



**Council of Ministers' Report on
Modernising Ministerial Government**
'Smaller, Simpler, Stronger'

ISLE OF MAN GOVERNMENT
AN AGENDA FOR
CHANGE

Consultation Draft - December 2013



**Isle of Man
Government**

Reiltys Ellan Vannin

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To the Hon Clare Christian MLC, President of Tynwald, and the Hon Council and Keys in Tynwald assembled


Foreword

I am committed to delivering the reform needed to lead to a more sustainable Government. That reform has started with the Scope of Government, looking at the functions that Government currently undertakes and whether there is a possibility that they could be delivered by alternative means or with greater efficiency. The initial phase of that work is now nearing completion and some reforms are already progressing; others will be progressed in due course.

I have recently visited most Departments and I have heard first-hand about some of the difficulties experienced by our public servants. I have many issues to take forward from those discussions but some of the feedback I gathered relates to the difficulties of corporate working and the unwieldy nature of the current structure of Government.

I do not suggest further reform lightly, but I do need to put the foundations in place for improved policy making. Corporate working must start at the centre and there can be no doubt that the role of Chief Minister has developed considerably over the last 25 years. I have identified certain things that need to be very different going forwards. One of those is that, ironically, the number of separate entities we now have is approaching the number we had under the old Board structure which predated Ministerial Government. This is an obvious cause of many problems. It follows that the higher the number of separate bodies then the higher the number of silos we have created for people to operate within. This creates difficulties for effective communication and adds cost to the system of Government, which we can no longer afford.

The proposals outlined in this report are just the start of a bigger journey of making Government smaller, simpler and stronger as advocated in the Agenda for Change¹. It tackles preparations for the further reforms required by suggesting a stronger foundation for corporate policy making and an overall reduction in separate entities. I have often said that form must follow function. It is increasingly clear to me that there are some structural changes that could be put in place relatively quickly which would improve the foundations for further reforms and the customer centred approach we are trying to achieve.



Hon Allan Bell, MHK
Chief Minister

Executive Summary and Recommendations

Over the past ten months, all parts of Government have been reviewing their functions with the aim of determining opportunities for alternative means of service delivery and operating more efficiently in line with the recommendations in the Scope and Structure of Government report. This work is being overseen by the Business Change Steering Groupⁱⁱ and the consideration of high level options reviews remains on track to be concluded by the end of this year.

At the same time, the Council of Ministers has been considering wider issues surrounding the future sustainability of public services and is developing a set of priorities upon which future policies will be decided, in support of the long-term objective to secure a financially and socially sustainable future for the Isle of Man. This work will extend far beyond the current budget rebalancing exercise and will require a significant level of engagement and debate with the Island's community.

In order to take this work forward, Council has identified an urgent need to reform elements of the structure of Government so that it can more effectively deliver the changes necessary. Council is therefore proposing to make some changes to the Ministerial system of Government, to be delivered in two phases, commencing in April 2014, subject to Tynwald approval, which will be sought in January 2014.

Phase one will involve:

- improving corporate working by enhancing the centre of Government by creating a Cabinet Office;
- providing a more cohesive approach to the delivery of health and social care, through the creation of a single Department of Health and Social Care;
- combining the Manx Electricity Authority and the Water and Sewerage Authority; and
- dissolving the Department of Community, Culture and Leisure with its functions being transferred to other Departments .

Phase two will involve an examination of options for further streamlining and improving service delivery as well as a more detailed review and reform of the Departmental system of Government. This will include considering: opportunities for further reforming the criminal justice system; the potential benefits that could be achieved by streamlining certain corporate services and regulatory functions; and whether there is merit in creating the Isle of Man Government as a single legal entity.

Subject to Tynwald approval, these reforms will result, in the first instance, in a reduction in the number of Government Departments from nine to seven, one less Minister in the Council of Ministers and a reduction in the number of Statutory Boards and Offices.

These proposals are being published in draft from more than six weeks prior to the January 2014 sitting of Tynwald at which they will be debated, in accordance with the following resolution of Tynwald from July 2011:

'where new Departments are to be created, or large numbers of statutory functions are to be transferred between Departments, using the powers in the Government Departments Act or the Statutory Boards Act 1987, Tynwald expects a consultation with Tynwald Members in line with the Governments code of conduct but not requiring wider public consultation'

This internal consultation period will allow sufficient time for Hon Members to comment prior to the Report being finalised and debated in Tynwald in January 2014.

