

4<sup>th</sup> March 2010



CAYMAN  
ISLANDS  
GOVERNMENT

# PUBLIC SERVICE REVIEW

**Agencies Reviewed: Public Works Department \* Her Majesty's Cayman Islands Prison Services\* Department of Tourism \* CINICO**

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# Public Service Review

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# PART 1: INTRODUCTION

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# CAYMAN ISLANDS PUBLIC SERVICE REVIEW

## Agencies under Review:

## Introduction

Public Works  
Department

The aims of Cayman Islands Public Service Review are to: *“Improve the efficiency, effectiveness and economy of the public service and where appropriate reduce the cost of providing services.”*

Her Majesty's  
Cayman  
Islands Prison  
Services

During the Review process, teams were requested to:

- *Review the services (outputs) being provided to the public to ensure quality and timeliness,*
- *To test for value for money ,*
- *To examine the processes used to deliver services, and*
- *To review the organization and management of each entity to ensure that the organizational structure and management systems are appropriate.*

The Cayman  
Islands  
Department of  
Tourism

This Report contains the Findings and Recommendations arising from reviews of the Public Works Department (PWD), Her Majesty's Cayman Islands Prison Services (HMCIPS), the Cayman Islands Department of Tourism (DoT) and the Cayman Islands National Insurance Company (CINICO). These reviews were conducted over 10 weeks between December 2009 and February 2010.

The Cayman  
Islands  
National  
Insurance  
Company

The Review was carried out by four (4) joint public-private sector Review Teams comprised of 20 experts with backgrounds as CEOs, Managing Directors, Chief Operating Officers, Auditors, Chief Financial Officers, Deputy Chief Officers, Heads of Departments and Deputy Heads of Department. These persons manage complex organizations, have change management experience and many have experience in environments outside of the Cayman Islands including the USA, Canada, New Zealand, the Philippines, St. Helena, Australia, Israel and the Caribbean.

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## Background

Not unlike many reform initiatives, the Cayman Islands Public Service Review was born of necessity. As a result of the negative impacts of the global financial crisis on Cayman's leading economic sectors of tourism, financial services and construction, the Cayman Islands Government failed to realise its revenue projections for the 2008/09 Financial Year resulting in an operational deficit. This deficit position breached the principles of responsible financial management as set out in the Public Management and Finance Law and made it necessary for the Cayman Islands Government to consult the United Kingdom prior to obtaining additional borrowings. During this consultation, the Cayman Islands Government gave an undertaking to the Foreign and Commonwealth Office on 30th September 2009, to "carry out a review of the public service focusing on the major spending departments with a view to reporting the emerging findings to His Excellency the Governor, as Head of the Civil Service no later than January 2010".

*During this consultation, the CIG gave an undertaking to the FCO on 30<sup>th</sup> September 2009, to "carry out a review of the public service focusing on the major spending departments with a view to reporting the emerging findings to His Excellency the Governor, as Head of the Civil Service no later than January 2010".*

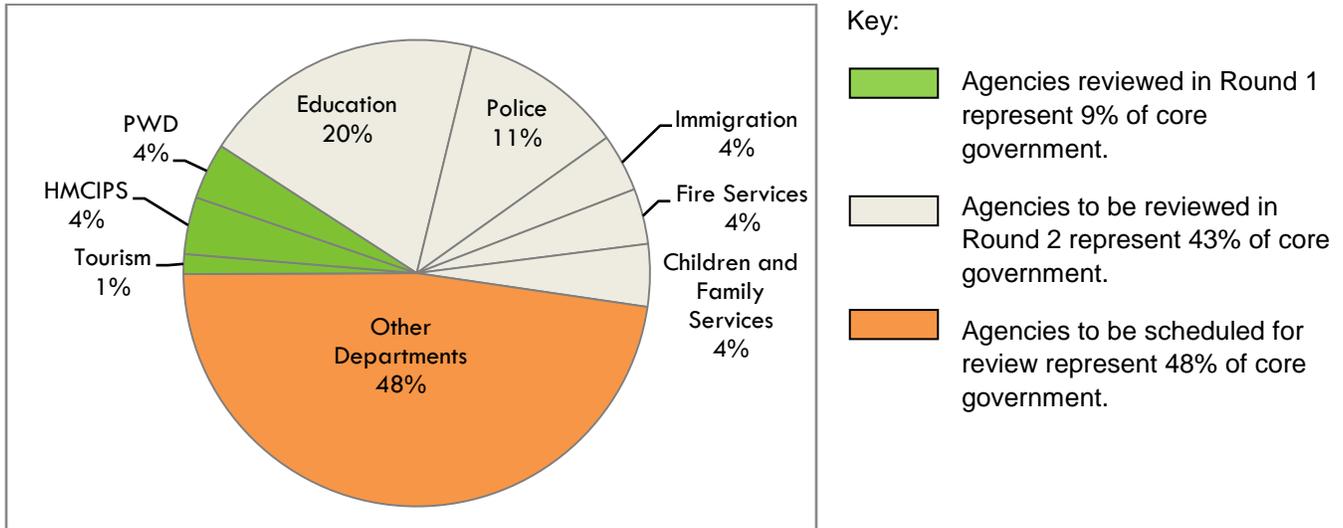
The Terms of Reference for the Review of the Public Service were approved by Cabinet on 27 October 2009. In accordance with the undertaking given to the FCO, the Review focuses initially on four (4) of the major spending agencies, namely the Public Works Department (PWD), Her Majesty's Prison at Northward, the Department of Tourism (DOT) and the Cayman Islands National Insurance Company (CINICO).

However, Cabinet has granted approval for a second group of public sector agencies to undergo efficiency reviews in the 2009/10 Financial Year. The six (6) agencies identified for the second round of reviews are Education Services, Police, Immigration, Fire Services, Children and Family Services and the Port Authority.

Combined, the ten (10) agencies identified in the first and second rounds of the review represent the highest spending government departments, comprising 52% of the staff employed within central government, and two (2) of the largest statutory authorities. Ultimately, it is intended that the Review will be extended throughout entire public service, including all statutory authorities and government owned companies.

**Figure 1:**

All 8 of the top spending Government Agencies have been identified by Cabinet to be reviewed during the first and second rounds of Reviews.



By Operating Expense	Ministry/Portfolio	Department	2009/10 Budget	Staff Count <sup>1</sup>	% of Staff in Core Government
1	Ministry of ET& E	Education Services	57,803,805.00	725	20%
2	Portfolio of I&EA	Police	38,334,445.00	419	11%
3	Ministry of FST&D	Department of Tourism	26,999,977.00	51 <sup>2</sup>	1%
4	Portfolio of I&EA	HMCIPS	13,965,706.00	146	4%
5	Portfolio of I&EA	Immigration	12,355,646.00	148	4%
6	Ministry of FST&D	Fire Services	11,855,540.00	142	4%
7	Ministry of DAW&GA	Public Works Department	11,212,653.00	144	4%
8	Ministry of CA & H	Children & Family Services	9,989,776.00	160	4%
	Total Impact of the above 8 departments			<b>1,935 staff</b>	<b>52%</b>

<sup>1</sup> Staff Counts as of 31 December 2009

<sup>2</sup> Staff based in the Cayman Islands only. Staff in overseas offices in the USA, Canada and the UK are excluded.

The Review process also extends to Statutory Authorities and Government Owned Companies. CINICO is currently under review and the Port Authority has been identified to participate in the second round. These two (2) agencies are among the top five (5) statutory authorities and Government Owned Companies as shown in Figure 2 below:

**Figure 2:**

Two of the 5 largest spending statutory authorities have been identified to be reviewed during the first and second rounds of agency reviews.

By Operating Expenses	Statutory Authority/Government Company	Total Operating Expenses	Outputs Sold to Cabinet	Equity Injection
1	Health Services Authority	81,598,948	29,332,540	2,588,000
2	Cayman Airways	66,001,094	10,500,000	-
3	Cayman Islands National Insurance Company	50,320,961	19,699,413	-
4	Water Authority	25,252,546	-	-
5	Port Authority	19,746,818	-	-

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## Approach

In recent years, the Cayman Islands Government has undertaken a series of cost cutting measures. These efforts have included, among others, adopting zero-growth budgets which absorbed the increased cost of doing business, a 6% across the board reduction of operational budgets in 2008/9, the introduction of a recruitment moratorium in 2008/9 that yielded a 4% reduction in the civil service establishment between October 2008 and December 2009, and *mandated reductions in consumables in 2009/10*. While *these measures* resulted in relatively rapid results, these approaches are ultimately unsustainable and focused on the short term only.

In 2009/10, efforts were renewed to reduce costs of consumables. This approach led to some counter-productive results. In one case, for example, a mandated reduction in fuel consumption would have meant that after approving the policy objective to improve interdiction of illegal weapons and drugs, approving the capital expenses of acquiring the marine vessels needed to carry out the service, and approving staffing levels needed to execute the service, the mandate to reduce all fuel costs across the board would have resulted in the absurd outcome of having additional policemen, police boats and policy strategies but not the additional fuel needed for additional patrols to be carried out.

The Public Management and Finance Law (PMFL) requires that analysis be conducted on an outputs rather than inputs basis.

Similarly, the approach adopted in this Review looks holistically at the services rendered by a department so as to expose the total costs relating to a service, to assess the necessity and cost effectiveness of the service and finally to recommend changes that addresses all of the considerations associated with the particular service - ranging from capital and real estate, to manpower, to consumables.

The Review takes a critical examination of the services which the CI Government is currently delivering and seeks to determine as a starting point whether this service is still essential. Where the need persists for the service, then recommendations follow as to whether alternate means of delivering the service would achieve efficiencies.

The Review Teams utilised an array of techniques to conduct the research underpinning this Report, including conducting focus group meetings, management interviews, site visits, benchmarking and data gathering and analysis.

## Structure of the Review:

### 1. OVERSIGHT

The Review Process has been overseen by Cabinet, the Governor and Deputy Governor who have given input at critical stages including at the commencement of the Review, during the Interim Report Stage and upon completion of the project when the Final Report was issued.

### 2. PROJECT MANAGEMENT

Ongoing Management of the Process was provided by a Project Team comprising three (3) Chief Officers: Mr. Franz Manderson (CO – Portfolio of Internal & External Affairs), Mrs. Gloria McField-Nixon (CO – Portfolio of the Civil Service) and Mrs. Jennifer Ahearn (CO- Ministry of Health, Environment, Youth, Sports & Culture).

### 3. REVIEW TEAMS

The personnel making up the four (4) Review Teams were selected to provide a wide range of skills and depth of experience. Each team included a representative of the Cayman Islands Chamber of Commerce with an established track record of leadership within the private sector. The Public Service wishes to express its gratitude to these individuals who donated their time and invaluable experience free of cost during the the Review.

Name	Years Service	Qualifications	Countries	Experience
<b>Prisons Team</b>				
Andy Bonner, Team Leader; HR Audit Manager, Portfolio of the Civil Service	14	Accountant (CIFPA) and Auditor (IIA). Bachelors Degree in Business and Management	UK, St Helena, Cayman	Public Sector – Central Government Auditing (former Auditor General) Public Sector - Local Government Auditing Public Sector – Management
Jim O'Neil Managing Director, Caledonian Bank Limited	36	BA Accounting Finance MBA Banking and International Finance	US, Cayman	Private Sector – Banking and Finance
Matthew Tibbetts	8	Bachelors in Accounting and Marketing, Qualified Accountant	Cayman, Montserrat	Public Sector – Finance Public Sector – HR Public Sector – Management
Rex Whittaker	22	Associates Degree in Technical Engineering, MBA	Cayman	Public Sector – IT Public Sector – Management
Don House	9	MBA – Management Certified Internal Auditor & Information Systems Auditor, Certified Fraud Examiner	Cayman, US	Private Sector - Transportation Industry Public Sector – Central Government Auditing

Name	Years Service	Qualifications	Countries	Experience
<b>Tourism Team</b>				
Eric Bush Team Leader; Deputy Chief Officer, Portfolio of Internal & External Affairs	11	Bachelor of Arts (Psychology)	Cayman	Public Sector – Law Enforcement Private Sector – Human Resources Public Sector - Management
Wil Pineau, CEO, Cayman Islands Chamber of Commerce	28	BSc - Mass Communications, Certified Chamber Executive (CCE) Caribbean Chamber Academy , Caribbean Academy for the Management of Employers Organisations	Cayman, US	Private Sector – Journalist Private Sector – Publishing Private Sector – Chamber Management
Stran Bodden	11	MA – Economics, BSc – Social Science Education	Cayman	Public Sector – Macro Economist Public Sector – Management
Mike Johnston	40	Associate Fellow of the NZ Institute of Management (AFNZIM), MSc (Hons), BA	Cayman, New Zealand, US, Australia, Israel	Public Sector – Change Management Public Sector – Military Logistics Private Sector – Logistics Private Sector – Business Consultancy
Carrol Cooper	13	Association of Chartered Certified Accountant (ACCA), MBA	Cayman, Jamaica	Public Sector – Health Public Sector – Tourism Public Sector – Management Private Sector – Auditing and Consulting
<b>CINICO Team</b>				
Gina Ebanks- Petrie, Team Leader and Director, Department of the Environment	25	BSc Biology MSc Environmental Management	Cayman,	Public Sector – Environmental research and monitoring, Public Sector – Management
David Kirkaldy, President, Massive Equipment Rental & Sales Ltd	18	BSc - Communications	Cayman, Puerto Rico	Public Sector - Environmental Sciences, Private Sector - Tourism Marketing, Private Sector - Petroleum Marketing, Private Sector - Entrepreneur - Rental, Construction, Leasing, Retail, Advertising
Kim Seymour	17	BA Conservation, MA Conservation, MSc. Human Resource Management	Cayman,	Public Sector – Archives/HR Public Sector - Management

<b>Name</b>	<b>Years Service</b>	<b>Qualifications</b>	<b>Countries</b>	<b>Experience</b>
Ailene Holder	19	BA (Arts & Science), Post Graduate Diploma - HR	Cayman, Canada	Public Sector – Transportation Private Sector – Consultancy Private Sector – HR Private Sector – Banking
Vinton Chinsee	25	BSc Economics and Accounting, CGA, PMP	Jamaica, Turks & Caicos, St. Lucia, St. Kitts, St. Vincent, Dominica, Grenada , Antigua, Cayman.	Private Sector - Construction, Private Sector – Distribution and Retail, Private Sector - Insurance Public Sector - Financial Management Public Sector – Information Technology Private Sector - Consulting
<b>PWD Team</b>				
Wes Howell, Team Leader and Deputy Director, Computer Services Department	20	MBA – Concentration in Business Planning and Entrepreneurship Dip. Management Information Systems Project Management Business Process Analysis/Redesign	Cayman, Canada	Public/Private Sector – IT Analysis/development/Support Public Sector – Project Management, Business Management, IT, Financial Management, Reinvention Private Sector – Marketing, Business Development
Colin Reid, COO and CFO, Bodden Holdings Ltd	30	B. Sc Economics Chartered Accountant – England and Wales Chartered Accountant – Canada	UK, Canada, Bahamas, Cayman	Private sector – Audit Private sector – Consultant – Banking, Provincial Government, Utilities and Government boards Private sector –Legal Private sector –Auto dealership, gas company, rent a car, real estate and shipping agent
Trudy Goodband	16	Graduate Diploma in Purchasing & Supply (MCIPS), MAAT	Cayman, UK	Public Sector – Financial Management Public Sector - Procurement Management Public Sector – HR Management
Ian Fenton	22	BSc Geology and Management Science, Chartered Management Accountant (ACMA)	Cayman, UK, BVI, Montserrat	Public Sector – Health Private Sector - Pensions Private Sector – Steel & Special Alloys Private Sector – Aerospace Public Sector – Financial Management Public Sector – Change Management
Celia Gomez	15	BSc Accounting Accountant (CPA) Certified Internal Auditor CAMS – Certified Anti- Money Laundering Specialist	Philippines, Cayman	Public Sector – Internal Audit Private Sector – Banking Private Sector – Auditing Public Sector – Project Monitoring Private Sector – Industrial Gas

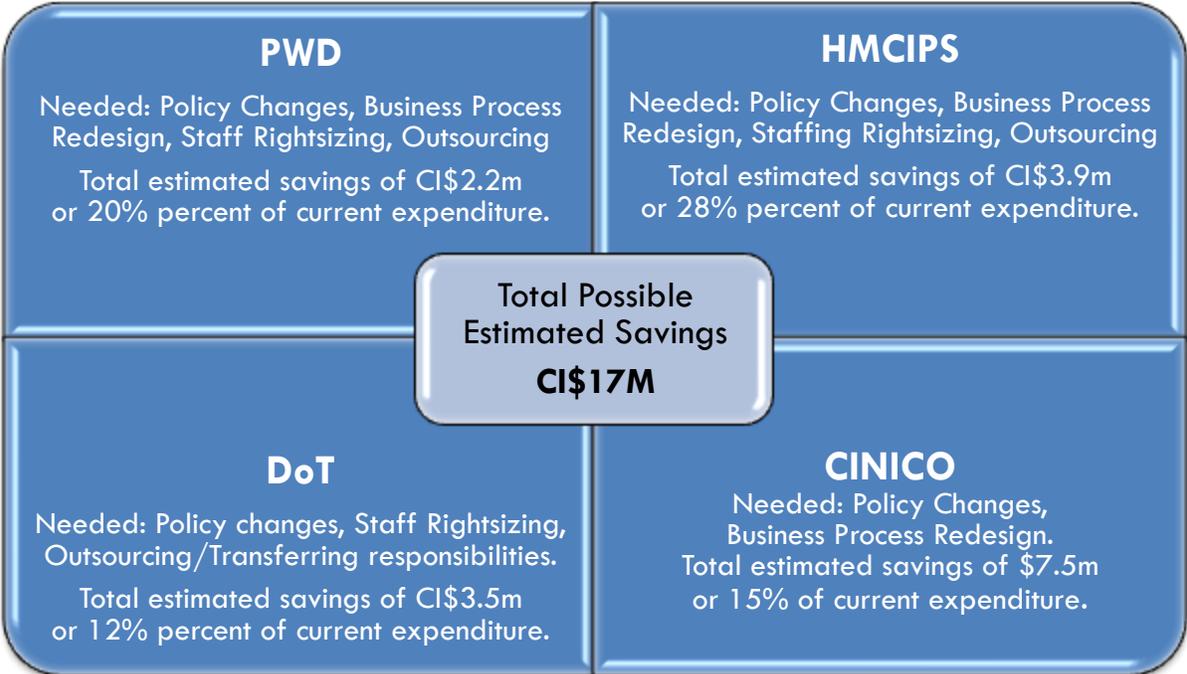
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**Part 2:**

**EFFICIENCY  
RECOMMENDATIONS**

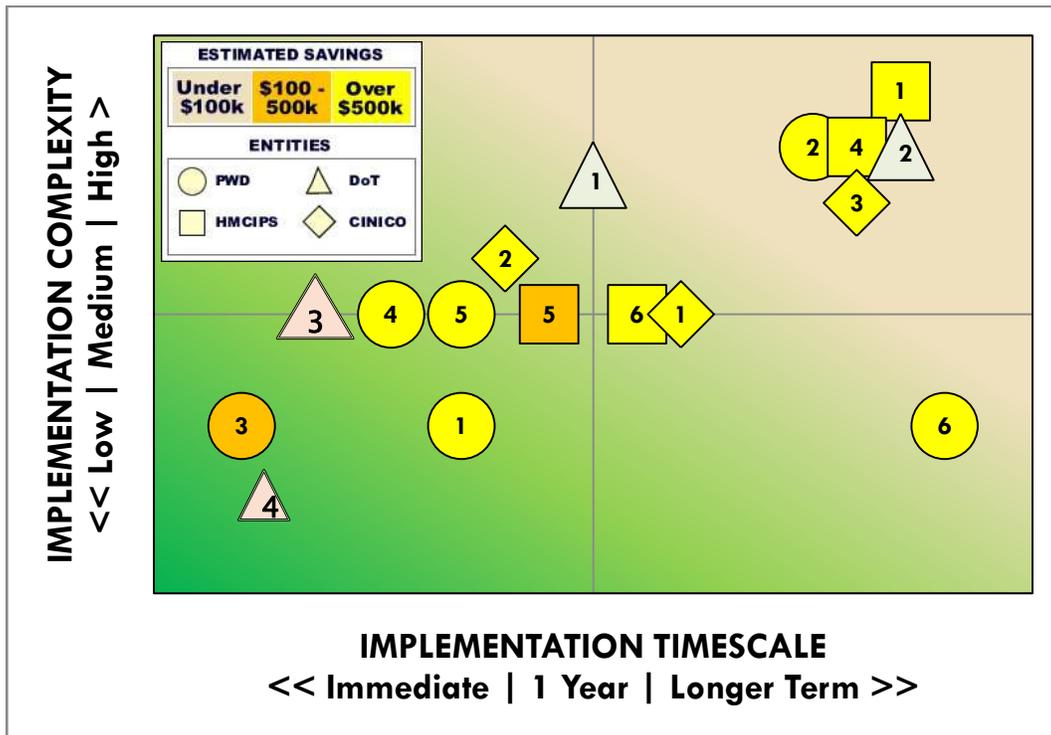
# Global Impact of Review Recommendations:

The recommendations contained in this report identify potential efficiency measures valued up to a maximum CI\$17m. This assessed value of savings represents up to 16% of the combined budget of CI\$103.7M for the four agencies under review – namely PWD, HMCIPS, DoT and CINICO. Below is a summary of the high level results for the agencies under review.

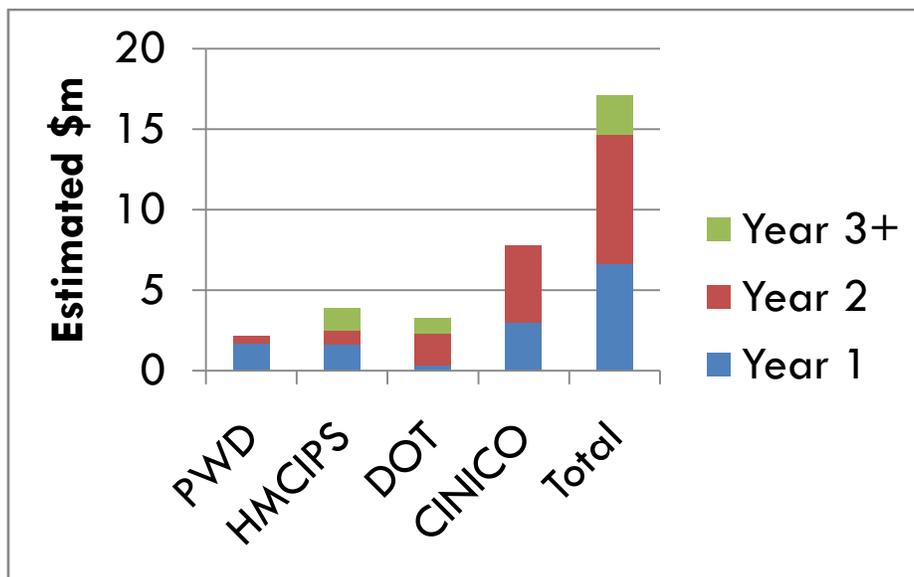


The matter of implementation falls outside of the remit of this review process, however it is recommended that Cabinet give keen consideration to the findings and recommendations of this report with an aim of identifying the recommendations and related timelines it deems appropriate to adopt. The implementation of these recommendations should be overseen by a dedicated implementation team which reports directly to Cabinet. Further the managers of the relevant agencies’ performance agreements should be strictly tied to the achievement of any adopted measures.

