

**IMPLEMENTATION  
BODY**

**Public Service Agreement 2010-2014**

***First Progress Report***

**June 2011**

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## Chairman's Foreword

On behalf of the Implementation Body I am pleased to submit the first report on progress under the *Public Service Agreement 2010 -2014*.

When established in July of last year the Body was very conscious that there would be significant challenges in delivering on the potential of the Agreement to deliver better public services with fewer people and less resources. Since then the need to reduce the cost and improve the efficiency of the public service has become even more imperative.

In that context, achieving the flexibilities and reforms set out in the Agreement is critical to the goal of maintaining and, where possible, improving the services needed by so many people and business in this country. This report shows that, in the first year of the Agreement, a good start has been made.

It is, of course, not the role of the Agreement or of the Body to make decisions on the reforms that need to be made or the structures that should deliver them, or on the size and scope of the public service. But the Agreement can enable decisions made by Government on those matters to be implemented with the co-operation of staff and their representatives in a climate of industrial peace. I am optimistic that over its four years, the Agreement will meet this challenge.

Since taking on the Chair role I have been very encouraged and impressed by the support and commitment of my management and union colleagues on the Body. Their genuine desire to make the Agreement work successfully has been evident at all times. Any issues referred to the Body have been resolved quickly.

I am grateful to the Chairs of the Sectoral Groups who have, and continue to, work hard to drive the reform agenda in each of the different sectors.

I would also like to acknowledge the essential work of the management and staff of the industrial relations/dispute resolution bodies who have been instrumental in ensuring the speedy resolution of issues referred to them.

I would like, on behalf of my colleagues and on my own behalf, to thank the small group of staff in the Secretariat located in the Department of Public Expenditure and Reform who have provided an outstanding support and backup service to the Body and to me personally.

A handwritten signature in black ink, appearing to read 'J. Fitz', with a large, sweeping flourish extending from the end of the name.

Chair

3rd June 2011

## Executive Summary

The *Public Service Agreement 2010-2014* provides for an annual review focusing on the sustainable savings generated from the implementation of the Agreement and of the agreements in each sector of the public service.

This is the first such annual review by the Implementation Body which was established in July 2010 to drive the implementation of the Agreement and the change agenda set out for each sector. The period covered by the review is the 12 months to end-March 2011. As well as reviewing the sustainable savings, a critical issue at this time, the review also assesses the progress being achieved on the implementation of the Action Plans developed for each sector (see [www.implementationbody.gov.ie](http://www.implementationbody.gov.ie) for full details of the progress reports submitted by each sector).

### Sustainable savings

The Body noted that Exchequer pay bill costs fell from a peak of €17.514bn in 2009 to €15.712bn in 2010, or €14.990bn, when the effect of the pension related deduction is factored in – a 14.4% reduction. A further reduction to €14.795bn is estimated for 2011, representing a 15.5% fall from peak by the end of 2011. The provisional gross Exchequer-funded public service pay bill cost for 2010 was €15.935bn. The estimate for the gross Exchequer-funded public service pay bill in 2011 is €15.712bn. Therefore, the minimum savings target for the Exchequer-funded public service pay bill is €223m for 2011, with a further saving of some €28m in the local government pay bill which is funded differently<sup>1</sup>.

**The Body established that estimated sustainable pay bill savings in the order of €289m had been achieved during the review period.** The saving was driven primarily by a 5,349 reduction in staff numbers but also other factors such as reductions in overtime costs (down 5.2%) and pay bill savings accruing from changed work practices, rationalisation etc. which are detailed in the Report.

**The Body concluded that the level of sustainable savings delivered during the first year of the Agreement has exceeded the targeted savings for the public service pay bill in 2011 outlined above.**

In addition, the Body found evidence that public service bodies are succeeding in generating significant non-pay cost savings through better use of resources – re-organising work and achieving greater internal efficiencies. These non-pay savings, which are detailed in the Report, arise in such areas as property rationalisation, reducing the costs of purchasing goods and services and changes in the way services are delivered. **The value of the reported non-pay savings detailed in the Report (which are not exhaustive) is some €308m.** The report also provides some examples of initiatives taken by public bodies which have led to **costs of €85.7m being avoided** which would otherwise have been incurred.

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<sup>1</sup> Estimate provided by Departments of Public Expenditure and Reform and Environment, Community and Local Government.

The Agreement allows for the engagement of external financial advisors. This involves a review of the methodology, quantification and estimation used by public service managements to identify savings that have been achieved and savings that will be achieved as a result of agreements reached.

The Body engaged independent external auditors, MKO Partners Ltd., following a tendering process, to undertake independent verification of reported savings for a sample of three projects. A copy of their report is being published in conjunction with this Report. Its main findings are that:

- all three of the sample projects evaluated have demonstrated a capability to facilitate verifiable savings;
- the Public Service Agreement is playing a significant role in facilitating the implementation of the savings initiatives in each case; and
- the indicative savings reported by public service management in the case of the three projects were found to be reasonable estimates of the savings that will arise if successfully implemented.

## **Progress**

The Implementation Body considers that the Agreement is a key enabler of economic recovery as it provides for:

- more productive public services underpinning wider economic recovery;
- more focussed public services to support citizens and business affected by the current downturn; and
- stability, certainty and a climate of industrial peace, contributing to the restoration of Ireland's reputation.

The Agreement provides the mechanism to secure the active co-operation of staff for the changes needed to ensure the significant ongoing reduction in numbers does not adversely impact on services. The Body noted that, since the Agreement was reached at the end of March 2010, there has been initial progress in achieving an increasingly integrated public service which is significantly leaner, more productive and more focussed on the needs of citizens and business.

The Body concluded that, in the first year of this four-year Agreement, the parties to the Agreement have made solid and measurable progress in meeting their commitments:

- in the period under review, numbers have fallen substantially, more quickly than previously estimated, and services have been maintained and in some cases expanded and productivity has increased.
- the cost of delivering public services has fallen in a sustainable way, primarily through reducing headcount across the public service, enabling the State to meet its external economic and fiscal commitments;

- thousands of staff have been redeployed, including across functional boundaries, which helped to meet two challenges - avoiding gaps in service as numbers reduced and changing the way in which public services are delivered to citizens and business;
- the reconfiguration of services has commenced.

Specific examples of the progress achieved by public service bodies under these headings are detailed in the Report.

The Body has also noted that industrial peace has been maintained across the public service during this period. This is not insignificant when contrasted with the escalating industrial unrest in the months preceding the Agreement.

### **Future challenges**

While acknowledging the progress made to date, the Body also calls for more urgency and ambition around the implementation of the further changes in public services needed to maintain services and, at the same time, secure further significant expenditure and payroll savings.

The Body is acutely aware of the very serious challenges confronting the country at this time. It recognises that, while the public finances appear to have stabilised in recent months, there remains a very significant gap between the State's revenues and its expenditures, giving rise to a borrowing requirement that is not sustainable. The State has made external commitments to achieve substantial savings in its expenditure by 2014, including savings of at least €1.2bn in the public service pay and pensions bill.

To achieve those savings, without further pay reductions or compulsory redundancies, it is imperative that savings and efficiencies are delivered urgently, while at the same time, ensuring to the greatest extent possible that quality public services are maintained. To maintain services as numbers continue to fall significantly and in line with the revised target reductions in the new Programme for Government, productivity in the use of resources will have to be greatly increased in 2011 through revised work practices, fundamental reform, more shared services, organisational restructuring across the system and greater innovation and flexibility, including much greater availability of online services. In addition, the Body fully expects that the development of an accelerated public service reform agenda will present additional challenges which will have to be met in the latter half of 2011.

The Body recognises that consistent efforts will be needed to face the challenges ahead and no sector can be allowed to lag behind. The Implementation Body will play its part in continuing to drive reform across the public service and will work to ensure that each sector plays its full part in implementing change and reform.

Across and within all sectors, the Body considers that progress must be significantly accelerated by all parties if implementation of the Agreement is to continue to be judged as being on track over the next reporting period.

# 1 Introduction

## KEY POINTS

- Agreement between Government and unions and associations representing public service staff
- Supports reform and re-organisation of public service which is now more urgent
- Commitments given on pay and job security, subject to flexibilities on deployment and work practices

The Public Service Agreement 2010 – 2014 (or “Croke Park Agreement”) between the Government and the Public Services Committee of the Irish Congress of Trade Unions (ICTU) and other Associations representing public service staff is designed to support the continued delivery and maintenance of high quality public services against a backdrop of reducing resources and staff numbers and to ensure that the public service continues its contribution to the return of economic growth.

The Agreement provides a framework for the parties to work together to create an increasingly integrated public service which is significantly leaner, more effective, and more focussed on the needs of citizens and business. In the Agreement, all of the parties accept that savings and efficiencies need to be urgently achieved and productivity increased through greater flexibility, reduced numbers of staff, redeployment, reconfiguration, restructuring and reform.

The initial focus has, understandably, been on reducing payroll and non-pay costs to enable the country to address its fiscal deficit. Experience in both the public and private sectors is that if costs are to be reduced substantially and quickly, reducing headcount and payroll costs is essential. This is even more so in service organisations where the bulk of costs are in payroll. As staff numbers continue to reduce significantly, the Agreement creates a framework to enable public service bodies, not alone maintain, but improve how services are delivered and organised.