Recommendation 1

The Chief Secretary's Office, the Office of Human Resources, the Information Systems Division of the Department of Economic Development and the Economic Affairs Division of Treasury should be combined to form a Cabinet Office.

Recommendation 2

A Minister with responsibility for Policy and Reform should be appointed to work within the Cabinet Office, who will also be appointed as Chair of the Civil Service Commission and the Business Change Steering Group and lead the Transforming Government Programmeⁱⁱⁱ.

Recommendation 3

The existing Departments of Health and Social Care should be dissolved and a new single Department of Health and Social Care created, with the Social Security Division transferred to the Treasury.

Recommendation 4

The Manx Electricity Authority and the Water and Sewerage Authority should be merged to form a Manx Utilities Authority.

Recommendation 5

The Department of Community, Culture and Leisure should be dissolved and its functions transferred, as appropriate, to the Departments of Economic Development, Education and Children and Infrastructure.

Recommendation 6

The Council of Ministers should consider: opportunities for further reforming the criminal justice system; the potential benefits that could be achieved by streamlining certain corporate services and regulatory functions; whether there is merit in creating the Isle of Man Government as a single legal entity, and report to Tynwald on these matters by July 2014.

PART ONE: IMPROVING CORPORATE GOVERNMENT

1. Cabinet Office

1.1 The Review of the Scope and Structure of Government^{iv} identified the need to improve Corporate Government as a key area of reform, citing the need for Government to communicate, plan and work better both vertically and horizontally. The Review stated:

‘The problem of “lack of joined up government” was identified or recognised by virtually all who spoke to us’

1.2 The Review stated that there had been much effort since the introduction of Ministerial Government to develop a corporate approach and improve inter-departmental co-operation but there was 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;
- co-ordination of Departmental work programmes particularly in relation to the reform agenda.

1.3 The Review also stated that progress in this area will largely be a question of improving the organisational culture and internal systems. This theme was repeated in the follow up report to the Review of the Scope and Structure of Government, published in 2012, in which it was stated:

‘In our consultation this time around we have detected a stronger commitment towards inter-departmental co-operation and this is evident through work being developed on social policy, criminal justice and shared services, for example. We hope that this joined up approach is continued and extended.’

1.4 The proposals made by the Review to improve corporate Government involved the creation of a Department of Corporate Development which would be a substantial new resource at the centre of Government. The Review stated that the Corporate Development Minister, together with the Chief Minister and Treasury Minister would form a triumvirate at the heart of Government committed to reform and restructuring.

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- 1.5 The Council of Ministers did not support the proposal for a Department of Corporate Development. Instead, the strategic lead for change sits, at present, with the Business Change Steering Group. Whilst this group is being effective in the consideration of alternative means of service delivery for certain Government services and the achievement of efficiencies in service delivery, it is clear that the means of driving the change and implementing the reforms in the years ahead would benefit from more extensive central control and direction.
- 1.6 In its most recent report, in 2012, the Review recommended that, as an alternative to a Department of Corporate Development a new vehicle for change could be created which would promote the alternative means of service delivery agenda and which should be headed by a politician of ministerial rank who should work directly to the Chief Minister.
- 1.7 The Council of Ministers has concluded that there is a need to strengthen the centre of Government and this should be progressed at the earliest opportunity. An improved mechanism is necessary to ensure that corporate policy decisions are fully implemented and that Government budget priorities are determined based on achieving policy outcomes.
- 1.8 There have been numerous examples in recent years where the absence of effective joined up Government has negatively affected service provision. These examples include:
- limited progress in joint commissioning across Departments who commission complementary services with the same service providers;
 - uneven outcome based service provision for adults and children due to lack of multi-agency cross Department teams;
 - lack of sharing of information due to Departments being separate legal entities; and
 - decisions being made in one Department which have detrimental consequences for another, particularly when trying to reduce costs.
- 1.9 In order to address these issues, a number of immediate actions are proposed as follows:
- departmental re-structuring to provide a Ministerial lead on policy and reform;
 - re-alignment of the Scope of Government Review;
 - improving the development of corporate policy;
 - enhancing the role of the Chief Secretary; and
 - re-alignment of HR/ Workforce Reform and Information Technology.

