department);
- A centralised IT function (The Treasury Information Systems Division should become a part of the Department).

Recommendation 20

The Minister for Corporate Development should work directly to the Chief Minister in delivering the change agenda.

Recommendation 21

The Chief Officer of the Department of Corporate Development should carry the title of Chief Operating Officer.

Recommendation 22

The Chief Operating Officer should be responsible for the annual appraisal and reporting on the chief officers of the other Departments.

Recommendation 23

The Internal Audit Division of the Treasury should become a part of the Department of Corporate Development.

Recommendation 24

The Chief Minister’s leadership role and responsibilities should remain substantially unchanged except that:-

- the list of the Chief Minister’s ad hoc statutory functions should be reviewed and reallocated to the greatest extent possible;
- the Chief Minister should be relieved of some of his chairmanship responsibilities for the standing and ad hoc committees of the Council of Ministers.
Recommendation 25

The role and structure of the Council of Ministers should remain substantially unchanged except that:-

• there should be a review of the machinery of Council’s operations to establish whether there are matters which need not come before the Council or might be delegated and to see if the quantity of paperwork might be reduced;

• the Council of Ministers Act should be amended to include a statutory definition of the Council’s role.

Recommendation 26

Appropriate training should be provided for new Ministers, encompassing leadership skills, policy development, strategic planning, financial management, corporate governance and team building.

Recommendation 27

Detailed consideration should be given to the Isle of Man Government being established as a legal entity in its own right through the Council of Ministers for the purpose of entering into international agreements. This should be in addition to, and not in place of, the separate legal personality of individual Departments and Boards, and it should not impinge upon the legal personality of individual Departments and Boards.
15 Refining the Structure

15.1 Introduction

15.1.1 In this, the final chapter, we consider the structure of Government other than the components of the centre which were dealt with in Chapter 14.

15.1.2 As was seen in Chapter 4, we were presented with a cornucopia of suggestions for making changes to the structure of Government – ideas for moving specific functions from one Department to another, for wholly recasting the functions of particular Departments, for creating new Departments and abolishing others, for changing or eliminating Statutory Boards, for various amalgamations and so on. There was merit in many of the suggestions, for the whole spectrum of Government’s activities can be divided and re-divided, with plausible justification, in any number of different ways and there is no single or perfect solution. What we propose below is, therefore, just an option. We recommend it, but we do not pretend that it is the only alternative.

15.1.3 In formulating our ideas for the future we have been guided by a number of principles:-

- The Department should remain as the principal delivery mechanism for Government services;
- Each Department should have a manageable span of responsibility, there should be no conflicts of interest within a Department and the component parts of a Department should have a unifying synergy;
- Where possible, the complexities of the Government structure should be reduced by bringing into the Departmental structure those Statutory Boards, Offices and other bodies which do not need to stand alone.

15.1.4 We also gave particular attention to regulation – an important element in Government’s work. There is self-evidently a strong case for separating out regulation from service delivery to avoid conflicts of interest. That was an additional principle and we explored the possibility of bringing all Government’s regulatory functions together into a single Department so as to avoid conflicts within operational Departments. However, a review of Government’s extensive regulatory functions revealed that regulation was an integral part of the work of so many and so diverse a range of staff who had other operational responsibilities, that the separation of all the regulatory functions into a single Department would not be practicable. However, there is a half-way house and where regulatory functions are discrete and can be separated without difficulty we are proposing that they be brought together within one of the Departments.

15.1.5 In formulating our proposals we have, of course, incorporated our recommendations for changes from earlier chapters. Also, as we have already recommended some significant changes to Government, we have tried to avoid proposing further changes simply for change’s sake.

15.2 The Departments

15.2.1 We start by looking at the nine existing Departments and how they might be changed.

Health and Social Security

15.2.2 We accept the many comments made to us about the size of the Department of Health and Social Security. It is disproportionately large and we recommend that the Department’s responsibilities for Social Security be transferred to the Treasury. There needs to be policy dovetailing and close working between health and social services. But social security is a separate, albeit related, function. It has some synergy with personal taxation, in terms of National Insurance contributions and personal income, and bringing tax and social security together would facilitate the evolution of an integrated tax/benefits system. However, we would recommend that in the area of social security...
policy, Treasury should always liaise with this Department. As much (although by no means all) of the Island’s social security policy is tied to that in the UK through the reciprocal agreement we do not see this requirement as being particularly onerous. The Department should be renamed Health and Social Services.

**Trade and Industry**

15.2.3 We accept also the case that was put to us from many quarters that the Island needed a single Department with a focus on economic development. This would pool resources, promote coordination and remove any confusion about where responsibilities lie. We recommend, therefore, that the Department of Trade and Industry should be renamed the Department of Economic Development and that it should gain the tourism responsibilities of the Department of Tourism and Leisure and the promotional responsibilities for financial services and e-business from the Treasury. (We consciously exclude from the remit of this Department agriculture and fisheries which we deal with in paragraph 15.2.11.)