The Agreement is a key enabler of economic recovery as it provides for:

- more productive public services underpinning wider economic recovery;
- more focussed public services to support citizens and business affected by the current downturn; and
- stability, certainty and a climate of industrial peace, contributing to the restoration of Ireland’s reputation.

In return for the delivery of the necessary savings and full co-operation with the Agreement, the Government gave the following commitments to serving public service staff:

- no further reductions in pay rates over and above those implemented in 2009 and 2010;
- no compulsory redundancies (where they did not already exist) as long as staff continue to co-operate fully with necessary flexibilities and redeployments; and
- an extension of the period within which the pay reductions are disregarded for the purposes of calculating pensions.

The Agreement also provides a framework for public service pay determination until 2014. The Government committed to reviewing the position concerning pay, including any outstanding adjudication findings, in Spring 2011 in accordance with the statutory requirement under the Financial Emergency Measures in the Public Interest Acts of 2009 to review the operation, effectiveness and impact of the Acts before the 30<sup>th</sup> June 2011, and every year thereafter. In addition to the criteria set out in those Acts, the review will take account of sustainable savings generated from the implementation of the Agreement. The Government further committed that, in the event of sufficient savings being identified, priority would be given to public servants with pay rates of €35,000 or less in the review of pay which will be undertaken by the parties to the Agreement at that stage.

The Agreement also provides for the speedy utilisation of existing dispute resolution procedures (Labour Relations Commission (LRC), Labour Court, Conciliation and Arbitration Schemes) and contains tight and strict timelines for processing disputes that cannot be resolved in direct discussions between the parties. Where the Parties cannot reach agreement in direct discussions on any matter under the terms of the Agreement within 6 weeks, or another timeframe set by the Implementation Body to reflect the circumstances or nature of the particular matter, the matter is referred by either side to the LRC and, if necessary, to the Labour Court, or through the Conciliation & Arbitration Scheme if applicable. The outcome from the industrial relations or arbitration process is final and binding on all of the parties. Such determination(s) are made within 4 weeks, or such other timeframe set by the Implementation Body to reflect the circumstances or nature of the particular matter.

## 2 Status of the Agreement

### KEY POINTS

- Background to the Agreement was one of escalating industrial action in the public service
- All unions/associations now cooperating with the Agreement

The Agreement was preceded by an escalating programme of industrial action by public servants in early 2010 in response to the pay reductions<sup>2</sup>. To address these issues and restore industrial peace, public service employers and the Public Services Committee of ICTU participated in discussions facilitated by Kieran Mulvey and Kevin Foley from the Labour Relations Commission. With their assistance, agreement was reached on the Public Service Agreement 2010 -2014 or “Croke Park Agreement” in March 2010.

Following a clarification issued by the facilitators in May 2010, the Public Services Committee of ICTU voted on 16<sup>th</sup> June 2010 to ratify the terms of the Agreement. Constituent unions have now accepted the terms of the Agreement through ballots or otherwise. Two non-affiliated unions/associations, the Psychiatric Nurses Association (PNA) and the Irish Hospital Consultants Association (IHCA) have also accepted the terms of the Agreement.

The staff representative associations for An Garda Síochána and the Defence Forces are not affiliated to ICTU but, in a parallel process of engagement, agreement was reached with them on a reform agenda for those sectors. The terms of the Agreement have since been endorsed by the relevant associations.

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<sup>2</sup> The CSO estimated that in 2009 public service disputes accounted for some 75% of total days lost to industrial action; 237,268 days were lost to the one day of industrial action across the public service in November 2009 alone.

## 3 Implementation Body

### KEY POINTS

- Terms of reference and membership of Implementation Body and sectoral structures
- Independent verification arrangements

### 3.1 Membership

The Agreement provided for the establishment of an Implementation Body to oversee progress of the agreed measures across the entire public service. Mr. P.J. Fitzpatrick, was appointed in July 2010 as the independent non-executive chairman, together with nominees from Public Service Management and the Public Services Committee of ICTU.

Public Service Management are represented by Mr. Robert Watt<sup>3</sup>, Mr. Michael Errity<sup>4</sup>, Mr. Philip Kelly and Ms. Oonagh Buckley. The Public Services Committee of the Irish Congress of Trade Unions is represented by Mr. Shay Cody, Mr. Tom Geraghty, Ms. Sheila Nunan and Ms. Patricia King. Mr Colin Menton is Secretary to the Body and the Secretariat is located in the Department of Public Expenditure and Reform.

### 3.2 Functions

The Body's terms of reference are:

- to drive the implementation of the Agreement and its sectoral components;
- to monitor and review progress on the implementation of the reform agenda for each sector;
- to cost and verify savings achieved from the implementation of the Agreement and its sectoral components;
- to deal with the resolution of implementation issues as they arise;
- to provide a forum for the interpretation of implementation difficulties arising from the relevant sectoral agreements;
- to appoint, where necessary, suitable persons to promote the process of change or to provide mediation or arbitration in the relevant sector on a case by case or standing basis; and
- to report on progress to Government. This is the first such report.

<sup>3</sup> Replaced Mr. Ciaran Connolly who retired in May 2011

<sup>4</sup> Replaced Mr. Brendan Duffy who retired in March 2011

### **3.3 Sectoral implementation structures**

Sectoral Groups have been established by the National Implementation Body to assist both employers and unions to progress implementation of the Agreement in the following sectors:

Health Sector Group	Chair: Mr. Pat Harvey
Education Sector Group	Chair: Mr. David O’Callaghan
Local Government Sector Group	Chair: Mr. Dan Murphy
Prison Service Sector Group	Chair: Mr. Michael McLoone
State Agency Sector Group	Chair: Mr. John White
Civil Service Sector Group	Chair: Ms. Anna Perry

In addition, separate parallel arrangements have been put in place for the Defence Forces and for An Garda Síochána. The Chairman of the National Implementation Body chairs these Groups.

### **3.4 Independent verification**

The Agreement allows for the engagement of external financial advisors to undertake independent verification of reported savings. This involves a review of the methodology, quantification and estimation used by public service management to identify savings that have been achieved and savings that will be achieved as a result of agreements reached.

The Implementation Body decided to use this provision of the Agreement and independent external auditors, MKO Partners Ltd., were engaged, following a tendering process, to carry out three sample validations. A copy of their report is being published in conjunction with this Report. Its main findings are that:

- all three of the sample projects evaluated, have demonstrated a capability to facilitate verifiable savings;
- the Public Service Agreement is playing a significant role in facilitating the implementation of the savings initiatives in each case; and
- the indicative savings reported by managements in the case of the three projects were found to be reasonable estimates of the savings that will arise if successfully implemented.

## 4 The strategic environment and the wider context

### KEY POINTS

- Part of Ireland's response to the economic crisis
- Significant savings already secured in the last 3 years in the public service pay bill
- Requirements of the National Recovery Plan, EU/IMF Programme for Financial Support and new Programme for Government

### 4.1 Strategic response to the current crisis

The Irish economy has experienced an extremely sharp downturn with GDP declining nearly 15% from the peak in 2007. The Department of Finance forecasts GDP growth of 0.8% in 2011 and 2.5% in 2012. Growth this year and next will be export driven, reflecting significant competitiveness improvements and a stronger global economy. However, the ongoing adjustment in the internal economy – notably necessary fiscal consolidation and an unwinding of private sector imbalances - means that domestic demand will take longer to recover. Export led growth will not immediately feed through to the labour market and, unfortunately, unemployment is expected to average 14.4% in 2011 and 13.7% in 2012.

The Public Service Agreement is a key component of the broader strategic response to the current economic crisis as reflected in the *National Recovery Plan 2011-2014*, the *EU-IMF Programme of Financial Support for Ireland* and the new *Programme for Government 2011*.

The Agreement acknowledged the contribution that public service staff had already made towards economic recovery through:

- non-payment of the general round pay increases under the terms of the *Towards 2016 Review and Transitional Agreement*, which in 2010 would have cost in the region of €990m;
- the general moratorium on recruitment and promotion, which has applied to most of the public service, and incentivised early retirement and career break schemes (as a result of which numbers employed in the public service have dropped by over 16,400 on end 2008 levels);
- the pension related deduction of an average of nearly 7% which was applied to all the earnings of all public service staff, which in 2010 saved around €945m; and
- the reduction of between 5% and 20%, depending on salary level, applied to the rates of pay and allowances for public service staff under the terms of the Financial Emergency Measures in the Public Interest (No. 2) Act, 2009, which in 2010 saved over €1bn.

In addition, a number of other measures have been introduced by the Government since the Agreement was finalised which will yield further significant savings. These include the 10% pay reduction for new entrants to the public service and deductions from existing public service pensions. New legislation for a single public service pension scheme will be published shortly.

The overall impact of these measures combined with numbers reductions and other pay savings and their impact on Exchequer pay bill costs over the period 2009/2010 is summarised in Table 1 below.

The pay cut and pension related deduction, together with the reduction in numbers and other measures to reduce pay costs, have reduced the gross Exchequer pay bill from a peak of €17.514bn in 2009 to a €15.712bn in 2010, or €14.990bn when the effect of the pension related deduction is factored in – a 14.4% reduction. The Table also shows the projected 2009-2011 decrease in Exchequer Pay Costs is 15.5% to €14.795bn.