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- 1.10 It is therefore proposed to establish a Cabinet Office to support both the Chief Minister and a Minister for Policy and Reform. The functions of the Cabinet Office would include the Chief Secretary's Office; the Office of Human Resources; the Information Systems Division which currently sits in the Department of Economic Development; and the Economic Affairs Division which currently sits within the Treasury.
- 1.11 It is proposed that the person appointed as Minister for Policy and Reform would also be appointed as Chair of the Civil Service Commission (and in due course, the Public Services Commission) and take on responsibility as Chair of the Business Change Steering Group. The Minister would have equivalent status as all other Ministers and would not be a Deputy Chief Minister. The Minister would, however, have responsibility to lead the implementation of corporate decisions of the Council of Ministers, with authority to transcend Departmental boundaries to ensure implementation of policies. This would provide a substantial Ministerial role taking on responsibility for:
- ensuring corporate working across Departments,
 - the control and co-ordination of corporate policy,
 - the implementation of alternative means of service delivery arising from the Scope of Government review,
 - leading the Transforming Government Programme for more efficient Government,
 - delivering workforce reforms including the establishment of a Public Services Commission,
 - making recommendations to Council of Ministers on prioritisation of legislative programme,
 - exception reporting of Government's Quarterly performance management report, and
 - political lead on Freedom of Information and other initiatives (subject to any matters reserved for the Chief Minister).
- 1.12 The Minister would be mandated by direction of the Council of Ministers to work across Departmental boundaries to focus on various service areas requiring intervention across the full range of Government activity. This might, for example, involve taking on a particular role to ensure the co-ordination of policy development and implementation within Children's Services, and in such circumstances the Minister would be directed by Council to have the authority to take action necessary across the Departments concerned to ensure the implementation of corporate policy decisions. Further examples might be in relation to economic development or infrastructure issues, where cross Departmental participation was required. The Minister would also play a key role in working with and consulting Members of Tynwald outside Council, on the development of Government policy.

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- 1.13 A Minister fulfilling this role would enable the Chief Minister to focus more on the overall leadership of Government, representing the Island externally and the Government in Tynwald.
- 1.14 Whilst the precise structure of the Cabinet Office has still to be finalised, it will, in addition to the functions mentioned above, continue to provide the lead on external relations; passport, nationality and immigration services; public and media relations services and various Crown functions on behalf of His Excellency the Lieutenant Governor.
- 1.15 In summary, it is proposed that the Chief Secretary's Office, the Business Change Steering Group, Office of Human Resources, ISD and the Economic Affairs Division would combine within the Cabinet Office to provide a policy and reform hub at the centre of Government. The Office would work with the Treasury and Departments to drive through the changes necessary to rebalance the budget; develop alternative means of service delivery and ensure the future sustainability of public services.
- 1.16 The new Office would deliver:
- central strategic long term planning,
 - central direction of the work of Government,
 - inter-Departmental policy development and delivery,
 - co-ordination of Departmental work programmes.

2. Department of Health and Social Care

2.1 Unprecedented pressures face Government in respect of the delivery of both health and social care. These are many but perhaps among the most significant are:

- the ageing population
- the rise of long term conditions
- increasing public and political expectation

2.2 It is important to identify advances that are tailored to providing solutions to challenges in the Isle of Man. These sometimes reflect developments in other jurisdictions, and sometimes are unique to ourselves. The Council of Ministers has noted with interest the specific endeavours in England to draw closer links between health and social care. Particularly interesting was an observation expressed within a report produced by the House of Lords earlier in 2013 - 'Ready for Ageing' - which said, referring to the English context:

'The interdependent nature of health and social care means the structural and budgetary split between them is not sustainable; healthcare and social care must be commissioned and funded jointly...so that resources can be used more efficiently.'