15.2.4 We propose that the Department should retain its sponsorship/reporting responsibility for the Post Office, because of the commercial synergy, but that it should no longer have that responsibility for Water, Electricity (which are infrastructure issues) or the Office of Fair Trading (which is a regulator). It should also lose its training responsibilities to the Department of Education and Skills (see paragraph 15.2.7). There is, we believe, a strong case for a single agency being responsible for all education and training matters. Finally, it should lose its responsibility for licensing the extraction of minerals to the Department of Local Government and Consumer Protection (see paragraph 15.2.13).

**Treasury**

15.2.5 We propose that Treasury would gain Social Security (subject to the comments on policy in paragraph 15.2.2), but propose that it should lose its Internal Audit Division and Central IT function to the new Department of Corporate Development (see Chapter 14) and that it should lose its business promotion responsibilities in relation to the financial services industry and e-business etc. to the new Department of Economic Development.

**Home Affairs**

15.2.6 We would not propose any change to the Department of Home Affairs except that the Communications Commission, which is currently sponsored by the Department, is a regulator and we are proposing that most regulatory functions should, in future form part of the responsibilities of the Department of Local Government and Consumer Protection.

**Education**

15.2.7 We propose that the training function of the Department of Trade and Industry should transfer to the Department of Education and that the Department should, as a consequence, become the Department of Education and Skills.

15.2.8 With regard to the Board of Education, we are aware that the Department is presently reviewing its role. From our perspective, the Board is an anachronism with its origins rooted in the old board system of Government. In recent years with the advent of ministerial government, the establishment of education advisers and the development of the roles of parent and community governors it seems to us that there is no ongoing need for a directly elected Board of Education.

**Tourism and Leisure**

15.2.9 The Department of Tourism and Leisure comprises 3 separate elements. We suggest that the Department’s tourism responsibilities should be transferred to the Department of Economic Development, its responsibilities for leisure should transfer to a new Department of Countryside,
Heritage and Leisure and its responsibilities for transport should be split, with the buses, in the interests of clarity, transferring to the Department of Transport and heritage transport transferring to the Department of Countryside, Heritage and Leisure.

**Transport**

15.2.10 The Department of Transport is the principal technical Department looking after transport policy and infrastructure (other than internal public transport) and other physical infrastructures. We suggest that the title Department of Transport and Infrastructure would better reflect its role. We recommend that the Department should gain responsibility for buses, but this should become an indirect responsibility as, in chapter 8, we did recommend that that service should move to corporatisation or privatisation. We also recommend that the Department should be given responsibility for Government properties and the land bank from the Department of Local Government and the Environment and become responsible for sponsoring/reporting on the Manx Electricity Authority and the Water Authority (both of which should be corporatised). The Department should lose its responsibilities for animal waste disposal, which should become part of the general waste operations portfolio and coastline management should become a responsibility of the proposed Department of Countryside, Heritage and Leisure (see 15.2.11).

**Agriculture, Fisheries and Forestry**

15.2.11 There is a reasonable argument for placing responsibility for agriculture and fishing within the Department of Economic Development, but after lengthy consideration we have concluded that there is a stronger argument for placing these policy areas within a department which is concerned with looking after the Island’s landscape and seas. Policies in the areas of agriculture and fishing increasingly recognise this as their prime purpose. This is primarily a recreational and amenity issue with close links to leisure and heritage. We therefore propose that the Department be recast as a Department of Countryside, Heritage and Leisure. It would have, at its core, responsibility for agriculture, fisheries and forestry, but would have added to it coastline management, transferred from the Department of Transport and the leisure and heritage transport responsibilities, transferred from the Department of Tourism and Leisure. We would also propose that the Department should have a sponsoring/reporting responsibility for Manx National Heritage and any other culture, heritage or leisure bodies supported by Government, such as the Arts Council and Sports Council.

**Local Government and the Environment**

15.2.12 We proposed in chapter 10 the creation of a Local Government Transitional Agency, which would deliver a number of local government functions currently provided by the Department of Local Government and the Environment – the Department’s public sector housing, first stage town and country planning, building regulations, environmental health matters, the Department’s car parks, waste management and refuse disposal. The Department would be responsible for overseeing the Transitional Agency, as well as local authorities generally, but would lose the direct delivery responsibility. We also propose that the Department should lose Government estates and the land bank to the Department of Transport and Infrastructure.

15.2.13 We have suggested the bringing together of as many of Government’s regulatory responsibilities as possible within a single Department. The Department of Local Government and the Environment is already largely concerned with regulation and is our preferred option for this responsibility. Regulatory functions which we recommend be added are the Communications Commission, the Office of Fair Trading, minerals extraction licensing (from the Department of Trade and Industry), the Road Transport Licensing Committee, the central administration of various tribunals and the regulation of professional bodies. We also propose that the General Registry functions, other than courts administration, the administration of legal aid and the charities registry should be added to this Department. We recommend that the Department should be renamed the Department of Local Government and Consumer Protection.
Corporate Development

15.2.14 This new Department was described in Chapter 14. It takes the place of the Department of Tourism and Leisure in making up the number of Departments to nine.