## Impact versus feasibility of **major** recommendations



## Total Estimated Efficiency Savings



## PUBLIC WORKS DEPARTMENT

Recommendation PWD 1	
<b>Organized Outsourcing</b>	
<b>ESTIMATED \$ IMPACT:</b> Minimal in PWD – over \$500K in client departments	<b>Risks / Considerations / Assumptions</b> <u>Background:</u> The specialized nature of environment that PWD operates, demands significant training and tooling, particularly on the Mechanical, Electrical, Plumbing as well as the professional fields of Project Management, Quantity Surveying and Architectural services. The demand for these services may be sporadic based on customer demand and as such the economies of scale work against PWD being able to competitively and cost effectively provide these services.  As such PWD needs to focus on its core services which can be performed by in house staff and act proactively to engage the private sector in the cases where the private sector costs, quality and timeliness deliverables are more attractive than can be delivered by PWD staff.  <u>Risk</u> The risks are low to medium and include an active or passive resistance to change and the risk of losing staff to the private sector. Staff may be lost whose expert skills are underutilized to the point where it is not competitive to keep them employed.  <u>Benefit:</u> Reduced training costs and reduced staffing. Clear policy on what PWD can deliver and what will be delivered by the private sector.  <u>Impact:</u> Medium. This recommendation will have some negative impact on PWD's employment levels and as a result could put some Caymanians out of work if they were unable to obtain re-employment with the private sector in the near term.  <u>Cost Savings:</u> Cost savings are dependent on the other recommendations being implemented.
<b>COMPLEXITY:</b> Low	
<b>TIMESCALE:</b> Phased in over 0-9 Months	
<b>Management Response:</b> <ol style="list-style-type: none"> <li>1. <i>We agree with organised outsourcing and indeed we already practise this in several fields. There are certain fields where there is an adequate level of service in the private sector and where PWD does not have and has not sought to gain the technical expertise. Examples of these are elevator maintenance, air-conditioning chiller plants and the mechanical works on generators.</i></li> <li>2. <i>It should also be recognised that there are areas where PWD has expertise that is not currently available on island in the private sector. An example of this is in building management systems.</i></li> </ol> <p><b>Ministry Response:</b>  <i>Ministry supports organised outsourcing in appropriate areas where PWD does not have the resources to carry out the work.</i></p>	

*Recommendation PWD 2*

**Reduce, eliminate or redeploy Social Employment**

<b>ESTIMATED \$ IMPACT:</b> \$500,000	<b>Risks / Considerations / Assumptions</b> <u>Background:</u> With social employment loosely defined as those individuals whose skills, abilities and mental/physical capacity render them less productive; and prevents them from likely finding equivalent employment in the private sector). While PWD is under pressure to operate in the most cost effective way, the social employees are a major contributing factor to the lack of competitiveness.  Although PWD had in recent times received ministry support to curtail the hiring of social employees , a legacy of these employees still exists and is estimated at 20-25% of works staff who are not capable for performing competitively with the private sector.  The socially employed could be costed as such, assigned duties that would be separated from the core output functions of PWD, allowing the remaining staff to operate more efficiently.  The socially employed could be reassessed and those that are capable of progressing, be identified, given targeted training allowing them to move on to more productive work within PWD, other government agencies or even the Private Sector. This training could be done in conjunction with the Civil Service College or UCCI.  As a last resort these staff could be made redundant in an effort to improve efficiency, competitiveness and reduce PWD's operating costs. If these social employees are not addressed, it will be unfair to compare PWD's costs to those of the private sector.  <u>Risk</u> The risks are High, and are related to the policy of not employing partially productive Caymanian workers.  <u>Benefit:</u> The Benefits are reduced head count, less overhead costs, and a more competitive cost structure as compared to the private sector.  <u>Impact:</u> High. This recommendation will have a major impact on staffing levels and if redundancies are actioned there could be financial, social and political implications  <u>Cost Savings:</u> Cost savings are estimated to be in the CI\$500,000 range (Based on the average cost of 15 employees including full benefits), however the cost of any redundancies would delay the full effect of these cuts in the year(s) effected.
<b>COMPLEXITY:</b> High	
<b>TIMESCALE:</b> Over 12 Months	

**Management Response:**

*We concur with the assessment above. PWD management fully recognise the benefits of social employment and has fully supported it over the years. However, the disadvantages of social employees are:*

- 1. They take up excessive supervision and management time, requiring continuous attention.*
- 2. They have a significant negative impact on PWD efficiency, quality of work and cost of work.*
- 3. They have a negative effect on our client's perception of PWD.*
- 4. They have a tendency to demotivate PWD's regular workforce.*

**Ministry Response:** *Ministry supports the concept of social employees being separately costed and also supports funding for training these employees.*

*Recommendation PWD 3*

**Dedicate staff to high use departments**

<p><b>ESTIMATED \$ IMPACT:</b> \$200,000</p>	<p><b>Risks / Considerations / Assumptions</b></p> <p><u>Background:</u> A handful of departments take up a large percentage of demand, and in the case of Output 4 - Maintenance of Government Departments, the Education Ministry is the largest customer, accounting for around 30 percent funding for that output. Lands and Survey is another large customer. If PWD allocated dedicated crews to the Education Ministry and Lands and Survey it would allow them to be directly dispatched by the department's facilities management staff and would significantly decrease the need for administration, supervisor and management oversight by PWD staff as the facilities management staff could monitor and direct the work. The workers would remain employed by PWD but would spend some significant amount of time dedicated to jobs at the Ministry of Education sites. Additional PWD workers could be temporarily re-assigned, in times of high demand such as during summer holidays when a significant amount of heavy works are done.</p> <p><u>Risk</u> Medium-to-High. Include an active or passive resistance to change, the risk of client departments permanently hiring away PWD employees, leaving PWD without the skills necessary to service other clients. Can be addressed by an SLA with a clause that the client, in this case Ministry of Education, cannot hire the PWD staff within 1 year from the time his service as a maintenance staff for Education ends. The SLA should allow for re-assignment of staff for training, special needs etc.</p> <p><u>Benefit:</u> The benefits include less complexity between the Ministry of Education requesting work and the work being assigned, crews supplied with materials and actioned by PWD staff. Demands of tracking and costing work would be reduced as the billing could be at fixed rates.</p> <p><u>Impact:</u> Medium. This recommendation will have some negative impact on PWD's ability to service other clients when, staff are engaged with the Ministry of Education and are unable to deal with other customer requests.</p> <p><u>Cost Savings:</u> Cost savings are estimated to be in \$200,000 range</p>
<p><b>COMPLEXITY:</b> Low</p>	
<p><b>TIMESCALE:</b> 0-3 Months</p>	

**Management Response:**

*It should be noted that PWD have dedicated crews at the two high school sites. Work orders are channeled through PWD, the crew is supervised by a PWD supervisor but the crew respond directly to the needs of the school sites. We do not agree with this suggestion for the following reasons:*

- 1. Undoubtedly our clients will not wish to take on any of our social employees. They will want to cherry pick the better employees; further diluting PWDs skill sets and leaving us with a higher proportion of "social employees" to "useful employees". This is not an acceptable way forward for PWD.*
- 2. PWD has insufficient employees in the MEP area to allow dedication to facilities managers. For example our total compliment of plumbers is three.*
- 3. There has already been some decentralisation of the project management services normally carried out by PWD over recent years and our strong view is that government's interests were best served when these services were centralised. Centralisation of construction expertise (new projects and maintenance) and standardisation of contracts, systems, hurricane standards and materials have significant benefits.*

**Ministry Response:** *Ministry supports the centralisation of construction services and resources and the efficiencies that emanate from this.*

*Recommendation PWD 4*

**Reduce the number of persons in Finance, Administration and Human Resources.**

<b>ESTIMATED \$ IMPACT:</b> \$500,000	<p><b>Risks / Considerations / Assumptions</b></p> <p>Background: The number of Staff in Management, Finance Admin and HR is too large (top Heavy) – and could be trimmed – possibly in Half (8-9 Employees). Some staff could be redeployed within other agencies. Some may have to be made redundant.</p> <p>As an example of a high level comparison, Prison and PWD have similar numbers of employees. Prison’s overall budget is 20% higher than PWD. With Interagency billing PWD raised 59% more transactions in the first half of 2010, and 41% less transaction than prison excluding interagency transactions. Prisons have 86.4% less HR, Finance and Admin personnel than PWD.</p> <p>Therefore with the end of inter-agency charging for core government, reduced number of purchases with the re-introduction of stores and more streamlined processes, PWD can sustain a significant reduction in finance/admin and HR staff with little impact to service delivery.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #d9ead3;"> <th style="text-align: left;">Sizing Data</th> <th style="text-align: center;">Prison</th> <th style="text-align: center;">Public Works</th> </tr> </thead> <tbody> <tr> <td>Number of Staff</td> <td style="text-align: center;">150</td> <td style="text-align: center;">147</td> </tr> <tr> <td>Annual Budget (CIS\$ Millions)</td> <td style="text-align: center;">14</td> <td style="text-align: center;">11.2</td> </tr> <tr> <td>Number of HR/Admin/Finance Staff</td> <td style="text-align: center;">3</td> <td style="text-align: center;">22</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #d9ead3;"> <th style="text-align: left;"># Transactions - No Interagency</th> <th style="text-align: center;">Prison</th> <th style="text-align: center;">Public Works</th> </tr> </thead> <tbody> <tr> <td>AP Invoices</td> <td style="text-align: center;">1,056</td> <td style="text-align: center;">518</td> </tr> <tr> <td>AR Invoices</td> <td style="text-align: center;">128</td> <td style="text-align: center;">0</td> </tr> <tr> <td>AR Receipts</td> <td style="text-align: center;">139</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Purchase Orders</td> <td style="text-align: center;">318</td> <td style="text-align: center;">447</td> </tr> <tr> <td></td> <td style="text-align: center; border-top: 1px solid black;">1,641</td> <td style="text-align: center; border-top: 1px solid black;">965</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #d9ead3;"> <th style="text-align: left;"># Transactions - Including Interagency</th> <th style="text-align: center;">Prison</th> <th style="text-align: center;">Public Works</th> </tr> </thead> <tbody> <tr> <td>AP Invoices</td> <td style="text-align: center;">3,364</td> <td style="text-align: center;">5,692</td> </tr> <tr> <td>AR Invoices</td> <td style="text-align: center;">211</td> <td style="text-align: center;">803</td> </tr> <tr> <td>AR Receipts</td> <td style="text-align: center;">204</td> <td style="text-align: center;">497</td> </tr> <tr> <td>Purchase Orders</td> <td style="text-align: center;">1,149</td> <td style="text-align: center;">5,054</td> </tr> <tr> <td></td> <td style="text-align: center; border-top: 1px solid black;">4,928</td> <td style="text-align: center; border-top: 1px solid black;">12,046</td> </tr> </tbody> </table> <p>*Transactions for first half of Financial Year 2009-2010</p> <p><u>Risk:</u> The risks are Medium-to-High, and are related the disruption to the staff including morale, and stress. The reassignment of staff would allow jobs to be saved providing that staff members can be redeployed. If staff cannot be redeployed then the alternative is redundancy, in a time of economic down-turn which lessens the opportunities for reemployment in the private sector. Mandatory redundancy also decreases the overall savings as the severance costs would be significant in the first year or two.</p> <p><u>Benefits:</u> The Benefits are reduced head count, less overhead costs, more competitive cost</p>	Sizing Data	Prison	Public Works	Number of Staff	150	147	Annual Budget (CIS\$ Millions)	14	11.2	Number of HR/Admin/Finance Staff	3	22	# Transactions - No Interagency	Prison	Public Works	AP Invoices	1,056	518	AR Invoices	128	0	AR Receipts	139	0	Purchase Orders	318	447		1,641	965	# Transactions - Including Interagency	Prison	Public Works	AP Invoices	3,364	5,692	AR Invoices	211	803	AR Receipts	204	497	Purchase Orders	1,149	5,054		4,928	12,046
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structure as compared to the private sector.

Impact: Medium-to High. This recommendation will have a major impact on staffing level, it will take coordination across the service to redeploy staff and if redundancies are necessary there could be financial, social and political implications

Cost Savings: Cost savings are estimated to be approximately C\$500,000 (Based on half of the budgeted costs for 2010 as listed in Appendix F); however the cost of any redundancies would delay the full effect of these cuts in the year(s) they take effect.

**Management Response:**

- 1. We agree that further reductions in staffing in the Finance and Administration division are achievable. Our Finance section grew significantly with the implementation of interagency charging. The decision to cease interagency charging was made a few months ago and we have already reduced staffing in this area by three and have offered up two further staff members for deployment in other departments. The number of reductions achievable will need to be carefully evaluated. The time available for PWD input to this report does not allow detailed analysis of this.*
- 2. We are not convinced that the comparison with the size of the Prison Finance and Admin section is relevant. Although the departments are of similar size, their businesses have little or no similarity. PWD provides services to over 70 clients at over a hundred different sites around the island including 7-10,000 maintenance work orders and 100+ capital projects a year. We have staff operating the help desk purchasing and stores. We are aware that the prison uses prison officers and prisoners for certain administrative functions.*
- 3. We note that the number of transactions quoted above does not include the contract and purchase order payments made by clients which PWD manages.*

**Ministry Response:**

*The Ministry is reviewing the possible utilisation of shared resources between PWD and the NRA. This includes NRA moving from rented accommodation back into the PWD office facility. The aim of this is to realise savings in Finance, Admin and HR staff, utilities, janitorial and security services.*

*Recommendation PWD 5*

**Redesign Processes, procedures and Polices**

<p><b>ESTIMATED \$ IMPACT:</b> \$1,000,000</p>	<p><b>Risks / Considerations / Assumptions</b></p> <p><u>Background:</u> The effectiveness and cost efficiency of Public Works is significantly hampered in a number of areas by ineffective processes, lack of adequate materials and stores, poor procedures, poor utilization of transportation, inefficient scheduling and monitoring of work. These shortcomings can be addressed through redesign and better management. Observed skill sets were in some areas questionable and retraining may be a necessary. During the review process, PWD has engaged the Management Support Unit from the Portfolio of the Civil Service to assist in reshaping these areas.</p> <p><u>Risk</u> The risks are low-to-medium, and are related mostly to the resistance to change and the additional risks that come from managing and accounting for stores.</p> <p><u>Benefit:</u> The Benefits are reduced number of smaller purchases, economies of scale in purchasing stores in bulk, reduced transportation cost, more efficient use of vehicles, increased time available for hands on work, and faster completion times.</p> <p><u>Impact:</u> Low-to-medium. This recommendation will have little impact on staffing levels and will take some minor funding to procure IT systems. However it may involve a Cabinet policy to make PWD services non-contestable.</p> <p><u>Cost Savings:</u> Cost savings are estimated to be in the CI\$1-2 million range. These savings will be realised in budgets other than PWD's, in that the excess capacity in work time created through more efficient operations would allow PWD higher productivity with the similar levels of resources. However departments would have to choose to use PWD instead of other providers in order for Government to realise an overall savings. Otherwise, if PWD staffing remained constant, even with greatly improved efficiency, no cost savings would be realized if costs were duplicated by purchasing services elsewhere.</p>
<p><b>COMPLEXITY:</b> Medium</p>	
<p><b>TIMESCALE:</b> 6-12 Months</p>	

**Management Response:**

*Agreed that improvements in processes, procedures and policies can lead to improved efficiencies. Specifically:*

- 1. Work order system: The current eAM (work order) system is cumbersome. TRS, the government time recording system, does not interface well with eAM. These and other shortcomings lead to inefficiencies in work order processing and very limited management reporting. The Management Support Unit are assisting us with the review and funding for additional software etc may be recommended/required.*
- 2. Stores: PWD have just completed the re-construction of it's stores facility which was severely damaged by Ivan and was not funded by insurance for reconstruction. Bids for stores stock for high use items are being prepared and will go out in March. Funding for shelving / racking for stores and secure storage for materials to be stored on trucks has been requested.*
- 3. Transportation: We currently have insufficient vehicles to reduce service crew sizes to private sector levels. Requests for additional vehicles to allow PWD to reduce crew sizes have consistently been rejected in recent budget years.*

**Ministry Response:** *We support improvements in processes, procedures and policies that can lead to improved efficiencies.*

*Recommendation PWD 6*

**Contestability within Two Years**

<p><b>ESTIMATED \$ IMPACT:</b> Minimal in PWD – over \$500K in client departments</p>	<p><b>Risks / Considerations / Assumptions</b></p> <p><u>Background:</u> While Government must maintain a level of core skills in house, several areas within PWD, particularly in the works, and MEP sections are viable to competition within two years.</p> <p>For contestability to be successful the other recommendations above must be acted upon, freeing PWD to run more cost effectively. Additionally the management of PWD must be given wide and deep authority over inputs and HR; another key component of fair contestability is that management and employees of PWD be incentivised as compensation for the risks to tenure. If these criteria are not met then PWD should not be considered for contestability.</p> <p><u>Risk:</u> This would require buy-in from the Ministry, policy and procedural input from the POCS and the support of PWD management and staff. If significant amounts of work are lost to the private sector, then PWD would be downsized with worker, support staff and management to match the reduced workloads.</p> <p><u>Benefit:</u> Contestability with consequential job losses would drive PWD to achieve very competitive levels of production, as well as controlling costs and improving customer satisfaction by improving quality and timeliness.</p> <p><u>Impact:</u> Medium. This recommendation will increase the uneasiness of PWD staff members, and would be a significant policy change that would need support from the Management, Ministry and Cabinet.</p> <p><u>Cost Savings:</u> Cost savings are dependent on the other recommendations</p>
<p><b>COMPLEXITY:</b> Low</p>	
<p><b>TIMESCALE:</b> Over 24 Months</p>	

**Management Response:**

*We would agree to contestability in the future on the condition that we are playing on a level playing field. Unfortunately, many factors would need to be addressed for this to come about. For example:*

1. *Social employment – this would have to be discontinued or separately paid for.*
2. *Health costs – our future competition pays a fraction of what we currently pay*
3. *The “Majority” of private sector contractors are not paying health and pension contributions. How would we prevent government departments getting “unfair” quotes from these illegitimate contractors?*

**Ministry Response:**

*The Ministry are concerned that contestability will lead to the return of interagency charging. This was recently discontinued because it was not working at all efficiently. PWD are still owed in excess of \$6 million spread over 6 budget years due to non-payment of interagency charges.*

HER MAJESTY'S CAYMAN ISLANDS PRISON SERVICES

Recommendation HMCIPS 1

**Plan to reduce prisoner recidivism by increasing inter-agency working, including greater use of the Department of Community Rehabilitation, in both pre-release and post-release support programmes.**

<b>ESTIMATED \$ IMPACT:</b> \$1,400,000 p.a.	<b>Risks / Considerations / Assumptions</b> Some 63% of current prison inmates are repeat offenders. The expertise of the Department of Community Rehabilitation is not used as much as it has been historically following the cessation of education programmes to current inmates, and a reduction in the time they spend with individuals released on parole. Given the high level of recidivism, an 'invest-to-save' initiative at this time would seem worthy of consideration with concerted efforts made to reduce the recidivism rate by 13% resulting recidivism rates not exceeding 50%.  Provisional estimated cost savings based on long-term assumption that only 50% of the current and future inmates will re-offend. Whilst this would be the saving to the Prison service, for government as a whole it would be offset by the need to fund increased involvement from the Department of Community Rehabilitation.
<b>COMPLEXITY:</b> High	
<b>TIMESCALE:</b> 1 Year+	

**Management Response:**

*From HMCIPS: Some programmes (though not those run by, or via, the education department) were stopped, temporarily – during 2008 – in order to introduce a means of quality assuring any intervention delivered to prisoners; there is sound research highlighting that poor interventions can have a negative effect in terms of reducing recidivism. To that end, an Approval Panel was introduced; anyone wishing to have their programme delivered in prison is required to apply to the Panel, who then review the quality of the intervention. The Approval Panel is a multi-disciplinary team consisting of staff from the prison, the Counselling Centre, the National Drug Council and the Department of Community Rehabilitation (DCR). Since the inception of the Panel, in late 2008, the DCR representative has mentioned the possibility that they may put one of their programmes forward to the Panel. However, as yet, no application has been made. HMCIPS recognizes the value of multi-disciplinary working and would welcome the introduction of more interventions, if appropriate, i.e. meeting an identified prisoner need area.*

*No additional comment from Portfolio of I&EA*

*Recommendation HMCIPS 2*

**Extend the use of home-confinement and electronic-monitoring schemes**

<p><b>ESTIMATED \$ IMPACT:</b> \$600,000 p.a.</p>	<p><b>Risks / Considerations / Assumptions</b></p> <p>Approximately 15% of the current prison inmates are rated in the lowest risk category, and 4 actually live outside the prison walls (but still on prison land). It is likely that some of these would be suitable for 'house-arrest' schemes which would relieve the Prison Service of permanent housing, feeding and care costs. At the same time it would accelerate community rehabilitation of the inmates.</p> <p>Provisional estimated cost savings are based on assumption that 75% of Category D inmates (which currently equates to 26 people) could be placed on house-arrest and electronic monitoring arrangements.</p>
<p><b>COMPLEXITY:</b> Medium</p>	
<p><b>TIMESCALE:</b> 6-12 Months</p>	

**Management Response:**

*From HMCIPS: There are legal issues to be considered here with the release of further prisoners on the electronic-monitoring scheme, and this will need to be investigated further. Also, it should be noted that at least 6 of the Category D prisoners are actually in prison for life sentences.*

*From Portfolio I&EA: Management is unsure as to the components used to calculate the reduction in costs based on the number of prisoners by the review team. An analysis of the costs indicates that directly variable costs are actually \$5,931 per annum for each prisoner reduced. If a block of 25 or more prisoners is reduced then the figure goes to \$8,704 when you take into consideration semi-variable costs. The fixed cost per prisoner is \$52,548 per annum assuming the average of 228 prisoners.*

*This means that the savings in implementing a recommendation like this one where 5 prisoners are reduced would be \$29,659 rather than \$285,000. Note there are other factors to consider which are in themselves rehabilitative such as easier integration into society and the marginal cost of alternative sentencing.*

*Recommendation HMCIPS 3*

**Identify individuals from amongst the overseas inmates who could be either granted early release subject to immediate and permanent deportation, or transferred to their own national prison service.**

<b>ESTIMATED \$ IMPACT:</b> \$500,000 p.a.	<b>Risks / Considerations / Assumptions</b> Some 33 inmates are overseas nationals (some may have Caymanian status and this has not been checked). Subject to legal confirmation and obtaining appropriate authority, some of these individuals could be released from custody early on condition of immediate deportation and an immigration ban. Or, alternatively agreements may be possible to engineer their transfer to lower-cost custody in their own countries.  Provisional estimated cost savings based on assumption that 10 of the 33 foreign national inmates may be suitable for such a release scheme.
<b>COMPLEXITY:</b> Medium	
<b>TIMESCALE:</b> 1 Year+	

***Management Response:***

*From HMCIPS: Again, concerns over the calculation of the amount of money that could be saved by this recommendation, same response as for recommendation P5.*

*From Portfolio I&EA: Management is unsure as to the components used to calculate the reduction in costs based on the number of prisoners by the review team. An analysis of the costs indicates that directly variable costs are actually \$5,931 per annum for each prisoner reduced. If a block of 25 or more prisoners is reduced then the figure goes to \$8,704 when you take into consideration semi-variable costs. The fixed cost per prisoner is \$52,548 per annum assuming the average of 228 prisoners.*

*This means that the savings in implementing a recommendation like this one where 5 prisoners are reduced would be \$29,659 rather than \$285,000. Note there are other factors to consider which are in themselves rehabilitative such as easier integration into society and the marginal cost of alternative sentencing.*

*Recommendation HMCIPS 4*

**A partnership arrangement should be entered into with an overseas facility to provide safe custody for the most serious offenders, repeat offenders and high-risk inmates.**

<p><b>ESTIMATED \$ IMPACT:</b> \$250,000 p.a.</p>	<p><b>Risks / Considerations / Assumptions</b></p> <p>Overseas facilities, where ‘costs per prisoner per day’ benefit from considerable economies of scale, could be used for specific categories of prisoners. Aside from significant cost savings, this alone could eliminate the over-crowding problem, significantly reduce the risk profile of the prison and provide a real deterrent to committing crime.</p> <p>The review team has received conflicting views on whether or not this option presents a ‘human rights’ challenge and a clear legal opinion will be necessary.</p> <p>Provisional estimated cost savings based on assumptions of the 12 category A prisoners and 2 persistent repeat offenders (not named individuals, but just an estimate on the basis that such individuals would also be transferred) are affected.</p>
<p><b>COMPLEXITY:</b> High</p>	
<p><b>TIMESCALE:</b> 1 Year+</p>	

**Management Response:**

*From HMCIPS: The ‘human rights’ issues would need to be challenged, but has the cost of sending a prisoner overseas been considered also. Overseas facilities are unlikely to take prisoners from Cayman (especially the High Risk prisoners) without some significant cost involved.*

*From Portfolio I&EA: This avenue is being investigated. It should be noted that the Cayman Islands Government does have one person incarcerated overseas, namely in the UK which costs on average \$36-46k per annum. Also it is understood that this recommendation may be unconstitutional and in contravention of current Human Rights Conventions.*

*Recommendation HMCIPS 5*

**Legislation should be implemented to provide the maximum possible flexibility for the Courts to award community service, financial penalties and, in the case of overseas nationals, exportation and immigration bans.**

<b>ESTIMATED \$ IMPACT:</b> \$250,000 p.a.	<b>Risks / Considerations / Assumptions</b> Alternative sentencing can be used to avoid a prison sentence entirely, or to reduce the length of one. Whilst it may give concern to some members of the community, the financial benefits are clear - The lower the number of inmates, and the less time they spend in prison, the lower the costs of the service. Where there are non-violent crimes and the goal is punishment, this might be achieved at a lower cost to society.  Provisional estimated cost savings based on assumptions of 5 persons per year being provided with non-custodial sentences who would otherwise have been sent to prison.
<b>COMPLEXITY:</b> Medium	
<b>TIMESCALE:</b> 6-12 Months	

***Management Response:***

*From HMCIPS: The department is in support of any such move regarding alternative sentencing. However, it should be noted that even if there were 5 prisoners less in custody each year it is not accurate to state that this would provide a cost saving of the amount indicated. A vast amount of Prison budget is fixed costs and not an actual cost of having a prisoner in custody. We do not get additional funding from Cabinet if we hold more prisoners than we are budgeted for, we have to manage with the budget we are given.*

*From Portfolio I&EA: This is outside the remit of the Prison Service as well as the Portfolio of Internal and External Affairs. There is current legislation regarding Alternative Sentencing, however has not been enacted to date.*

*Recommendation HMCIPS 6*

**Relocate HMP Fairbanks to HMP Northward.**

<p><b>ESTIMATED \$ IMPACT:</b> \$100,000 p.a. + <i>LAND SALE</i></p>	<p><b>Risks / Considerations / Assumptions</b></p> <p>Once suitable accommodation is identified at HMP Northward (which will be easy if other recommendations are implemented to reduce the prison population), HMP Fairbanks which currently houses the 13 female inmates should be permanently closed and the crown land it occupies released for alternative Government use or sale. As well as a potential capital gain, there would be operational efficiencies with a single site operation and gender equality issues regarding access to facilities and resources could be more easily addressed.</p> <p>Provisional estimated cost savings based on assumption of single-site economies in utility / insurance / maintenance payments and removal of multiple daily trips transporting food and inmates between prison sites.</p>
<p><b>COMPLEXITY:</b> Medium</p>	
<p><b>TIMESCALE:</b> 1 Year+</p>	

***Management Response:***

*From HMCIPS: There is currently no accommodation available at Northward that could house the females. The female population is not static as the number varies from high to low. A facility would have to be built and housed in its own compound, adjacent to Northward. This move would be necessary for multiplicity of security reasons, and would have costs associated with the building of such a unit. Also, with regard to the sale of the land, it is our understanding that the land actually belongs to the Health Service Authority and not Prison, so we would be unable to sell this land.*

*No additional comment from Portfolio of I&EA*

*Recommendation HMCIPS 7*

**Introduce remote Court appearances by using video-link technology.**

<b>ESTIMATED \$ IMPACT:</b> \$200,000 p.a.	<b>Risks / Considerations / Assumptions</b> Some 2,400 round trips are expected to be made this year escorting inmates from the prison to George Town so that they can appear in Court. This costs the service time, expense and risk. It is understood that video-link technology is widely used in other jurisdictions and to do so would yield significant benefits.  Provisional estimated cost savings based on assumption of a 50% reduction in the necessary escort trips and associated savings in staff time and vehicle / gas usage.
<b>COMPLEXITY:</b> Medium	
<b>TIMESCALE:</b> 6-12 Months	