2.3 The Council of Ministers endorses this sentiment which it finds persuasive in terms of health and social care in the Isle of Man. The development of robust policies and procedures for the implementation of joint commissioning arrangements across Departments with welfare responsibilities is a priority for the Island. There will be a need for bold and effective commitment to mould health and social care services in an environment where it is doubtful that established delivery methods and funding models are sustainable, even in the medium term. Further, health and social care, both in the context of policy-making and frontline delivery, must work in tandem to achieve efficient and effective outcomes, through shared need assessment and joint resource deployment, in order that such outcomes may be clearly established within a broader social policy framework.

2.4 It is acknowledged that in 2010, the Department of Health and Social Security was dissolved and its functions redistributed, most notably, to the separate Departments of Health and Social Care, respectively. This split allowed Social Services, Social Security and the Housing Division of the former Department of Local Government and the Environment to concentrate on building an integrated package for social care for the Island's residents, away from the shadow of the health services.

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- 2.5 However, very strong working relationships need to be maintained between health and social care. This will be easier in one Department, both to provide a continuum of care and to protect the most vulnerable in our society.
- 2.6 The 2010 restructuring has created an organisational risk, which increases with the passage of time, of a potential divergence affecting the two independent Departments, whereas close and effective working between them is essential. Many of the staff of both Departments had been colleagues under the DHSS banner; they know each other personally, they have a good understanding of one another's roles and there is a shared organisational memory. As personnel change in the future, this relationship would weaken, which may impact adversely on joined up working.
- 2.7 The Council of Ministers believe that, whilst well-meaning, the demerger of health and social care was a decision which did not adequately embrace strategic vision. Nor did it recognise that the demographic and economic pressures affecting health and social care, both now and into the future, requires there to be convergence and continuity. The development of these key public services across two separate Departments puts both effective policy development and efficient service delivery at risk.
- 2.8 Forming a new Department would make the opportunity to jointly commission services easier with two of the bigger Departments' budgets being pooled back into one. It would enable both areas to take a holistic view on the strategic leadership and change needed to meet the challenges of the changing demographics of our society and the need to reduce costs of Government. In establishing the new Department, the Social Security function would not form part of the Department of Health and Social Care but instead become an element of the Treasury.
- 2.9 In summary, it is proposed that the existing Departments of Health and Social Care would be dissolved and a new Department created. Most existing functions would transfer to the new Department, but the Social Security Division would transfer to the Treasury. The new Department would deliver:
- a continuum of care to protect the most vulnerable in our society,
 - cost effective joint commissioning of services,
 - an holistic approach to service delivery,
 - stronger working relationships.
- 2.10 Further consideration would be given, in due course, to the most appropriate location for Housing policy and Children's and Families' Services. For the time being, they would remain part of the new Department.

3. Manx Utilities Authority

- 3.1 The Manx Electricity Authority (MEA) and the Water and Sewerage Authority (WASA) are facing significant financial challenges in the future with an ever decreasing ability for Central Government to continue to support existing financial models. The MEA's financial position is particularly acute, as a result of the significant levels of historic debt within the Authority. If it were a private organisation, it might be regarded as being technically insolvent, with no apparent means of repaying its debts. There is pressure on the future Capital Programme and a need for both organisations to address the issue of tariff setting and charging regimes for their respective services. Any proposed reorganisation should therefore ensure that both short-term cost savings and longer term sustainability issues are addressed.
- 3.2 In addition, the current financial position requires the Treasury to re-commence loan interest charges on the capital monies advanced to the relevant Government bodies.
- 3.3 While the primary objective of any merger would be to provide a more efficient vehicle for the above changes to occur, it should be noted that the proposed merger is in keeping with a number of principles that Council has been considering that will help to shape the more efficient delivery of Government services, as an element of its response to the requirements to balance the budget.
- 3.4 These principles include:
- the adoption of shared services wherever feasible;
 - a reduction in managerial hierarchies;
 - a streamlining of back office or support services in order to maximise retention of front line operational staff; and
 - the more efficient delivery of services.
- 3.5 Recent examples of the application of these principles have been the centralisation of HR and Finance Services, the creation of the Strategic Asset Management Unit, the amalgamation of DEFA (previously DAFF) personnel at St John's, the combining of water and sewerage activities to form the WASA and the centralisation of the majority of Department of Economic Development staff at St George's Court. All these strategies have been catalysts for reducing staff numbers, rationalising accommodation and other costs while having a positive impact upon service delivery.