Political Membership

15.2.15 Since the advent of ministerial government we are aware that successive Councils of Ministers have not had the easiest task in allocating Departmental membership roles following General Elections and during re-shuffles. Historically, each Department has had at least two, but usually three or more Members appointed, with many Members serving on more than one Department but very rarely has there been an occasion when a Tynwald member was not also a member of Government. The Jersey reforms, which we describe in more detail at Paragraph 6.3.5, provide that each Department has no more than two political members in addition to the Minister, and in most cases there is just one member.

15.2.16 Throughout our report we make reference to concerns expressed to us about the extent of political involvement in operational matters and many of our recommendations are aimed at addressing this issue so as to ensure that the focus of political minds is on the policy agenda and not drawn in to operational matters. This theme also emerged in the Commission of Inquiry into the Care of Young People and the Healthcare Commission review into Noble's Hospital, as stated earlier. With the exception of the Department of Education, each Department of Government presently has three members in addition to the Minister, which some would argue, is a little excessive. We therefore believe that in the interests of improving the efficient running of Government, consideration should be given to Departments having only one or two political members in addition to the Minister.

15.3 Statutory Boards

15.3.1 There are at present seven Statutory Boards –

Post Office

15.3.2 In chapter 8 we proposed that the Post Office Authority should be corporatised (converted into a wholly-owned Government Company) or be privatised. Of the substantial undertakings of Government, the Post Office, is the most obviously commercial and would benefit from a more businesslike structure in order to operate efficiently in the modern commercial environment. The corporatisation route will be the more acceptable politically at this stage, but a longer-term move to privatisation with sufficient regulation should not be discounted. The authority (or company) should be sponsored by the Department of Economic Development.

Manx Electricity Authority

15.3.3 We have recommended also that the Manx Electricity Authority be corporatised. Recent difficulties do not invalidate the basic premise in favour of a more commercial environment, (although some additional political courage would be required). Indeed it can be cogently argued that had the Authority been a properly controlled Government company it would have been less likely to have incurred financial liabilities on the scale of the former Board. The Authority (or company) should be sponsored by the Department of Transport and Infrastructure.

Water Authority

15.3.4 We recommend that the Water Authority should be corporatised. In addition, we see a case for bringing together the functions of providing clean water and disposing of dirty water. This would merge synergetic technologies and skills and has been done successfully elsewhere. At present, sewage disposal is a responsibility of the Department of Transport (Department of Transport and Infrastructure by this Review) and we would recommend that this Departmental responsibility be transferred to the Water Authority. There is an issue regarding funding as, at present, water is
funded by rates and sewage disposal is funded out of general taxation, but this would be something to be resolved by political debate at the time. The Water Authority should be sponsored by the Department of Transport and Infrastructure.

**Financial Supervision Commission/ Insurance and Pensions Authority**

15.3.5 It is common practice elsewhere for a jurisdiction to have a single regulator for financial services. We heard persuasive arguments both for amalgamating the Financial Supervision Commission and the Insurance and Pensions Authority and for keeping them separate. On balance, we favour amalgamation, for the sake of consistency and for the convenience of commercial entities who find themselves being regulated by two authorities. The amalgamated body might be called the Financial Services Commission, a title that reflects better the scope and functions of the body. But whilst recommending a single authority, we would stress the need for the amalgamated body to recognise the differences between the separate areas of business and the need to avoid an approach which might try to shoehorn all types of business into a single compliance model that may not be universally appropriate. We would also recommend that responsibility for the registration and supervision of charities be removed, respectively, from the General Registry and the Attorney General and be placed with the Financial Services Commission. Looking further ahead, we see a case for the functions of the Gambling Control Commissioners being moved to the Financial Services Commission, because of the financial nature and international dimension of much of the business. The Financial Services Commission should continue to report to Government through the Treasury.

**Office of Fair Trading and Communications Commission**

15.3.6 We have recommended above that the Office of Fair Trading and the Communications Commission should be absorbed into the Department of Local Government and Consumer Protection as part of the theme of bringing regulators together in one Department. Whilst responsibility would rest with the Minister, it is possible that the Minister would feel the need to retain the two Boards (as Committees) as sources of independent and expert advice.

**Political Membership**

15.3.7 Most of the current Statutory Boards have some political membership. In the case of the regulation of financial services, there is a strong argument, based on international best practice and experience, to remove the remaining political representative. In the case of the Post Office, Electricity Authority and Water Authority we have proposed corporatisation and there is no requirement for direct political involvement as such political direction as would be necessary would be set out in the memorandum and articles of association of the company and would come from the sponsoring Department. However, this would not preclude the retention of political involvement on the boards of corporatised bodies should that be desired. This may, perhaps, be the case for the Water Authority given the method of funding for unmetered water supply, i.e. the water rate, which is a form of property tax.

15.3.8 Also, bearing in mind the importance of the non-Tynwald members of all Government bodies there should be a consistent and transparent procedure for their appointment.

