



Professional Examination 3

24 November 2004

FINANCE AND MANAGEMENT CASE STUDY

Time allowed - ½ hour

From 12.40 p.m. to 1.10 p.m.

Candidates will be allowed five minutes reading time from 12.35 p.m. to 12.40 p.m.

All questions must be answered.

The case study has been prepared on the assumption that candidates will not necessarily have a detailed knowledge of the type of organisation to which it refers. No additional merit will be accorded those candidates displaying such knowledge.

The weightings for each question are indicated in the parentheses at the end of the question.

Candidates will be allowed to submit, as part of their script, work performed in the morning session, but they should distinguish clearly between work supporting their script and that which is to be considered a part of it.

NOTES TO CANDIDATE

- (i) Answers to be prepared as on 24 November 2004 by Taylor Woodrow, Projects Officer in the DLR's Audit and Projects Team.
- (ii) The question below is intended to test the candidate's understanding of the situation in the case.

QUESTIONS

- 1. Draft a briefing note for the Under-Secretary (Central Support) on the issues raised in the parliamentary question from the Honourable Tess Coe EMF, as requested in the attached memorandum. (20%)

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DLR MEMORANDUM

FROM ~ Under-Secretary – Central Support – Will Worths
TO ~ Head of Finance – Abbie National
DATE ~ 24 November 2004

Parliamentary Question

I attach a copy of a parliamentary question that was tabled this morning by the Right Honourable Tess Coe EMF, the sitting member for the City constituency and a member of the opposition. The question has been drawn to be answered and the DLR Secretary of State will be required to respond at Parliamentary Question Time this afternoon on behalf of the Prime Minister.

As the issues raised in the question are largely of a financial nature and related to insurances, I should be grateful if your Projects Officer would produce an initial draft response to all the points raised incorporating any relevant analysis, so that I can finalise the response for the Secretary of State immediately after lunch.

Will Worths

Under-Secretary



Parliamentary Question by the Honourable Tess Coe EMF

Sir,

My by-election victory earlier this month in Gilt Town's City ward means that I represent many of the major commercial undertakings in Bearbados. I am duty bound, therefore, to take a particular interest in the rapidly developing financial services industry. On this latter topic, I am extremely concerned about a number of issues that have come to my attention in the last week and I should be grateful for the comments of the Honourable Member for Bondingham West, the Secretary of State for Local Resourcing, on the following.

1. Under his Government's policy of "Harvesting Maximum Value" (HMF), the Right Honourable Gentleman introduced an objective in 2000 for Government Departments to externalise or outsource commercial undertakings to private sector enterprises, a policy that myself and my party strongly support. However, I now hear from my contacts within Government that the DLR's insurance policies, previously all outsourced to the DFS Group, a company with its offices in my constituency, are now to be brought largely in-house and operated through your Central Support Division. What are the driving forces for these changes and where is the logic for them? Surely the private sector, with its greater expertise and resources, is better equipped to cover risk exposure. What happens if there is a major disaster? Meeting such losses could have a significantly adverse impact on front-line services. I even understand that a new Section is being created to handle insurance!
2. I further understand that a few specialist policies will still be placed externally, simply because these are too technical for the DLR to handle, and that these will be given to the current provider, DFS. Whilst I have no problem with DFS as a company, is not this also contrary to the Government's policy of competition and possibly illegal under the FSA Procurement Regulations?
3. I now move to the alleged implications of his actions. My contact within the DLR tells me that, at a time when inflation is running at below 3% according to ARM, the DLR Insurance budget is being increased by a massive 15% to pay for the new arrangements. What evidence is there to support such an increase? Taking this one step further, I understand that the insurance bill for the Ministry of Environmental Services is to increase by over 38% next year – from £820,000 to £1,130,000. Is this level of increase typical of other Ministries? If so, it surely represents a clear switch of valuable resources away from front-line services. What justification is there for yet another example of this Government's addiction to extra administration?

Whilst I accept that the policy on insurance is now a "fait accompli", an explanation and justification of these decisions would be appreciated.

END