- 3.6 While a full assessment of the synergies that might be realised from a merger of the WASA and the MEA has not been carried out, there is evidence to suggest that material savings can be made and that such savings will grow as the new management team become more adept at governing a single trading operation, albeit one that retains three distinct divisions. Accommodation savings would be achieved through the rationalisation of buildings and depots and the co-location of managerial and other administrative staff in a single headquarters. Further savings could be achieved by investigating synergies relating to out of hours on call services, joint control rooms, procurement savings, co-ordinated engineering solutions and similar opportunities.
- 3.7 As such, the principle of reducing the number of Statutory Boards and the anticipated efficiencies that would arise from such a merger are in accord with current government strategy. However, in this instance, the primary objective is the repayment of Treasury debt which, it is anticipated, will be approximately £600 million at the end of the current financial year, arising from electricity (£400m), water (£75m) and sewerage (£125m) infrastructure investments. Synergies arising from the merger while beneficial are not the main catalyst for this change.
- 3.8 As a result of analysis undertaken in recent months, the Council of Ministers has concluded that, following the adoption of assumptions and requirements from the Treasury in respect of the introduction of loan interest payments and annual capital repayments, the debt repayment programme can be funded by the merged entity without recourse to further Treasury funding. Furthermore, there are no obvious impediments that would prevent a further positive outcome should the MEA and WASA merge into a single utility services provider. Indeed, there are potential synergies arising from a staff reduction programme and shared accommodation facilities that would enhance the ability of the new entity to meet its future liabilities.
- 3.9 The current Boards of both the MEA and WASA have acknowledged that there is merit in this proposal and have agreed to work with Council to finalise the precise working arrangements. A full integration plan will therefore be presented to Council by both Boards by 28th February 2014.
- 3.10 In summary, the formation of a Manx Utilities Authority would enable the debt repayment programme to be funded by the merged entity without recourse to further Treasury funding, and provide the opportunity to deliver significant staff and facilities savings through economies of scale.

4. Department of Community, Culture and Leisure

- 4.1 Council has concluded that to help enable these broad reforms, the Department of Community, Culture and Leisure (DCCL) would be dissolved and its functions transferred elsewhere.
- 4.2 The biggest functional area of the Department is the Public Transport Division. The Review of the Scope of Government recommended that alternative means of service delivery should be considered for Public Transport, including in particular, a proposal that the bus service should be corporatised, with a view to future privatisation. These options are being actively considered by the Business Change Steering Group and a detailed business case is being prepared and will be evaluated in due course.
- 4.3 In the meantime, with the proposed dissolution of DCCL, consideration needs to be given to the governance arrangements for Public Transport pending any decisions in respect of alternative means of service delivery. A number of options have been considered, including separating the bus and rail activities or creating a new Statutory Board. It has been concluded instead to transfer the Division to the Department of Infrastructure, as an interim measure, pending final decisions being made on future arrangements.
- 4.4 With regard to the remaining functions of DCCL it is proposed that these would be re-allocated as follows:
- Sports (including NSC, Regional Swimming Pools, Sports Development Unit and Isle of Man Sport) and the Arts Council to the Department of Education and Children,
 - Leisure (including the Villa Marina/ Gaiety Theatre) and the Welcome Centre to the Department of Economic Development who could work with Manx National Heritage, as appropriate, to deliver these services,
 - Wildlife Park to the Department of Environment, Food and Agriculture
- 4.5 Some of these functions are also subject to the development of detailed business cases in respect of suitability for alternative means of service delivery. The Departments identified above would therefore take on lead responsibility, working with the Business Change Steering Group, for the completion of that work and implementation of agreed recommendations.
- 4.6 Finally, arrangements will also be made to identify alternative Departments to provide the sponsorship role of relevant non-Departmental bodies currently sponsored by DCCL, such as Manx National Heritage and the Office of Fair Trading.

5. Outcomes

5.1 Council believes that these changes would deliver the following benefits:

- an environment for more effective policy making, in pursuit of a financially and socially sustainable future for the Isle of Man;
- full implementation of all corporate policy decisions ;
- delivery of the changes necessary to meet the aspirations of the Agenda for Change and, in particular, rebalancing Government finances;
- centralisation of corporate policy development;
- the political capacity to deliver transformational change, implement the findings of the Business Change Steering Group Scope Reviews and progress workforce reforms;
- the integration of health and social care delivery;
- cost effective management of Utilities;
- a reduction in staff numbers; and
- a reduction in the size and cost of Government.