15.4 **Offices**

15.4.1 There are, at present, 6 Offices –

**Chief Secretary’s Office**

15.4.2 The Chief Secretary’s Office was described in chapter 14. The Office’s principal role is to support the Chief Minister and the Council of Ministers and, as they fall outside the departmental structure, so too should the Chief Secretary’s Office. It should, therefore, continue as at present, subject to the modifications of role specified in chapter 14.
**Attorney General’s Chambers**

15.4.3 It would not be appropriate to place the Attorney General’s Chambers within one of the Departments. The Attorney General has responsibility for prosecutions, a responsibility which must lie outside of Government. The Attorney General is also a Crown appointment and a Member of Tynwald and, like the Chief Secretary, his principal role in relation to Government is legal adviser to the Council of Ministers, a body which falls outside the Departmental structure. The position of the Attorney General’s Chambers should remain unchanged.

**The General Registry**

15.4.4 The General Registry in terms of gross expenditure is the largest part of the Government machine not falling within a Department or Statutory Board. It is responsible to the Deemsters, particularly the First Deemster, but, in principle, it would seem to be desirable to bring as much of the office as possible under political control and accountability. We have, therefore, recommended that all those parts of the General Registry, with the exception of the registration of charities which should transfer to the Financial Services Commission, and the courts administration and the administration of legal aid, should become part of the Department of Local Government and Consumer Protection. The parts that do not transfer and which support the justice system should be kept separate from the main Government machine. This includes the Courts administration and the administration of legal aid and associated support services which should become a new Courts Administration Office to be responsible to the First Deemster and Clerk of the Rolls.

15.4.5 In view of the importance of the (both actual and perceived) independence of the Judiciary, we are concerned that Government should make available sufficient funds and other resources (including in relation to IT and associated technological developments) to keep the proposed Courts Administration Office up to date and able to be run smoothly and efficiently.

**The Personnel Office**

15.4.6 We have recommended that the Department of Corporate Development should become responsible for a centralised Government Human Resources function. The Personnel Office should, therefore, transfer to the new Department.

**The Data Protection Supervisor and the Industrial Relations Officer**

15.4.7 The responsibilities of the Data Protection Supervisor and the Industrial Relations Officer extend to Government and its services as much as to the wider community. Because of the nature of their work and the need for them to retain their impartiality and independence from Government, they should not be incorporated into one of the Departments, but should remain separate and independent and report to the Council of Ministers through the Chief Secretary’s Office, as now.

**Offices Generally**

15.4.8 One point that has been drawn to our attention is that a number of Offices do not have a legal personality. Where this is not currently the case, we would recommend, for the purposes of contracting or legal proceedings, all Offices be given legal personality, through appropriate legislative change.

**Government Companies**

15.5.1 There are two Government companies at present, Radio Manx Ltd and Laxey Glen Mills Ltd. Radio Manx Ltd has a unique structure, involving Treasury ownership and a Purpose Trust, comprising five Trustees who are overseen by an Enforcer, and we would not offer any comment on that. Laxey Glen Mills Ltd has a small but complicated existence whereby it reports to the Department of Trade and Industry, has a political and business relationship with the Department of Agriculture, Fisheries and Forestry and the Chief Secretary and Chief Financial Officer as shareholders. This requires
rationalisation. We would recommend that the company should be sponsored by the Department of Countryside, Heritage and Leisure and that its shares be held by the Chief Officer of the Department and the Chief Financial Officer.

15.5.2 This shareholder pattern is one which we would commend for future Government companies. For example, a Government Post Office Company should be sponsored by the Department of Economic Development and its shares should be held by the Chief Officer of that Department and the Chief Financial Office. A Government electricity company should be sponsored by the Department of Transport and Infrastructure and its shares should be held by the Chief Officer of that Department and the Chief Financial Officer.

15.6 Other Bodies

15.6.1 In chapter 2 we identified a number of other bodies outside the mainstream of Government, which although not Statutory Boards in the legal sense are nevertheless operated on a board or committee basis and may be said to be a part of Government or the public service. We refer to three of these, which are particularly significant and then make a general comment on the others.

**Manx National Heritage**

15.6.2 At its sitting in July 2006, Tynwald resolved:--

“That Tynwald views with concern the failure in practice of Manx National Heritage to be politically accountable for the conduct of its affairs and requests the Council of Ministers to refer to the committee looking into the Scope and Structure of Government the need for the statutes and constitution governing Manx National Heritage to be updated in order that Manx National Heritage becomes more formally accountable to this Honourable Court”

15.6.3 This additional task has required further consultation and study and we have concluded that we should not delay the completion of this report by waiting for the additional piece of work to be concluded. We will therefore submit a supplementary report dealing separately with the constitution and accountability of MNH as required by the resolution, in the near future.

15.6.4 However, without anticipating the findings of our supplementary report, we can at this stage, comment that we see the need for Manx National Heritage (in whatever future guise it exists) to have a sponsoring Department responsible for it in the Council of Ministers, in the same way as Statutory Boards, and as indicated at paragraph 15.2.11, we see that role being performed by the Department of Countryside, Heritage and Leisure.