***Management Response:***

*From HMCIPS: The department is in full support of any such move. It should be noted that a working group has already been set up to discuss the feasibility of this, and prison are part of this group, along with Court and other departments.*

*No additional comment from Portfolio of I&EA*

*Recommendation HMCIPS 8*

**Identify and evaluate Private-Sector interest for the prison escorting service**

<b>ESTIMATED \$ IMPACT:</b> \$100,000 p.a.	<b>Risks / Considerations / Assumptions</b> If remote court appearances (recommendation 8) become a reality, the resultant number of prison escort trips will be significantly reduced. At that stage, the service may be best provided through a private-sector partnership arrangement. This would alleviate the pressure on direct staff resources and the complexities of logistical planning which can leave the prison short-staffed as officers take inmates to court.  Provisional estimated cost savings based on the assumption of the resultant trips after implementation of Recommendation 8 being handled under a partnership agreement, the full costs of which would be \$100k per annum.
<b>COMPLEXITY:</b> Medium	
<b>TIMESCALE:</b> 6-12 Months	

**Management Response:**

*From HMCIPS: A partnership arrangement could be considered, suffice to say there will still exist the need for the service to provide escorts, such as Category A escorts and emergency escorts. If this recommendation is taken forward, careful consideration would have to be given as to who becomes responsible for the prisoner once they leave the Prison compound and are taken by a third party to Court, and secondly some type of cost analysis would have to be undertaken to determine if it would result in cost saving.*

*No additional comment from Portfolio of I&EA*

*Recommendation HMCIPS 9*

**Change Personnel Regulations to remove staff entitlement to Housing Allowance.**

<b>ESTIMATED \$ IMPACT:</b> \$200,000 p.a.	<b>Risks / Considerations / Assumptions</b> Personnel Regulations currently require the payment of Housing Allowance to prison officers. This currently costs in the region of \$225k per year. The rationale for this payment is unclear. The review team do acknowledge a remuneration issue whereby staff are not currently being paid on their evaluated pay grades and therefore would only want to see this recommendation implemented if that inequity was corrected.  Estimated cost savings based upon current levels of staffing.
<b>COMPLEXITY:</b> Medium	
<b>TIMESCALE:</b> 6-12 Months	

***Management Response:***

*HMCIPS: If this is taken from Prison then it must also be taken from the Police as it is the current law that allows payment of this allowance to both departments.*

*No additional comment from Portfolio of I&EA*

*Recommendation HMCIPS 10*

**Reduce the number of staff receiving monthly call-out allowance**

<b>ESTIMATED \$ IMPACT:</b> \$90,000 p.a.	<b>Risks / Considerations / Assumptions</b> Currently all prison officers receive a monthly call-out allowance to cover the eventuality that they are required to attend outside their normal shift hours. It is believed that sufficient staffing flexibility could be maintained by reducing the number of officers on 'call-out' in any one month to 50.  Estimated cost savings based upon reducing current levels of call-out payment to just 50 recipients per month.
<b>COMPLEXITY:</b> Low	
<b>TIMESCALE:</b> 0-6 Months	

**Management Response:**

*From HMCIPS: The Personnel Regulations 2006; Schedule 1, Section 3, subsection (1)(b)(i)*

Standby and call-out allowance *If the employee is required to standby in the case of emergency or is subject to call-out in normal off duty hours. The amount of the allowance is determined by the appointing officer (in conjunction with the chief officer).*

Toil/Overtime *All staff is entitled to be compensated for time worked outside of regular duties, in accordance with the Personnel Regulations, 2006. You must always be prepared to work ordered overtime. You cannot refuse ordered overtime. If you do not report for ordered overtime duty, you will be subject to disciplinary action up to, and including, termination. The nature of our business requires that all posts be effectively staffed.*

*Prison Officers (Discipline) Regs; S.2 subsection (a) (iv) - While on duty or likely to be called upon for duty, is unfit for duty through consuming intoxicating drink or drugs or through having deprived himself of sufficient rest or sleep;*

*Reasons - Emergency duty cover is necessary to facilitate operational requirements. The likelihood of a call-out is high and rather than paying staff a large premium for each occasion they are call-out and annual retainer is added to their base salary. The level of inconvenience to the staff of call-outs is an important factor that should influence the payment of the call-out. There are rules that require staff to be in a fit and proper condition to report for duty if called upon and should be considered, because of the restriction attached to call-out. Staff may be called upon to return to work to repair essential equipment, cover for sickness absence or assist in an emergency situation. Manning levels **must** be maintained for security and good order of the prison. Critically staff **must** be available for call-out in emergencies between 22:30 – 06:30 as the Prisons are working on reduced manning levels that do not include response for (i.e. medical emergencies etc). Hurricanes and major incident responses presents a major consideration for the payment of the call-out, it is necessary that elevated manning levels be maintained for extended periods with many of the staff working for long period.*

*Time - (1) Staff is required to report for work 15 minutes before the starting of the shift, and cannot go off duty until all prisoners are accounted for, a difference of 30 minutes.(2) Staff is not operationally able to be given the two 15 minutes breaks as required by Personnel Regulations. Staff is not compensated for duties that might require them to complete a task half an hour after the end of shift (i.e. searches, escorts, reports etc).*

*No additional comment from Portfolio of I&EA*

Recommendation HMCIPS 11

**Initiate full cost recovery for the service of selling sundry goods to inmates, or discontinue the service.**

<b>ESTIMATED \$ IMPACT:</b> \$75,000 p.a.	<b>Risks / Considerations / Assumptions</b> Confectionary and sundry items are made available to the inmates for purchase. 2008/09 financial figures indicate the annual purchase price to the prison exceeding the sales revenue from the prisoners by around \$12,000. Prices should to raised to eliminate this deficit <i>and</i> cover the cost of the administrative time that staff put into making this service available. If that increases sale prices to a level that reduces demand such that full cost recovery is not viable, the service should be discontinued.  Provisional estimated cost savings based on assumption of recouping the \$12k deficit above and covering staff time involved in the operation.
<b>COMPLEXITY:</b> Low	
<b>TIMESCALE:</b> 0-6 Months	

**Management Response:**

*From HMCIPS: All goods sold in the canteen are priced higher than they are purchased for, therefore there needs to be a further analysis of this account to determine other costs in relation to the canteen budget. Prices are reviewed on a regular basis and increases are made when appropriate. This recommendation is not supported by management as it already occurs.*

*No additional comment from Portfolio of I&EA*

*Recommendation HMCIPS 12*

**Provide alternative care, outside of the Prison Service, for mental health patients**

<b>ESTIMATED \$ IMPACT:</b> \$10,000 p.a.	<b>Risks / Considerations / Assumptions</b> Currently one person is kept in secure custody with prison inmates, not because of any criminal offence, but because of her mental health. The review team do not believe that the prison is the appropriate environment to address the needs of this individual, nor any future individuals in similar circumstances.  Whilst moving this individual will reduce the cost to the Prison Service, it is likely to increase overall Government expenditure due to the cost of alternative care elsewhere.  Provisional estimated cost savings based on assumption of minimal savings from staff time, medical and food costs.
<b>COMPLEXITY:</b> Medium	
<b>TIMESCALE:</b> 6-12 Months	

***Management Response:***

*From HMCIPS: The department is in full support of any such move.*

*No additional comment from Portfolio of I&EA*

*Recommendation HMCIPS 13*

**Introduce periodic ‘full lock down’ days to enable minimum staffing levels, with inmates being confined to their cells (subject to the minimum required level of release for exercise).**

<b>ESTIMATED \$ IMPACT:</b> \$25,000 p.a.	<b>Risks / Considerations / Assumptions</b> This option is presented as an option to reduce expenditure, but it is acknowledged that it would be likely, in the short-term at least, to cause widespread disapproval amongst the inmate population which would increase the overall risk profile faced by staff. Immediate implementation would however help relieve the current staffing demands on the Prison service and afford a break to some over-stretched officers.  Provisional estimated cost savings based on prudent assumption of staff time savings if method deployed only once a month.
<b>COMPLEXITY:</b> Low	
<b>TIMESCALE:</b> 0-6 Months	

***Management Response:***

*From HMCIPS: The above recommendation, on the face of it, appears to be rational but is, in fact, more costly. Unless an analysis of what is to be carried out during the course of the day it is totally unpractical to effect such a move. You still have to unlock, feed, and exercise prisoners as required by law, and therefore you would still need a significant number of staff on duty. Also, the staff would be required to deal with any incidents; prisoners would still have to attend appointments (court etc), lock down therefore, unless there is an incident, is counter-productive, resulting in sabotage, resistance and would require more staff to put out fire fights. Any such recommendation would be totally unproductive and would require a vast amount of staff to run the operation.*

*No additional comment from Portfolio of I&EA*

*Recommendation HMCIPS 14*

**Any future recruitment during the implementation timeframe of the accepted review recommendations should be limited to engaging staff on fixed-term rather than open-ended employment agreements.**

<p><b>ESTIMATED \$ IMPACT:</b> N/A on current Budget Aims to eliminate future redundancies and associated costs</p>	<p><b>Risks / Considerations / Assumptions</b> If other recommendations from this review are implemented, the Prison Service of the future will need considerably less staff than it currently has. To help avoid future redundancies, it is not prudent at this stage to be recruiting any more personnel on open-ended agreements.</p>
<p><b>COMPLEXITY:</b> Low</p>	
<p><b>TIMESCALE:</b> 0-6 Months</p>	

**Management Response:**

*From HMCIPS: The staffing level varies from time, resulting from natural attrition and a number of other reasons. The physical structure of the buildings are woefully inadequate. The staffing level is below minimum. The facility can be characterized as a low risk facility holding Category A and Category B prisoners. We are therefore heavily dependent on the use of dynamic security, hence the need to have proper staffing. At present the department does not even have a dedicated staffing team for its CC TV, or sufficient staff to even maintain outside patrol. The inability to respond to incidents or any other emergency, due to the lack of staff is to jeopardize the security of the establishment, society and to place staff and prisoners at great risk. Currently with some 17 plus staff short, other staff are working a tremendous amount of additional hours and are not able to take annual leave as required. The department is now faced with having to modify and create another High Risk Unit, which will have staffing implication. The demographics of prisoners entering the establishment is changing with more prisoners entering prison for more violent offences and is linked to different gangs, hence the need to establish different regimes and separation of prisoners. This is also impacting our staffing level. I must therefore call for serious reconsideration of this recommendation.*

*No additional comment from Portfolio of I&EA*

*Recommendation HMCIPS 15*

**Prison inmates should contribute toward their health-care costs.**

<p><b>ESTIMATED \$ IMPACT:</b> \$75,000 p.a.</p>	<p><b>Risks / Considerations / Assumptions</b></p> <p>Annual health-care costs are in the region of \$375k. The estimated saving is based upon a 20% contribution rate to this amount which is believed to be achievable through:</p> <ul style="list-style-type: none"> <li>• ‘Means-Testing’ such that inmates with personal wealth pay either in full or provide a significant contribution.</li> <li>• Identifying inmates who are covered on insurance policies of their relatives (such as a spouse of a Government worker)</li> <li>• Implementing a mandatory % charge to come from the weekly earnings of inmates. If this is taken from the element of their earnings which is ‘set-aside’ for their release, it will have no immediate impact on them.</li> </ul> <p>Introducing a real cost to the inmates will also make them ‘think twice’ about using a free service. Under no circumstances however would an inmate be denied access to health services.</p>
<p><b>COMPLEXITY:</b> Medium</p>	
<p><b>TIMESCALE:</b> 0-6 Months</p>	

**Management Response:**

*From HMCIPS: The Service already seeks to determine if any prisoners are covered on insurance policies of their relatives, and where it is determined they are, we do not pay the H.S.A for any service they receive. In regard to the % charge to come from the weekly earnings of prisoners, the amount which is ‘set-aside’ for their release is only \$3.00 per week, further consideration of this will need to be made as to whether administratively, it will be cost effective to introduce this.*

*From the Portfolio I&EA: As prisoners are considered “wards of the State” and held in custody against their will and liberties, the State then assumes all responsibility for such persons. This recommendation would be at the mercy of the prisoners as it is envisaged that it would be voluntary.*

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**HMCIPS Review - Overall Management Comment:**

From HMCIPS: A lot of emphasis is made on the reduction of the number of prisoners being held in custody making a drastic reduction to the budget. It is unrealistic to state that one prisoner less will result in a reduction of, say, \$50,000 to the prison budget (and multiplying this out dependent on the number of prisoners reduced by). The majority of the prison budget is fixed costs, the only variable costs which could be attributed directly to a prisoner are food, clothing and earnings, and much of the other costs would remain the same.

**Review Team Response:**

*If fully implemented the recommendations would see the inmate population drop by some 40% (including the re-accommodation of all high risk inmates), the reduced need to transport prisoners to court through the use of technology, and the outsourcing of the prisoner escorting service. This would facilitate a significant reduction in the number of staff required (achievable over time through the expiry of fixed-term contracts, natural retirement and resignations, and possible redeployment of personnel to other uniformed services or otherwise suitable opportunities within the civil service).*

*Together with efficiencies from the move to a single-site operation and the two reductions proposed for staff allowances, we do believe that a provisional estimate of overall cost savings in the region of \$4m per annum remains plausible.*

*At the same time as making all these recommendations, we do acknowledge that prison officers are still being paid below their salary entitlement level and we give full support to the prompt resolution of this issue.*

**DEPARTMENT OF TOURISM**

*Recommendation DoT 1*

**Training activities should be delivered by the Ministry of Education or the private sector, and be subsidized by no more than 25% of the current cost.**

<b>ESTIMATED \$ IMPACT:</b> \$1.4M	<p><b>Risks</b></p> <p>Cost recovery for training should be investigated as a means of defraying some costs. Obviously, the extent of recovery is a judgement call, as there may be a negative impact on the aim of training the maximum number of people.</p>
<b>COMPLEXITY:</b> High	<p><b>Considerations</b></p> <p>The review team considers this activity to be non-core to the key strategic direction of DoT.</p>
<b>TIMESCALE:</b> 1 year	<p>Ministry of Tourism would need to consult with the Ministry of Education and industry stakeholders to establish a national training policy for tourism.</p> <p><b>Assumptions</b></p> <p>The Ministry of Education will be able to facilitate this additional role with the resources reallocated.</p>

*Management Response:*

*The DoT does not believe that Tourism Awareness can be covered by an outsourced party.*

*Unlike the structured, embedded approach adopted by the financial services industry, the Cayman Islands tourism industry has not invested in Caymanians in a similar vein. Instead, the tourism businesses have partnered with the Department of Tourism to encourage, train and develop Caymanians for careers in the industry. Such a partnership is a continued and involved one that cannot be handed to another department.*

*If outsourcing to the private sector was a viable business then a vocational institute specialising in Tourism would have already been developed. [DoT Comments Appendix E – 8]*

*Recommendation DoT 2*

**Promotional spend should be reduced by 20%, prioritized on the effectiveness of the events that achieve the strategic goals. Jazzfest should be outsourced to the private sector, and the event should be subsidised by no more than 25% of the current costs.**

<p><b>ESTIMATED \$ IMPACT:</b> \$1M</p>	<p><b>Risks</b> There will not be sufficient interest within the private sector to continue this level of event production.</p>
<p><b>COMPLEXITY:</b> High</p>	<p><b>Considerations</b> The Review Team’s strong recommendation is that a comprehensive organisational review of DOT be conducted with a view to achieving economies from outsourcing without reducing effectiveness. Such a review should also address processes concerning strategy development and implementation and operational control with a view to achieving the optimal results from tourism marketing. Measures to assess the effectiveness of the overseas offices should also be determined. An organisational review of US offices is addressed elsewhere in this report, and will in part address some of the above issues.</p> <p><b>Assumptions</b> Private Sector agencies would be attracted to continuing Jazzfest with minimal subsidies from Government.</p>
<p><b>TIMESCALE:</b> 1 year +</p>	

**Management Response:**

*DoT have already proposed an Organizational Restructuring for the US as the lion share of our marketing activities and budget are allocated for this country. [DoT Comments Appendix E – 15]*

*DoT are fully confident that all marketing and promotional initiatives are linked to delivering our goals. Also see [DoT Comments Appendix E – 9, 16,17,20]*

*DoT does not believe that the value of the jazz fest was reviewed in its entirety. [DoT Comments Appendix E – 18]*

*Recommendation DoT 3*

**Transfer the inspection and licensing of tourist accommodation to the Department of Environmental Health.**

<b>ESTIMATED \$ IMPACT:</b> \$300K	<b>Risks</b> The level of quality as it relates to core tourism inspections may be reduced slightly due to integration and cross-training a single inspector for dual roles.
<b>COMPLEXITY:</b> Medium	<b>Assumptions</b> Due to economies of scale and synergies with existing inspections, the Department of Environmental Health can perform this function for an additional \$100K (25% of the existing budget)
<b>TIMESCALE:</b> In line with the new Budget Year	

***Management Response:***

*DoT believes that this function could be moved to another agency but much thought would have to be given to whether that agency would have the requisite knowledge and capacity to deliver all components of the Hotels Licensing and Inspections process.*

*The hotel inspectors also develop standards and regulation for accommodations as well as yearly training and orientation of new accommodation developments.*

**[DoT Comments Appendix E – 25]**

*Recommendation DoT 4*

**Prioritise Public Relations activities with a 25% cut in expenditure, focusing on improving the relationship and retaining the buy-in and support of the tourism industry for the strategic direction of tourism in the Cayman Islands**

<b>ESTIMATED \$ IMPACT:</b> \$325k	<b>Risks</b> Nil
<b>COMPLEXITY:</b> Low-Medium	<b>Assumptions</b> In the absence of a detailed breakdown of expenditure on PR or any information on its return on investment, it is assumed that there are areas of PR expenditure that generate lower returns.
<b>TIMESCALE:</b> 6 months	<b>Considerations</b> To improve Tourism Industry support and buy-in, DOT should give priority to reviewing the communications processes with the private sector stakeholders.  DOT and MOT should review spending priorities and establish performance measures to ensure the change in spending priorities is implemented.

***Management Response:***

*DoT agrees that further focus on communicating its activities to the general public and business community is required. [DoT Comments Appendix E – 21]*

*Recommendation DoT 5*

**Transfer the administration of tourism scholarship to the Ministry of Education and provide an additional resource person from the Department to the Ministry of Education to assist with national scholarship administration.**

<b>ESTIMATED \$ IMPACT:</b> \$250K	<b>Risks</b> Nil
<b>COMPLEXITY:</b> Low - Medium	<b>Considerations</b> The review team considers this activity to be non-core to the key strategic direction of DOT. Implementation of this recommendation provides an opportunity to improve the overall management of scholarship funds in CIG. The Education Council has the expertise to manage scholarships.
<b>TIMESCALE:</b> 6 Months	<b>Assumptions</b> The Ministry of Education will be able to facilitate this additional role with the resources reallocated.

***Management Response:***

*DOT agrees that administering scholarships is a non-core activity and can be transferred to the Ministry of Education as long as additional resources are provided to the MOE to manage the added workload.*

*Recommendation DoT 6*

**Transfer the collection of tourism revenue to the Treasury Department.**

<b>ESTIMATED \$ IMPACT:</b> \$250K	<b>Risks</b> Nil
<b>COMPLEXITY:</b> Medium	<b>Considerations</b> Treasury Department is a specialised collection agency. This function is not a core Tourism function. The collection of Tourist Revenue is a statutory requirement of the Tourism Laws and Regulations.
<b>TIMESCALE:</b> In line with the new Budget Year	<b>Assumptions</b> DOT collects \$9,573,266 in revenue for the cost of \$254k

***Management Response:***

*The Officers in the DoT charged with these responsibilities have the requisite knowledge of the laws and regulations, industry knowledge, access to critical property data and can liaise effectively with those agencies that inspect the properties to obtain real-time information.*

*It is highly questionable whether another government agency would be able to effectively represent the government's interest in the above scenario.*

**[DoT Comments Appendix E – 26]**

*Recommendation DoT 7*

**Transfer the collection and analysis of tourist statistical data and associated resources to the Economics and Statistics Office**

<b>ESTIMATED \$ IMPACT:</b> \$Nil  Quality and timeliness impact	<b>Risks</b> The level of data and communication between the DoT and the E&SO needs to be consistent. The weakening of consistent communication of accurate statistics would be highly detrimental to DoT actions and capabilities.  <b>Considerations</b> The Economics and Statistics Office would require resourcing if this function were to be transferred to them.
<b>COMPLEXITY:</b> Low	<b>Assumptions</b> E&SO is willing and able to absorb this additional function with the resources transferred from DoT.
<b>TIMESCALE:</b> 6 months	

***Management Response:***

*DoT disagrees with the recommendation. The Department's data collection, research and surveys is an ongoing and integral part of our activities so that informed business decisions can be made for effecting tourism strategies. [DoT Comments Appendix E – 7 & 27]*

*Recommendation DoT 8*

**The Ministry of Tourism should develop a strategic plan with key stakeholders, to clarify the vision, mission and goals of tourism in the Cayman Islands**

<p><b>ESTIMATED \$ IMPACT:</b> \$Nil</p> <p>Quality impact</p>	<p><b>Risks</b></p> <p>Not gaining industry and other critical stakeholder buy in</p> <p><b>Considerations</b></p> <p>The government is currently developing the VISION 2012 strategic plan for the Tourism Industry. The initial consultation process started in late 2009 and sought the views and input of all stakeholders in the Industry. Focus groups were held with representatives from all sectors of the economy and town hall meetings in all districts held.</p> <p><b>Assumptions</b></p> <p>The National Tourism Management Plan (NTMP) provides the strategic direction of tourism in the Cayman Islands however based on stakeholder feedback, its effectiveness for developing and retaining a shared vision and strategy for the tourism industry is questionable</p>
<p><b>COMPLEXITY:</b> Medium</p>	
<p><b>TIMESCALE:</b> 6 months</p>	

***Management Response:***

While there is considerable communication with stakeholders in the Industry (meetings, press releases, e-mail updates etc.) The Department accepts the point that further focus on communicating its activities to the general civilian and business community is required.

**[DoT Comments Appendix E – 23]**

*Recommendation DoT 9*

**Responsibilities between MoT and DoT for cruise tourism need to be clarified and clearly communicated to the tourism industry**

<b>ESTIMATED \$ IMPACT:</b> \$Nil  Quality impact	<b>Risks</b> Nil.  <b>Considerations</b>  There appears to be a lack of role clarity for this area of tourism management.
<b>COMPLEXITY:</b> Low	
<b>TIMESCALE:</b> Weeks	

***Management Response:***

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*Recommendation DoT 10*

**Undertake a comprehensive organisational review with a focus on staffing levels in all offices, levels of support staff, value for money of overseas offices, duplication of in house and outsourced capacities, and targeting opportunities for growth markets**

<p><b>ESTIMATED \$ IMPACT:</b> \$ Dependent on findings</p>	<p><b>Risks</b></p> <p><b>Considerations</b></p> <p>Review should target the achievement of economies of scale from outsourcing without reducing effectiveness.</p> <p>Review should also address processes concerning strategy development and implementation and operational control with a view to achieving the optimal results from tourism marketing.</p> <p>Measures to assess the effectiveness of the overseas offices should also be determined. An organisational review of US offices is addressed elsewhere in this report, and will in part address some of the above issues.</p>
<p><b>COMPLEXITY:</b> Medium</p>	
<p><b>TIMESCALE:</b> Months</p>	

***Management Response:***

*DOT has previously asked for an organizational review in order to ensure that we are properly aligned in order to most effectively deliver our mandate and the changed tourism industry. In the interim we have proposed an Organizational Restructuring for the US as the lion share of our marketing activities and budget are allocated for this country.*

*Recommendation DoT 11*

**Re-alignment of the funding to support the Canadian office which has more potential for growth than the UK**

<p><b>ESTIMATED \$ IMPACT:</b> \$Nil Direct</p> <p>Increase in Tourism arrivals from Canada</p>	<p><b>Risks</b></p> <p>Transfer of marketing resource does not generate an increase in tourist arrivals.</p> <p><b>Considerations</b></p> <p>Currently the UK office (which covers also Europe) costs \$2.3 million and has six staff. By comparison, the Canada office costs \$1.0 million and has three staff. Despite the differences in cost, there is little difference in tourist arrival figures (i.e. 5.6% for UK and 4.9% for Canada in 2009; refer Attachment 3).</p> <p><b>Assumptions</b></p> <p>The Review Team was advised that a modest funding increase for the Canadian office had the potential to significantly increase the arrival figures from Canada, which has a direct air link.</p>
<p><b>COMPLEXITY:</b></p>	
<p><b>TIMESCALE:</b></p>	

***Management Response:***

*CAL and DOT are working on the airlift issues that have hampered some of the UK/Europe performance. In short order if everything goes as planned there should be an increase in arrivals from this region. [DoT Comments Appendix E – 12, 19]*

## CINICO

### Recommendation CINICO 1

#### **In-sourcing of Third Party Administrators (local and overseas claims administration and claims payment functions)**

<b>ESTIMATED \$ IMPACT:</b> \$1.5 - \$2M	<b>Risks / Considerations / Assumptions</b> Recommendation Source: Interviews with CINICO management & Board; Strategic Plan highlights from CINICO GM.
<b>COMPLEXITY:</b> Medium	CINICO would need to be properly resourced (includes efficient and effective IT systems and training/skills upgrades for management and staff where necessary) to take on role; robust disaster management plan would need to be in place in order to protect records and databases; confidentiality and 24/7 access to care network when travelling are possible concerns for CINICO clients.
<b>TIMESCALE:</b> Over 12 Months	

#### **Management Response:**

*GM agrees and envisages this happening in 3 phases as follows: Phase 1 - use of CINICO networks, interim arrangement with Third Party for administrative functions only (answering phones 24/7 etc), and training of current staff in claims administration; Phase 2 – Acquiring own claims system and claims adjudication (recommends looking at system developed in Jamaica by IT specialist from Sweden); and Phase 3 – sell case management expertise to countries in CARICOM region which represents the potential to develop a significant revenue stream.*

*Recommendation CINICO 2*

**Explore co-payment of \$20 on dental and pharmaceutical services for existing Civil Servants and elimination of coverage for over-the-counter (OTC) medications (HSA Pharmacy could have two formularies: one for outpatient and one for inpatient which would set coverage limits on outpatients.)**

<p><b>ESTIMATED \$ IMPACT:</b>                  \$2.7M – Pharmacy co-pay (assuming 5% savings on total costs – Oliver Wyman, 2008).                   \$330,000 – Dental co-pay (assuming 0.6% savings on total costs – Oliver Wyman, 2008).</p>	<p><b>Risks / Considerations / Assumptions</b>                  Recommendation Source: Oliver Wyman Sustainability Report 2008 and Interview with CINICO management, HSA, and Ministry of Health.                   Defined benefits would have to be negotiated with key CINICO clients i.e. Civil Service, pensioners etc and this could be politically difficult. In addition, client groups would likely demand choice in health care provider in return for co-payment.</p>
<p><b>COMPLEXITY:</b>                  Medium</p>	
<p><b>TIMESCALE:</b>                  6-12 Months</p>	

***Management Response:***

*GM – agrees provided full access to local care (public and private) is given to client groups.*

Recommendation CINICO 3

**Increasing specialized staff at HSA for CINICO's top 2-3 claims components (Oncology, Neonatal and Cardiology)** (Source: Oliver Wyman Study 2008; Review team interview with HSA).