**Table 1: Exchequer Pay Costs 2009-2011<sup>5</sup>**

**Exchequer Pay Costs 2009-2011**

	2009	2010 (Prov.)	Decrease 2009-2010	% Decrease 2009-2010	2011 (Est.)	Projected Decrease 2009-2011	Projected % Decrease 2009-2011
	€m	€m	€m		€m	€m	
<b>Exchequer Pay Bill (Gross)</b>	€17,514	€15,935	€1,579		€15,712	€1,802	
<b>Pension Related Deduction (PRD)</b>	€837	€945			€917		
<b>Pay Bill Net of PRD</b>	€16,677	€14,990	€1,687	<b>-14.4%</b>	€14,795	€1,882	<b>-15.5%</b>

Source: Department of Finance/Public Expenditure & Reform

The Exchequer pay bill does not include the Local Government pay bill cost which is funded differently.

**4.1.1 National Recovery Plan**

The *National Recovery Plan 2011-2014*, contains a range of measures designed to return public spending to a sustainable level and expedite economic recovery. The Plan contained a target to reduce public service numbers to 294,700, a 25,000 reduction, by the end of 2014. The Plan also stressed the importance of the full implementation of the Public Service Agreement in an environment of significantly reduced staff numbers so as to ensure the achievement of a much leaner, more efficient and reformed public service; enhanced competitiveness; and the delivery of better services to citizens and business.

<sup>5</sup> The gross cost of the Exchequer pension bill has risen by 14.3% in this period. This increase is associated with the payment of superannuation benefits (pensions) in the normal course to a growing number of retired public servants. A relatively small element (and one which declines over time as the early retirees reach the age at which they would have retired in any event) of the total is attributable to early retirement programmes, such as the ISER, which operated in this period.

#### **4.1.2 EU/IMF Programme of Financial Support**

The *EU/IMF Programme of Financial Support*, published on 16<sup>th</sup> December 2010, underlined the importance of reducing public service numbers (through natural attrition and voluntary schemes), adjustments in public service pensions and further current savings from streamlining government programmes and through administrative efficiencies, in the context of safeguarding the public finances. Furthermore, this Programme states that by the end of Quarter 3, 2011, “*the Government will consider an appropriate adjustment, including in the overall public service wage bill, to compensate for potential shortfalls in the projected savings arising from administrative efficiencies and public service number reductions*”.

#### **4.1.3 New Programme for Government 2011**

The Programme for Government 2011 provides that numbers in the public service will be further reduced by between 18,000 and 21,000 by 2014, compared to the total numbers employed at the end of 2010, and by a further 4,000 by 2015. The Comprehensive Spending Review provided for in the Programme for Government is currently underway and involves a root and branch evaluation of the expenditure of all Departments and of all bodies/agencies within their remit. This reflects the urgent requirement to ensure that savings are secured from all areas of public activity, and resources redirected towards priority areas and the protection of front line services. The objective of this review is to provide the Government with a comprehensive set of options:

- to meet the overall fiscal consolidation objectives, in relation to both spending and numbers reduction targets;
- to re-align spending with the priorities in the new Programme for Government; and
- in this context, to consider new ways of achieving Government objectives throughout an ambitious agenda for public sector reform.

## 5 The Agreement as an enabler of public service reform

### KEY POINT

- Agreement is an unprecedented opportunity to enable the implementation of the major changes needed in all public service bodies

Given the economic difficulties confronting the country, it will be necessary for public service staff to deliver services with substantially less resources and fewer staff. Public service staff must continue to support those in need, particularly those affected by the collapse in employment through implementation of the range of measures recently announced by Government designed to re-direct resources towards employment creation - making it easier for employers to create jobs, boosting activity in those areas of the economy likely to generate new jobs, and equipping our people to take up these job opportunities as they arise. Many of these measures will require substantial effort and innovation from public service managements and their staff if they are to be successfully delivered.

The Implementation Body considers that the Agreement is a key enabler for achieving the targets outlined in the strategic frameworks referred to in Chapter 4 which contain an ambitious agenda to reform the public service. It can help to deliver a leaner, more cost-effective and citizen/business-focussed public service, importantly, in a climate of industrial peace and stability.

For example, the flexibility, redeployment and changes to work practices provided for will enable significant staff number reductions, while maintaining satisfactory levels of service to the citizens and to business at a time when such services are more essential than ever before.

The Agreement provides an unprecedented opportunity to fundamentally transform our public services and their delivery. The changes and reforms contemplated cannot be imposed on over 300,000 people without their involvement and active engagement and that of their union representatives, and without proactive and ambitious leadership at every level in public service bodies.

Unions have fully accepted that the guarantees the Government have given to avoid further pay reductions and/or compulsory redundancies are dependent on driving forward implementation of the programme of modernisation, improvements and productivity. Most staff welcome the opportunity this agenda presents. That is not to ignore that change may be difficult for individuals, involving adjustments to longstanding work arrangements, new and challenging targets, the need to rapidly acquire new skills and, in some cases, loss of income as remuneration structures change. The challenge for public

service managers and union representatives is to ensure staff understand the provisions of the Agreement and the urgency associated with its implementation.

The scale of the task should not be underestimated. Implementing major change and reform in one organisation or company is difficult. Implementing major change and reform across all public service bodies simultaneously is extremely challenging for all involved.

The Body is strongly of the view that implementation of the commitments in the Agreement and the delivery of the scale of reform envisaged and required will need exceptional leadership, creativity and flexibility from management, staff, and their trade union representatives.

## 6 Progress

### KEY POINTS

- Sustainable reduction in pay bill costs and public servant numbers, in particular at management level
- Other non-pay savings being delivered
- Major redeployment of public servants underway
- Service reconfiguration and substantial changes to work practices agreed

This section of the Report deals with progress to date. The Agreement provides for annual reviews (Paragraph 1.16), focusing on the “*sustainable savings generated from the implementation of the Agreement and of the agreements in each sector*”. In addition, it was envisaged that there would be regular reporting of progress on the implementation of the Action Plans developed for each sector.

This is the first such review. The period covered is the 12 months ending March 2011.

In reviewing progress under the Agreement, the Body took account of those measures arising directly from commitments in the Agreement, and those measures which may have been decided earlier but whose implementation is dependent upon the co-operation and flexibilities required of staff under its terms.

### Targeted savings

As noted in Table 1 in Chapter 4 the provisional gross Exchequer-funded public service pay bill costs for 2010 was €15.935bn. The provision under the *National Recovery Plan 2011-2014* is for an estimated gross Exchequer-funded public service pay bill in 2011 of €15.712bn.

There is, therefore, a minimum savings target for the Exchequer-funded public service pay bill of €223m for 2011, with a further saving of some €28m in the local government pay bill, which is funded differently<sup>6</sup>.

The Agreement provides the framework for delivering sustainable savings in the cost of delivering public services through:

- progressive **reductions in pay bill costs and staff numbers**;
- extensive **redeployment**; and

<sup>6</sup> Estimate provided by Departments of Public Expenditure and Reform and Environment, Community and Local Government.

- **reconfiguration of the design and delivery of public services** and changes to work practices.

This report reviews the sustainable savings and progress achieved to date under the Agreement, in the context of the savings target above, under each of these headings.

## 6.1 Reduction in pay bill costs and staff numbers

The estimated total sustainable pay bill savings made through reductions in staff numbers and other savings in the public service pay bill is in the order of €289m per annum in respect of the 12 months under review. The total reduction in the number of public servants during the 12 months under review was 5,349. Table 2 below shows a breakdown of the actual numbers reduction and the sustainable pay bill savings by sector.

**Table 2: Sustainable Payroll Savings<sup>1</sup>**

	2010 Qtr 1	2011 Qtr 1	Numbers Reduction	Estimated Sustainable Payroll savings by sector (per annum).
<b>Civil Service</b>	36,622	35,806	816	
<b>State Agencies</b>	12,011	11,876	135	
<b>Total</b>	<b>48,633</b>	<b>47,682</b>	<b>951</b>	<b>€54,207,000</b>
<i>Offset by CWS<sup>2</sup></i>		957	-957	€54,549,000
<b>Health</b>	<b>109,844</b>	<b>105,664</b>	<b>4,180</b>	<b>€238,260,000</b>
<b>Defence</b>	<b>10,670</b>	<b>10,445</b>	<b>225</b>	<b>€12,825,000</b>
<b>Justice</b>	<b>15,054</b>	<b>14,686</b>	<b>368</b>	<b>€20,976,000</b>
<b>Education</b>	<b>92,881</b>	<b>93,607</b>	<b>-726</b>	<b>-€41,382,000</b>
<b>Total</b>	<b>277,082</b>	<b>273,041</b>	<b>4,041</b>	<b>€230,337,000</b>
<b>Local Authorities<sup>3</sup></b>	<b>31,724</b>	<b>30,416</b>	<b>1,308</b>	<b>€58,860,000</b>
			<b>5,349</b>	
				<b>€289,197,000</b>

**Notes:**

1. Payroll Savings are calculated on average annualised savings per employee arising from the reduction in numbers during the review period of 5,349 (employee number reductions arise at different times during the year). It

includes savings due to numbers reductions and other reductions in the cost of the public service pay bill. (e.g. in overtime, allowances etc, - highlighted in section 6.1.1 below).