15.6.5 In addition, we have considered the functions of the Manx Heritage Foundation and the Gaelic Broadcasting Committee, and whilst they perform a valid role on the Island, we see no case for them continuing as separate entities. Instead, we recommend they be subsumed within Manx National Heritage.

**Gambling Control Commission**

15.6.6 As indicated in paragraph 15.3.5, we see a case for the Gambling Control Commissioners in the longer term future as being a part of Financial Services Commission. However, at this stage of considerable evolution in the gaming industry we see the need to retain a separate regulatory body which ought to be formally defined as a Statutory Board and should be sponsored by the Treasury, rather than to the Department of Home Affairs as at present.

**Civil Service Commission**

15.6.7 The future of the Civil Service Commission is dependent upon the outcome of the review of Human Resources recommended in Chapter 12 and, beyond that, if it was still deemed to be necessary, it would be a part of the Department of Corporate Development.
**Remaining Committees**

15.6.8 As regards the array of other minor committees and tribunals which perform various quasi-judicial, advisory or consultative roles, it has not been possible for us to look at these closely or even compile a comprehensive list of them. Certainly, Government has a need to draw on a wide range of the abilities and expertise that exists within the community in seeking to do its work, and many of these committees and other bodies are vital in harvesting that talent and spreading the load of decision-making. But whether all remain necessary or whether some which had a valid purpose at one time soldier on as a matter of habit rather than need is impossible for us to say. We are not aware of any concerted attempt to evaluate or even codify these bodies. That seems to us to be something that would be worth doing and that would be our last thought and final recommendation.

15.6.9 The following table summarises the changes that we have proposed in respect of Departments:-

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>OUT</th>
<th>IN</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHSS</td>
<td>Social Security</td>
<td>Coastline Management, Leisure Division, Heritage Transport, Arts Council, Sports Council, Manx National Heritage (incl Manx Heritage Foundation &amp; Gaelic Broadcasting Committee)</td>
</tr>
<tr>
<td>DAFF (Countryside, Heritage &amp; Leisure)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DTL</td>
<td>All (Dept ceases to exist)</td>
<td></td>
</tr>
<tr>
<td>Treasury</td>
<td>Financial Services, E-business, Internal Audit, Information Systems Division</td>
<td>Social Security</td>
</tr>
<tr>
<td>DTI (Economic Development)</td>
<td>Training, Minerals, Utilities (Water and MEA), OFT</td>
<td>Financial Services, E-business, Tourism</td>
</tr>
<tr>
<td>DLGE (Local Government &amp; Consumer Protection)</td>
<td>Local Govt functions:- (to Transitional Agency) Public Sector Housing Planning (1st stage), Environmental Health, Building Control, Waste Management Operations, Government Estates and Land Bank</td>
<td>Local Govt Transitional Agency, Communications Commission, Office of Fair Trading, Minerals, Tribunals administration, Regulation of Professions, Regulation of Transport (RTLC), General Registry (excl Courts/Legal Aid, Charities)</td>
</tr>
<tr>
<td>Home Affairs</td>
<td>Communications Commission</td>
<td></td>
</tr>
<tr>
<td>Education (Education &amp; Skills)</td>
<td></td>
<td>Training</td>
</tr>
<tr>
<td>Transport (Transport and Infrastructure)</td>
<td>Animal Waste Operations, Sewage Disposal</td>
<td>Public Transport (Buses), Government Estates (incl Land Bank), Utilities (Water &amp; MEA)</td>
</tr>
<tr>
<td>Dept of Corporate Development</td>
<td></td>
<td>Change Agenda, HR, IT, Internal Audit</td>
</tr>
</tbody>
</table>
N.B. In respect of the third column of the foregoing table, organisations shown in italics are recommended as being outside the direct Department structure (e.g. Statutory Board), but sponsored by the Department concerned. Otherwise, the functions shown should be incorporated within Departmental functions.

15.6.10 The summary of changes to Statutory Boards, Offices and other Statutory agencies is listed below:-

**BOARDS**

**MEA** - Corporatise (possibly privatise) and sponsored by Transport and Infrastructure. Chief Financial Officer and CEO of Transport and Infrastructure as shareholders.

**Water** - Corporatise and sponsored by Transport and Infrastructure. Incorporate sewage operations from Department of Transport. Chief Financial Officer and CEO of Transport and Infrastructure as shareholders.

**Post** - Corporatise (possibly privatise) and sponsored by Economic Development. Chief Financial Officer and CEO of Economic Development as shareholders.

**FSC/IPA** - Merge into single regulator (Financial Services Commission) also incorporating charities and possibly gambling at a later date. Continued reporting line to Treasury.

**OFT** - Abolish as Statutory Board and incorporate functions within Local Government and Consumer Protection, whilst retaining option for Committee with lay membership.

**Communications Commission** - Abolish as Statutory Board and incorporate functions within Local Government and Consumer Protection, whilst retaining option for Committee with lay membership.