5.2 The latter point is important bearing in mind that central Government currently consists of 24 main organisations (nine Departments, nine Statutory Boards and six Offices), together with a considerable number of other Government funded bodies performing a variety of functions, including for example, the Road Transport Licensing Committee and Manx National Heritage.

5.3 The Departmental system was established in the late 1980's to provide a more decisive, efficient and effective form of Government in comparison to the Board system, which by 1986 comprised 27 Boards of Tynwald. The size of the current structure, originally established to streamline Government, is now close to matching the Board system.

5.4 The changes proposed to take effect in April 2014 would see an important reduction in the number of Departments, Boards and Offices of Government (from 24 to 20), through:

- the consolidation of functions within the Cabinet Office (e.g. Chief Secretary's Office, the Office of Human Resources and Information Systems Division),
- the dissolution of the Department of Community, Culture and Leisure, and the dispersal of its functions elsewhere,
- the replacement of two Departments (DH and DSC) with the Department of Health and Social Care, and
- the merger of the Manx Electricity Authority and the Water and Sewerage Authority.

The reduction in numbers is detailed overleaf:

Modernising Ministerial Government

Before	After
<p>9 Departments: Community, Culture and Leisure Economic Development Education and Children Environment, Food and Agriculture Health Home Affairs Infrastructure Social Care Treasury</p> <p>6 Offices: Attorney General's Chambers Chief Secretary's Office General Registry Manx Industrial Relations Service Office of Human Resources Office of the Data Protection Supervisor</p> <p>9 Statutory Boards: Communications Commission Financial Supervision Commission Gambling Supervision Commission Insurance and Pensions Authority Isle of Man Water and Sewerage Authority Isle of Man Post Office Manx Electricity Authority Office of Fair Trading Public Sector Pensions Authority</p> <p style="text-align: right;">Total: 24</p>	<p>7 Departments: Economic Development Education and Children Environment, Food and Agriculture Health and Social care Home Affairs Infrastructure Treasury</p> <p>5 Offices: Attorney General's Chambers Cabinet Office General Registry Manx Industrial Relations Service Office of the Data Protection Supervisor</p> <p>8 Statutory Boards: Communications Commission Financial Supervision Commission Gambling Supervision Commission Insurance and Pensions Authority Isle of Man Post Office Manx Utilities Authority Office of Fair Trading Public Sector Pensions Authority</p> <p style="text-align: right;">Total: 20</p>

5.5 These proposed measures support the Agenda for Change commitment to deliver a smaller Government and reduce bureaucracy, and would provide an opportunity to further reduce staff numbers and cut employment costs. It is anticipated that from 2014/15, these changes would enable the removal of numerous public service posts, delivering significant on-going annual savings. Whilst it is hoped that much of the staff reduction can be managed through natural wastage, including retirements, together with some voluntary departures, it is recognised that the reforms may lead to a small proportion of staff being placed at risk of redundancy. Council is committed to working closely with the relevant trades unions on this matter to ensure that all affected staff are treated fairly and in compliance with Government's policies and procedures, and with employment law.

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- 5.6 In addition, between now and April 2014, the detailed arrangements necessary to implement the new structures will be developed with appropriate consultation and input from affected staff and their representatives.
- 5.7 At Council of Ministers level, the reforms would see a reduction in the number of Ministers from nine to eight. This is provided for by the Council of Ministers Act 1990. The Chief Minister would reserve the right, as provided for by the Act, to appoint a ninth Minister should he wish to do so.