<b>ESTIMATED \$ IMPACT:</b> \$2.7M (assuming 5% savings on total costs - Oliver Wyman, 2008).	<b>Risks / Considerations / Assumptions</b> Relatively small Cayman Islands population in comparison to cost of provision of highly specialized health care. HSA estimate that an oncology unit, neonatal care unit and a cardiology unit would realise a ROI in 2 years but they lack capital funding to implement (Review team sought input from HSA on estimate for investment required but none received).
<b>COMPLEXITY:</b> Medium	
<b>TIMESCALE:</b> Over 12 Months	

**Management Response:**

*GM agrees with Oncology but not neonatal unless there is clear national ethical policy which is fully implemented on neonatal care, or with cardiology which needs to be investigated further in order to determine (i) procedures for dealing with catastrophic situations related to full by-pass, and (ii) cost-effectiveness compared with overseas treatment.*





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# PART 3: DETAILED AGENCY REPORTS

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## Public Works Department

*“Public Works ....that works.... Proudly”*

**Agency:** Public Works Department (PWD)

**Ministry:** District Administration, Works & Gender Affairs (DAW&GA)

### Final Review Report

Public Works have made reductions in operational cost over the past three years as evidenced in shrinking of head count from a high in the 160's three years ago down to 147 for this current budget period. Based on the fact that the majority of PWD's costs (68%,) are related to staff costs, any attempt to significantly reduce the operations costs of PWD will involve HR. **(Appendix K)**

All PWD's services could be outsourced to differing degrees. However, the costs of the services provided by PWD cannot be totally eliminated from Government's expenditure because PWD outputs are still required by its internal clients. If PWD were not providing the services internally, Government agencies would have to source the services from the private sector or increase their own staffing to provide the services in-house. Most Government agencies do not have the expertise to effectively manage facilities. However, it seems likely that the private sector would provide these services at a lesser cost and with higher quality due to competition between suppliers and higher levels of competencies and expertise. **[PWD Comments Appendix J – 1]**

PWD's costs can be reduced through more efficient processes, adequate capital and material resources and thinning levels of management and administration staff. Additional cost savings to government could be made by using the private sector for services it produces more effectively and refocusing PWD on services that it performs well. With the current employment market, care must be taken if eliminating staff positions as the unemployment rates, particularly in the construction services fields may lead to a shift from salary costs to social costs.

Customer feedback on PWD's services speaks to satisfaction with professional services (project management, quantity surveying and architecture) in terms of quality and cost. Generally PWD customers were happy with the building maintenance services of painting, plumbing, haulage and some general maintenance. However concerns were expressed over the “patchy” quality and lack of training for the Mechanical Electrical and Plumbing (MEP) team. Therefore even with PWD's labour being “free” to departments (that is the Cabinet funds PWD centrally so PWD does not charge individual Departments based upon use), some of PWD's larger customers continue to use the private sector for MEP services citing consistent quality and resolution time as the deciding factors. However, these finding were not reported by customers when filling out PWD's customer surveys. **[PWD Comments Appendix J – 2]**

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The Public Finance and Management Law (PFML) has impacted PWD in two ways; PWD's work volumes measured in work orders was declining under inter-agency charging as PWD lost business to a more competitive and efficient private sector. While PWD did make some cost cuts, underutilised PWD capacity increased the overall cost of Government doing business. Now with central cabinet funding, PWD is experiencing an increase in demand. PWD crews are now more heavily utilised with all crews having a number of work orders in front of them. However inefficiencies (no inventory, no credit, insufficient training, poor workflows, low morale, etc) in the department limit PWD's actual capability to respond to the increased volume of workload.

Further, there is a concern among PWD's customers that PWD will become less cost effective and less efficient under central funding. The recent increase in demand is most notable in the requests for reactive services. PWD now have backlogs of outstanding work orders in nearly every service area. Billing cabinet instead of customers has demonstrated a 6% reduction in budgeted funds for the 09/10 financial year when compared with 08/09'—**[PWD & Ministry Comments Appendix J – 3]**

PWD's lack of stores, inefficiencies in the work order systems, high administration and management overheads, inefficient transportation and legacy socially employed persons all act as cost multipliers. These factors increase PWD's costs of doing business and impact service delivery in terms of quality and time to complete jobs.

PWD's finance, administration and HR teams seem to be overstaffed. The roles within the teams appear to be overspecialised and an overlap in duties is apparent. Finance and Administration workloads have reduced as a result of stopping interagency charging which should allow PWD to downsize the finance and administration team, redeploying staff to agencies with needs across government; without significant negative impact to service delivery. Additional finance and administration workload reductions are possible by more efficiently managing stores and other resources, increasing the value and reducing the number of transactions processed. **[PWD Comments Appendix J – 4]**

PWD's work on the national hurricane plan is a work area that PWD does well; PWD has done some work in retrofitting existing buildings with hurricane resistant windows and designing and constructing new buildings to hurricane resistant standards. This output can be reviewed for cost savings in terms of retrofitting buildings in future with less labour intensive shutter systems.

In areas where PWD are not optimally delivering their services in terms of capacity, capability, cost, quantity and responsiveness, consideration should be given to downsizing or eliminating units where technical skills, costs and quality cannot match private sector providers. Major air conditioning, elevator maintenance, major generator maintenance and specialized low voltage systems (fire alarms etc) are among those services that are currently consistently outsourced to the private sector. There appears to be room for greater use of outsourcing.

The review team recommends the consolidation of Facility Maintenance in the Ministry of Education, Lands and Survey and PWD maintenance crews as a potential cost saver; or the assignment of dedicated maintenance crews to facilities management teams. The Ministry of Education had allocated around two million dollars in the 09/10 to buy maintenance services from PWD; this is an indication of the volume of demand for services.

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The PWD professional services such as Project Management, Quantity Surveying and Architecture are regarded by customers as being performed well, and the fact that CIG needs to maintain control of maintenance and capital projects, even when outsourced, means that PWD should staff the professional services to match demand for services and redesign their processes and structure to make them even more efficient and effective.

Quantifying the costs savings from reducing the size of the finance, administration and HR personnel as well as the management overhead is difficult, without detailed analysis of processes, roles and performance; however, the saving would equate to approximately \$500,000 per annum.

The cost saving that would result from redesigning the operations, works and professional services is even more difficult to quantify in terms of the overall savings to Government. One significant factor to the variability of overall savings, is that when government agencies forego using available capacity within PWD, in preference to private sector providers then even if one client may be cutting its costs by outsourcing, Government as a whole is paying double or more as it also continues to fund underutilized PWD resources. Assuming PWD's processes were streamlined, systems & policies were put in place to balance staff levels to meet changes in demand and performance means that PWD will consistently perform at agreed and competitive quality and timeliness levels.

***A 'new PWD' should be competitive in terms of cost/quality/timeliness and so Government should be able to mandate a policy to 'Use PWD, unless you can demonstrate a minimum 10% saving in terms of cost, quality and timeliness'.***

The question of whether services should be discontinued, is answered with a clear NO, the services are still in demand and are needed and indeed necessary. The question as to who is best to provide the services: either PWD or the Private Sector, needs to be assessed in more detail. However, even when the Private Sector is to be used, Government must seek to maximize cost savings through shared procurement and volume discounts.

Finally, the project team would like to say thanks the management and the staff of Public Works, Lands and Survey, Ministry of Education, Hazard Management Cayman Islands and the Portfolio of Internal and External Affairs for their contributions and their positive and helpful attitudes.

## ***Methodology***

The recommendations are combinations of feedback from PWD's current customers, from best practices and from observations on where savings are possible.

## Profile of Services Delivered by Public Works Department

A single output as defined in the Annual Budget Statement may be represented by numerous distinct services. Table 1 below includes those services which have been examined in detail, and which have significant observations and/or recommendations. Table 2 below includes other services delivered by the department, *but for which there are no significant observations and/or recommendations contained in this report.*

### PWD – 2009/10 Budgeted Expenditure \$11 m



Description of Service	Customer		Statutory Y/N	Private Sector Available (Y/N/P)	Cost per annum	No per annum	Cost of service Output per annum	Who Pays (C/P/J)	Income collected per annum (external)	Profit /Subsidy	Discontinue Service (Y/N)
	Primary	Other									
<b>A:</b> Management of Building Projects	Cabinet	Agencies	N	Y	3,486,443			C	100,000	0	N
<b>B:</b> Maintenance of Government Owned Facilities	Cabinet	Agencies	N	Y	7,084,150			C	209,000	0	N
<b>C:</b> Preparation and Implementation of National Hurricane Plan	HMCI	Cabinet	N	P	212,683			C		0	N

Table 2: Other Services delivered by PWD.

Description of Service	Customer		Statutory Y/N	Private Sector Available (Y/N/P)	Cost per annum	No per annum	Cost of service Output per annum	Who Pays (C/P/J)	Income collected per annum (external)	Profit /Subsidy	Discontinue Service (Y/N)
	Primary	Other									
Policy Advice	Ministry	Cabinet	N	N	\$78,089		2601-1952 Per Unit of Advice	C	0	0	N
Advice and Assistance to Government Agencies	Agencies	Cabinet	N	Y	39,288			C	3,000	0	N

## A: Public Works Department – Management of Building Projects



Customers	Cost (Budget 09/10)	Recommendation for service	Recommendations	Est. Value \$'000
Government agencies	3,486,443	Construction Management unit should be merged with the minor works team. The remaining professional services should be redesigned	Rec 1. Organized Outsourcing Rec 2. Reduce/redeploy social employees (see B below) Rec 4. Reduction in admin/finance staff(see B. below) Rec 5. Redesign processes and policies (see B. below) Rec 6. Contestability	Neg. 150 150 300 Neg.

### Related Broad Outcomes

- 7: Education
- 6: Addressing Crime and Policing
- 13: Improving Healthcare
- 15: Strengthening our Infrastructure

### Cost

Cost to the customer is approximately in line with private sector rates for the professional services

### Management/Staffing Ratios

The professional services have a lower Management to staff ratio than the

operations and works section. 2-3 levels of management evident.

### Quality

Customers were generally happy with the professional services of Quantity Surveying, Project Management and Architecture.

### Timeliness

Concerns were raised over completion dates and lack of regular process reports to the customers; particularly with Construction Management.

### Process Observations

Processes could benefit from redesign, but this must include the participation of the professionals working in these specialist areas.

### Other Observations

Construction Management unit should be merged with the minor works team. The remaining professional services should be redesigned with a view of operating in an even more customer friendly, responsive, cost conscious and cost effective manner. **[PWD Comments Appendix J-6].**

## B: Public Works Department – Maintenance of Government Owned Facilities



Customers	Cost (Budget 09/10)	Recommendation for service	Recommendations	Est. Value \$'000
Government agencies	7,084,150	Retain: some elements to be redesigned, some right sourced, some enhanced.	Rec 1. Organized Outsourcing Rec 2. Reduce/redeploy social employees (see B below) Rec 3. Staff for high use depts Rec 4. Reduction in admin/finance staff(see B. below) Rec 5. Redesign processes and policies (see B. below) Rec 6. Contestability	Neg. 350 200 350 700 Neg.

### Value for money

This is PWD's largest output in terms of number of persons employed and resources expended. PWD's largest customer, the Ministry of Education (MOE), is generally happy with PWD's plumbing, and painting services and their prices are generally on par with the private sector. The other areas of electrical, a/c and minor works are reported to be significantly more expensive than the private sector and quality can be good or unacceptable depending on who performs the tasks. **[PWD Comments Appendix J – 7]**

PWD's work is measured in work orders and billable hours which makes it difficult to quantify actual work done, however where this has been tracked by customers such as Lands and Survey and MOE, PWD were generally, producing less for the same number of hours and charging more than the private sector, particularly when the procurement of materials are involved. **[PWD Comments Appendix J –7]**

### Costs

In some cases PWD's costs are in line with private sector pricing as demonstrated in

actual 3 way competitive quote for painting services. In other cases, PWD's quoted costs were more than double the private sector costs as demonstrated by a 3 way competitive quote for minor works. **[PWD Comments Appendix J – 7]**

### Quality

MOE spoke highly of PWD's emergency call out efficiency and responsiveness. Both PWD largest customers do not rate PWD's Operation and Works customer service particularly well, although this was not picked up in the findings of PWD's customer

service surveys. Issues with reporting on progress, responsiveness and ability to fix the problem correctly the first time, were among the most mentioned. Both Lands and Survey and MOE relayed that under interagency charging PWD billing was an area of concern. Incomplete billing, multiple bills for the same work, and excessive number of hours per task were the main points of concern. **[PWD Comments Appendix J – 9]**

#### **Timeliness**

PWD's time to respond was regarded as good by their largest customers; however, time to completion was of concern. Issues or lack of stores, lack of training/know-how often prolong resolution. PWD customers cited examples of a 30 minute Job taking hours and longer when procurement of materials was involved. **[PWD Comments Appendix J – 10]**

#### **Process Observations**

A number of processes are inefficient and ineffective; the levels of manual processes and delays in communication not only increase costs, but also reduce customer satisfaction. Standard costs for Operation and Works items, such as cost of replacing a door, a door lock, fixing a fluorescent light fixture, and replacing a toilet would be welcomed by customers, and is reported to have been requested by customers. **[PWD Comments Appendix J – 11]**

#### **Management/Staffing Ratios**

In the Operations and Works section, the levels of management are four to five levels deep in some places. Add to this the large finance and administration team of 18 persons, and the picture becomes top heavy. PWD's management costs are

therefore not sustainable. **[PWD Comments Appendix J – 12]**

#### **Staffing**

PWD was seeing a 30% decline in work orders during the years that interagency charging was in effect. Since the interagency charging was discontinued, work orders have begun to increase. PWD supplied data indicates that most of the work requests are on the reactive maintenance priority/emergency services. **[PWD Comments Appendix J – 13]**

#### **Other Observations**

Because PWD currently has little stores of materials, the process of procuring materials by work order is both costly and timely **[PWD Comments Appendix J – 8]**

**C: Public Works Department – Preparation and Implementation of National Hurricane Plan**



Customers	Cost (Budget 09/10)	Recommendation for service	Recommendations	Est. Value \$'000
Hazard Mgmt Cabinet	212,683	Retain	None	

**Related Broad Outcomes**

15: Strengthening our Infrastructure

**Cost/value for money**

The cost of this output may be able to be reduced through rationalisation of costs to replace old panel shutters with less labour and transportation intensive roller or accordion shutters. The old panel could be redeployed to private social shuttering.

**Staffing**

Staff are assigned annually. Demand is driven by weather conditions so costs are highly variable.

**Quality**

HMCI are generally happy with the shuttering exercises as well as the generator testing.

**Timeliness**

Shuttering exercises are very timely. Preventative maintenance and other services related to HMCI may have some delays.

**Other Observations**

At least one hurricane preparedness exercise is carried out each year.

*OBSERVATIONS ON THE IMPACT OF THE PUBLIC MANAGEMENT AND FINANCE LAW, PUBLIC SERVICE MANAGEMENT LAW, AND FREEDOM OF INFORMATION LAW*

1. The introduction of accrual accounting, depreciation, the capital charge and interagency charging has brought into real focus for the Public Service the true cost of the services provided by Public Works. This has also helped to highlight quality and timeliness issues with the delivery of these services, leading to a desire to improve the Public Works services. Uneconomical services were gradually moved out to private sector organisations. With the suspension of interagency charges, PWD has shown a small reduction in personnel costs. However; until more concerted action is taken to bring down these units costs, the full benefit of this information will not be realised. Many of the underlying issues that drive these costs are now much better understood (and referred to in this report).
2. During interagency charging, agencies failed to pay their invoices resulting in cash flow issues for PWD and causing long delays paying external suppliers of materials and services to PWD. This damaged PWD's credit rating with suppliers, which caused delays in getting materials, increased cost through the addition of finance charges and still continues to plague PWD currently.  

The suspension of inter-agency charging has led to a reported reduction in quality and timeliness in service provisions by PWD, but an increase in demand due to the perception that the services are now being provided 'free' (particularly for low value added services). The latter may be having an impact on PWD morale. [PWD Comments Appendix J – 14]
3. Inefficient implementation of interagency charging in terms of processes and policies has led to a high overhead for PWD in terms of its billing, accounts receivable and procurement processes. This is one of the items that have unnecessarily driven up costs. Great effort is taken to accumulate actual costs for standardised and repetitive tasks, instead of charging at a standard per hour price, without factoring in low productivity in the billed time.
4. Now that managers have decentralized authority over the hiring of employees and new safeguards have been introduced, PWD is no longer in the position of having to hire individuals who do not initially meet the minimum aptitude standards for a role before they are properly trained. However, there are still a number of employees being trained and developed in the Department who were hired before the passing of the Public Service Management Law, who continue to be a significant cost driver (see Appendix D on Social Employment).
5. There has been no significant impact from the implementation of the Freedom of Information Law on the PWD.
6. HR Delegations given to the Director of PWD have been extremely limited by the DAW&GA Ministry. This coupled with what appears to be communication issues between PWD and the Ministry regarding HR matters; does lead in instances, to significant delays in what would otherwise be routine HR management decisions.

## APPENDIX A: AGENCY TEAM

The Agency team who provided the Source Data was:

Max Jones – Director PWD

Stephen Brown – Deputy Director PWD

Tamara Hurlston – Deputy Director PWD

Danny Catt– Manager Building Construction

Colin Lumsden – Architect 1

Francine Roach – HR Manager

Levi Allen – Training & Development. Safety Officer

Tanisha Jones – Officer Attendant I (Payroll)

Ricardo Roach – Helpdesk Technical Support Officer

Derome McLaughlin – Helpdesk Technical Support Officer

Elydia Davis – Accounts Officer III (Helpdesk Supervisor)

*APPENDIX B: AREAS FOR FURTHER INVESTIGATION BY PWD/MINISTRY MANAGEMENT*

1. Work order tracking and reporting needs reviewing to determine what opportunities exist to make better use of available tools, and to add systems where possible to reduce costs while improving service.
2. A complete review of the organisational structure should be undertaken as there is an appearance of a lot of duplication of work and uncertainties around where specific individuals' abilities may be best utilized.
3. Review of staff competences at all levels. Adequate training is an issue.
4. Review of Productivity – per hour of billable time, this will not only increase accountability but will also help to drive meaningful efficiency changes.
5. Review of overlap with similar agencies Recreation, Parks & Cemeteries Unit and NRA for potential cost savings via centralisation of HR, Finance, Administration resources, along with capital assets and systems.
6. Examine the feasibility of redesigning and/or rationalising the facilities management staff at Ministry of Education/Department, Lands and Survey, and the Police Department. Reorganise PWD's service delivery staff into more efficient and cost effective work units. Either by some combination of centralisation and or assigning staff to specific work units of 5-7 staff dedicated to, directed by and reporting to the Ministry of Education Facilities team. **[PWD Comments Appendix J – 5]**

*APPENDIX C – INEFFICIENCIES OBSERVED/IDENTIFIED ACROSS  
MULTIPLE OUTPUTS*

1. The efficient and cost effective delivery of construction and particularly maintenance services by Public Works is impeded by the absence of stores of common spare parts. Significant amounts of time are lost in the procurement of parts for work orders that are in heavy demand. This includes multiple site visits and the procurement of materials on a case by case basis by the employees carrying out the construction/maintenance. This is hugely inefficient. Carrying a small supply of the most common electrical, plumbing and other maintenance supplies in each of the relevant PWD vehicles would generate huge savings in time. **[PWD Comments Appendix J-8]**
2. Control of these stores can then be maintained on a vehicle by vehicle basis, as each vehicle is permanently assigned to one individual or small team. Unusual consumption of stores can readily be tackled on this basis.
3. It is widely reported that PWD dispatches more employees than are necessary to job sites because of a lack of vehicles – and that with a lower employee/vehicle ratio, greater labour utilisation could be achieved. If proven this would again explain higher costs and the purchase of further vehicles would lead to increases in labour efficiency.
4. Government agencies and private companies have seen significant cost savings on fuel through installing satellite tracking systems on their vehicles. Such devices have also significantly improved the utilisation of the vehicles, reducing the number of unnecessary and/or unapproved journeys. Emergency services have reported efficiencies utilizing satellite tracking devices. One distinct advantage is that managers can readily determine which vehicle is the closest to respond to the emergency site, reducing journey time and reducing response times. PWD does not currently have such devices installed on their vehicles. **[PWD Comments Appendix J – 15]**
5. PWD’s work order system contains several layers of manual processes, which can lead to miscommunication, lost work orders and in general overall delays.
6. The ratio of PWD Finance and Administration staff to production workforce seems high. This drives up costs for services and makes PWD less competitive with the private sector. With the end of inter-agency charging and the move toward increasing stores (leading to reduced numbers of small purchases) PWD should be redeploying some of the finance and administration staff to other Government agencies. **[PWD Comments Appendix J – 4]**

## APPENDIX D – SOCIAL EMPLOYMENT: COSTING, QUALITY, IMPLICATION TO COST EFFECTIVENESS

1. A Broad Outcome goal for the Government is to ensure that employment in the Cayman Islands is as close to 100% as possible. In the past PWD has been unofficially required to assist with this aim through employing individuals with recent criminal convictions, poor skill sets and who are otherwise not able to gain employment elsewhere. Some such individuals have subsequently successfully transitioned to employment in other organizations but many remain. Whilst such schemes have their place, the cost to PWD for this initiative was never recognised separately. This factor has been one of the significant cost drivers in the high level of prices for the services delivered by PWD. Although the Department is not currently being required to hire such individuals, there are a significant number of existing employees who remain reliant upon PWD for employment years after the initial hire.
2. The hidden costs of social employment fail to register the true expense to the public of meeting the goal of 100% employment. It may be more productive to separate this programme in some sense into a more formal 'back to work' programme with better tailored opportunities for training and experience before individuals are able to secure a job. Continuing to mask this activity leads to passing the cost on to PWD's clients, whilst unfairly fostering the perception that 'Public Works is expensive'.
3. It is certainly unreasonable to require the PWD to continue this unofficial programme whilst on the other hand holding them accountable to cost/quality/timeliness comparisons with private sector organisations.
4. Employing such individuals without properly recognising their needs can lead to other higher performing employees feeling demotivated and a sense of being treated inequitably, particularly when teamed up with the socially employed.
5. Whilst PWD no longer hires individuals classed as 'social workers', it is our understanding, from discussions with PWD and other agencies that there are still a number of these on the staff at PWD. If this is to continue then the cost of 'social employment' should be identified, costed and funded separately. PWD also have to ensure that the lower performing socially employed do not negatively affect their customer service delivery in terms of quality and time to complete work.

*APPENDIX E – AREAS IDENTIFIED FOR EFFICIENCY GAINS FROM  
PROCESS REDESIGN – ACROSS ALL/MOST OUTPUTS*

1. Finance and Administrative resources can be utilized more effectively in helping PWD to recognise cost drivers, reduce operational costs and improve service delivery. This includes consistently posing and answering the questions “Are we managing our projects efficiently?”
2. Billings must be timely and complete. Eliminate multiple billings for the same work order. **[PWD Comments Appendix J – 18]**
3. Systems, processes and procedures need to be reviewed to answer the key questions of the true full costs of providing services, the quality of the work, how quickly is PWD completing jobs and are the cost as low as they can be.
4. The basis of preparing job quotes should be examined, labour rates reviewed and a systematic method of charging for parts should be utilised. Job quotes need to be firm quotes and not estimates. These should be competitive with private sector and backed up with detailed calculations.
5. Training – PWD’s customers report that PWD staff, particularly in the MEP trades, are not keeping current with equipment changes in the industry, such as chilled water air conditioning systems, high-end generators, elevators and some electrical works. As such, PWD cannot fulfil all their customer needs. PWD needs to find a level of training that is economically viable based on human and financial resources that meet these needs. Where PWD cannot provide quality services economically, these should be outsourced. **[PWD Comments Appendix J16]**
6. PWD management must continue to put emphasis on training. Training should be focused on services customers want to buy from PWD. The employees in PWD, at all levels, need to be motivated by opportunities to develop and be promoted. **[PWD Comments Appendix J – 17]**
7. PWD should continue to empower staff to make decisions within certain guidelines. For example, if visiting East End, check for other burnt out bulbs, damaged tiles, broken locks. Try to anticipate next issue(s). Reward employees who excel in this area.
8. In building maintenance, significant cost savings may be possible by placing teams of maintenance crews (handy men, painting, plumbing, air-conditioning, electrical) directly under facilities management staff. Eliminating inter-departmental issues. **[PWD Comments Appendix J – 5]**

*APPENDIX F – COST OF FINANCE/ADMINISTRATION, AND MANAGEMENT OVERHEADS PER OUTPUT*

There are 21 people in the Finance and Administration Unit. The cost of maintaining these personnel affects the cost of PWD’s output costs. On average 9% of the total output costs accounts for the personal emoluments of Finance & Administration personnel.