**OFFICES**

**CSO** - Retain as at present.

**Attorney General** - Retain as at present except lose responsibilities for supervising charities.

**General Registry** - To Local Government and Consumer Protection (except Courts/Legal Aid and associated support functions to Courts Administration Office and Charities Register to Financial Services Commission).

**Personnel** - To Department of Corporate Development. Role and status of CSC/Whitley Council to be addressed by further review.

**Data Protection/Industrial Relations** - No change.

**Courts Administration Office** - New Office separate from the Executive but financed by Government.

**OTHER STATUTORY BODIES**

**Radio Manx Ltd** - No Change.

**Laxey Glen Mills** - Retain existing status but shareholders Chief Financial Officer and CEO of Countryside, Heritage & Leisure. Sponsored by Countryside, Heritage & Leisure.

**RTLC** - Cease as separate statutory body, and incorporate functions within Local Government and Consumer Protection, whilst retaining option for Committee with lay membership.
**Gambling Control Commission** - Ultimately merge with Financial Services Commission, but in the meantime, become a Statutory Board sponsored by the Treasury.

**MNH** - To be subject of supplementary report although sponsored by Countryside, Heritage & Leisure is envisaged.

**Manx Heritage Foundation** - Cease as separate statutory body, and incorporate functions within MNH.

**Gaelic Broadcasting Committee** - Cease as separate statutory body, and incorporate functions within MNH.

### 15.7 Summary

15.7.1 The changes proposed result in a revised Government organisation chart as shown on the following page.
15.7.2 As an illustration, assuming a continuation of existing financing and staff numbers, of the effect on existing financing and staff numbers the table below is our best estimate of the outcome of our Recommendations.

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(All figures rounded to one decimal place)
15.7.3 We would see what we propose for refining the structure of Government as rationalising and simplifying some of the complexity of Government and leading to some additional value for money through a reduction in both costs and overall staff numbers.

15.8 Recommendations

We Recommend that:-

Recommendation 28

Responsibility for Social Security should be transferred from the Department of Health and Social Security to the Treasury and the former should be renamed the Department of Health and Social Services.

Recommendation 29

A Department of Economic Development should be created, incorporating the economic development responsibilities of the Department of Trade and Industry, the tourism responsibilities of the Department of Tourism and Leisure and the promotional responsibilities of the Treasury for financial services and e-business.

Recommendation 30

The Department of Economic Development should have the sponsorship responsibility for the Post Office Authority (or company).

Recommendation 31

The training functions of the Department of Trade and Industry should be transferred to the Department of Education and that Department should be renamed the Department of Education and Skills.

Recommendation 32

The future role of the directly elected Board of Education should be reviewed with a view to its abolition.

Recommendation 33

The Department of Transport should be renamed the Department of Transport and Infrastructure and:-

(a) responsibility for buses should be transferred to this Department from the Department of Tourism and Leisure;

(b) responsibility for Government estates and the land bank should be transferred to this Department from the Department of Local Government and the Environment.

Recommendation 34

The Department of Transport and Infrastructure should have the sponsoring responsibility for the Manx Electricity Authority (or company) and the Water Authority (or company).
Recommendation 35

The Department of Agriculture, Fisheries and Forestry should be renamed the Department of Countryside, Heritage and Leisure and its role should be extended to include coastline management, transferred from the Department of Transport, and leisure and heritage transport transferred from the Department of Tourism and Leisure.

Recommendation 36

The Department of Countryside, Heritage and Leisure should have a sponsoring/reporting responsibility for Manx National Heritage and any other cultural, heritage or leisure bodies supported by Government.

Recommendation 37

The Department of Local Government and the Environment should be renamed the Department of Local Government and Consumer Protection and should be responsible for overseeing the Local Government Transitional Agency as well as local authorities. It should also take over all General Registry functions other than charities registration, courts administration and legal aid administration.

Recommendation 38

As many regulatory responsibilities as possible should be brought together in the Department of Local Government and Consumer Protection, including, in particular:

- The Office of Fair Trading;
- The Communications Commission;
- Mineral extractions licensing;
- The Road Transport Licensing Committee;
- Various tribunals and the regulation of professional bodies.

Recommendation 39

Departments should have only one or two political members in addition to the Minister.

Recommendation 40

The Water Authority should take over responsibility for sewage disposal from the Department of Transport and Infrastructure.

Recommendation 41

The Financial Supervision Commission and the Insurance and Pensions Authority should be amalgamated and renamed the Financial Services Commission. The new body should also take over the registration (from the General Registry) and the supervision (from the Attorney General) of charities.

Recommendation 42

In the longer term, consideration should be given to the Financial Services Commission taking over the responsibilities of the Gambling Control Commissioners.
Recommendation 43

The courts administration and the administration of legal aid and associated support services (parts of the General Registry) should become a new office called the Courts Administration Office and be responsible to the First Deemster and Clerk of the Rolls.

Recommendation 44

All Offices should be given legal personality for the purposes of contracting and legal proceedings.

Recommendation 45

Laxey Glen Mills should be sponsored by the Department of Countryside, Heritage and Leisure and its shares should be held by the Chief Officer of that Department and by the Chief Financial Officer.