2. Redeployment of 957 staff from the Health Sector to the Civil Service reduces the saving in the Civil Service sector but creates a corresponding additional equivalent saving in the Health Sector.
3. Local Authority staff costs are not included in the Exchequer Pay Bill and are funded separately
4. Figures supplied by Department of Finance/Public Expenditure & Reform

A key objective for Government is to reduce the size of the public service substantially by 2015. Paragraph 1.4 of the Agreement states that *“In order to sustain the delivery of excellent public services alongside the targeted reduction in public service numbers over the coming years, the Parties accept that efficiencies will need to be maximised and productivity in the use of resources greatly increased through revised work practices and other initiatives”*.

The active and full co-operation of staff is vital to enable bodies to reduce staff numbers and, at the same time, maintain services – especially at a time when citizens and business are more reliant on public services than ever before. The Agreement provides for that level of co-operation.

Figures published by the Department of Public Expenditure and Reform (Finance) on 6<sup>th</sup> May 2011, based on the quarterly return to the EU/IMF/ECB, show that there has been a reduction of in excess of 16,400 in the number of public servants from the end of 2008 to date. Of that total, the reduction over the period under review was 5,349.

This reduction was achieved through voluntary means, including normal or accelerated retirements, the application of existing or incentivised exit mechanisms, combined with strict application of the moratorium on recruitment and promotions. It should be noted that recruitment is still permitted for some frontline positions (e.g. teachers and social care workers) and that, in the absence of recruitment in these areas, the fall in numbers would have been significantly greater.

Targeted voluntary redundancy and voluntary early retirement schemes were offered to selected categories of staff in the Health sector. Under these programmes, 1,626 whole time equivalent staff (WTEs) or 2,025 people left the public health service. The purpose of both schemes was to achieve a permanent reduction, particularly in the numbers of management/administration and general support staff, and to facilitate ongoing health service reform. The gross pay bill saving from this scheme in 2011 is in the order of €79m<sup>7</sup>.

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<sup>7</sup> Costs of the Pension Scheme will increase by €14m as a consequence of these retirements. One-off costs of €99m for lump sums and statutory redundancy were paid in 2010.

### **6.1.1 Other pay bill reductions**

#### **KEY POINTS**

- Overtime payments down by 5.2% (or €6.3m) over the period
- Revised working arrangements in hospital laboratory services to deliver €5m pa in savings
- Estimated payroll savings of €17m in 2011 from reconfiguration of Department of Agriculture local offices (increasing to €25.5m per annum when this re-organisation is completed in 2012)

The overall value of the sustainable pay bill reductions set out in Section 6.1 are inclusive of reductions being delivered in the cost of other elements of the pay bill, examples of which are detailed below:

**Overtime payments** to deal with work peaks have fallen substantially since 2008 and by a further **5.2%** (or €6.3m) during the period under review.

In the Health Service, agreement was reached in early 2011 on revised terms for provision of **hospital laboratory** services outside normal working hours. The agreement provides that some 3,000 staff may now be rostered between 8am and 8pm from Monday to Friday. This combined with a new payment structure for out-of-hours emergency work is conservatively estimated to deliver **€5m in savings in 2011**. Once off compensation for loss of earnings, payable only after actual losses to staff concerned have been incurred and verified, was determined by the Labour Court and is estimated to be in the region of €7.5 million phased over 2 years <sup>8</sup>, which is consistent with other Labour Court determinations.

The **Department of Agriculture, Food and Marine** is undertaking a complete **re-configuration and restructuring of its local offices**, closing 42 offices entirely and putting in place 16 enhanced regional offices. This programme is well advanced, with 10 offices closed, 32 partially closed, and is scheduled to be completed by the end of 2012. The financial savings from this re-organisation are significant and for 2011 the reduction in payroll costs is estimated to be in the region of **€17m**. From 2012 onwards, sustainable pay bill savings are estimated to be in the region of €25.5m.

In the **Education Sector**, there has been a **reduction of in the order of 2,000 responsibility posts** in primary and post-primary schools, with a **consequential saving**

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<sup>8</sup> The Labour Court (Ref. LRC19995) recommended the following *compensation for loss of earnings and phasing arrangements*: Compensation for actual loss of earnings arising from the new arrangements be calculated on the basis of 1.5 times the actual loss. The level of loss should be established in each case by comparing earnings in a full twelve month period in which the new arrangements has been in operation with a corresponding period in which the current system operated. The detailed arrangements in that regard should be agreed between the parties. In terms of phasing the Court recommends that a first moiety of 50% of the compensation due should be paid 12 months after the new arrangement become operational. The remaining 50% of the amount due should be paid six months thereafter.

**in the order of €10 million annually.** These posts broadly equate to promotion posts in teaching and their number will continue to decline in line with the ongoing moratorium.

### **6.1.2 Slimming down management numbers**

The Body has noted the overall reduction in public service staff of over 16,400 since the end of 2008, including 5,349 during the period of this review. The grade profile of the staff who have departed, and who have not been replaced, is also significant (see Appendix 1). There has been a greater reduction in the number of staff at management level during the period under review. In the Civil Service, for example, the number of Principal Officers has fallen by 7.2%, more than three times the overall percentage reduction. The senior management cadre (Assistant Secretaries and above) has fallen by 4.6% in the same period. While this is not unexpected given that the bulk of reductions were achieved by not replacing staff who retired, it increases the overall saving while simultaneously driving the reform of work practices. More staff are taking on work and functions previously done by colleagues or more senior grades.

Reducing the management cohort, a key priority of the recent incentivised departure schemes in the Health Service, is also evident with the numbers of management and administrative staff down by 7.4%. As noted above, new employment is still occurring in some key priority areas where additional or new skills are needed. For instance, the number of Health and Social Care Professionals has increased by 1.5% over the period.

Also, as noted in Section 6.1.1 above, there has been a reduction in the order of 2,000 responsibility posts in primary and post-primary schools. These posts broadly equate to promotion posts in teaching and their number will continue to decline in line with the ongoing moratorium.

### **6.1.3 Non-pay bill savings**

<b>KEY POINTS</b>
<ul style="list-style-type: none"><li>▪ The OPW achieved rental savings of €8.75m and sold property assets for in excess of €5m in 2010</li><li>▪ The Department of Agriculture, Food and Marine will achieve non-pay savings of approx €3m in 2011, increasing to €4.5m per annum when its programme of office rationalisation is completed</li><li>▪ The OPW secured savings of €8.8m in procurement and assisted a further €39m savings across Departments and Offices</li><li>▪ Local Authorities reported total non-pay savings of €81.1m</li><li>▪ The HSE succeeded in delivering savings of €126m across a wide range of overheads</li><li>▪ Projected savings of €33m in health service agency staff services in 2011</li><li>▪ The Department of Justice &amp; Equality achieved a reduction of over €2.5m in respect of the Direct Provision System in the first two months of 2011</li></ul>

In addition to facilitating the delivery of significant pay bill savings, the Agreement is also enabling the reconfiguration of work and the achievement of greater internal efficiencies and non-pay cost savings. It is clear to the Body that the public service can

generate significant savings by changing the way it does its business. Better use of resources can deliver substantial savings, without reducing services.

Under the Agreement, staff are co-operating with management in public service bodies to reduce operating costs and to ensure the State pays less for the goods and services it acquires. Some examples include:

- ***Reducing the cost of office accommodation***
  - The Office of Public Works (OPW) has surrendered office accommodation in excess of 27,000 square metres, yielding a rental saving of €8.75m, and sold property assets in excess of €5m in 2010.
  - The Department of Agriculture, Food and Marine is undertaking a complete reconfiguration of its local offices. This programme will deliver non-pay savings of around €3m in 2011, increasing to around €4.5m per annum once completed.
  - Further examples of office consolidation/reconfiguration are provided at Page 30 of this Report.
  
- ***A more efficient approach to travel***
  - Cork County Council has delivered savings of €500,000 in travel and subsistence paid to employees.
  - The Department of Foreign Affairs have extended the use of video conferencing facilities, including for the purposes of business interaction with Missions abroad resulting in estimated savings on telecoms of €300,000 over the review period.
  
- ***Reducing the cost of purchasing goods and services***
  - Staff are working to drive down costs across the public service through joint procurement initiatives with other public service bodies. For example:
    - The OPW have implemented standard frameworks for rapid tendering of commodity and specialist goods and services e.g. Energy Frameworks, Stationery Contracts, Office Machinery etc. resulting in savings of approximately €8.8m in 2010 and facilitating, through the National Public Procurement Unit, a further €39m savings across Departments and Offices.
    - Local Authorities have reported non-pay savings of €81.1m. For example, Fingal County Council have developed a combined energy tender with South Dublin County Council, delivering €4.1m in savings and Dublin City Council has delivered savings through more competitive procurement in waste disposal (€9.6m) and more competitive pricing on construction contracts (€3.4m).
  
- ***A more rigorous approach to achieving value for money and efficiencies***
  - The HSE has succeeded in delivering savings of **€126m across a wide range of overheads**, some €20m ahead of the €106m target for 2010. Significant savings

- were achieved, for example, in aggressive procurement of medical and surgical supplies (€18.5m) and catering (€7.5m).
- The HSE has made arrangements to reduce its expenditure in the area of **agency staff services**. **Savings of €33m in 2011 have been projected** based on delivery of agency staff services at the same volume as 2010.

- ***Reviewing priorities***

- The Department of Justice & Equality reviewed the operations of the Irish Naturalisation & Immigration Service including redeployment of staff to address backlogs in priority areas and achieved a reduction of over €2.5m in respect of the Direct Provision System in the first two months of 2011.