		<b>Output 1 (pwd1)</b>	<b>Output 2 (pwd2)</b>	<b>Output 3 (pwd8)</b>	<b>Output 4 (PWD9)</b>	<b>Output 5 (pwd 10)</b>		<b>TOTAL</b>	
Finance & Admin	<b>2007/08</b>	\$ 13,635.56	\$5,436.34	\$ 92,622.89	\$564,529.71	\$35,465.06		\$911,689.56	
Total Output Cost		110,973.00	46,229.00	3,288,459.00	6,708,430.00	235,334.00		10,389,425.00	
%		12%	12%	9%	8%	15%		9%	
Finance & Admin	<b>2008/09</b>	15,011.85	5,921.05	319,960.79	570,922.06	40,818.64		952,634.40	
Total Output Cost		123,469.00	50,528.00	3,472,524.00	6,462,545.00	234,094.00		10,343,160.00	
%		12%	12%	9%	9%	17%		9%	
Finance & Admin	<b>2009/10</b>	16,453.27	10,698.31	331,131.01	603,827.14	29,393.33			
Total Output Cost		NO AVAILABLE DATA							
%									

Further analysis revealed that if the personal emoluments of top management and HR management will be considered in the computation of output costs, such figures account for 14% in FY 2007/08 and 18% in FY 2008/09.

		Output 1 (pwd1)	Output 2 (pwd2)	Output 3 (pwd8)	Output 4 (pwd9)	Output 5 (pwd10)		TOTAL	
Management	<b>2007/08</b>	\$32,413.92	\$24,887.31	\$488,049.94	\$823,963.11	\$58,819.27		\$1,428,133.56	
Total Output Cost		110,973.00	46,229.00	3,288,459.00	6,708,430.00	235,334.00		10,389,425.00	
%		29%	54%	15%	12%	25%		14%	
Management	<b>2008/09</b>	45,543.67	5,921.05	692,523.10	1,081,396.67	73,139.17		1,898,523.67	
Total Output Cost		123,469.00	50,528.00	3,472,524.00	6,462,545.00	234,094.00		10,343,160.00	
%		37%	12%	20%	17%	31%		18%	
Management	<b>2009/10</b>	42,055.69	18,988.79	443,511.91	827,065.20	46,097.46		1,377,719.05	
Total Output Cost		NO AVAILABLE DATA							
%									

**APPENDIX G – GROUP EMPLOYEE PERSONAL EMOLUMENTS  
COMPARISONS**

Private Sector Personal Emoluments are higher when compared to PWD. As based on the Chamber Survey and PWD actuals, inclusive of pension and health insurance for both.

<b>PWD Position</b>	<b>Amount</b>		<b>Private Position</b>	<b>Amount</b>
Foreman	\$38K to \$42K		Foreman	\$51K
Lead Carpenter	\$34K to \$37K		Carpenter	\$43K
Lead Plumber	\$34K to \$37K		Electrician	\$43K
Lead Electrician	\$34K to \$37K		Plumber	\$43K
Lead Mason	\$34K to \$37K		Welder	\$43K
Lead Painter	\$34K to \$37K		Roofers	\$43K
Electrician	\$27K to \$31K			
Plumber	\$28K			
Lead Labourer	\$12K to \$24K		Labourer	\$29K
Labourer	\$20K to \$21K			
Groundsman	\$25K		Handyman	\$21K
Field Supervisor	\$32K to \$43K		None	
Machine Operator	\$29K to \$33K		Sr Technician	\$49K
A/C Technician	\$29K to \$33K		Jr Technician	\$28K
Storekeeper	\$28K		Warehouse Person	\$23K
Office Attendant	\$26K to \$27K		General Clerk	\$28K
			Receptionist	\$28K
Tally Clerk	\$29K to \$31K		AP/AR Clerk	\$41K

## APPENDIX H – OUTSOURCING COSTS AND IMPLICATIONS

Customers of PWD can reduce their costs, when they use the private sector for services which are cheaper in the private sector than in PWD. While the costs are difficult to quantify, the savings could reach into the low millions, based on rough cost comparisons by customers breaking PWD's per hour costs (including work done in the billed time period) to private sector per task billing.

The majority of PWD's staff are on open ended contracts. [PWD Comments Appendix J – 19]. This means reductions in staffing levels through attrition to meet reduced demand, will be a slow process, taking in some cases decades. Therefore, redeployment and terminations are the key choices in reducing the workforce in response to any significant shift to outsourcing or downsizing.

Employment Relations data shows that currently approximately 150 Caymanians in the construction sector (from labourers to professional and administrative support staff) are currently registered as unemployed (see Appendix I). The actual number is arguably higher as not all persons register with Employment Relations. This data then indicates that if Caymanian employees are no longer employed by Government, a significant number of those individuals would not be able to find re-employment elsewhere and would continue to be a significant cost to government through social welfare payments or crime prevention.

APPENDIX I – UNEMPLOYED CAYMANIANS IN CONSTRUCTION FIELD

CISCO	OCCUPATION	UNEMPLOYED
341906	Account officer	16
241202	Human resources administrators	8
241212	Human Resources Manger	3
712202	Masons, stone	14
712203	Masons, stone,helpers	12
712401	Carpenter	18
712402	Carpenter helpers	21
713700	Building and related electricians	2
311301	Electrical engineering technicians	0
311303	Master Electrician	0
311803	Draughtsperson,engineering/electrical	0
828200	Electrical equipment assemblers	0
724501	Electrical line installer	6
724503	Electrician,helpers	23
914205	Electrical mechanic helpers	2
724106	Fitter, electrical/generator	1
724102	Installers, electrical equipment eg. Elevators installers	1
724101	Repairers, electrical equipment	1
713600	Plumbers and pipe fitters	1
713602	Plumber Helper	2
311505	Air Conditioning Technician	1
724103	Air-conditioning and refrigeration mechanics	2
214101	Building Architect	1
214901	Quantity Surveyors	0
214805	Surveyor, land	1
241925	Project superintendent/supervisor	2
123903	Project managers	7
123913	Project Manager-Construction	3
241918	Project administrator	5
	Total	153*

\*Note: Some persons register in more than one category so this number has duplications.

Source - The Department of Employment relations.

## APPENDIX J: COMMENTS FROM PWD'S MANAGEMENT TEAM :-

1. *NOTE: The availability of providers of Facility Management services is not currently sufficient to take on 1+ million square feet of occupied space.*
2. *The manager MEP and the Field Supervisor Electrical were placed on required leave two years ago. This removal of the bulk of the sections management had a devastating effect on the management of this section. We currently have a temporary MEP manager in place and outputs are improving. We are still short the electrical FS.*

*We believe the comments relating to lack of training mainly refer to areas that PWD has taken a conscious decision to outsource because of the specialised skill sets. These are air conditioning chilled water plants, elevator maintenance and generator mechanical maintenance.*

*The report states that "PWD's larger customers continue to use the private sector for MEP services citing consistent quality and resolution time as the deciding factors". Much of the outsourced works relates to the areas in the previous paragraph that PWD has previously decided to outsource. Also, PWD's services only became Cabinet funded about three months ago. Many entities are tied into A/C maintenance contracts which will expire over the next several months. PWD are seeing A/C work flooding back. For example, this week (Week ending 28<sup>th</sup> Feb. 2010) our largest client education has instructed PWD to proceed with 11 major air-conditioning projects on 8 different school sites, probably valued in the \$400 – 500K value).*

3. *PWD is of the view that a return to cabinet funding is and will continue to improve efficiencies at PWD. We are seeing improved payment of supplier bills under cabinet funding. PWD were crippled under FMI when cashflows prevented supplier and contractor bills being paid and on numerous occasions PWD were cut off from suppliers of concrete, block, cement, electrical supplies etc. PWD employees were idle for periods because of lack of materials. PWD crews are now working continuously because all have sensible workloads ahead of them as oppose to under FMI when workloads declined to the point where PWD had to "create" work for crews.*

*The Ministry is of the view that PWD is more efficient under Cabinet funding. The report outlines the reduction in overhead that has taken place and the further overhead reductions available with the removal of FMI. This is evidenced in a reduced current year budget. Also PWD crews having full employment under Cabinet funding as oppose to reducing workloads under FMI leads to more efficient and fuller utilisation of PWD employees.*

4. *We agree that further reductions in staffing in the Finance and Administration division are achievable. Our Finance section grew significantly with the implementation of interagency charging. The decision to cease interagency charging was made a few months ago and we have already reduced staffing in this area by three and have offered up two further staff members for deployment in other departments. The number of reductions achievable*

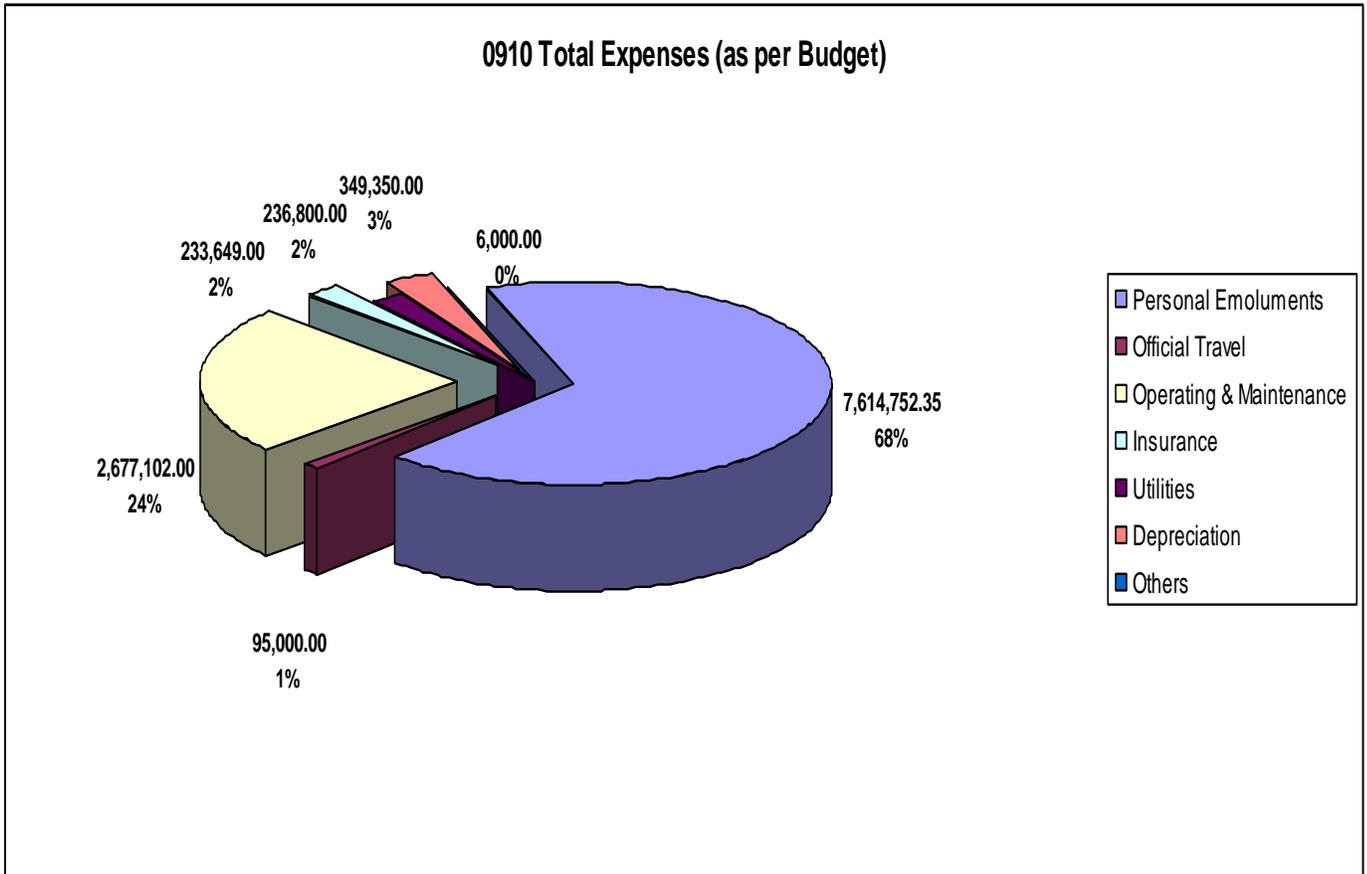
*will need to be carefully evaluated. The time available for PWD input to this report does not allow detailed analysis of this.*

5. *PWD supports the consolidation of facilities maintenance and also the consolidation of project management services which have become fragmented in recent years. We do not support further fragmentation of facilities maintenance by assigning dedicated maintenance crews to none PWD facilities management teams for the reasons detailed in our management response to recommendation #3.*
  6. *PWD has been discussing and planning the move of the Construction Management unit into the O&W division to merge with the minor works unit for some time now. We fully support this move which will result in increased efficiencies.*
  7. *Whilst there will be areas where PWD are more expensive than the private sector, in the limited occasions when we have had the opportunity to compare our pricing against cheaper private sector pricing we have frequently found that it is not an apples to apples comparison for the following reasons:*
    - a. *Client has not clearly specified requirements. PWD are quoting a higher specification or different quantity*
    - b. *Most cost comparisons with private sector fail to recognise that the majority of contractors are not paying pensions and health contributions as mandated by law. This means that the comparisons are likely not on the basis of a level playing field.*
- We would appreciate the opportunity to review quotes where we are claimed to be significantly more expensive in order that we can clarify if this is so, or if comparisons are not on a level playing field.*
8. *PWD have just completed the re-construction of its stores facility which was severely damaged by Ivan and was not funded by insurance for reconstruction. Bids for stores stock for high use items are being prepared and will go out in March.*
  9. *Billing inaccuracy has been a recurring problem due to various sources. However, at this time, IAC's are ended and no billings occur.*
  10. *This was a one-off extreme example. That said material acquisition, travel time and other delays have resulted in a few instances of 30 minute jobs taking 3 hours.*
  11. *PWD has developed a number of unit costs and are eager to implement them. Currently the limitations in the work order and billing systems prevents implementation. We are hopeful that the review of the work order process being carried out by the management support group will assist us in moving forward with implementation.*
  12. *PWD believes the levels of management in PWD O&W are consistent with large organisations carrying out construction works in the private sector. ie unit Manager / supervisor / foreman / worker but we are happy to review.*
  13. *Preventative maintenance declined significantly under FMI when clients held funding. With PWD back under cabinet funding, the benefits of preventative are again being stressed.*

*Effective 01 January, 40% of allocated labour and material is dedicated to Preventative Maintenance and correcting deferred maintenance. Because of the backlog of preventative maintenance, it will likely take several months to get back to full preventative maintenance schedules.*

14. *The staff reductions and increased demands have created additional load on crews but have more tended to provide a good future workload for crews than to overload them. PWD has maintained the ability to respond within agreed SLA timescales. However, if workload continues to increase, PWD will need to put more work out to the private sector to maintain response times.*
15. *PWD does have EI funding in this budget to fit about a quarter of its fleet with satellite navigation systems and is pursuing same. We have submitted for further funding to expand this in next year's budget.*
16. *The comment on MEP trades not keeping current is incorrect. The areas of work detailed are work areas that PWD outsources to the private sector so we have no reason to train employees in these highly technical fields.*
17. *PWD is placing a very heavy emphasis on training. Two years ago we employed our first ever fulltime training officer. Last year we completed our onsite training facility. Significant training has been carried out but this is of course an ongoing requirement.*
18. *PWD Management comments-With IACs leaving this is no longer an issue. Work orders were being billed appropriately but spanned across accounting periods which lead clients to believe the work order was being billed twice.*
19. *PWD Management Comment - common within Government and directly relating to the 87% Caymanian employees of the Department.*

APPENDIX K



Unit	Amount in CI\$	%
Personal Emoluments	7,614,752	68%
Official Travel	95,000	1%
Operating & Maintenance	2,677,102	24%
Insurance	233,649	2%
Utilities	236,800	2%
Depreciation	349,350	3%
Others	6,000	0%
<b>Total</b>	<b>11,212,653</b>	



**Agency:** Her Majesty's Cayman Islands Prison Service (HMCIPS)

**Ministry:** Portfolio of Internal and External Affairs

## Final Review Report

Fifteen (15) recommendations have been identified by the review team as viable paths to improving efficiency and / or reducing expenditure at Her Majesty's Cayman Islands Prison Service (HMCIPS).

Implementation of all the options could be expected to result in:

- An overall annual expenditure reduction provisionally estimated to be in the region of \$4m.
- A reduction in staff numbers (achievable through contract expirations, retirements and if necessary redeployments to other uniformed services or appropriate positions).
- A solution to the current over-capacity problems at HMP Northward.
- A one-off capital gain through the sale of land at HMP Fairbanks.

We acknowledge the assistance of the Prison Director and his staff who have assisted us during the course of this review.

The recommendations in this report are presented at a time when HMCIPS faces significant challenges including:

- Insufficient staff numbers to meet the demands of its *current* processes;
- Prison officers paid at a grade below their official job grade;
- HMP Northward occupancy significantly above intended capacity;
- HMP Northward physical infrastructure generally in a poor state of repair;
- A backdrop of an apparent increase in the rate and severity of local crime.

Some of the suggestions made are already under consideration by Prison Management and / or the Portfolio of Internal and External Affairs. By including them here, we are independently acknowledging their merit and recommending intensified efforts to progress the ideas through to implementation.

## Methodology

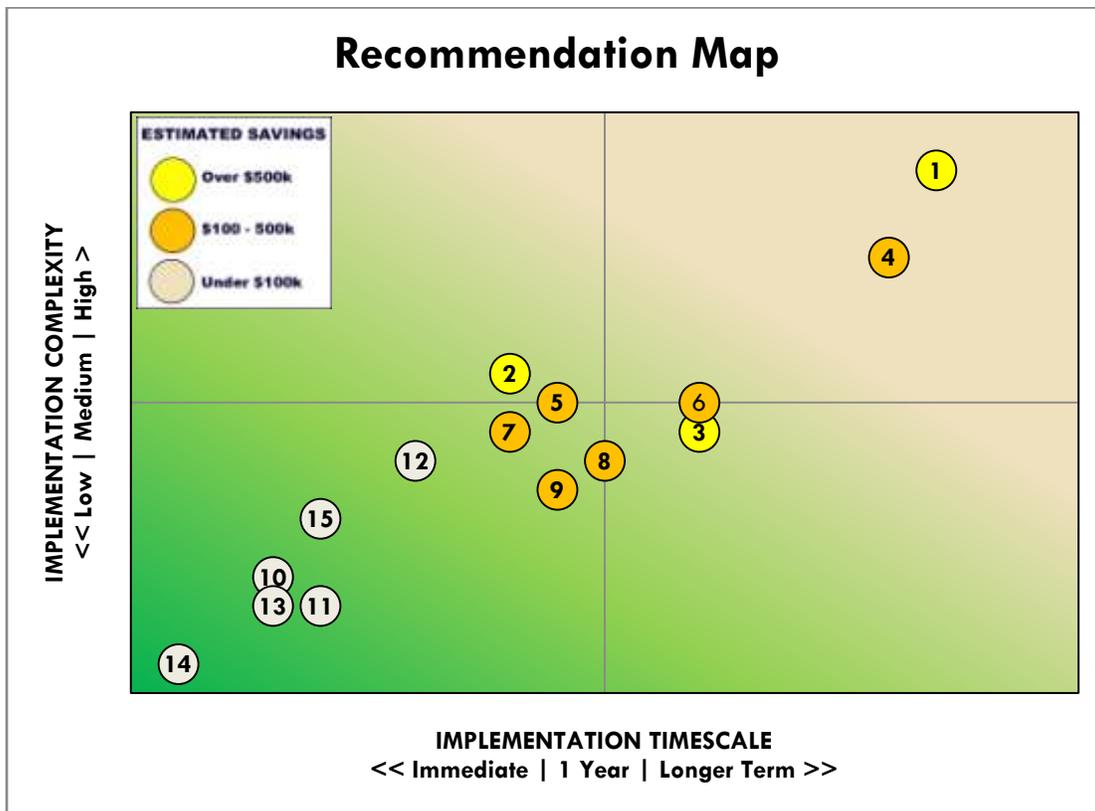
The review team for HMCIPS consisted of 4 widely-experienced individuals from across the civil service and a representative from the private sector. More details on the team composition are included at Appendix A. All team members received two days of specific training ahead of the review in December 2009 which informed the approach taken.

The findings and recommendations presented ultimately resulted from:

- Site visits and process observations at HMP Northward and HMP Fairbanks.
- Interviews with Prison Officers, Senior Management and other staff at the Prisons.
- Discussion with the Director and staff of the Department for Community Rehabilitation.
- Discussion with the Chief Officer of Judicial Administration.
- (E-mail) Discussion with the UK's FCO Overseas Territories Prisons Adviser.
- Analysis of data extracted from central HR and Finance information systems.
- Review of previously published reports, including the 2009 'Merren Report', Prison Inspection Board reports and the 2006 OCC report on Internal Discipline.
- Review of strategic plans and documentation made available by the Director of Prisons and / or Chief Officer of the Portfolio of Internal & External Affairs.

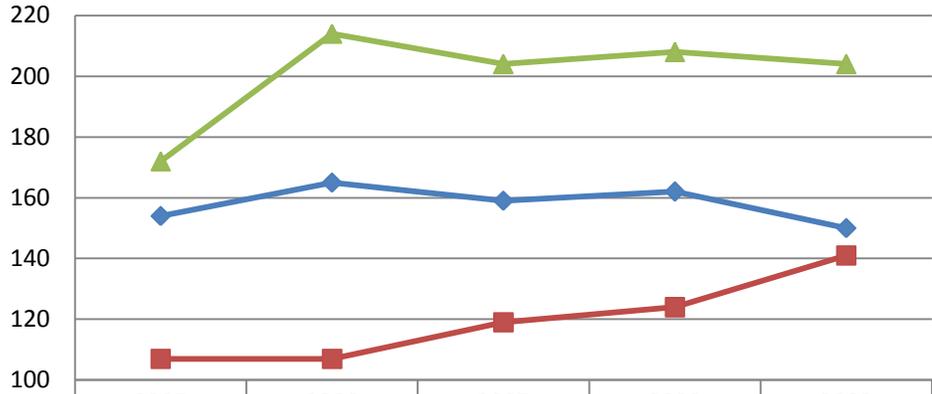
## Recommendations

The fifteen (15) recommendations are summarised here. They are presented in detail together with management responses elsewhere within the consolidated civil service review document.



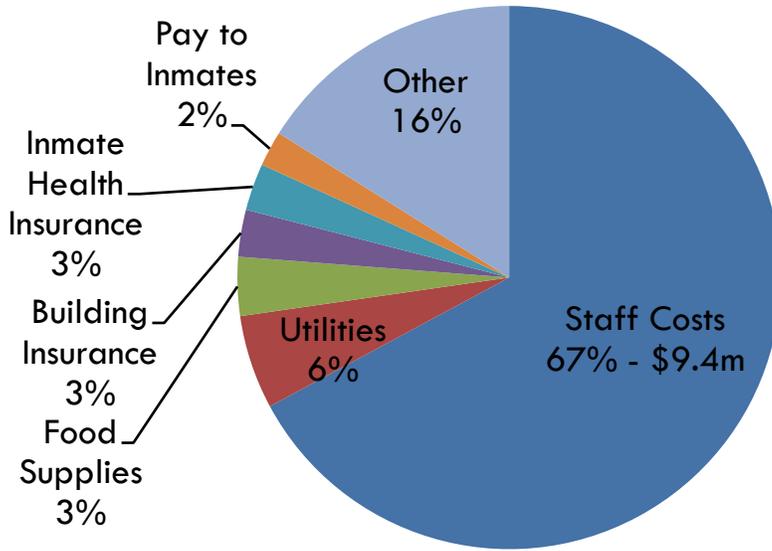
Recommendation Summary	\$ IMPACT	COMPLEXITY	TIMESCALE
P1 – Combat recidivism with increased inter-agency working, including Community Rehabilitation service	 SAVINGS \$500k+	 HIGH COMPLEXITY	 1 YEAR+ TO IMPLEMENT
P2 - Extended use of home-confinement and electronic monitoring	 SAVINGS \$500k+	 MEDIUM COMPLEXITY	 MONTHS TO IMPLEMENT
P3 - Release or transfer of non-Cayman nationals with an immigration ban	 SAVINGS \$500k+	 MEDIUM COMPLEXITY	 1 YEAR+ TO IMPLEMENT
P4 - Partnership arrangement to house high risk and repeat offending inmates overseas	 SAVINGS < \$500k	 HIGH COMPLEXITY	 1 YEAR+ TO IMPLEMENT
P5 - Alternative sentence to eliminate / reduce prison time	 SAVINGS < \$500k	 MEDIUM COMPLEXITY	 MONTHS TO IMPLEMENT
P6 - Closure of HMP Fairbanks	 SAVINGS < \$500k	 MEDIUM COMPLEXITY	 1 YEAR+ TO IMPLEMENT
P7 - Court appearances via Video-Link	 SAVINGS < \$500k	 MEDIUM COMPLEXITY	 MONTHS TO IMPLEMENT
P8 - Partnership arrangement to deliver prisoner escort service	 SAVINGS < \$500k	 MEDIUM COMPLEXITY	 MONTHS TO IMPLEMENT
P9 - Removal of housing allowance for staff	 SAVINGS < \$500k	 MEDIUM COMPLEXITY	 MONTHS TO IMPLEMENT
P10 - Reduction in number of staff receiving call-out allowance	 SAVINGS < \$100k	 LOW COMPLEXITY	 WEEKS TO IMPLEMENT
P11 - Full cost recovery for sales of goods to inmates, or discontinue service	 SAVINGS < \$100k	 LOW COMPLEXITY	 WEEKS TO IMPLEMENT
P12 - Alternative care for mental health patients	 SAVINGS < \$100k	 MEDIUM COMPLEXITY	 MONTHS TO IMPLEMENT
P13 - Periodic 'full lock down' days confining inmates to their cells	 SAVINGS < \$100k	 LOW COMPLEXITY	 WEEKS TO IMPLEMENT
P14 - Recruitments limited to full-time contracts	 SAVINGS < \$100k	 LOW COMPLEXITY	 WEEKS TO IMPLEMENT
P15 - Inmates contribute to health-care costs	 SAVINGS < \$100k	 MEDIUM COMPLEXITY	 WEEKS TO IMPLEMENT

### Prison Service Trends 2005-2009



	2005	2006	2007	2008	2009
◆ Staff (No.)	154	165	159	162	150
■ Expenditure (\$0,000's)	107	107	119	124	141
▲ Inmates (No.)	172	214	204	208	204

### Prison Service \$14m Expenditure By Category



## Profile of Services Delivered

HMCIPS delivers four main outputs all of which are targeted at addressing Government's broad outcome goal #6 – *Addressing Crime and Policing*. All four outputs were subject to review. A summary of the main observations for each service is provided here.