Recommendation 46

Any future Government company should be sponsored by an appropriate designated Government Department and its shares should be held by the chief officer of that Department and the Chief Financial Officer.

Recommendation 47

Manx National Heritage should take over the functions of the Manx Heritage Foundation and the Gaelic Broadcasting Committee and should be sponsored by the Department of Countryside, Heritage and Leisure.

Recommendation 48

There should be a general review of the many minor committees and tribunals across Government to evaluate whether they all continue to have a valid purpose and are appropriately constituted.
Appendix 1 - Terms of Reference

Considerations

The primary aim of the review will be to identify whether the current structure needs to be changed to meet current and future needs, and how these changes can be implemented whilst maintaining effective service provision. The objective will be to produce proposals for a system of Government, which encourages more effective communication between Government Departments, a more comprehensive approach to development and co-ordination of policy, improved decision-making and scrutiny processes within Government and improved delivery of user led services. Specifically it will:

a. Examine new structures being developed in other Crown Dependencies and other jurisdictions to establish whether there is anything the Isle of Man Government could use for the benefit of its own development.

b. Analyse the requirement for change both from within the political body and the executive.

c. Identify and consider any views previously expressed on the adequacy of the current systems.

d. Examine the effective functioning of the Council of Ministers and its sub-Committees.

e. Identify whether administrative functions common to a number of Departments may be executed more efficiently and economically if centralised, including the implications of e-government and centralised service user access.

f. Identify any areas where there is not a clear distinction between regulatory and management functions and where situations of conflict of interest may, or may be perceived, to occur.

g. Examine the potential for alternative means of service delivery.

Constraints

In addressing the issues outlined at above, the review will take into account:

- value for money in terms, not only of cost, but also continuing improved efficiency and effectiveness together with good practice.

- the Government’s role in supporting the economy of the Isle of Man

- the cultural mores, practices and traditions of the Isle of Man, and

- recent policy decisions and parliamentary debates regarding organisational design and strategic direction of Departments, Boards and Offices

- benchmarking of Government performance between similar areas of work

Outputs

It is anticipated that the outputs of the review will include:

a. Research, analysis and comment on historical background to the establishment of the present Government structures.

b. Research, analysis and comment on the adequacy of current arrangements.

c. Research, analysis and comment on future threats and opportunities which impact on Government structures.

d. Identification of the appetite for change within political and executive Government and options on how change could be implemented.
e. Identification and options, together with implications for any changes required, for regulatory regimes.

f. Identification and options for the transparency and accountability of Government through appropriate scrutiny mechanisms.

g. Identification and options for alternative means of service delivery in specific areas.

h. Identification and options for the effective functioning of the Council of Ministers, including any necessary legislative changes required.

i. Research, comment and options on the impact of the Government’s Corporate Planning and Performance Management Initiative. This will include a review of progress to date and measures to improve public sector performance.

j. Proposals for improving efficiency and streamlining of government bureaucracy.

k. Comment, explanation and options for any issues arising out of the review not already specifically identified.

l. Proposals for the future scope and structure of Government, based on the review and consistent with these terms of reference.

**Review Benefits**

The overall aim of the project is to deliver the following:

- A value for money, customer focussed service, delivering quality outcomes for the people of the Isle of Man

The revised structure will provide:

- Value for money
- A clear focus on the organisation’s purpose
- Integrated and co-ordinated policy making and service delivery
- Effective, efficient and accountable performance in clearly defined functions and roles
- Renewed emphasis on customer service
Appendix 2 - The Review Team

The Review Team was appointed by the Governance Committee of the Council of Ministers. Its members are drawn from the private and public sectors:

Mrs Ann Clayton

Mrs Clayton is a Chartered Director and Fellow of the Chartered Management Institute, with considerable private sector business experience which includes large scale changes in structure and/or culture. She is currently employed as a consultant specialising in business strategy, change management, and business process re-engineering, and was previously employed by Royal Skandia Life Assurance Limited, Isle of Man Creameries and Clerical Medical Investment Group.

Dr Dick Horsnell

Dr Horsnell has a PhD in Computer Aided Design, is a Chartered Engineer, and is a Fellow of the Institute of Directors, Chartered Management Institute and the British Computer Society. Dr Horsnell has extensive experience in strategic change in both the public and the private sector. His career includes employment as Managing Director of Philips Business Systems and as Chairman of the Essex Rivers Health Trust.

Mr J F Kissack OBE

As former Chief Secretary of the Isle of Man Government, Mr Kissack has a comprehensive understanding of the Isle of Man, its economy, politics and machinery of Government.

Mr R B M Quayle (Chairman)

As former Clerk of Tynwald and Secretary to the House of Keys, together with his significant experience in both the public service and the private sector, Mr Quayle has a comprehensive understanding of the Isle of Man, its economy, politics and machinery of Government. Mr Quayle’s personal and legal professional skills qualify him as suitable to Chair the Review Team.