**The value of the non-pay savings which are detailed above is some €308m. This is not by any means an exhaustive list of the non-pay savings being made across the public service.<sup>9</sup>**

## **6.2 Redeployment**

### **KEY POINTS**

- Significant redeployments, including cross-sectoral redeployment, underway in accordance with the Agreement
- Community Welfare Service moved to Department of Social Protection
- Some large scale redeployments in the Civil Service
- New arrangements agreed to enable over a thousand teachers to be redeployed in primary and secondary schools

Flexible redeployment is critical to the Agreement's capacity to support the large reduction in staff, as explicitly provided for in Paragraph 1.7 of the Agreement. Without redeployment, gaps that appear due to retirements, departures etc. would have to be filled by recruiting replacement staff. Otherwise essential services could not be maintained. The Body is satisfied that proposals from managements to redeploy staff have been facilitated and co-operated with by staff across all public service bodies.

The Public Appointments Service (PAS) has put in place a system of Resource Panels to support redeployment and a website/online tool is being developed to support this.

The most significant cross-sectoral redeployment to date is the move of approximately 1,000 **Community Welfare Service staff** from the HSE to the Department of Social Protection at the beginning of 2011.

<sup>9</sup> The Secretariat will require that the comparability of non-pay savings be improved for future reporting periods.

In addition to this transfer, there has also been further large scale redeployment into the **Department of Social Protection** involving 507 staff from Government Departments, in response to the increased demands created by the very large increase in the Live Register within a very short space of time. Also, preparations are underway to move over 700 staff from FAS to the Department of Social Protection by the end of 2011.

These redeployments have enabled, and continue to facilitate, the Department to respond to rapidly increasing business volumes and are supporting the move to a more innovative and integrated approach to service delivery, underpinning the Government's priority agenda around activation and jobs. This will involve an integrated, case-managed service for individual citizens requiring the Department to move beyond its current role of income maintenance towards a new citizen-centred role that takes account of individual needs, skills and opportunities. Without the agreed arrangements for cross-sectoral redeployments under the Agreement, this would have been much more difficult to achieve.

As noted above, the **Department of Agriculture, Food and Marine** is undertaking a complete reconfiguration of its network of local offices to be completed by the end of 2012. To facilitate this re-organisation, 380 staff have been, or are in the process of being, redeployed to other areas of the Department and the wider public service.

The **HSE** has been progressing an extensive nationwide re-configuration of services and reallocation of resources with consequent redeployment of staff, aimed at prioritising front line service posts and supporting new services for the elderly and children (See the full sectoral report for the Health Sector on [www.implementationbody.gov.ie](http://www.implementationbody.gov.ie) for more details). Examples include:

- The relocation of Orthopaedic Services from St. Mary's Orthopaedic Hospital in Cork to South Infirmary Victoria University Hospital which is on target for September 2011. This involves the relocation and redeployment of approximately 220 staff of all grades.
- The redeployment of 60 staff on the closure of Heatherside Hospital in Cork and its relocation to a new site.

In the **Education Sector**, redeployment of teachers will be crucial to ensuring that the sector can respond to the major challenges it faces:

- A redeployment scheme for post-primary teachers which allows for surplus teachers in one school to be redeployed to fill vacancies in others has been agreed and will facilitate the redeployment of teachers in advance of the commencement of the 2011/2012 school year.
- A redeployment scheme for primary teachers who are surplus to requirements in schools was in place prior to the Agreement. Additional enhancements have now been agreed to reflect the expected significant increase in redeployment at primary level as recent budgetary staffing decisions are implemented. The number of permanent teachers for redeployment is estimated to be between 950 and 1,000 for the 2011/12 school year.

The Body has also noted that some smaller redeployments are significant in terms of demonstrating potential to free-up personnel for frontline services. For example, **An Garda Síochána** are increasing the number of civilian staff through redeployment of staff from elsewhere in the public service. One such recent redeployment was the transfer of staff from Government Departments to work as civilian call takers in the Garda Communications Centre.

In addition to the specific redeployments referred to above, the Body recognises that the fall in public service numbers has, of itself, necessitated extensive redeployments and restructuring. In the **Civil Service**, for example, this includes the redistribution of the work of the more than 3,000 staff who left and who were not replaced. Another such example was the extensive redeployment of staff following the departure of 2,025 staff under the voluntary early retirement scheme and voluntary redundancy scheme in the **Health Sector** in 2010.

The Body has also noted that the re-organisation of Ministerial responsibilities earlier this year also involves the transfer of significant numbers of staff between Departments. Apart from people moving with their functions to a new reporting structure there will be some redeployment of staff and reallocation of work between locations to facilitate the integration of offices. The Body also noted that there has been full staff co-operation with significant internal redeployment and reassignment taking place within individual Departments and agencies to meet service priorities and to manage the large reduction in staff numbers available to them.

The redeployment provisions of the Agreement have facilitated significant redeployment of staff to areas of greater need. This requirement will increase significantly with the ongoing reduction in numbers in the years immediately ahead.

### **6.3 Reconfiguring the design and delivery of public services and changing work practices**

#### **KEY POINTS**

- Work practices changing to increase productivity
- Local Authorities have reported costs avoided of €61.1m
- Redeployment of support/resource teachers will result in costs avoided of €50m in a full year (approximately €15m in 2011)
- The Irish Prison Service has avoided costs of €8.06m by managing increased prisoner numbers with reduced staffing
- Assessment of progress in delivering reconfigured services through centralisation of administration, sharing of services, increased use of eDelivery platforms and rationalisation

The Agreement is a key enabler of the programme for the fundamental transformation of our public services and their delivery to the public and to business.

This envisages fewer and leaner organisations, working more closely together to deliver better and more cost effective citizen and business centred services. This involves much greater integration of services with staff working across sectoral, organisational and professional boundaries.

It also involves developing innovative and more efficient ways of working and delivering public services, with much greater utilisation of latest ICT developments and online services.

It also involves driving costs down through a combination of:

- organisational rationalisation and restructuring;
- streamlining and simplifying systems, processes and procedures by utilising shared services and joint approaches to issues such as procurement; and
- minimising duplication by re-using data within the system, centralising processing, transaction and other functions and more risk-based approaches to inspection and enforcement activities.

The progress to date on the reform agenda set out in the Agreement and sectoral Action Plans is reviewed below.

### **6.3.1 Changing work practices and increasing productivity**

Many public servants are now working longer hours to boost productivity and to ensure improvements in the delivery of services to the public. The Body found evidence of efficiency gains with public services being maintained, and in some cases expanded or improved, with fewer resources. Examples include:

- The **Prison Service**, where prisoner numbers have risen by 11.5% in the period while staff numbers have remained broadly unchanged and significantly below previously agreed levels (by between 100-200).
- The **Higher Education** sector, where numbers employed in the Institutes of Technology are on course for a 7.5% reduction by December 2011, while student numbers have continued to rise (student numbers rose by 12.5% over the two years to end 2010). Similarly, Universities have seen their staff numbers drop by 6% in the two years to end 2010, while student numbers have risen by 3% over the same period.
- The **Health Service** which, despite major reductions in funding and staffing, has over the past year succeeded in delivering essentially the same level of service. The acute hospital area provides a good example of efficiencies achieved. Measures taken include shifting much elective care from inpatient to day activity and increasing rates of day-of-surgery admission. This enabled inpatient, day case

and outpatient activity to exceed the targets set out in the national service plan for 2010. Table 3 below indicates the trends in this regard.

**Table 3: Trends in Health Service activities**

	<b>2009 Outturn</b>	<b>2010 (provisional outturn)</b>
<b>Inpatient discharges</b>	593,000	586,000
<b>Day cases</b>	670,000	733,000
<b>Outpatient Day attendances</b>	3.35m	3.58m
<b>Emergency Dept. attendances</b>	1.12m	1.2m
<b>Births</b>	74,600	74,300

Source: HSE

Productivity increases are being driven by changes to work practices and the way in which work is organised – facilitated by the Agreement. Examples of such progress include:

- **Additional working hours in the Education Sector:** As well as enabling school managements to maintain services with reduced numbers and budgets, teachers and lecturers are working additional hours as provided for in the Agreement. In the case of schools, this means teaching time for students will be significantly increased as a wide range of school activities such as planning, training and meetings, including parent teacher meetings, are now be held outside of normal teaching hours thus eliminating the need for school closures and enabling parents to attend meetings without the inconvenience and cost of having to take time off from work. In the Institutes of Technology, Lecturers and Assistant Lecturers will have additional lecturing and contact time with students. These blocks of additional time, will be used to maintain and improve education delivery. Under the Agreement teachers and lecturers are providing additional hours as follows at no additional cost to the Exchequer.
  - 33,000 primary school teachers are working an extra 36 hours per year with effect from early 2011. This amounts to an extra 1.19 million hours per annum. Based on conservative figures for hourly pay rates, the estimated value of these extra hours is €45m annually.
  - 27,000 teachers in post-primary schools are working an extra 33 hours per year with effect from spring 2011. This amounts to an extra 890,000 hours per annum. Based on conservative figures for hourly pay rates, the estimated value of these hours is €43m annually.
  - Some 9,500 academic staff in Institutes of Technology and universities will be working an additional 26-35 hours per year. This amounts to a total of 250,000 hours per annum. The estimated value of these hours is €15m annually.