6. Legislative Requirements

- 6.1 The changes will be progressed, subject to the approval of the recommendations in this report, through the submission of a Transfer of Functions Order. The Order will be submitted to Tynwald for approval at the January 2014 sitting, with a planned commencement date of 1 April 2014. Unlike the restructuring in 2010, when the changes took effect almost immediately after being announced, it is proposed in this instance to provide a pre-implementation phase of four months during which, subject to Tynwald approval, budgets may be finalised, management structures reviewed and the roles and accountabilities of the new political arrangements determined and positions filled.
- 6.2 During this period the on-going work of Government in relation to business change, workforce reform and Scope of Government will continue. These changes will not detract from the important work being undertaken across Government to progress reforms. On the contrary, it is expected that the implementation of this restructuring will provide an opportunity to accelerate change and deliver a smaller and more effective system of Government.
- 6.3 In terms of statutory changes, the majority relate to the current functions of the Department of Community, Culture and Leisure. It is expected that these functions can be dispersed, without significant disruption, to four main bodies – Department of Infrastructure (Public Transport); Education and Children (Arts and Sports functions); Environment, Food and Agriculture (Wildlife Park); Economic Development (Marketing and Tourism related functions). The Department of Economic Development would also become the Sponsoring Department for Manx National Heritage, in place of DCCL.
- 6.4 The principal statutory functions that would transfer to enable these changes are identified in the schedule at **Appendix 1**.

PART TWO: FUTURE OPTIONS FOR CHANGE

7. Criminal Justice System

7.1 In December 2012, Tynwald unanimously approved a strategy from the Department of Home Affairs, supporting the modernisation of the Criminal Justice System in the Isle of Man.

7.2 The strategy's aims were to address the issues arising from a Criminal Justice System which had evolved over time, creating a disparate set of functions lacking cohesion, common governance and effective performance management. In his foreword, the Minister for Home Affairs expressed his aspirations for the future:

'Within Government, we should aim for seamless processing of cases between Police, Prosecution, Courts, Prison and Probation to ensure justice is delivered efficiently for the benefit of the victims, the accused, and the taxpayer.'

7.3 Although the Council of Ministers acknowledges that good progress has been made to date, it is concerned that reform of the Criminal Justice System is not happening quickly enough.

7.4 In the consultation on the Criminal Justice Strategy, the question of structural reform of the Criminal Justice System was raised. The proposal received overwhelming support with only 3% of respondents opposing such an idea. The Council of Ministers believes that, done correctly, with proper consideration for the fundamental principle of an independent Judiciary, a more structurally unified Criminal Justice System would produce co-ordinated policy, service improvements, economies of scale and cost reductions.

7.5 Council recognises there are inherent risks with such an approach, in particular relating to the separation of the powers of the executive and the Judiciary. Accordingly, it is recommended that the Criminal Justice Board is charged with thoroughly investigating options for structural reform of all elements of the Criminal Justice system, with the aim of delivering:

- cohesion, common governance and effective performance management,
- overall accountability for the system as a whole,
- seamless processing of cases,
- significant cost savings.

7.6 The Criminal Justice Board will report back, via the Department of Home Affairs, to the Council of Ministers by no later than 30 June 2014.

8. Corporate Services and Regulatory Functions

8.1 Whilst Council has currently ruled out the creation of a Department of Corporate Development in the form envisaged by the Scope of Government Reviews, it recognises that there are numerous functions within Government which, if brought together, may justify the creation of a Department with a corporate focus. It is proposed that the Cabinet Office would play the pivotal role in developing policy and transforming Government, but there are some operational strands that could be brought together with a coherent mission statement and vision, in order to create a viable Departmental unit. This might include Local Authority reform, Planning, Procurement, Housing Policy and Treasury Shared Services together with some of the operational functions that will, in the first instance, form part of the Cabinet Office.

8.2 In addition, within and on the periphery of Government are a considerable number of regulatory and enforcement functions, some of which sit at arm's length and others which sit within Departments. It has been suggested that further efficiencies and a more coherent regulatory regime could be provided if some of these functions were brought together as a 'Fused Regulator'. Possible candidates for inclusion in a new regulatory and enforcement agency might include:

Regulation: Office of Fair Trading – Competition Law
Communications Commission
Road Transport Licensing Committee
Office of the Data Protection Supervisor
Work Permits

Enforcement: Office of Fair Trading – Trading Standards
DEFA – Food Hygiene and Labelling
Department of Infrastructure – Health and Safety

8.3 Such a body could provide:

- Efficiency and Effectiveness
- Enhanced Co-operation
- Better Governance and Accountability
- Flexibility of Resources
- Enhanced Public Clarity
- Reduced Conflicts of Interest

8.4 Both these options will be explored further by the Cabinet Office, with a view to reporting back to the Council of Ministers by 30 June 2014.