### HMCIPS – 2009/10 Budgeted Expenditure \$14m



Description of Service	Customers	Statutory Y/N	Private Sector Available?	Cost per annum	No per annum	Who Pays	Annual Revenue	Making a Profit?	Discontinue Recommendation?
<b>Prisoner Care</b>	General Public, Inmates, Courts, Police	Y	Potential	\$2.4m	c.200 prisoners	Cabinet	0	N	N
<b>Prison Order</b>	General Public, Inmates, Courts, Police	Y	Potential	\$3.1m	c.200 prisoners	Cabinet	0	N	N
<b>Prisoner Development</b>	Inmates, Courts, Police, Community Rehabilitation	Y	Potential	\$3.3m	c.200 prisoners	Cabinet	0	N	N
<b>Custodial Services</b>	General Public, Inmates, Courts, Police	Y	Potential	\$5.2m	c.200 prisoners	Cabinet	0	N	N



Customers	Cost (Budget 09/10)	Service Recommendation (Continue / Discontinue / Outsource)	Recommendations	Est. Value \$'000
General Public, Inmates, Courts, Police	\$2.4m	Continue all. Sale of sundry goods to inmates should be moved to full cost recovery (or if not possible, discontinued)	P11 – Full cost recovery for sundry goods sold to inmates	75
			P12 – Alternative care for mental health patients	10
			P15 – Inmate contributions to health care costs	75

**Related Broad Outcome**

(6) Addressing Crime & Policing

**General Observations**

Utilities (consisting of water, electricity and telephones) constitute some 6% of prison expenditure. Prison Management have taken recent action to change provider of telecommunication facilities and are expecting a significant reduction in telephone costs as a result.

Utility costs should decrease as the prison population decreases as other recommendations from this report are

implemented. This will be an additional cost benefit which has not been quantified here.

Food supply costs are a considerable expense with the necessary provision of 3 meals per day for all inmates. Arrangements were not subject to detailed review as a preliminary data analysis indicated a 'per prisoner per day' food cost in the region of \$9 which seems reasonable.

Clothing and personal hygiene expenditures were not high and no observations are made in these areas.

Medical care was a high-spend area where savings are recommended through the introduction of inmate contributions towards the costs. This would be achieved in a number of ways, detailed in the recommendation, based upon the ability to pay and at no time would any inmate be denied access to necessary health-care.



Customers	Cost (Budget 09/10)	Service Recommendation (Continue / Discontinue / Outsource)	Recommendations	Est. Value \$'000
General Public, Inmates, Courts, Police	\$3.1m	Continue	P10 – Reductions in the number of call-out allowance payments	90
			P13 – Periodic 'full lock down' days	25

**Related Broad Outcome**

(6) Addressing Crime & Policing

**General Observations**

No inefficiencies were observed in the internal complaints process which provides a legitimate means for inmates to raise complaints and have them fairly addressed.

In terms of incident response, it was observed that all prison officers are currently in receipt of monthly call-out allowances which they receive

regardless of whether or not their services are called upon. Savings are identified by reducing the 'number on call' each month to just 50 individuals which should provide a large enough bank of personnel to call upon in the event that they are unexpectedly needed.

The concept of 'full lock down days' is put forward as a means to save money but it is acknowledged that the option would not be popular with inmates who may, especially in the short term, react negatively and increase the risk threat to staff.



Customers	Cost (Budget 09/10)	Service Recommendation (Continue / Discontinue / Outsource)	Recommendations	Est. Value \$'000
General Public, Inmates, Courts, Police, Community Rehabilitation	\$3.3m	Continue	P1 – Reduce recidivism with increased Community Rehabilitation involvement	1,400

**Related Broad Outcome**

(6) Addressing Crime & Policing

**General Observations**

Amongst the most important and potentially beneficial of the recommendations raised is the one to tackle the recidivism rate.

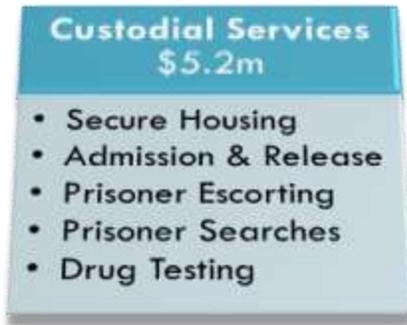
Unfortunately this is also the recommendation that presents the most complexity and will require investment to provide the necessary

input to unlock the long-term and far reaching benefits which are possible.

Recidivism, currently at 63%, could be reduced if more time and investment is put into effective rehabilitation schemes.

The Department of Community Rehabilitation has the expertise but currently is strategically aligned to individuals who need their assistance in the community who have not been to prison – and not to inmates or prisoners released on parole. An

expansion of their services and resources to help work with the Prison Service to focus on reducing the headline recidivism rate from 63% to 50% would be welcomed.



Customers	Cost (Budget 09/10)	Service Recommendation (Continue / Discontinue / Outsource)	Recommendations	Est. Value \$'000
General Public, Inmates, Courts, Police	\$5.2m	Continue – with the exception of (a) prisoner escorts where a private sector partnership may be beneficial, and (b) where HMP Fairbanks operations should move to HMP Northwatd.	P2 – Home-Confinement and Electronic Monitoring  P4 – Partnership arrangement to house high-risk inmates overseas  P6 – Closure of HMP Fairbanks	600  280  100 + Land Sale

**Related Broad Outcome**

(6) Addressing Crime & Policing

**General Observations**

Custodial Services represents the highest cost output for the Prison Service.

Our recommendations would have a dramatic effect on profile of the service – with, firstly, the proposal to house Category A prisoners and repeat offenders overseas in lower cost facilities which would also serve as an effective deterrent to crime and repeat offending.

Secondly, the lowest risk and most suitable inmates could be released on home-confinement and electronic monitoring schemes (coupled with Department of Community Rehabilitation oversight – see recommendation P1). This will speed their re-introduction into the community and free the Prison Service of considerable cost. Currently 4 inmates actually live, at government expense, outside the secure prison walls (but still on the prison complex).

A recommendation to close operations at HMP Fairbanks is

driven largely by the operational efficiencies that would result from returning to a single-site prison. This would also have a potentially significant benefit from releasing valuable surplus land for sale. Unless suitable existing accommodation is found (for example, modifications to the 'guest' accommodation houses used for training may be an option), then this recommendation would require new build of facilities.

*OBSERVATIONS ON THE IMPACT OF THE PUBLIC MANAGEMENT  
AND FINANCE LAW, PUBLIC SERVICE MANAGEMENT LAW, AND  
FREEDOM OF INFORMATION LAW*

Based upon discussion with the Director of Prisons and the Finance and Administration Manager, we are led to believe that the impact of the above stated reforms has not required the recruitment of any new staff, but there has been an increased compliance burden when compared to the previous regimes.

This increased burden has not been quantified, and operationally, the additional duties have been 'absorbed' by the existing administrative staff.

## APPENDIX A: AGENCY TEAM

The review team who produced this report were:

- **Mr. Andy Bonner**, Team Leader – Portfolio of the Civil Service
- **Mr. Donald House** – Internal Audit
- **Mr. James O’Neill** – Private Sector Representative
- **Mr. Matthew Tibbetts** – Portfolio of the Civil Service
- **Mr. Rex Whitakker** – Computer Services



**Agency:** Department of Tourism

**Ministry:** Ministry of Finance, Tourism and Development

## Final Review Report

### Strategic Planning and Governance

The National Tourism Management Plan (NTMP) provides the strategic direction of tourism in the Cayman Islands, however its effectiveness for developing and retaining a shared vision and strategy for the tourism industry is questionable.

The Department of Tourism (DOT) is undertaking a number of functions that are ancillary to and detract from the stated strategic focus i.e. *to attract and retain increased visitation and to develop, guide and lead policy implementation.*

The Ministry of Tourism (MOT) should develop a strategic plan with key stakeholders, to clarify the vision, mission and goals of tourism in the Cayman Islands. Gaining key stakeholder buy-in to the strategic plan is critical.

Responsibilities between MOT and DOT for cruise tourism need to be clarified and clearly communicated to the tourism industry.

Over the years, DOT has accumulated ancillary functions, the cumulative effect of which detracts from the core focus of the department. The Review Team recommends that non-core activities should be transferred or outsourced to allow DOT to focus on its core mission to attract and retain increased tourist visitation.

The Review Team has identified non-core activities that could be transferred from DOT. While it is unlikely that the total costs (Output totals \$1.8 million) associated

with these functions will be eliminated, it should be expected that a high proportion of savings will be realised. The transfer of the following functions is recommended:

- a. Administration of tourism scholarships (TOU 19; \$403k, 34 scholarships) should be transferred to the Education Council which manages all other CIG scholarships (currently 979 scholarships).
- b. Collection and analysis of tourism statistical data (TOU 21; \$1 million) should be transferred to the Economics and Statistics Office for which statistics is a core function. The transfer will eliminate the current conflict of interest of DOT collecting its own performance data. **[DoT Comments Appendix E – 7]**
- c. Accommodation inspections should be amalgamated with DOEH (TOU 14; 412k) to create efficiency by eliminating the current situations of two administrative structures to supporting similar inspections.

The Review Team considers delivery of training (refer TOU 11; \$1.5 million & TOU 19; \$403k) to be a non-core function for DOT. The Review Team supports the need for vocational training however considers that this training should be delivered by a specialist training agency. The Team recommends that this area of responsibility should be transferred to the Ministry of Education. The MOT should consult with the Ministry of Education and industry stakeholders to establish a national training policy for tourism. **[DoT Comments Appendix E – 8]**

### **Prioritisation of expenditure**

A review of DOT expenditure and budget showed that over 60% of overseas staff time is spent on promotional activities (the approx staff cost \$1.2 million), meaning that the government has hired overseas staff primarily to attend promotional activities at a total approximate cost (including actual cost of events/shows, Jazz Fest and website, etc.) of up to \$7.9 million (TOU 21). Additionally, some of these functions have been outsourced. The Review Team questions the justification for spending 31% of the department's entire budget on promotional activities. The Review Team is concerned about the lack of performance indicators and the decision processes to justify this level of expenditure. See Appendix – Profile of Services (Promotional Activities) submitted by DOT. **[DoT Comments Appendix E – 9 and 10]**

### **Events management**

The Review Team is concerned that the return on investment for DOT's management of tourism events is not clearly established or well monitored. An example is the Jazz Festival, the net cost of which was \$1.0 million in 2009. It was not clear what contribution the Jazz Festival made to tourist visitation figures. Also, some industry stakeholders questioned the timing of the Jazz Festival and believed that the timing is not in the best interest of the economy.

Feedback from industry leaders was that DOT should not have a primary role in events management but the department should support events/initiatives that directly relate to the strategic goals to attract and retain increased visitation. All events and promotional activities supported by DOT should have performance measures to ensure an acceptable return on investment.

### **Local promotions and Public Relations**

Local promotion and public relations accounted for \$3.1 million in 2009 (double 2006 and 2007 expenditure). Some local promotional activities do not appear to be linked to tourism goals which are to attract and retain increased visitation. **[DoT Comments Appendix E – 11]**. The Review Team is concerned that there are no clear measures to establish and monitor the return on investment or to justify the expenditure. It is recommended that spending priorities be reviewed and performance measures be put in place.

### **Requirement for a major Organisational Review**

A proposal to restructure the US offices will save \$1.5 million per annum. The Review Team recommends the US restructure be implemented without delay. Funding of the change and associated costs should come from savings elsewhere in DOT.

In addition to the US restructuring, a full organisational review of DOT is recommended covering all offices, including Grand Cayman. The Review Team is concerned that staffing levels are excessive, outdated and are not cost effective.

The organisational review should aim to develop a new plan for overseas offices. It is proposed that the review investigate regional opportunities in Central and South America and routes which have air lift capabilities to the CI.

The Review Team has found that DOT employs more than 35% of its local and overseas staff in marketing roles. In addition DOT has outsourced \$9.0 million of marketing expenditure. The Review Team is concerned that the true productivity gains from outsourcing through a re-alignment of staffing have not been achieved.

The current cost of the UK office (\$2.3 million) cannot be justified in terms of visitation figures, given the lack of a direct air link with UK and Europe. There is significant potential to reduce the current spend of \$1.2 million on advertising and \$600k on other promotional activities. **[DoT Comments Appendix E – 12]**

The structure of the UK office should also be reviewed similar the US offices with a view to recommending cost savings.

A modest increase in funding of the Canada office has potential to increase tourist arrivals as Canada has a direct air link. The Review Team was advised that air arrivals from Canada could be doubled with input of more resources. We suggest reallocating some funds from the UK office.

The Review Team has identified that DOT HR staffing is far in excess of the standard benchmark for CIG departments. Redeployment of at least two HR staff will bring the HR staff ratio more in-line.

### **Contract management**

DOT manages a significant number of contracts. The Review Team is concerned that there is a lack of evidence to show that contract performance is adequately evaluated. **[DoT Comments Appendix E – 13]**

### **Web management**

Web management is critical for the success of tourism. Based on research of other Caribbean tourist destinations, DOT should place more emphasis in this area as the current website and its functionality is outdated in comparison with other jurisdictions. A review of DOT's internet strategy, management and resourcing is urgently needed. The Review Team believes that some of the savings identified elsewhere in this review should be redirected to upgrading the website and to developing a comprehensive E-strategy.

### **Collection of Revenue**

Collection of revenue is considered a non-core function and should be transferred.

**[DoT Comments Appendix E – 1, through 6]**

## Methodology

The Review was conducted in the following way:

1. An initial meeting with the Director and Assistant Director Tourism (Finance & Administration) on 2<sup>nd</sup> December 2009
2. Departmental briefing and discussions with DOT senior managers on 11<sup>th</sup> December 2009. This resulted in requests for specific items of information from the department to aid in the Review Team's analysis.
3. Industry Focus group meetings, facilitated by Dr Pedley, PI&EA, 6<sup>th</sup> and 7<sup>th</sup> January 2010. Participants were guaranteed confidentiality and were advised that "Chatam House Rules" applied.
4. Compilation of the Emerging Findings report and an opportunity by DOT to comment. The report was submitted on 19<sup>th</sup> January 2010.
5. A day working session with the Director, 11<sup>th</sup> February 2010. It had been intended that the Director would be supported at this meeting by finance staff. However, the AD (Finance & Administration) was absent on leave and his deputy reported sick on the day. This working session identified further information requirements.
6. A further visit by Review Team members to assist DOT with provision of information occurred on 16<sup>th</sup> February 2010.
7. Review team meetings: following the Project Team initial briefing, the Review Team met to assess progress and analyse data on: 30 November, 3<sup>rd</sup>, 8<sup>th</sup>, 11<sup>th</sup> and 18<sup>th</sup> December 2009; 5<sup>th</sup>, 11<sup>th</sup>, 15<sup>th</sup>, 18<sup>th</sup> January 2010; 5<sup>th</sup>, 9<sup>th</sup>, 15<sup>th</sup> and 18<sup>th</sup> February.

Obstacles to achieving the goals of the Review Team's work have been primarily the availability of departmental staff and that the review coincided with Christmas and budget time. Most DOT senior managers were unavailable 12<sup>th</sup> December 2009 through 7 January 2010 because of Christmas leave. Also, the CIG budget round occurred through January and February, but was particularly intense in the period 25<sup>th</sup> January to 7<sup>th</sup> February. During the development of the final report the following senior staff were on leave (at one period all at the same time) and consequently unavailable to the Review Team at significant times - AD (Finance & Administration), HR Manager, Deputy Director Tourism (Development Services) and Deputy Finance Officer. DOT management advised on 9 February that the earliest time to have all senior managers available was 23 February. This conflicts with the ability to complete the report by the submission deadline.

At the time of writing, the Review Team had not met with the Ministry of Tourism. Instead, questions have been sent to the Ministry via email, in which the Ministry replied (refer Attachment 4).

**[DoT Comments Appendix E – 14]**



<b>C: TOURISM EDUCATION &amp; AWARENESS INITIATIVES</b>	National		N	N			403,169			(403,169)	
<b>D: ACCOMMODATION INSPECTION &amp; LICENSING SERVICES</b>	Visitors	Tourism Industry	Y	N			412,612			(412,612)	
<b>D: COLLECTION OF TOURIST REVENUE</b>	Ministry		Y	N			254,535	9,573,266		9,318,731	
<b>D: COLLECTION, PREPARATION &amp; PUBLICATION OF STATISTICAL INFO</b>	Tourism Industry		N	N			1,041,375			(1,041,375)	

Table 2: Other Services delivered by the Agency.

Description of Service	Customer		Statutory Y/N	Private Sector Available (Y/N/P)	Cost per annum	No per annum	Cost of service Output per annum	Who Pays (C/P/J)	Income collected per annum (external)	Profit /Subsidy	Discontinue Service (Y/N)
	Primary	Other									
ADMIN & CONSULTATIVE SERVICES TO BOARDS & COMMITTEES	Ministry	Stakeholders		N			66,973			(66,973)	
PILOT ENVIRONMENTAL PROGRAMME FOR THE HOTEL SECTOR	Tourism Industry		N	N			179,419			(179,419)	
TOURISM PHYSICAL ENHANCEMENT PROJECTS	Visitors		N	N			236,659			(236,659)	
TOURISM SERVICE ENHANCEMENT PROJECTS	Tourism Industry	MoT	N	N			351,592			(351,592)	
CRUISE TOURISM MANAGEMENT	Tourism Industry	Visitors	N	N			309,226			(309,226)	
TECHNICAL & POLICY ADVICE ON TOURISM MATTERS	Ministry	Tourism Industry	N	N			49,777			(49,777)	

## A: Department of Tourism – Promotion & Advertising



Customers	Cost (Budget 09/10)	Recommendation for service	Recommendations	Est. Value \$'000
Visitors Tourism Industry	19,739,946	Retain	Rec. 2: Promotional spend should be reduced by 20%, prioritized on the effectiveness of the events that achieve the strategic goals. Jazzfest should be outsourced to the private sector, & the event should be subsidized by no more than 25% of the current costs. Rec 10: Comprehensive Org. Review	1,000

### Related Broad Outcome

1. Addressing the Economic Crisis in the Cayman Islands
2. Restoring Prudent Fiscal Management
4. Setting the Stage for Success in the Tourism Industry

Related Outputs	Cost (\$)
TOU 20: Direct marketing	1,901,692
TOU 21: Promotion Activities	7,977,466
TOU 22: Advertising Activities	<u>9,860,788</u>
	19,739,946

### Value for money/cost

Review Team considers that DOT has not achieved full productivity gains through outsourcing functions under these Outputs. Despite a significant amount of marketing expenditure being contracted to business, the department's Cayman and overseas offices employ more than 35% of the staff in marketing roles. Also, given the organizational structure of deployed offices in US, UK and Canada with the DOT (head

office in Grand Cayman, there appears to be an overlap/duplication of function. **[DoT Comments Appendix E – 16]**

We note that DOT uses marketing agencies such as Chowder (in US), Souk Holdings (for UK and Europe) and RBA (in Canada). However, the DOT organisation chart identifies a total of 30 marketing staff in all offices. The organisational chart shows: 12 marketing positions in the US offices, of which 10 positions are

filled; one marketing position in the Canadian office; four marketing posts in the UK office; in addition to seven marketing positions in DOT Cayman office. **[DoT Comments Appendix E – 15]**

A review of DOT expenditure and budget showed that over 60% of overseas staff time is spent on attending promotional activities (the approximate staff cost of \$1.2 million). This means that the government is paying for its staff to undertake promotional activities while much of this function has been contracted to marketing firms; at a total approximate cost (including actual cost of events) of \$7.9 million (TOU 21). The Review Team questions the justification for spending 31% of the department's budget on staff involvement in promotional activities. The focus groups questioned whether the era of tradeshows is over and has been replaced by the era of the internet. **[DoT Comments Appendix E – 17]**

### **Events management**

The Review Team is concerned that the return on investment in managing tourism events is not clearly established or well monitored. For example, the Review Team was unable to establish a clear strategic rationale for the Jazz Festival which in 2009 cost CIG a net \$1.0 million (operational costs of \$1.3 million less ticket sales of \$250,000). With the information provided to the Review Team, there was no clear link between the Jazz Festival and performance measures such as attracting tourists to the Cayman Islands. Industry feedback questioned the timing of the Jazz Festival. Some believe the timing is not in the best interests of the economy. **[DoT Comments Appendix E – 18]**

### **Gaining industry stakeholder buy-in**

One statement from an industry focus group illustrates how seriously the industry leaders view the current situation. In regard to tourism in the Cayman Islands one participant

stated that “we are at the eleventh hour and the sand has run through the clock”.

With this high level of funding (i.e. \$19.7 million), the tourism Industry wants more awareness and involvement in how the funds are spent. The industry feedback showed that there is a need for greater involvement of industry stakeholders in developing tourism strategy. While strategy and policy development processes are in place, these do not appear to be highly effective. The benefit of improved involvement of industry stakeholders is to gain their buy-in to the strategic direction thereby increasing their willingness to share costs. The Review Team recommends that DOT and MOT place a priority on achieving effective industry input to tourism strategy, with the intent of gaining industry buy-in and improving their willingness to take on more of the costs.

**Realignment of marketing focus – UK and Canada**

Currently the UK office (which covers also Europe) costs \$2.3 million and has six staff. By comparison, the Canada office costs \$1.0 million and has three staff. Despite the differences in cost, there is little difference in tourist arrival figures (i.e. 5.6% for UK and 4.9% for Canada in 2009; refer Attachment 3). The factor that limits tourist arrivals from UK and Europe is the lack of a direct air link. The Review Team was advised that a modest funding increase for the Canadian office had the potential to significantly increase the arrival figures from Canada, which has a direct air link. Canada has a

marketing budget of \$330k while the equivalent budget for UK is \$1.2 million. [DoT Comments Appendix E – 19]

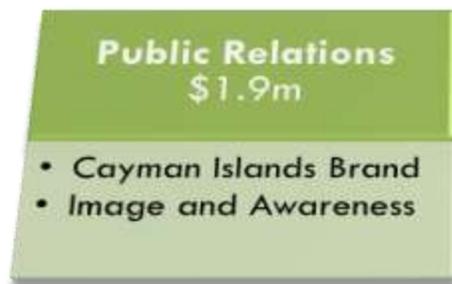
**Local Promotion & PR**

Appendix D provides expenditure data from DOT trial balance records. Expenditure on this cost item rose from \$1.5 million in 2006 to \$3.1 million in 2008 and 2009. Some local promotional activities do not appear to be a linked to tourism goals to attract and retain increased visitation. The Review Team is concerned about the inadequacy of measures for return on investment or to justify the expenditure. It is recommended measures be put in place. [DoT Comments Appendix E – 20]

The breakdown of this expenditure below:

<b>Expenditure</b>	<b>Amount (\$)</b>
Jazz Fest	1,378,242
Cayman Cook Out	229,117
ISDHF	93,966
ISDHF Acquisitions	55,602
Skate Cayman	253,033
Misc Sponsorships	60,971
DEMA	30,928
Cayman Went	188,373
Promotional items	50,225
Pirates Week	28,777
Sea School	11,899
Other	191,799
Unidentified	516,594
<b>Total</b>	<b>3,089,526</b>

## B: Department of Tourism – Public Relations



Customers	Cost (Budget 09/10)	Recommendation for service	Recommendations	Est. Value \$'000
Visitors Tourism Industry	1,691,264	Retain	Rec. 4: Prioritise Public Relations activities with a 25% cut in expenditure, focusing on improving the relationship and retaining the buy-in and support of the tourism industry for the strategic direction of tourism in the Cayman Islands	325

### Related Broad Outcome

1. Addressing the Economic Crisis in the Cayman Islands
2. Restoring Prudent Fiscal Management
4. Setting the Stage for Success in the Tourism Industry

### Related Output

TOU 9 – Tourism Public Relations Services. Cost: \$1,691,264

### Investigation

The Review Team was advised that one manager and two PR officers covered this area and that the department had been operating with staff vacancies. The feedback from industry focus groups showed that industry leaders were not fully aware of DOT strategy and activities. DOT agrees that priority should be given to enhancing its public awareness programmes to improve the relationship with and retain the buy-in and support of the Tourism Industry

for the tourism strategy. [DoT Comments Appendix E – 21]

### Value for money/cost

Public Relations Services	Amount (\$)
Staff cost (approx)	204,000
Other (break-out not available)	1,487,264
<b>Total</b>	<b>1,691,264</b>

The Department states that:

1. It works in close partnership with the Cayman Islands Tourism Association (CITA) and Sister Islands Tourism Association at both a strategic and operational level, however DOT has recognized that the wider industry and national community are not fully aware of the objectives and programmes.
2. The government is currently developing the VISION 2012 strategic plan for the Tourism Industry. The initial consultation process started in late 2009 and sought the views and input of all stakeholders in the Industry. Focus groups were held with representatives from all sectors of the economy and town hall meetings in all districts held.