## What do the extra hours in schools mean for parents?

The 'Croke Park hours' allow teachers in schools the chance to plan for more consistent teaching approaches throughout the school and to communicate this clearly to parents.

Many schools are using part of the hours to co-ordinate work between different teachers who work with special needs pupils and to increase the direct involvement of parents in their children's school work.

The hours have also been used to move teacher professional development activities outside of school hours so there is no loss of teaching time.

Many schools have arranged to work some of the additional hours in full day blocks to provide for teacher training for all staff by outside experts/facilitators in areas that have been identified as priorities by school management such as ICT and child protection.

A number of schools have already used this time to hold parent teacher meetings at times that are more suitable to working parents, beyond what was already in place. In nearly all schools the use of the hours has improved access for parents to their children's teachers.

Some schools have decided to use part of the time to develop/extend school websites to provide parents with "real time" briefings and updates on classroom activities.

The 'Croke Park hours' will also be used to supervise children before and after school hours – a key concern of parents.

- **Elimination of bank time in the Civil Service:** The abolition of this long-standing but anachronistic practice led to an effective increase in working time for those staff still entitled to it (it was abolished for persons appointed after 1<sup>st</sup> January 2003 and largely only availed of by those on flexitime). This increase is an estimated 3.4 days a year for weekly paid staff and 1.7 days for those paid fortnightly. Based on estimated pay rates, a value of around €5.5m can be attributed to this reform.
- **Standardisation of Annual Leave across the public service:** A central aim of the Agreement is to create a more integrated public service which accommodates greater staff movement and flexibility. Potential obstacles to the achievement of this objective such as the lack of standardisation of annual leave, therefore, need to be addressed (although to date no cross-sectoral redeployment has been delayed by this issue). The Agreement provides the means by which these issues can be resolved.
- **Better management of sick leave and attendance:** Steps are being taken across the public service to address sick leave and attendance issues. Examples include:
  - o In the Civil Service, a modern sick leave management scheme was agreed and implemented in July 2010. There is a target under the Agreement for the Civil Service to reduce by 10% the number of days lost to sick leave by end 2011. Departments already reporting progress to date towards this

target include the Department of Education & Skills (a 12.9% reduction) and the Department of Social Protection (a 6.9% reduction).

- In the Health Service, against a backdrop of a reducing workforce, the HSE has reduced year on year from 2008 its level of sick leave from 5.76% in 2008 to 4.70% in 2010.

### **6.3.2 Costs avoided through increased productivity**

The Agreement provides opportunities for changes in work practices and methods of service delivery which avoid costs that would be incurred, without the flexibilities provided for in the Agreement.

Examples of costs avoided include:

- The **Local Government Sector** has reported **total costs avoided of €61.1m** over the period, attributable to measures taken by local authorities on restructuring, shared services and procurement, introduction of online services and electronic payments, redeployment and increased productivity and performance.
- In the **Education Sector**, the redeployment of teachers in resource, support and co-ordination roles to regular teaching positions will mean 1,100 fewer teachers will be recruited from September 2011 (and a further 270 less from September 2012). These measures will help the sector to meet challenging employment targets, given increases in enrolments, and result in **costs avoided of approximately €15m in 2011** (some €50m in a full year).
- The **Irish Prison Service** has been presented with real operational challenges due to an 11.5% rise in the prisoner population during the period under review and little corresponding change in staffing levels, which are up by only 17 and have remained significantly below previously agreed levels (by between 110 and 200). If the previously agreed staffing levels had been in place during the period under review the additional costs would have been **approximately €8.06m**.
- In addition, new prisoner accommodation was opened at Wheatfield prison in September 2010 with a staffing complement of 82. Without agreement on new working practices the number of staff required to open and operate this new accommodation would have been 112 staff. This represented a saving of 30 staff and a **€1.5m per annum cost per year avoided**.

**The value of the costs avoided listed above is approximately €85.7m. This should not be regarded as an exhaustive list of costs avoided across the entire public service.**

### **6.3.3 Reconfiguring services to deliver improvements to the public**

One of the key objectives of the reform agenda is the design and delivery of quality public services for citizens and business. This has been given priority in the Action Plans developed in each sector, with an emphasis on measures to enhance and improve the level of service provided by public service bodies. The Implementation Body is conscious of the particular challenges involved in improving services in the very difficult

fiscal environment. Nevertheless, the reports submitted suggest that many public service bodies are taking steps to ensure that services:

- are better designed and targeted to the citizens who require them; and
- are provided in a more cost-effective way.

It is also clear that, despite fiscal constraints, many public service bodies are succeeding in delivering service enhancements that will make a tangible difference to the public and to Irish business.

Some examples of such improvements include:

- Centralisation of **medical card processing in the Health Sector**, which will improve service to the public and reduce the associated administration and associated costs. The developments include: -
  - o An online medical card application service launched in 2010. Since its introduction the central Primary Care Reimbursement Services (PCRS) received more than 5,000 applications online each month. More than 50% of these applications were submitted outside of normal office hours.
  - o The development of a new website – [www.medicalcard.ie](http://www.medicalcard.ie) - which allows applicants to check the status of their application online. Currently 39% of all applications are processed here, with full implementation scheduled to take place in June 2011.
  - o General Practitioners (GPs) have access to weekly updates of their panel listings – over 75% of GPs use this service.
- **An Garda Síochána** are taking a number of steps to improve the quality of the policing service they provide.
  - o The operation of safety cameras has been outsourced with full roll out of the ‘GoSafe’ project implemented in March 2011. This project now provides 6,000 hours of speed monitoring and detection, freeing up Gardaí to concentrate on other areas of the road network and on other key road safety offences such as drink driving.
  - o A unified/shared “Integrated Command and Control Solution” has been procured and implemented in Dublin and is currently being used by An Garda Síochána with the Ambulance Service due to come online in Q2 2011.
  - o Also increasingly, emergency and security services need to know the location of their resources to respond to incidents and to enhance the safety of personnel on the ground. A unified/shared “Automatic Vehicle Location System” is being implemented with An Garda Síochána with the Ambulance Service as initial users. This ensures a standard approach that removes duplication of activity, infrastructure and costs.
- The **Department of Social Protection** has a number of initiatives underway designed to enhance its services to the public. The Department is actively working

to set up a single ‘customer contact centre’ and a tendering process is underway for a new online claim processing and payment system for redundancy and insolvency schemes.

- **Local Authorities** have introduced initiatives to improve the delivery of services to the public including :
  - o The development of map-based information portals, providing access to services and amenity information;
  - o Developing corporate websites with full ranges of ePayment options (see Section 6.3.4 below);
  - o Cross-service customer service desks providing multi-services through telephone and in-house queries; and
  - o Using inter-departmental teams to allow for easier access to services by members of the public.

#### **6.3.4 Utilising the potential of eGovernment and latest ICT technology**

The Public Service Agreement attaches a particular significance to the potential of eGovernment and technology improvements in the public service, and Paragraph 1.10 states that *“The introduction of new or improved technology, service provision online and electronic funds transfer will be regarded as the norm”*.

At a time when the public service is required to ‘do more with less’ and, particularly, as staff numbers continue to decline, the use of new technological platforms for the delivery of services and in particular online services is increasingly important.

The Implementation Body is encouraged by the EU Commission’s eGovernment 9th Benchmark Report, published in February 2011, which shows that Ireland now achieves a 100% rating for all of the services included in the Benchmark and is ranked 1st of 32 countries for online provision of information and services, for the online sophistication of its services, for eProcurement availability, and for integrating services as “life events” for both business and citizens.

Developments to date mean that there is greater access to services online (24/7, 365 days a year from people’s homes and businesses) and more opportunity to access information about, and interact with, public services electronically, rather than having to take the time to call into a public office.

Examples of eGovernment initiatives and ICT improvements reported to the Body include:

- **Local Authorities** have been developing corporate websites with full ranges of ePayment options. Examples of online ePayment services which are now provided by local authorities include: waste charges, the Non-Principal Private Residence Charge, parking fines and dog licenses.

- An online **medical card application facility** has been introduced and a new website ([www.medicalcard.ie](http://www.medicalcard.ie)) has been developed (see section 6.3.3 above for more detail).
- The **Department of Education & Skills** is introducing enhanced online payroll facilities for schools through an online claims system for supervision and substitution with the first phase implemented in February 2011. The Department is also developing a facility to allow schools to apply online for grants under the Summer Works Scheme.
- The **National Procurement Service** launched a new website ([www.procurement.ie](http://www.procurement.ie)) in April 2011 to facilitate public sector buyers and suppliers and the Service is working to upgrade the eTenders website.
- From July 2011, the **Property Registration Authority** will further extend the services provided to the public on [www.landirect.ie](http://www.landirect.ie)
- The **Department of Finance/Public Expenditure and Reform** has developed a catalogue of more than 300 online services which will be published on a revamped [www.gov.ie](http://www.gov.ie) shortly.
- The **Department of Social Protection** has enhanced its online services including extending the online “sign-off” facility to all Local and Branch Offices during 2010 and introducing online claiming for Jobseekers moving from Jobseeker’s Benefit to Jobseeker’s Allowance. There is also a current trial for online claiming for Jobseeker’s Benefit and Jobseeker’s Allowance in one office since February 2011.
- The **Revenue Commissioners** have introduced an eStamping system which enables users complete the stamping process online and eliminates the need to have documents physically stamped. (There are reduced administration and compliance costs for both Revenue and users and the initiative has allowed 54 staff to be redeployed from this activity to other core Revenue work.)
- **FAS** is making greater use of eLearning, blended learning and online tools.

