

UNDER STRICT EMBARGO UNTIL 0001 ON WEDNESDAY 20 JULY 2011

**COMPTROLLER & AUDITOR GENERAL PUBLISHES REPORT ON THE STATES'
MANAGEMENT OF CONTRACTS FOR THE PROVISION OF BUS SERVICES**

The Comptroller & Auditor General, Chris Swinson OBE, has published a report on a review of the States' management of contracts for the provision of bus services.

The review was carried out in accordance with Mr Swinson's powers under the Public Finance (Jersey) Law 2005. In conducting the review Mr Swinson took into account both the original placing of the contract for bus services and the importance to the States of ensuring proper management of contracts for the provision of public services.

The review has been undertaken at this time as tenders for a single contract for services to run from January 2013 are currently being invited by the Transport and Technical Services Department (TTS) in anticipation of when the current contracts expire.

Following examination of the States' rationale for the current contracts by which bus services are provided, the policy objectives underlying the decision to place the contracts and the States' management of the contracts, Mr Swinson concluded that the objectives of the original bus strategy have been achieved to a greater or lesser extent; but it is also clear that the States have incurred a substantial cost in arranging for the bus services to be provided and there are respects in which the operation of the bus contracts has not been satisfactory.

As a general principle Mr Swinson notes that, since the management of outsourcing contracts is an important and developing skill both within the Island and elsewhere, the purpose of the review was also to assess the success with which the States has managed the bus contracts, with a view to relating lessons from these contracts to any outsourcing contracts into which the States might enter. Learning these lessons is especially important according to Mr Swinson as, in view of the likelihood that implementation of the Comprehensive Spending Review's proposals proceeds; more outsourcing contracts will be signed.

He also recommends that, in future, on the basis of the experience gained from managing the bus contracts:

1. Contracts should be based on a clear understanding of the benefits to be obtained which should in turn be related to the States' current policy objectives.

2. As far as possible, any performance standards should be expressed in terms of outputs.
3. Contract terms should reflect this understanding.
4. Sufficient time should be allowed to achieve this.
5. Contracts should provide for a process by which terms may be altered in the event that the States' objectives change.
6. The initial agreement of a contract should include agreement of the means by which a contractor's compliance with performance standards is to be monitored so that the performance and penalty provisions can be applied in practice.

In respect of procurement within the States generally, the Auditor General states that incentive and penalty schemes need to be a necessary part of any out-sourcing arrangement and that it is not sufficient merely to specify such schemes in contracts, as was the case in this instance. He goes on to say that the States should not become involved in such major outsourcing contracts unless incentive and penalty schemes are implemented, which will in return require the States to ensure that Departments create teams with the skills necessary to manage relationships with outsourcing contractors.

Mr Swinson states that there need to be clear contractual arrangements in place, clarity and completeness of contractual terms, clear incentives and enforceability of penalty regimes and break clauses, as well as arrangements for monitoring and measuring performance, in the consideration of future States' contracts, including the next bus contract.

ENDS