In light of the above activities, the Review Team questions the effectiveness of the processes given the poor feedback from industry leaders in the focus groups. The Review Team considers priority should be given to reviewing the communications processes. Furthermore, the consultation

process for VISION 2012 should be reviewed to make sure relevant industry stakeholders are included and the industry and government are working together toward a common goal. **[DoT Comments Appendix E – 22 and 23]**

## C: Department of Tourism – Training and Education



Customers	Cost (Budget 09/10)	Recommendation for service	Recommendations	Est. Value \$'000
Visitors Tourism Industry	1,932,698	Retain	Rec.1: Training activities should be delivered by the MOE or the private sector and subsidized by no more than 25% of the current cost	1,400

### Related Broad Outcome

1. Addressing the Economic Crisis in the Cayman Islands
2. Restoring Prudent Fiscal Management
4. Setting the Stage for Success in the Tourism Industry
7. Education: The Key to Growth and Development
16. Preserving our Culture

### Related Outputs

TOU 11: Tourism Industry Service Training. Cost: \$1,529,529

TOU 19: Tourism Education and Awareness. Cost: \$403,169

#### Investigation

TOU 11 includes the Pride Programme and Tourism Apprenticeship & Internship Programme. The Output measures include assessments and survey reports and programme performance reports. The Review Team questions the need for DOT to undertake training as it is a non-core activity which potentially detracts

from the key strategic direction of DOT (i.e. to attract and retain increased tourist visitation). The Review Team considers training to be critical to the development of the Cayman tourism product; however, this training would be better done by specialist agencies in both the public and private sector.

Much of DOT's training is vocational. The Review Team supports the need for vocational training, however, considers that this training should be delivered by specialist training agencies. The Review Team recommends that this area of

responsibility should be transferred to the Ministry of Education or a private sector organisation. The MOT should consult with the Ministry of Education and industry stakeholders to establish a national training policy for tourism.

Tourism training also provides opportunities to involve the private sector, to the benefit of both the government and industry. It would be advantageous to:

1. Adopt a policy stance for DOT to maximize outsourcing in its operations; and
2. Make the extent of outsourcing a reporting requirement.

Cost recovery for training should be investigated as a means of defraying some costs. Obviously, the extent of recovery is a judgement call, as there may be a negative impact on the aim of training the maximum number of people.

**[DoT Comments Appendix E – 24]**

## D: Department of Tourism – Other



Customers	Cost (Budget 09/10)	Recommendation for service	Recommendations	Est. Value \$'000
Visitors  Tourism Industry		Transfer to other Government Agencies	Rec.3: Transfer the inspection and licensing of tourist accommodation to the Department of Environmental Health – along with \$100K of resources	300
			Rec 6: Transfer Tourist Revenue collection to the Treasury Department. Savings of \$250K	250
			Rec 7: Transfer the collection and analysis of tourist statistical data and associated resources to the Economics and Statistics Office	0
			Rec 5: Transfer the administration of tourism scholarship to the Ministry of Education and provide an additional resource person from the Department to the Ministry of Education to assist with national scholarship administration.	250

### ACCOMODATION INSPECTION & LICENSING

**Related Output** - TOU 14: Tourist Accommodation Inspections & Licensing Services. Cost: \$412,612

**Investigation** - Inspections and licensing are a statutory requirement. Under the Hotel Licensing Board's (HLB) remit, the

Department of Environmental Health and the Fire Department also provide inspection services for their specialist areas. DOT, in addition to providing room and property inspections, acts as the Secretariat for the HLB, coordinates Inspection activities, maintains the database for the Industry, receives applications and issues licenses. In

addition, the collation and receipt application provides critical information for the department with regards to new properties and product offerings, acts as the basis for tax collection monitoring and audits and is a repository for information that allows for industry trends to be identified and analysed.

The need for DOT to undertake accommodation licensing and inspections was reviewed as it is considered to be a non-core activity in terms of achieving DOT's mission to attract and retain increased tourist visitation. Other government agencies have similar roles and have the capacity in place and there appears to be duplication of effort. DOEH and DOT inspections guidelines were compared. DOT's inspections are based on visual examination. DOEH inspections are more detailed and technical. There is some commonality between the two e.g. inspection for mould, air quality and sewage overflow. The Review Team considers that both inspections could be amalgamated which would create efficiency by eliminating the requirement for two administrative structures to cover inspections. Two inspectors and a supervisor are involved in this area of work. Redeployment of staff would be necessary to handle the volume of work generated.

There are opportunities to outsource tourism facility inspections as done by the Department of Vehicle Licensing Services for vehicle inspections whereby local garages are trained and qualified to inspect and certify vehicles. The same

could apply to DOT inspection functions with the benefit of productivity gains, as an alternative to amalgamating inspections.

**[DoT Comments Appendix E – 25]**

#### **TOURISM REVENUE**

**Related Output** - TOU 17: Collection of tourism revenue. Cost: \$254,535

**Investigation** - DOT collects \$9,573,266 in revenue for the cost of \$254k. The collection of Tourist Revenue is a statutory requirement of the Tourism Laws and Regulations. The Review Team considered the option of transferring collection of tourism revenue to another specialised agency as it is a non-core activity that could detract from the core focus of DOT. The department has emphasised that collection of taxes requires specialist industry and legislative knowledge which DOT staff have.

The Review team considers collection of Revenue is a non-core activity for DOT as it detracts from the focus of attracting and retaining visitation.

**[DoT Comments Appendix E – 26]**

#### **COLLECTION, PREPARATION & PUBLICATION OF STATISTICAL INFORMATION**

**Related Output** - TOU 18: Collection, preparation and publication of statistical information. Cost: \$1,041,375

**Investigation** - The functions include collecting data on occupancy rates, length of stay, arrivals, daily rates and exit surveys. The Review Team considers that DOT collecting information on its own performance is a conflict of interest. This is compounded by the fact we were advised that some information which concerns measuring DOT ABS Output performance is not routinely published. The Review team considers that collection of tourism statistics and the associated resources should be transferred to the Economics and Statistics Office which is specialized in statistical collection and analysis. The major benefit would be in improving efficiency and effectiveness through concentrating statistical inspection and analysis resources in one place.

**Other Outputs** considered - TOU 16 (Tourism Physical Product Enhancement Projects = \$237k). Relates to actions assigned by NTMP and includes signage,

artificial reefs, dive attractions etc. TOU 23 (Tourism Services Enhancement Projects = \$352k). Relates to implementing NTMP tasks and improving visitor experience. Assessment is via exit surveys.

It was noted that tourist out-surveys are a primary performance measure for TOU 16 and 23, however these reports are not available and we were advised not regularly published. This supports the Review Team's stance that this function would be better done by Economics and Statistics Department, to avoid the conflict of interest of DOT measuring and reporting on its own performance. The Review Team recommends that tourist out-surveys and the resources be transferred to ESO. ESO was asked for

comment. The response indicated that ESO would need to be resourced to take on the substantial change in workload.

**[DoT Comments Appendix E – 27]**

#### **TOURISM EDUCATION AND SCHOLARSHIP PROGRAMMES**

**Related Output** - TOU 19: Tourism education, awareness & scholarship programmes. Cost: \$403,169

**Investigation** - DOT expends \$403k on this Output to manage 34 tourism scholarships. Tourism scholarships are the only scholarships in CIG that are not administered by the Education Council (Ministry of Education). This Council is resourced by one staff member who administers 979 scholarships (655 local

and 324 overseas). The Review Team considers this level of resourcing is unbalanced and that administration of tourism scholarships and the associated staff resources should be transferred to the Education Council.

Implementation of this recommendation provides an opportunity to improve the overall management of scholarship funds in CIG. The Education Council has the expertise to manage scholarships. The potential benefits are an improvement in cost-effectiveness and in consistency in monitoring and evaluation of scholarships. DOT management is in agreement with the concept of reassigning responsibility for management of the tourism scholarships.

## ***Observations on Organisation structure and management***

Summary data concerning issues raised in this section is provided in the Attachments:

1. A proposal to restructure the US operations.
2. Comparative staff ratios for HR, administration and finance staff.
3. Tourism performance data and DOT expenditure for the period 2006 – 2009. This information provides trends on tourist arrivals, staff changes and DOT expenditure.

### **Strategic planning, governance and leadership**

While the National Tourism Management Plan (NTMP) provides a process to develop the strategic direction of tourism in the Cayman Islands and is intended to provide the strategic direction for DOT, its effectiveness is questionable in terms of gaining complete key stakeholder buy-in. Industry feedback indicates the Cayman Islands currently lack a shared vision and strategic direction for tourism.

One significant problem with regard to strategic planning is role clarity. DOT claims it controls and can be held accountable for only parts of the NTMP and that MOT has authority over elements such as cruise shipping. The Cayman Islands Tourism Association, while it represents industry stakeholders, is not totally representative, judging by industry stakeholder feedback.

The Review Team findings are based on DOT's stated strategic focus: (1) ***to attract and retain increased visitation to the Cayman Islands that will result in benefits to its people*** and (2) ***to develop, guide and lead implementation of policies and practices, partnering with government agencies and the private sector.*** Given this strategic focus, the review team believes DOT is undertaking a number of functions that are ancillary to the strategy and that detract from the goal of attracting tourists to the Cayman Islands. The Review Team recommends minimizing ancillary functions to allow DOT to focus on key goals (refer next section).

DOT should develop a departmental strategic plan, to clarify its vision, mission and goals and to aid in providing accountability to the government and public. There is a need to gain key stakeholder buy-in to the strategic plan.

The Review Team noted that the government tourism organisation is in a state of transition. Currently DOT has an Acting Director, who is also covering Deputy Director International Marketing and Tourism, both critical roles for Cayman Islands tourism. Also, there have been major changes in senior staff in the Ministry of Tourism. This is a time when continuity of experience is critical. The Review team considers there is an urgent need for robust strategic planning to compensate for the current situation in tourism and assist with the transition from one administration to the next.

### **Core & non-core activities of DOT**

Over the years DOT has accumulated ancillary functions, the cumulative effect of which detracts from the core focus of the department to increase visitation. A statement by a participant at a focus group, that DOT is “busy and blinded by other functions”, captures the perception of some industry leaders. DOT would benefit from a clear differentiation of core activities from those that are non-core. The latter should be considered for outsourcing or transfer to more appropriate agencies.

1. The review team considers the following are core activities and should be the focus of DOT work:
  - Promotion of CI as a destination and marketing the brand of Cayman.
  - Control of market research and analysis.
  - Web management and marketing are critical to the success DOT’s operation. However, outsourcing of the function as an option.
  - Support activities such as provision of information booths (e.g. at the Port and Airport)
2. The following are considered to be non-core activities which should be under constant review for outsourcing. We recommend that DOT remove itself from the following activities as much as possible, but retain involvement through policy and strategy oversight:
  - The practicalities of special event production and management. We believe DOT is too involved in detailed management and would be better transferring special events to the private sector as much as possible
  - The conduct of training of private sector staff and students in tourism.
  - The conduct of public education
  - The conduct of product development
3. The following activities are considered non-core to DOT’s goal of attracting tourists to the Cayman Islands and should be under continual review for opportunities to transfer out of DOT. It is acknowledged that some are mandated by legislation however, this may not mean that DOT is the agency required to do the work. The activities in this category are:
  - Inspection and approval of tourist accommodation
  - Collection of tourism taxes and revenue
  - Involvement in the Public Transportation Board
  - Administration of tourism scholarships. The Review Team recommends this function and staff resources should be transferred to the Education Council.

### **Website Management**

Web management is critical for the success of tourism. DOT acknowledges that, while the tourism website compares reasonably favourably with other Caribbean tourist destinations, there is room for improvement. The Review team’s view is that, based on research of other Caribbean tourist destinations, DOT should place more emphasis in this area as the current website and its functionality is outdated in comparison with other jurisdictions. A review of DOT’s internet strategy, management and resourcing is urgently needed. The Review Team believes that some of the savings identified elsewhere in this review should be redirected to upgrading the website and to developing a comprehensive web strategy. Because of the importance of the internet in tourism, a review by DOT of internet strategy and resourcing is urgently needed.

There are advantages also in reviewing DOT’s IT management in its entirety with a view to achieving the most cost effective solution.

### **Relationship between CIG tourism and the private sector**

The relationship between the private sector and tourism in government needs clarification and improvement. There are indications of a lack of consensus on the strategic direction in the tourism industry. DOT acknowledges it has not given priority to public awareness, which may be part of the problem. However, a review

of Cayman island Tourism Association would be worthwhile to ensure its membership is representative of the industry and its communication processes are effective.

DOT has outsourced a significant number of activities. Outsourcing opportunities should be under continual review as the private sector is in most cases better placed than a government agency to run activities cost effectively (such as special events). Outsourcing of DOT's non-core activities provides potential for improved cost effectiveness. The Review Team considers DOT should have a performance measure designed to monitor the extent of out sourcing.

**Organisational effectiveness and potential savings**

**US offices.** Currently there are 24 staff in US offices. DOT provided a report assessing the restructure of the US operations proposing a reorganisation that would provide an annual saving to DOT of \$1.5 million. It is acknowledged that some funds may need to be reassigned to compensate for loss of “on the ground” staff, however these funds can be found from savings elsewhere in DOT's operations. The Review Team recommends that the restructure of the US operations be implemented without delay.

**General Organisational Review.** A review of the cost effectiveness of the remainder of the DOT structure is strongly recommended. The review should start with a clear definition of DOT vision and mission and what roles are essential. The review should include: the overseas offices; the Grand Cayman office; and assessment of the appropriateness of salary grades.

**HR functions.** DOT has four HR posts supporting 84 staff. There are three HR staff in the Grand Cayman office and one HR staff member in the US. This produces a HR staff ratio of 1:20 (i.e. one HR officer supporting 20 staff). The CIG benchmark is one fifth of this number (i.e. 1:100). We can identify no reason for DOT to have such a favourable ratio relative to the remainder of CIG. We recommend that the HR staffing be reduced by two staff to bring it more in line with the CIG benchmark. With this reduction the ratio would be 1:50, still very favourable to DOT. This would address the department's concern that the overseas offices produce greater complications in the HR field.

**Finance staff.** There are eight finance staff in the Grand Cayman office, which is a finance-to-staff ratio of 1:7. Benchmark data for CIG departments show the finance-to-staff ratios range from 1:6 up to 1:42. The Review Team recommends this finance staff ratio should be reviewed.

**UK office.** The Review Team recommends that the structure of the UK office be reviewed and reorganised along the lines of the US restructure.

UK cost breakdown -

<b>Expenditure</b>	<b>2005/6</b>	<b>2006/7</b>	<b>2007/8</b>	<b>2008/9</b>
Personnel costs	331,239	380,363	425,315	354,291
Goods & services	131,587	269,119	215,110	78,089
Advertising	521,090	1,268,771	1,773,454	1,208,542
Local promotion & public relations	226,610	287,724	264,555	267,975
Trade & industry promotion	413,108	269,317	310,109	223,422
Marketing services			172,754	104,424
Information systems	8,327	6,367	6,853	4,528
Web-marketing	33,266	23,406	22,488	41,522
Operating lease rentals	130,657	138,289	186,960	114,193
<b>Total</b>	<b>1,795,885</b>	<b>2,643,356</b>	<b>3,377,600</b>	<b>2,396,985</b>

## **Recommendations**

Recommendations of the Review Team:

1. Implement the proposed organizational review of US offices without delay to achieve an annual saving of \$1.5 million. Funding of the change management should be found elsewhere in DOT's budget.
2. Reduce the budget allocated to the UK Office by 20%. Fifty percent of the savings realized from this reduction could be allocated to the Canada Office.
3. A general review of the cost effectiveness of the remainder of the DOT structure i.e. Grand Cayman office, UK office and Canadian office.
4. DOT should minimize undertaking ancillary functions to allow the department to focus on key goals.
5. DOT should focus its efforts on core functions,
  - i. Promotion of CI as a destination and marketing the brand of Cayman.
  - ii. Evaluation of market research and analysis.
  - iii. Web management and marketing.
  - iv. Support activities such as provision of information booths (e.g. at the Port and Airport)
6. DOT should urgently develop a departmental strategic plan, with key stakeholder input, to clarify the department's vision, mission and goals and to aid in providing accountability to the government and public.
7. Review of DOT's internet strategy and resourcing is urgently needed.
8. Outsourcing opportunities should be kept under continual review and a performance measure designed to monitor the extent of out-sourcing by DOT should be implemented.
9. HR staffing should be reduced by two staff to bring it nearer to the CIG benchmark (Savings of \$110K).

**[DoT Comments Appendix E – 28]**

*OBSERVATIONS ON THE IMPACT OF THE PUBLIC MANAGEMENT AND FINANCE LAW, PUBLIC SERVICE MANAGEMENT LAW, AND FREEDOM OF INFORMATION LAW*

The impact of PMFL, PSML and FOI have not been addressed in detail with DOT. However, between 2006 and 2009 the total personnel costs of the department rose from \$3.91 million to \$5.56 million, representing a 42% increase. The financial impact of the introduction of the above Laws, as well as COLA, on this increase have yet to be determined.

*DOT APPENDIX A: AGENCY TEAM*

The review team who produced this report were:

- **Mr. Eric Bush**, Team Leader – Portfolio of Internal & External Affairs
- **Mr. Wil Pineau** – Private Sector Representative – CEO, CI Chamber of Commerce
- **Mr. Stran Bodden**
- **Mr. Mike Johnston**
- **Mr. Carrol Cooper**

## **Department of Tourism Finance & Administration Unit Preliminary Financial Consideration of Restructure of US operations**

### **Overview**

Senior management of the Department of Tourism, having given due consideration to the strategic direction necessary to more effectively deliver its mandate of increasing visitation from the United States, propose a restructuring of the entire US Operation.

The strategic and tactical delivery will result in a

### **Marketing Strategy**

#### *Mission*

“As marketers for the three Cayman Islands, we pledge to increase air arrival visitation and the economic benefits of tourism for the people who live and work here. We seek to be the sun, sea and sand destination of choice for the affluent, educated, adventurous US traveller who values togetherness by representing the best in an authentic, environmentally-responsible, sophisticated and safe vacation destination.”

#### *Marketing Objectives*

The following were identified as the key marketing objectives for the 2007-2008 period:

1. Achieve 300,000 air arrivals in 2009, plus 6% year over year. Achieve 318,000 air arrivals in 2010.
2. Double the number of arrivals who return to Cayman Islands via cruise conversion by year end 2010 as measured by key indicators/sample surveys
3. Develop a fully integrated and evolving internet strategy that will increase traffic and onsite booking.
4. By December 31, 2010 have 50% or more (vs. 30% today) of air arrivals assess value for money of a C.I. vacation as “good” or higher on the visitor exit survey report.

#### *Current Positioning of the Destination*

“The Cayman Islands is a group of exceptional islands that create a tapestry of rich and meaningful experiences which leave you with lasting impressions”

### **MARKETING MIX**

CIDOT will employ a broad range of marketing communications tools to achieve its goals. Included is advertising, public relations, e-Marketing, direct marketing, relationship management and promotions. Media research on the demographics and media consumption and habits of CIDOT’s target segments suggests that the most effective

communications will come through advertising and marketing via the Internet, television and print. Public relations is also a critical element of the marketing mix as “word of mouth” is among the strongest influences of travel decisions. Sales Promotion is important as the activities contained within this area still act as important touch points to educate and convert both the travel trade and consumers.

### **Sales Promotion (Trade and Industry)**

Strategies:

- a) Effectively engage top producing agencies to increase ROI
- b) Increase Travel Agent bookings during non-peak travel periods
- c) Encourage Travel Agents to recognize the Cayman Islands Website as a viable Marketing Tool
- d) Use Public Relations to continue to pitch and develop newsworthy stories to top- and second-tier outlets striving to generate positive awareness within the agency community. CIDOT’s PR strives to generate positive coverage as regularly as possible so that the agent community is consistently reminded of the great things happening in all three of the Cayman Islands as well as the Eastern Districts of GCM via the online sites of the targeted publications, in addition to the publications themselves.
- e) Utilize media properties to effectively reach travel trade audience and drive sales for Cayman Islands Travel
- f) Use advertising and direct marketing communications to position the Cayman Islands as the ideal choice for travel agents seeking a warm weather vacation destination for their affluent, adventurous clients travelling for family, romantic or dive getaways not only because the diversity of activities and attractions in Cayman will reward them with satisfied clients, but because the CIDOT travel agent programmes (CI Specialist programme, Master programmes, Cayman Rewards, etc.) will reward them with great offers and incentives

To achieve the Trade & Industry strategy, as well as deepen success in the delivery of the Marketing and Advertising strategy, the current organization structure is ineffective.

Instead it is proposed to achieve deliverables by utilising an organisation structure as follows:-

The world has changed however our structure has remained constant for almost a decade. In order to properly influence the top performers in the travel community and to be more effective in educating the consumers and travel trade we need a more fluid structure that will allow for the best ROI on the funds spent in this area. A restructure would not only allow us to be more effective but also provide savings that would be used to increase the more effective portions of our marketing efforts that are currently underfunded.

Due to the fact that the sales team currently has outputs related to Sales Promotion which is but one portion of our marketing efforts this restructure would not affect our marketing mix as it relates to TV,PRINT, Interactive and PR but would act to enhance some of these channels while getting more ROI on the current Sales Promotion activities.

The new structure would allow for sales experts/representatives that would work out of home in the key geographic areas as face to face interaction is still key in the travel community to keep the Cayman Islands top of mind and foster relationships. We would also have specialists that could concentrate on the key areas \*niches\* that are important to the

Geographical Areas

- a) North East b) South East c) Mid West d) West Coast

Niches

- a) Travel Trade b) Interactive E-commerce c) Advertising d) Cruise
  - Other areas such as diving and romance could become responsibilities of the persons dedicated to a geographical area or to one of the Niche specialists.

As a consequence of above, it is recommended that the Regional Offices in Houston, Miami and Chicago be closed. The New York Office will remain as the hub for all activities.

Currently, 25 positions are available in the US with 4 vacant at the present. The proposed structure reduces total headcount by 10 so we would have a total of 15 positions as follows:-

General Manager	1	
Sales Representatives	5	(NE-2, MW, SE, SW)
Marketing Officers	4	(Advertising, E-commerce, Trade, Cruise)
Sales Administrator	1	
Financial Controller	1	
Finance Officer	1	
HR Administrator	1	
Office Assistant /Reception	1	

**Summary of Financial Analysis**

The current total budget for the US Operation is \$15.6 million US. Of this amount, approximately \$13 million (83%) is allocated for National office activity, principally media and internet Advertising and Marketing across the continent.

The Regional Offices expenditures are centered on Trade & Consumer show and Industry promotional programmes, office overheads and remuneration.

An analysis of the underlying expenditure, on the basis of the proposed strategy results in the following:-

**Annualised savings arising from restructured operation                    \$1,934,017**

This may be summarised as follows:-

Remuneration reduction	1,144,778
Elimination of overheads	549,056
Reduction in Collateral & Promotion materials	240,183

Key assumptions:-

- (i) A further \$634k in marketing funds is allocated to the regional offices for Trade & industry promotions. It is assumed that a component of this will be utilised for key trade activity and the remainder diverted to supplement the Advertising budget. No savings derived therefore.
- (ii) The Reduction in Collateral & Promotion materials assumes a usage rate of 60% of current collateral activity. 40% of current costs will therefore be saved.
- (iii) Total travel budget for the US is \$435k, of which regional allocation is \$225k. Travel across the North American landscape will still be required, therefore the full \$225k was not considered available for rationalisation. Savings reduced to \$150k  
In the 2009 – 2010 fiscal year however, \$1.9 million dollars in savings will not be available. The closure of the three offices will result in severance costs, lease cancellation and other one-off expenditures.

It is estimated that the total costs arising from the restructuring will approximate \$993k, As a result, **the current year savings will be reduced to \$941k.**

The key restructuring costs are:-

Redundancy package	643,246
Lease & Office closure costs	264,948
Legal fees & contingencies	85,000

Two options were considered for redundancy:-

- Option 1 Two weeks pay for every completed year of service and 6 months medical insurance coverage - Estimated cost \$643k
- Option 2 Two weeks pay for every completed year of service up to a maximum of 12 years and one year's medical insurance coverage – Estimated cost \$551k

For the purposes of the analysis, the more expensive option has been assumed. An amount has also been included to assist employees in matters such as outplacement services etc. It has been assumed (worst case option) that all sales and marketing personnel are made redundant, as well as all Regional Administrators and Acting General Manager

**Key Matters requiring Further Consideration**

- (i) Finalisation of detailing of Promotion & Marketing strategy required to determine required business structure and staffing of Sales Reps & Marketing positions
- (ii) On plan approval, full assessment of action items and determination of timing and scheduling of closures, leading to a detailed restructure plan, including assessment of resources required to execute restructure
- (iii) Communications Plan
- (iv) Timing of New hires to be determined - NY or Home Based?
- (v) Engagement of professional services – Attorneys to consider lease and severance issues

DOT APPENDIX C: COMPARATIVE STAFF RATIOS

Data source: HR IRIS, base data provided by Strategic and Corporate HR Section, PoCS

<b>Department</b>	<b>Total staff</b>	<b>Finance staff</b>	<b>Finance ratio</b>	<b>Admin staff</b>	<b>Admin ratio</b>	<b>HR staff</b>	<b>HR ratio</b>
Environmental Health	127	4	1:32	9	1:14	2	1:64
Planning	47	2	1:24	8	1:6	1	1:47
Postal	90	4	1:23			1	1:90
<b>Tourism</b>	<b>54</b>	<b>8</b>	<b>1:7</b>	<b>5</b>	<b>1:10</b>	<b>3</b>	<b>1:18</b>
Customs	136	22	1:6			1	1:136
Immigration	131	20	1:7	16	1:9	2	1:65
Children & Family Services	168	4	1:42	11	1:15	2	1:85

DOT APPENDIX D: TOURISM PERFORMANCE DATA & DOT EXPENDITURE

1. Expenditure data is from DOT trial balance records provided by MOT
2. Changes for 2006 to 2009 are summarized. Also for 2007 - 2009 as 2007 may be a better base line year.