It is clear to the Body, however, that there is still much more potential to deliver more public services wholly or partially online. While the Body acknowledges the progress on the initiatives listed above, it is firmly of the view that the pace of change in this area needs to be accelerated, given the further reductions in numbers to come in the years immediately ahead.

Finally, the Body welcomes the fact that the Department of Public Expenditure and Reform is currently developing a new eGovernment Strategy which it hopes to publish by the end of the year. In addition to the current focus on online provision of information and services, the new strategy will, amongst other things, also focus on incentives for greater take-up of online facilities, applications for mobile devices, greater data sharing amongst public bodies, greater use of geographic information, and online collaboration facilities.

### **6.3.5 Achieving efficiencies through shared services**

Paragraph 1.11 of the Agreement commits to “*greater sharing of resources through the use of shared services within and across sectors*”. The Body believes that the area of shared services is one which holds considerable potential to achieve significant sustainable savings and efficiencies and protect essential front line services.

The Body acknowledges the efforts of the **National Procurement Service** which is working with other public service bodies to maximise economies of scale in procurement and purchasing and delivering significant savings as noted in Section 6.1.3. There are a number of examples where progress is being achieved as follows:

- An excellent example of a shared service approach, which will be welcomed by students and parents, is in the Education Sector where a **single student grant scheme** will be in place for the start of the 2011/2012 academic year, replacing the current system where 4 different grant schemes are administered by 66 bodies. In future, a single agency will administer the grant scheme.
- Also in the **Education Sector**, a number of other initiatives are being taken to deliver savings through the introduction of shared services and joint procurement. For example, the Department of Finance is assuming a central responsibility for the pension and gratuity payment function currently administered by thirty three local authorities to former employees of Vocational Education Committees and the Institutes of Technology with a view to having all payments centralized by the end of 2012. Specific examples of joint procurement arrangements which are already yielding savings include:
  - o A pilot electricity procurement initiative involving a number of institutions in the Mid-West where a tender for electricity for 2010 targeted savings of almost €1.5m or 35%. A similar initiative among a Dublin group of universities and Institutes of Technology has achieved a 40% reduction in the unit cost of electricity for 2010. Savings for TCD alone within this tender are estimated to be in the order of €1m.
  - o In the Mid-West, savings of up to 36% were achieved for industrial gas purchases in a tender involving nine third level institutions.
  - o A joint project involving universities, Institutes of Technology and the Royal College of Surgeons in Ireland with an existing spend of over €11m on library journals and periodicals has delivered a 15% saving against existing pricing.
- There are a number of important shared services initiatives underway in the **Civil Service** including:
  - o The re-organisation of the Employee Assistance Service to provide an inter-Departmental shared service on a regionalised basis.
  - o Initiatives by Government Departments to explore and develop shared service solutions in the ICT area (e.g. Department of Agriculture, Food and Marine, the Department of Jobs, Enterprise and Innovation; the Department of Justice and Equality, the Department of Social Protection and the Revenue Commissioners).

- The development of a HR Shared Service for the Civil Service. The intention is to establish a single Human Resources Shared Services Centre (HRSSC) under the remit of the Department of Public Expenditure and Reform that will undertake the transactional elements of HR processes for the Civil Service. A Request for Tenders seeking external assistance with the set-up of and transition to the HRSSC and for operational support for a fixed period following transition was issued in November 2010 with a deadline of February 2011 for responses to be submitted. Responses to this Request for Tenders are currently being evaluated.
- In the **Health Service**, there have been developments in HR Shared Services with the establishment of three HR shared services:
  - National Recruitment Services (NRS)
  - National Pensions Management (NPS) and,
  - National Personnel Administration (NPA)

The NRS is the furthest along its project plan, with the consolidation and management of all recruitment. This project will be fully completed in 2011 with the transfer of all recruitment activity for Non-Consultant Hospital Doctors currently planned for completion by end Q2, 2011.

Key priorities for the remainder of 2011 will be to complete the work in the area of HR Shared Services and to advance progress in the area of Finance Shared Services for the health sector.

The Body accepts that many projects in this area need careful evaluation as well as detailed planning and that a medium-term timeframe for implementation is often required.

However, the Body is determined to monitor implementation of the Agreement in this area across all sectors of the public service and will continue to encourage public service bodies to fully explore the potential for streamlining procedures, processes and systems to allow for shared services.

### **6.3.6 Rationalising and reconfiguring agencies and offices**

The Body noted that some progress has been made in reducing and rationalising the number of state agencies. There are 19 amalgamations and rationalisations currently underway and there is full staff co-operation with these (details set out below). The Body recognises that decisions in relation to the further rationalisation of state agencies are a matter for Government. The Body notes the Comprehensive Review of Expenditure that is currently underway and the fact that all State bodies will be critically examined as part of this exercise. The Body also notes that Government will make decisions in the coming months about the future of State agencies in that context. Given that the Agreement is a key enabler for any such rationalisations, the Body will continue to monitor progress in its reports.

## **Rationalisation of state bodies currently in train**

### **Department of Education and Skills**

Amalgamation of FETAC, HETAC & NQAI

1. Further Education and Training Awards (FETAC)
2. Higher Education and Training Award Council (HETAC)
3. National Qualifications Authority of Ireland (NQAI)

Rationalisation of Vocational Education Committees

4. Reduce Number of Vocational Education Committee's from 33 to 16

### **Department of Enterprise Trade and Innovation**

Merge Competition Authority & National Consumer Agency

5. Competition Authority
6. National Consumer Agency

### **Department of Environment**

Formal Merger of Local Government Management Service Board & Local Government Computer Services Board into Local Government Services Board

7. Local Government Management Service Board
8. Local Government Computer Services Board

### **Department of Finance**

Formal Merger of Commission on Public Service Appointments with Ombudsman Office

9. Commission on Public Service Appointments

### **Department of Health**

Merge the National Council for Professional Development of Nursing and Midwifery into *An Bord Altranais*

10. National Council for Professional Development of Nursing and Midwifery

Merge the following Bodies into Health and Social Care Professionals Council

11. National Social Work Qualification Board
12. Opticians Board
13. Pre-Hospital Emergency Care Council

Merger National Cancer Registry Board into HSE

14. National Cancer Registry Board

### **Department of Tourism, Culture & Sport**

Combine Irish Museum of Modern Art, Crawford Art Gallery and the National Gallery of Ireland, while retaining separate identities

15. Irish Museum of Modern Art
16. Crawford Art Gallery
17. National Gallery of Ireland

Merger the National Archives and the Irish Manuscripts Commission into the National Library

18. National Archives
19. Irish Manuscripts Commission

A necessary consequence of the requirement to reduce costs and the size of the public service is the need to reduce **Departmental accommodation requirements and rationalise office networks and structures**. In addition to the rationalisation programmes by the OPW and the Department of Agriculture, Food and Marine, which were noted in section 6.1.3 above, some further examples of the consolidation being undertaken are set out below.

- In the Courts Service, a programme to rationalise the number of court venues is continuing with 17 further venues closed during the reporting period. Separately, an exercise has been initiated to rationalise the sittings of the High Court on circuit and integrate them with High Court personal injury sittings in regional venues.
- Revenue are continuing to review smaller offices (with less than 25 staff) to ensure that less efficient operations are integrated into larger centres and that efficiencies are achieved in accommodation overheads.
- Agreement has been reached on the re-organisation of the Inspectorate in the Department of Education & Skills which will operate out of 7 rather than 10 regional structures and the National Educational Psychological Service which will operate out of 8 rather than 10 regional structures.
- Teagasc is in the process of rationalising its office structure with 23 offices closed to date.

## 7 Union/staff co-operation

### KEY POINTS

- Unions and staff cooperating with changes under the Agreement
- Industrial peace maintained

From the progress reports received, the Body has concluded that there has been co-operation by unions/staff with the many changes and reforms that have either been completed or are underway across the public service under the Agreement. In particular, there has also been full co-operation with managing the impact of the 16,400 reduction in staff numbers and the essential associated redeployment requirements.

At the same time, services to the public have, by and large, been maintained and, in some cases, expanded. This has been possible due the co-operation of staff in taking on the work of those who have departed. This Report has also shown evidence that a higher proportion of the numbers reductions have been at management grades in sectors such as the Civil Service and the Health Service. This has required staff to take on work previously done by colleagues or more senior grades.

The Body has also noted that industrial peace had been maintained during the reporting period.

## 8 Conclusions

### KEY POINTS

- There has been solid and measurable progress
- Required sustainable savings have been made in the public service pay bill

The Implementation Body noted that, in the twelve month review period to the end of March 2011, **sustainable savings estimated in the order of €289m have been made in the public service pay bill (Exchequer funded and local government) in the reporting period, comprising the savings due to the continued significant reduction in public service staff numbers and other measures to reduce the cost of the pay bill.**

Section 6 set out a minimum savings target for the Exchequer-funded public service pay bill of €223m for 2011, with a further saving of some €28m in the local government pay bill, which is funded differently<sup>10</sup>.

**The Body concluded that the level of sustainable savings delivered during the first year of the Agreement has exceeded the targeted savings for the public service pay bill in 2011.**

There has also been initial progress in achieving an increasingly integrated public service which is significantly leaner, more effective, and much more focussed on the needs of citizens and business.