Mr R E Quine OBE QPM CPM

Mr Quine served in the Royal Hong Kong Police, a large para-military organisation, latterly in senior rank, and directed a number of organisational reviews. From 1986 to 2004 he was a Member of the House of Keys, including a period of 3 years as Minister for Local Government and the Environment. Mr Quine has a comprehensive understanding of the Isle of Man, its economy, politics and the machinery of Government.

Sir Miles Walker CBE

Sir Miles has a comprehensive understanding of the Isle of Man, its economy, politics and machinery of Government. He served as Chief Minister on the Island from 1986 to 1996. Sir Miles has been involved in the review of government undertaken in Guernsey, and can therefore bring the experience he gained from participation in that review to the team.
Appendix 3 – List of Contributors to the Review

The following is a list of people from whom we took evidence as part of the review:-

Members of Tynwald

1. Ministers

Hon Donald Gelling MLC, Chief Minister
Hon Alex Downie MLC, Minister for Trade & Industry
Hon David Anderson MHK, Minister for Education
John Rimington MHK, Minister for Local Government & the Environment
Hon John Shimmin MHK, Minister for Home Affairs
Hon Phil Braidwood MHK, Minister for Transport
Hon Phil Gawne MHK, Minister for Agriculture & Fisheries
Hon Steve Rodan MHKL, Minister for Health & Social Security
Hon Allan Bell MHK, Minister for the Treasury

2. Political Members

The Hon Noel Cringle MLC, President of Tynwald
The Hon Tony Brown SHK
Adrian Earnshaw MHK
Eddie Teare MHK
Dominic Delaney MHK
Richard Corkhill MHK
Pam Crowe MLC
Hazel Hannan MHK
Claire Christian MLC
Martyn Quayle MHK
Brenda Cannell MHK
Anne Craine MHK
Andrew Douglas MHK
The Rt Rev Graeme Knowles, Lord Bishop
Quintin Gill MHK
George Waft MLC

Government Officers

Mary Williams, Chief Secretary
Anthony Hamilton, CEO, DLGE
Brenda Skillicorn, CO, Personnel Office
Carol Glover, CEO, DTL
Chris Corlett, CEO, DTI
David Killip, CEO, DHSS
John Cain, Director of Education
Bill Collister, former CO, Isle of Man Post Office
Mark Shimmin, Chief financial Officer
Stephen Harrison & Martin Moore, MNH
Ken Kinrade, CO, OFT
Patrick Heaton Armstrong, CO, IOM Water Authority
John Corlett, HM Attorney General
Mike Ball, DTL
Martin Hall, Director of Environmental Health & Safety
Will Greenhow, CEO, DHA
Ian Thompson, CEO, DOT
Colin Kniveton, Financial Controller, Treasury
Allan Patterson, Director of ISD
Peter Corkhill, Chief Registrar
David Vick, CE, IPA
John Aspden CE, FSC
Tim Craine, Director of E-Commerce
Clive McGreal, Chief Internal Auditor
Tony McMeiken, Internal Audit Division, Treasury
Alan Blain, Capital Projects Co-ordinator

Private Sector, former Members and officers and others

His Honour Deemster Kerruish, First Deemster
Hugh Davidson, Consultant
Association of Bankers *
Roger Carey- IBS
Association of CSP *
Isle of Man Marketing Association *
Prospect Union *
Government Officers Association *
Association of Licensed Bankers *
Chris Hall – Manx Telecom
KPMG *
Hamish Ross, IOMSPCo
Securities Institute *
Chamber of Commerce *
Jim Cain, former Member
John Cashen former CFO
Ken Tomlinson former CEO DHSS
Ken Gumbley former Legislative Draftsman
Victor Kneale, former Member
Walter Gilbey, former Member
David North, former Member
Stan Kewley former MEA CEO
Positive Action Group (PAG) *
Jeremy Harris, Policy Adviser, States of Jersey
Kenneth Ball, UK Cabinet Office
Nigel Gale, UK National Audit Office

* denotes that the institutions/Associations were represented by various individuals.

In addition to those who met with the Review Team, numerous written submissions and completed questionnaires were received from interested parties and members of the public. The Review Team is grateful to everyone contributed.

The members of the officer research groups were:-

1. **Scope of Government Services**

   Chris Corlett  
   Steve Carse  
   Mike Harrington  
   Ken Kinrade  
   Clive McGreal  
   Yvette Mellor  
   Sheila Thomson  
   CEO DTI  
   Treasury  
   DHSS  
   OFT  
   Treasury  
   DLGE  
   DTI
2. **Statutory Framework**

- Antony Hamilton  CEO DLGE
- Jane Bates  FSC
- Bill Collister  Post Office Authority

3. **Structure of Government**

- Carol Glover  CEO DTL
- Nick Black  DOLGE / DOT
- Sian Christian  CSO
- Jane Dellar  Treasury
- Simon Griffin  DHA
- Lesley Keenan  DHSS
- Mark Kelly  DTI
- David Kinrade  DTL
- Allan Paterson  Treasury
- Andy Williams  Treasury

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