9. Reform of the Departmental System

9.1 The Review of the Scope and Structure of Government in 2006 looked at the system of Ministerial Government and concluded that it had stood the test of time and should be retained. However, the review did identify some areas for improvement although fell short of proposing any significant change.

9.2 For example, the review stated:

'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.

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.

For all its difficulties, we see no better alternative...'

9.3 One proposal considered, was that the Government could be established as single legal entity from which all authority flowed, through delegations. The review's conclusion on this was as follows:

'We believe that... 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.

Modernising Ministerial Government

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).'

- 9.4 However, it is argued that the retention of the Departmental system in its current form works against the achievement of truly joined up Government which can operate collectively and cohesively towards a common set of goals and priorities. There have been some notable successes in recent years, including the development of shared services in certain areas of activity, but progress has been much slower than anticipated. It is envisaged that the short term proposals for strengthening the centre of Government would provide the impetus necessary to pursue reforms with renewed vigour, but it remains the case that, to some observers, the structure of Government is the biggest barrier of all.
- 9.5 Therefore, the Council of Ministers is proposing that a review is now commenced to reconsider the basis on which the Departmental system operates to determine whether it remains the most appropriate structure for the effective delivery of public services or whether an alternative approach is now required.
- 9.6 Council is of the view that there is merit in examining whether it would be appropriate to establish the Government as a single legal entity with responsibility and accountability delegated from the Council of Ministers.
- 9.7 Such a system may help to further reduce bureaucracy and to streamline management structures. It would enable policies and priorities to be determined centrally and ensure that there is cross governmental outcome focussed delivery of services.
- 9.8 An independent review body will be established to consider this matter further, conduct appropriate consultation, and report back to the Council of Ministers by 30 June 2014. Should it be concluded that change is appropriate, it is hoped that legislation could be introduced and the new arrangements readied for implementation prior to the next General Election.

10. Timetable

Dates	Task
Mon 2 December 2013	Publication of Draft COMIN Report for Tynwald
Mon 6 Jan 2014	Submission of Business to Tynwald
Thu 9 Jan 2014	Publication of Tynwald Papers
Tue 21 Jan 2014	Tynwald Sitting
Dec - Feb 2013	Finalisation of Budget Budget debate in February
Jan - Mar 2014	Review of management requirements/organisational structures
Apr 2014	New Structure takes effect
Jan – Jun 2014	Review of further options for change
Jul 2014	Report to Tynwald on Reviews

Appendix 1: Schedule of Main Transfers of Functions

Organisation	Statutory Functions	Non-Statutory Functions
Cabinet Office	None	Office of Human Resources Information Systems Division Economic Affairs Division
Department of Health and Social Care	Existing functions of Departments of Social Care and Health (excluding Social Security Division)	
Manx Utilities Authority	Existing functions of Manx Electricity Authority and Water and Sewerage Authority	
Department of Economic Development	Sponsoring Department for MNH Villa Marina Recreation and Leisure Act (as appropriate)	Gaiety Theatre Welcome Centre
Department of Education and Children	Recreation and Leisure Act (as appropriate) including National Sports Centre Regional Swimming Pools	IOM Sport Arts Council
Department of Infrastructure	Public Transport	
Department of Environment, Food and Agriculture	Wildlife Park	
Treasury	Social Security Division	

Glossary

ⁱ **Agenda for Change** is a policy document published in January 2013 setting out the Isle of Man Government's priorities, aligned to five key areas: Our Economy, Environment and Infrastructure, Good Government, Income and Expenditure and Welfare Reform and Wellbeing.

ⁱⁱ **The Business Change Steering Group** is a Council of Ministers working group, established to provide political oversight and direction in the reform of Government, including specific responsibility for the Scope of Government review. It has three political members, including the Chair and a number of officers also in attendance.

ⁱⁱⁱ **Transforming Government** is the programme of work aimed at improving efficiency in Government, internally with projects such as shared services and externally by improving service delivery through better use of online services.

^{iv} **The Review of the Scope and Structure of Government** was an independent review commissioned by the Council of Ministers, which made a series of recommendations about Government on the Isle of Man.