<u>Arrival data</u>	2006	2007	2008	2009	2006-09	2007-09	Remarks
USA air arrivals	217,363	231,865	240,951	215,037			65.0% of 2009 total air arrivals
Europe air arrivals	17,410	20,355	21,271	19,117			5.6% of 2009 total air arrivals
Canada air arrivals	10,480	17,355	18,544	13,237			4.9% of total 2009 air arrivals

Air arrivals total	267,257	291,503	302,879	271,958	2%	-6%	Reached 300k target in 2008
Cruise ship arrivals	1,923,597	1,715,666	1,555,053	152,0372	-26%	-21%	Steady 9-12% annual decline
<u>Staff numbers</u>							
DOT total staff numbers	73	73	84	84	15%	15%	Total increase of 15% 2006-09
Cayman	47	46	54	51	9%	11%	
USA	20	21	21	24	20%	5%	
Canada	-	-	3	3			
UK	6	6	6	6			

<u>DOT: Total Expenditure</u>	2006	2007	2008	2009	2006-09	2007-09	
Personnel Costs - salaries	3,760,795	4,211,356	4,507,939	5,125,211			
Personnel Costs - Other	53,402	137,505	166,946	280,075			
Personnel Costs - pension	97,231	123,596	144,977	152,821			
<b>Total Personnel Costs</b>	<b>3,911,428</b>	<b>4,472,457</b>	<b>4,819,862</b>	<b>5,558,107</b>	42%	24%	Compare with tourist arrivals
Goods and Services	2,046,975	3,482,733	3,142,190	2,584,990	26%	-35%	
Official Travel	540,938	873,892	731,273	558,185	3%	-57%	2006-07 was a 61% increase
Advertising	8,256,570	7,546,158	8,585,413	8,979,657	9%	19%	
Collateral and Photo	475,804	544,560	329,295	688,081	44%	26%	
Professional & Legal Fees	531,896	447,870	594,765	353,044			Fluctuates
Local Promotion & PR	1,542,141	1,874,236	3,082,863	3,089,526	100%	65%	What's the return on investment?
Trade & Industry Promotion	2,119,905	2,121,924	2,233,148	1,608,635	-32%	-27%	Steady then 28% decrease 2009
Marketing Services	1,312,927	2,036,909	1,458,029	1,880,457	43%	-8%	Fluctuates: 28-55% swings
Information Systems	161,551	207,242	277,800	80,671			Costs elsewhere
Web Marketing	43,155	260,634	173,625	280,019			Only 1% of budget
Operating Lease Rentals	759,241	787,153	1,126,984	1,103,345	45%	40%	Major increases
Depreciation	210,612	69,956	56,760	111,035			
Other Op Expense	208,551	207,876	207,701	256,889			24% increase in 2009
<b>TOTALS</b>	<b>22,121,693</b>	<b>24,933,600</b>	<b>26,819,708</b>	<b>27,132,641</b>			

## APPENDIX E: DEPARTMENT OF TOURISM'S MANAGEMENT COMMENTS

1. *In as much as the Review Team has quoted in its initial comments the opinions of participants in its focus groups, and seemingly shares the opinions so enunciated, the above quote is apropos.*
2. *While we are cognizant that the engagement was conducted by the Review Team under severe time constraints due to the reporting deadline assigned by the Governor's Office, our concern from the onset has been the rushed nature of the audit and the limited time by the Review Team to properly digest and understand the business of the Department of Tourism.*
3. *Further, the recommendations reflect opinions articulated by the Review Team at the early stages of the audit, suggesting that initial views and assumptions have remained, despite the body of evidence provided or available to the contrary.*
4. *Further, the recommendations reflect opinions articulated by the Review Team at the early stages of the audit, suggesting that initial views and assumptions have remained, despite the body of evidence provided or available to the contrary.*
5. *Through no fault of their own, the Review team members, all with full time jobs in senior roles, have been asked to conduct an engagement that external consultants working full time would certainly have racked up longer man-hours. Our concern is that others even far more removed from the Department's activities, with even less understanding will make decisions therein.*
6. *The limited timeframe given to respond to this report does not allow the Department to provide an exhaustive reply to the numerous comments and recommendations made.*
7. *Collection and analysis of tourism statistical data – This is described by the Review Team as a “Conflict of interest in collecting its own performance data” – The inference is disappointing especially as many of the questions asked do not relate to any marketing activities in general but rather to ascertain the visitors experience and how this can be improved. This information helps the DOT and industry partners to understand what types of product development would be attractive and allows us to understand how we as an industry can best meet our customers' needs.*

*What has clearly not been appreciated is*

- i. *The Department's data collection, research and surveys is an ongoing and integral part of our activities so that informed business decisions can be made for effecting tourism strategies*
  - ii. *the data and information is made available to tourism industry partners on visitation trends and visitor experience, which enables businesses to execute business activity and improve service delivery in their establishments*
  - iii. *all organizations collect information relevant to their business. Unlike many organizations, DoT publishes its visitation data monthly and exit survey reports annually, in full. This information is therefore available for public scrutiny and commentary*
8. *(ii) “The Review Team considers delivery of training (refer TOU 11; \$1.5 million & TOU 19; \$403k) to be a non-core function for DOT.” – The Department (DoT) has repeatedly made it clear that the mandate given to the organisation has two principal arms (a) Marketing the destination to increase sustainable visitation and (b) in conjunction with our industry partners, develop the human and physical capital on island that aims to provide a quality visitor experience.*

*A large component of mandate (b) is the provision of Customer Service Training through the PRIDE programme and the increase in Caymanians into the Industry through the Apprenticeship Programme. These programmes cannot be considered in isolation and must be viewed in conjunction with the various activities undertaken by DoT that contribute to the fulfilling of the mandate. It must also be borne in mind that knowledge of the industry, the issues abounding and subject matter content is critical to the success of the delivery of any educational programme.*

9. *(iii) “The Review Team questions the justification for spending 31% of the department's entire budget on promotional activities” “attend promotional activities at a total approximate cost (including actual cost of events/shows etc.) of up to \$7.9 million (TOU 21)”*

- i. *The above is completely inaccurate and reflects a lack of understanding of the components reported under TOUT1 – Marketing Activities. This Output encompasses much more than simply Promotional Activities conducted by the sales team in the overseas markets, as outlined in the Output descriptions and Budget details made available.*
  - ii. *Promotional items on island have not been considered by the Review Team, but are included in the Output Cost. For example, the Jazz Festival with a budget of \$1.3M is included in this output.*
  - iii. *Output cost includes an allocation of overheads spread across all outputs according to various allocation methodologies, as per the gov't budgeting guidelines. The Output cost does not represent actual market spend.*
10. *“The Review Team is concerned about the lack of performance indicators and the decision processes to justify this level of expenditure.” What is the basis and evidence gathered to support for this comment?*
  11. *(IV) “Local promotion and PR accounted for \$3.1 million in 2009 (double 2006 and 2007 expenditure). Some local promotional activities do not appear to be a linked to tourism goals to attract and retain increased visitation” The Review Team has neither identified nor discussed with the Department activities that they view as not linked to tourism goals.*
  12. *(V) “The current cost of the UK office (\$2.3 million) cannot be justified in terms of visitation figures, given the lack of a direct air link with UK and Europe” – Again we ask, what is the basis for this assertion? To correlate the total spend of the UK operation with visitation from the UK is a simplistic metric. What analysis of the cost of doing business in the UK and Europe was undertaken? At what stage were the components of the Marketing and PR strategies discussed with the Director? Were any discussions held with the UK General Manager to understand the activities on the ground? Was consideration given to the minimal Investment that is required irrespective of the visitation results? Was consideration given to the High Tax regime of the UK both in terms of Payroll tax and VAT?*
  13. *(vi) “The Review Team is concerned that there is a lack of evidence to show that contract performance is adequately evaluated” – This has not been discussed with the Department for us to provide feedback and dialogue. There is no standardized template upon which contracted services are graded, as service needs across the org. is diverse. Service providers are assessed on the basis of the quality and timeliness of service delivery. Correlating said performance with the success of specific programmes and activities, both formally and informally, could have been provided had it been asked for.*
  14. *This is an unfair statement as many of the staff members were available through this process however due to the nature of the timing of the last minute requests; it was out of our control. Persons within the team had prior approved leave or in one case the person was out sick and actually returned to work specifically to meet with the team against doctor's orders. We have provided the review team with dozens of documents at short notice pulling members of staff to work for long extended periods of time outside of normal work hours in order to meet the short deadlines. We sent the first round of documents before Christmas and advised the Review Team that the Deputy Director for Product would be available for any meetings, to answer any questions or to pull any additional information as requested. (She was not contacted over this period.) The next time we were contacted was weeks later and given a very short deadline once again to adhere to. We feel strongly that this statement is disingenuous and should be removed.*
  15. *The CIDOT has previous asked for an organizational review in order to ensure that we are properly aligned in order to most effectively deliver our mandate and the changed tourism industry. In the interim we have proposed an Organizational Restructuring for the US as the lion share of our marketing activities and budget are allocated for this country.*
  16. *The ‘outsourcing’ of functions in this area isn’t fully comprehended as the comments make mention of 35% of the staff being hired in marketing roles in contrast to activities outsourced. Marketing has many arms and the agencies mentioned in the document are engaged with Media Planning and Buying, Creative Development and Public Relations. Marketing personnel within the organization have responsibility for Strategic Marketing Development, Market Research, E-Business, Website Development, Wholesaler Coop Coordination, Sales Promotion, Training (Travel Trade), Development and Execution of the Familiarization programmes for top producers, Event Management etc.*
  17. *Promotional Activity mentioned includes activities direct to the consumer and to the trade and includes activities that agencies would not be engaged to conduct.*
  18. *In regards to the jazz fest, building brand awareness and generating PR value is the first component of the marketing continuum that eventually leads to visitation as the Cayman Islands firstly has to be in the consideration for a vacation before other tactical marketing initiatives can eventually drive to a booking. The CIDOT does not believe that the value*

*of the jazz fest was reviewed in its entirety. The jazz fest also occurs during a soft period after Thanksgiving sandwiched before Christmas so the hoteliers did inform the CIDOT that they needed help during that soft period.*

19. *CAL and DOT are working on the airlift issues that have hampered some of the UK/Europe performance. In short order if everything goes as planned there should be an increase in arrivals from this region. Other islands within our competitive set have shown the potential of this market once airlift can be established. Once again it is too simplistic as mentioned previously to simply divide the UK/Europe budget by the arrival numbers.*
20. *It has been stated that some promotional activities do not appear to be linked to tourism goals. We are unaware as to which activities the Review Team is speaking to and cannot therefore comment further. We are fully confident that all marketing and promotional initiatives are linked to delivering our goals.*
21. *While there is considerable communication with stakeholders in the Industry (meetings, press releases, e-mail updates etc.) The Department accepts the point that further focus on communicating its activities to the general civilian and business community is required.*
22. *CITA is a private sector body independent of DoT. DoT cannot influence or change the internal processes or structure of that organisation.*
23. *In the absence of a proper examination of the consultation process for the Tourism 2012 exercise, DoT rejects the conclusion of the review team that the process was ineffective especially noting that the process has not concluded. It would appear that the Review Team has placed heavy weighting of the comment of individuals in the private sector it engaged, without seeking the alternative perspective to critically assess comments made. Had the Review Team requested, DoT would have made available the Tourism 2012 consultative process, the extensive attendance list (in excess of 100 participants) from all sectors of the national economy (not just tourism), the structured process to the information gathering including written documentation. Indeed, we could have arranged a discussion (without DoT being present ) with the facilitator of the consultations, a non-DoT employee.*
24. *The notion that Tourism Awareness can be covered by an outsourced party would need serious research as the CIDOT does not believe this function could work though being outsourced. Tourism Education should be treated and viewed differently than other areas of educational training for a number of reasons. For example, because of the importance tourism plays in our economy and to ensure its sustainability we need qualified Caymanians. The Financial Services Industry has long since had this approach, financial services companies train and develops Caymanians to join their teams. It's the most effective way to ensure they get the right talent and that Caymanians are placed. Unlike the structured, embedded approach adopted by the financial services industry, the Cayman Islands tourism industry has not invested in Caymanians in a similar vein. Alternatively, the tourism businesses have partnered with the Department of tourism to encourage, train and develop Caymanians for careers in the industry. Such a partnership is a continued and involved one that cannot be handed to a department who has 1 person handling over 900 students. We have to look at the bigger picture and goals of our educational programs in national development and factor in not just the programme cost, but what will make the programmes a success and what their success means to the larger future of Cayman Islands Tourism. In regards to the Apprenticeship programme, if this was a viable business opportunity that was embraced by the private sector then a vocational institute specialising in Tourism would have been developed already, but that is not the case. Therefore it is counterproductive for the government to budget to fund a private entity to conduct vocational training when the business model was not attractive enough for a private investor to take on. It must also be noted that the PRIDE programme concentrates on Customer Service Training across specific areas within tourism. The cost of doing business in the Cayman Islands has not decreased over the years so in order to gain repeat visitors and new ones (by word of mouth) we must increase our customer service experience in order to increase the value for money proposition. This is one strategic area that will differentiate us from our competitors.*
25. *We believe there is some merit to the Review Team's recommendation that this function could be moved to another agency but much thought would have to be given to whether that agency would have the requisite knowledge and capacity needed to deliver all components of the Hotels Licensing and Inspections process. The limited knowledge of the role of hotel inspection by the Review Team have resulted in just a focus on the in-field inspection solely. For example, the hotel inspectors develop standards for accommodations in the Cayman Islands and then regulate to ensure they are upheld. The hotel licensing unit is also responsible for yearly training and orientation of new accommodation developments.*

26. The Department reiterates its previously stated position:- The collection of Tourist Revenue, as statutory defined by the Tourism Laws and Regulations, involves far more than merely collecting fees. Two examples will be used to illustrate:-  
(a) If a property does not submit a tax return in a particular month, the Law requires that an assessment of tax due be done and levied on the property in question. This estimation of tax requires an evaluation of current and past occupancy trends, current and past room rate trends, history on said property and knowledge of the current status of business for said property. (b) Audits of properties are conducted to ensure that taxes remitted to government are complete and accurate, reflecting actual earnings by said property. The Officers in the Department charged with these responsibilities have the requisite knowledge of the laws and regulations, industry knowledge, access to critical property data and can liaise effectively with those agencies that inspect the properties to obtain real-time information. It is highly questionable whether another government agency would be able to effectively represent the government's interest in the above scenarios. It must also be emphasized the difference between Output cost and actual expenditure. The cost of \$254k referenced above is the output cost, which includes an allocation of overheads from the entire org. The actual costs of this output would be reflected by salary costs for three persons and very minimal supplies and material costs.
27. Again, management of DoT is disappointed that the Review Team did not seek to discuss these matters in depth with the Department before drawing conclusion. The Department accepts that one of its key Reports, the Annual Exit Survey report is behind schedule in publication. This information was actually freely volunteered to the Review Team in the interest of full transparency and it is unfortunate that this one deficiency has been used to characterise the total research effort and delivery. For the record, the inability to publish the Annual Exit Survey arose from staffing shortages which has plagued the Research Unit for the past two years. The data used as the basis for this report is very labour intensive. The Recruitment moratorium enacted in 2008 resulted in certain vacant posts not being approved for filling. We also sought to use hand held survey technology to counteract the heavy labour demand, but the Capital Expenditure Request was deemed not critical by the Ministry and not approved. Apart from this, the Department continues to deliver in local and international research activities, as evidenced by the various reports and analysis done and contributed to. Indeed, several of these research activities have been made available to the Review Team. The main indicators within the report such as visitor spend and other such data from specific questions within the Exit Survey Report have been used in planning and released to third parties as well.
28. Within the recommendations it states that the CIDOT should control market research and analysis. We fully agree with this statement and a huge component of market research is the understanding of the consumer wants and needs for which we would need to keep responsibility for the research conducted every year i.e. Exit Surveys. The Review Team comment in this regard is however in contradiction with the earlier recommendation that DoT outsource its market research functions. The CIDOT believes that the best approach to developing vision, mission, goals and objectives for the Tourism Industry is to first decide on the National Direction for the Tourism Industry in the Cayman Islands. This decision must be made with a macro perspective thru consultation and agreement with all key Tourism Industry stakeholders including private sector, MOT, DOT as well as other ancillary Tourism but impactful stakeholders such as Dept. of Development and Commerce, DOE, CIAA, Port etc. It is only at the point where a National Tourism direction is agreed upon will the DOT be able to effectively identify its core role in the Tourism Industry. This level of direction will allow the DOT to develop its goals and objectives in order to achieve the National Tourism Direction. Historically DOTs goals and objectives are agreed on with MOT and CITA only.



**Agency:** Cayman Islands Health Insurance Company (CINICO)  
**Ministry:** Ministry of Health, Environment, Youth, Sports and Culture

## Final Review Report

The Cayman Islands National Insurance Company (CINICO) is wholly owned by the Cayman Islands Government and operates under the corporate governance of a Board of Directors appointed by the Cabinet. The main services delivered by CINICO include the provision of health insurance for Civil Servants, Civil Service pensioners, Seafarers and Veterans, the dependants of all those previously listed individuals, the elderly, the health-impaired (otherwise uninsurable) and low-income wage earners or indigents. In carrying out these services CINICO has contracted with two Third Party Administrators (TPA's): CBCA Administrators Inc of Minneapolis, USA who provide claims administration services for local claims and claim payment functions for all claims; and Care Management Network Inc (CMN) of Toronto, Canada who provide claims administration and case management services for overseas medical referrals.

The present staff complement of seven includes a General Manager (GM) with supervisory responsibility for four other persons and a Chief Financial Officer (CFO) with responsibility for one person. The post of Chief Executive Officer (CEO) has been vacant for about two years.

## Methodology

The review team:

- Interviewed CINICO's GM and CFO; the Chairman and Deputy Chairman of CINICO's Board of Directors; the CEO, Medical Director and other representatives from the Cayman Islands Health Services Authority (HSA), Chief Officer, Ministry of Health;
- Conducted a focus group with representatives from the Ministry of Health, Portfolio of the Civil Service (PoCS), Public Service Pensions Board (PSPB) and Department of Children and Family Services (DCFS);

- Reviewed recent CINICO Annual Reports, financial statements, the 01/2008 Oliver Wyman Sustainability Study and a confidential report submitted 12/2008 to the Board of Directors regarding CINICO's internal operations.

## Recommendations:

Recent benchmarking analyses carried out by Willis Re using AM Best metrics, CINICO's 2008/9 financial performance and comparison with similar-sized health insurance providers indicate that CINICO operates efficiently from an expense to premium ratio as well as from a benefits paid to premium ratio. The CINICO Review Team submits that there is very little in terms of **immediate** cost-savings to be identified: all measures identified will likely take at least 12 months or longer.

In addition to those main cost-saving recommendations highlighted in the Table above, the Team has identified a number of policy-level recommendations as follows:

### Policy level Recommendations:

1. Taking into account the current trends in health care costs (an estimated 19% increase in premium costs for a 1% increase in members between 2009/10 and 2011/12) and the current Cayman Islands economic model, continuing with the "status quo" in terms of health care coverage for Civil Servants and other CINICO customers is clearly not sustainable. The team understands that legal considerations may prevent changes to benefits with respect to existing Civil Servants but recommends that policy-level decisions be taken and implemented as soon as possible with respect to the **specifics of health care coverage for future Civil Servants, Pensioners etc.** Careful consideration will need to be given to the advantages and disadvantages of co-insurance, co-payment, deductibles, spousal/dependants' benefits, full cost coverage of over-the-counter medications etc., in an effort to influence user behaviour and better manage costs. The team recommends that choice in health care provider is considered if client groups are assessed some form of payment.
2. While it sits outside the remit of this review, policies impacting the cost of health care for indigents need to be urgently addressed as indigent health care represents the highest cost per insured in the current CINICO client groups (see Table 1). The current arrangement whereby the DCFS determines eligibility for "indigent status" and costs for care are borne by the Ministry of Health provides no accountability for decisions. In recent discussions, the General Manager of CINICO recommended grouping Indigents, SHIC Plan holders, Seafarers and Veterans in a "Medicare" type plan with comprehensive but restricted care arrangements, particularly with respect to overseas care (e.g. access to UWI Mona (Tony Thwaites) private wing and two other US facilities only). The Review Team recommends that this option is explored as soon as possible.

3. There is a PoCS/CINICO Specific Plan Document which spells out health insurance benefits for Civil Servants in a detailed specific manner - this document which is the actual Operating Agreement awaits review and sign off by PoCS. PoCS manages all specific eligibility criteria for which there needs to be a defined set of rules which comply fully with the present CI Health Insurance Laws and Regulations. If current problems with the eligibility databases were to be corrected it appears that this would result in some savings in premiums. Over the years, the roles and responsibilities of CINICO versus the PoCS and the PSPB appear to have become muddled; clarity is required.
4. There is also a need for a strict operating agreement between CINICO and the HSA to eliminate claims that are not covered for a variety of reasons.
5. The Review Team submits that the main, and perhaps most critical, issue for CINICO is the lack of a clear strategic focus and plan. CINICO needs to operate within the context of a **National Health Policy** which would guide its strategic focus and direction. As the matter of conflict of interest with respect to private sector members of the Board, as well as the degree of political influence over operational management decisions, have been raised as potential concerns, the Review Team submits that alternative governance models for health insurance provision for existing CINICO clients should be investigated - for example, the creation of a National Health Care Council comprising of representatives from the Ministry of Health, HSA, DCFS, PSPB, PoCS, Seafarers and Veterans Associations and relevant legal and financial representation which could replace the existing Board and be more strategic in focus. This could then leave operational decisions in the hands of CINICO's management who would need to be held accountable through tight and responsive performance management arrangements. Increased representation of main stakeholders on the Council/Board would facilitate better communication, integration of IT systems, and coordination of health care policies and service delivery.
6. Whatever strategic direction is decided upon, the organisation must have adequate, properly trained personnel, and there must be redundancy in key technical functions - something which is currently missing. Computer systems (software and hardware) that optimise communication and data exchange between CINICO and its main clients, as well as between CINICO and the off-island TPAs are also necessary. Eligibility databases need to be coordinated and rationalised. Local and overseas databases need to be interfaced. A robust disaster response plan is also required.
7. The recent (2008) Oliver Wyman Sustainability Study and the Confidential Report to the Board on the internal operations of CINICO both contain valid recommendations which should be examined for implementation within the context of a National Health Policy.

## Profile of Services Delivered by Cayman Islands Health Insurance Company

CINICO provides one service (the provision of health insurance) to a range of client groups. The table below disaggregates CINICO's annual budget into cost per client group.

### CINICO – 2009/10 Budgeted Expenditure \$51 m

Description of Service (Client Groups)	Customer	Statutory Y/N	Private Sector Available (Y/N/P)	Cost per annum	No per annum	Cost of service per insured per annum	Who Pays (C/P/J)	Profit /Subsidy	Discontinue Service (Y/N)
	Primary								
A: Provision of health insurance coverage to various clients (A1 through A6)	CIG	Y	Y	\$51.4M	13,279 persons	\$3,870	J	0	N
<b>A1: Civil Servants</b>	CIG	Y	Y	\$28.3M	7,944	\$3,562	C	0	N
<b>A2: Seafarers/Vets</b>	CIG	Y	Y	\$5.4M	1,153	\$4,683	C	0	N
<b>A3: Pensioners</b>	CIG	Y	Y	\$14.2M	1,754	\$8,095	C	0	N
<b>A4: Govt. entities</b>	Entity	Y	Y	\$0.9M	242	\$3,719	J	0	N
<b>A5: SHIC Groups</b>	Private individual (uninsurable or low income)	Y	N	\$1.9M	954	\$1,992	P	0	N
<b>A6: Indigents (admin costs only)</b>	CIG	Y	N	\$0.4M (N.B. Min of Health contributes an additional \$20M - \$12M in overseas care costs and \$8M to the HSA)	1,228	\$326 (Total cost - \$16,612 per insured )	C	0	N

## A: CINICO – PROVISION OF HEALTH INSURANCE

Customers	Cost (Budget 2009/10)	Recommendation for service	Recommendations	Est. Value \$millions
Civil Servants, Seafarers, Vets, Pensioners, SHIC plan holders, Govt. entities	51,141,626	Continue	1. In-source TPA's	\$1.5 - \$2
			2. Explore \$20 co-pay on dental and pharmacy for existing Civil Servants	\$3
			3. Increase specialised staff at HSA for CINICO's top 2-3 claim components	\$2.7

### Related Broad Outcome

Broad Outcome 5: Improving Healthcare

### Value for money/cost

Based on a recent Benchmark Analysis carried out by Willis Re using AM Best metrics, CINICO's 2008/9 financial performance and comparison with similar-sized health insurance providers CINICO's benefits paid to premium ratio and expense to premium ratio compared well with comparably sized companies. From an expense standpoint therefore CINICO appears to be operating efficiently.

### Staffing

The present staff complement of seven includes a General Manager (GM) with supervisory responsibility for four other persons and a Chief Financial Officer (CFO) with responsibility for one person. The post of

Chief Executive Officer (CEO) has been vacant for about two years.

### Management/Staffing Ratios

Management to staff ratio is almost 1:1 (i.e. 3 management positions and 4 staff positions)

### Quality

Customer Focus groups identified barriers with operational policy (lack of clarity on main stakeholder roles) and service delivery (conflicting advice).

### Process Observations

Eligibility databases need to be coordinated and rationalised. Local and overseas databases need to be interfaced. Customers have expressed desire for e-business approach.

### Structure

Organisational structure appears to be top-

heavy with the inclusion of a GM and CEO. Investigate need for both.

### Laws and Regulations

Operates under Health Insurance Law (2005 Revision).

### Other Observations

There is an urgent need for a National Health Plan which would guide CINICO's strategic focus. Several policy level recommendations have been made which have the potential to significantly influence and control costs over the long term.

*OBSERVATIONS ON THE IMPACT OF THE PUBLIC MANAGEMENT AND FINANCE LAW, PUBLIC SERVICE MANAGEMENT LAW, AND FREEDOM OF INFORMATION LAW*

The review team could find no obvious impact of either of these pieces of legislation.

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*CINICO APPENDIX A: AGENCY TEAM*

**The Agency team which provided the Source Data comprised:**

General Manager (CINICO) – Carole Appleyard

Chief Financial Officer (CINICO) – Frank Gallippi

Chairman of the Board – Dale Crowley

Deputy Chairman – Seamus Tivnan

HSA – CEO, Medical Director and other representatives

Stake holder groups – PSPB, PoCS, DCFS, and Ministry of Health