The Body concluded that, in the first year of this four-year Agreement, the parties to the Agreement have made solid and measurable progress in meeting their commitments:

- In the period under review, numbers have fallen substantially, more quickly than previously estimated, and services have been maintained and in some cases expanded and productivity has increased;
- The cost of delivering public services has fallen in a sustainable way, primarily through reducing headcount across the public service, helping the State to meet its external economic and fiscal commitments;
- The redeployment of thousands of staff has been achieved, including across functional boundaries, which helped to meet two challenges - avoiding gaps in service as numbers fell and changing the way in which public services are delivered to citizens and business; and
- The process of reconfiguring public services has commenced.

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<sup>10</sup> Estimate provided by Departments of Public Expenditure and Reform and Environment, Community and Local Government.

Industrial peace has been maintained. The Body notes that some sectors, such as the Prison Service, are being transformed by the co-operation on the ground that the Agreement is delivering. Such sectors show the potential the Agreement provides for achieving a marked improvement in the way business is done. The intention behind the new working practices that are being introduced in the Prison Service under the Agreement go beyond simple money savings. The new arrangements are innovative and truly modern in seeking to target resources where and when they are most required, while ensuring that security requirements are being complied with.

Given the unpromising background to making of the Agreement - escalating industrial unrest following the imposition of two pay reductions for all public servants - and the significant economic events in the last year which culminated in the EU/IMF supported programme, this is not an insignificant achievement of itself.

## 9 Challenges ahead and sectoral priorities

### KEY POINTS

- Imperative that public service savings and efficiencies delivered with more urgency to help meet State's fiscal challenge
- Need for significant progress in key cross – sectoral changes to service delivery and on efficient use of State property
- Key areas for progress in each sector in 2011

While acknowledging the progress to date under the Agreement, the Body believes that greater urgency is required in reforming public services to maintain and improve services to our citizens while also providing further support for economic recovery.

The sharp deterioration in economic activity in recent years has very severely affected our public finances, in particular tax receipts. Tax revenues have fallen by a third since 2007. Together with the increase in social welfare expenditure resulting from the sharp rise in unemployment and the higher costs associated with servicing an increasing debt burden, an unsustainable gap has emerged between revenues and expenditure.

While the public finances do appear to have stabilised in the latter months of 2010 and into the early part of this year, there remains a very significant gap between the State's revenues and its expenditures. This year the Exchequer will face a borrowing requirement of some €18bn. Next year, the estimate is for a borrowing requirement of €17bn. It is not sustainable for Ireland to continue to borrow at these levels.

We must continue to implement the budgetary and economic policies that will return sustainability to our public finances and bring the deficit back to a more manageable level. This is vital if we are to secure the funding from international markets for the provision of public services in the coming years.

The State has made external commitments to the achievement of substantial savings in its expenditure by 2014, including saving at least a further €1.2bn from the public service pay and pensions bill from 2010 to 2014. It must meet those commitments if funding is to be maintained.

To achieve those savings, without recourse to further pay reductions or compulsory redundancies, both management and staff, and their representatives, must urgently deliver public services savings and efficiencies. The public rely on the delivery of quality public services. To meet those expectations as numbers fall, productivity in the use of resources must be greatly increased in 2011 through revised work practices, significant reform and re-organisation, more shared services, organisational restructuring and greater innovation, including much greater availability of online services.

The Implementation Body is concerned about the lack of significant progress to date on some key cross-sectoral challenges, in particular the delivery of shared or consolidated services in administrative areas such as application processing, ICT and human resource, pay and pension administration, and in the sharing of information across Government bodies to reduce the burdens on individuals and business. There will also need to be a priority put on the efficient use of all State property, so that the volume of resources used to deliver services will continue to fall. It is critical that significant progress is delivered in these areas in 2011.

As the number of staff available to carry out routine tasks continues to reduce, the use of new technological platforms for the delivery of services becomes more urgent. The Body is conscious that the delivery of the technological solutions that are required to facilitate continued and enhanced service delivery is challenging in the public service environment. It also acknowledges that some significant upfront and ongoing costs arise when purchasing or developing new ICT solutions, and public service managers face significant challenges in allocating the necessary funding at this time.

It is clear to the Body, however, that more and more services are capable of being delivered online, and that there is strong public interest in greater delivery of online services. The Body is encouraged by a number of initiatives underway while urging that the pace of change in this direction must accelerate rapidly in the coming year. The Body also noted that to ensure that investments in new technology deliver the necessary savings, decisions will have to be taken to move away from multiple delivery channels, including through public offices, to online delivery only. This is essential if service delivery is to be maintained as demands increase.

As numbers fall, services to the public, and especially to the most vulnerable in society who are the biggest users of public services – children, older people, the sick, the unemployed - will suffer unless changes are made quickly to rosters, staffing levels, work practices and skills mix across all sectors, and particularly in health services. Greater civilianisation is necessary for the Garda Síochána, Prison Service and Defence Forces to allow the maintenance of frontline services with fewer people, allied, in the case of An Garda Síochána, to the reform of rostering arrangements required by the end of 2011. A number of public service areas have also identified cross-disciplinary working as key to better services, including, in particular, business inspection services.

Selected areas for priority action in 2011 include:

- In the **Health Service**, there will be a need to revise rostering arrangements and skill – mix in different settings to best match service provision with patient needs, agree terms for provision of extended working hours and out-of-hours radiography services, implement arrangements to support an 8am to 8pm day and a 7 day week, flexible redeployment of staff to safeguard front line services and significant advancement of shared service projects in both Finance and HR.
- At **Local Government** level, priorities over the next year will have to include radical restructuring on foot of the Local Government Efficiency Review – this

will involve, in particular, greater sharing of functions, more online services and extra productivity measures.

- In the **Education Sector**, key priorities to be addressed include the implementation of the extra teaching and lecturing time secured in each level; implementing the effective new redeployment scheme for second-level teachers, and progressing the rationalisation of the VEC sector and other reforms to be identified.
- In the case of the **Civil Service and State Agencies**, it will be necessary to complete the staff transfers into the Department of Social Protection from the HSE and FÁS; and to deliver shared office services, particularly in the State Agency sector and re-organisation of structures and process.
- In the **Prison Service**, the sustainability of the current reduction in staffing costs will have to be underpinned by the ongoing Task Review of prisons and the introduction of new prison grades.
- For **An Garda Síochána** implementation of revised rosters by end 2011.
- In the **Defence Forces**, it will be necessary to finalise a number of priority issues such as concluding the review of Security Duty Allowance and of Tech Pay and Substitution and Acting Up, enabled by the re-organisation of the Force, the introduction of performance based promotion systems, and the implementation of the Medical Review Report.

The Government's programme for additional numbers reductions in the public service and the development of an accelerated public service reform agenda will present additional challenges in the latter half of 2011. Across and within all sectors, the Body considered that progress must be accelerated by all parties if implementation of the Agreement is to continue to be judged as being on track over the next reporting period.

In this Report, the Body has catalogued many examples of reform that have been completed to date or are well underway. The Public Service Agreement is, however, a multi annual agreement. Between now and 2014 it will have to help the public service to meet many fresh challenges.

The Body recognises that consistent efforts will be needed to face such challenges. The public service must improve its reform efforts constantly over the next few years and no sector can be allowed to lag behind.

The Implementation Body will play its part in continuing to drive reform across the public service. Both through the sectoral bodies and by direct engagement with management and union interests, we will work to ensure that each sector plays its full part in implementing change and reform.

## APPENDIX 1

### Breakdown of public service numbers by grade/classification in selected sectors

#### 1: % Change in Numbers of Non-Industrial Civil Servants by Grade, Q1 2010 to Q1 2011

NON INDUSTRIAL CIVIL SERVANTS	2010	2011	%
	Mar	Mar	Change
<b>Grade (including Equivalents)</b>	<b>31,453.02</b>	<b>30,771.06</b>	<b>-2.2%</b>
Top Management (Assistant Secretaries and above)	283.00	270.00	-4.6%
Principal Officer	1,298.80	1,204.86	-7.2%
Assistant Principal	3,591.80	3,495.70	-2.7%
HEO	3,665.36	3,589.43	-2.1%
AO	2,070.32	2,023.64	-2.3%
EO	6,424.36	6,274.37	-2.3%
SO	1,602.20	1,612.63	0.7%
CO	11,275.75	11,065.49	-1.9%
<b>MISC GRADES</b>	<b>1,241.43</b>	<b>1,234.94</b>	<b>-0.5%</b>

**Note:**

The above data does not include Prisons (main), the National Gallery, CPSA and Foreign Affairs local recruits serving abroad for technical reasons.

#### 2: Numbers in the Health Service by grade, Q1 2010 to Q1 2011

Category	31/03/2010	31/03/2011	Change Q1 2010 to Q1 2011	% reduction
General Support Staff	11,775	10,864	-911	-7.7%
Health & Social Care Professionals	16,049	16,295	246	1.5%
Management/ Admin	17,559	16,256	-1,303	-7.4%
Medical/ Dental	8,042	8,005	-38	-0.5%
Nursing	37,794	36,782	-1,012	-2.7%
Other Patient & Client Care	18,623	17,463	-1,161	-6.2%
<b>Overall</b>	<b>109,844</b>	<b>105,664</b>	<b>-4,179</b>	<b>-3.8%</b>