



**Speaking Points on Public Service Reform
for Mr. Brendan Howlin, T.D.,
Minister for Public Expenditure and Reform**

**Public Accounts Committee
on Thursday, 11th October, 2012**

Introduction

- Firstly, I would like to thank the Chairman and the Committee for taking up my offer to brief you on the implementation of the Government's Public Service Reform Plan. Nobody has a monopoly on good ideas and I believe that this Committee can play a valuable role in the reform programme. I have valued the engagement that we have had to-date on Public Service Reform.
- I am pleased to be joined by my colleague Minister of State Brian Hayes, T.D., with whom I am working closely on the implementation of the Public Service Reform Plan.
- Last month, we published a statement on the implementation of the Reform Plan, which I forwarded to all members of this Committee. This set out the considerable progress that we have made in this area since the Plan was published just over 10 months ago.
- In this respect, I would like to thank the staff in my own Department and, indeed, across the Public Service, for their hard work and commitment to implementing the reform programme.

The Ambition of Reform

- I think it is fair to say that this Government has embarked on the most ambitious and comprehensive programme of Public Service Reform in the history of the State. No previous Government has taken on the scale and breadth of reforms that we are now driving. Our task is considerable but given the situation that this Government inherited, comprehensive reform of the Public Service is not an option, it is an essential part of our overall strategic response to the challenges that we continue to face.

Fiscal Consolidation

- Before I get to the reform of the Public Service itself, it is important to recall the progress being made in achieving our fiscal targets.
- In total, budgetary adjustments designed to save or yield approximately €25 billion have been implemented so far. As the Committee will be aware, over two-thirds of these adjustments have been on the expenditure side.
- It is also important to recall that we have renegotiated substantial reductions in the cost of our international programme of assistance.
- Last year's underlying General Government deficit was 9.4 per cent of GDP, which is a healthy improvement on the underlying deficit recorded in 2010 and is well within the 10.6 per cent limit set upon entry into the EU / IMF Programme in late 2010. The deficit limit we have been set for 2012 is 8.6 per cent of GDP, or around €13.5 billion, and we must reduce the deficit to below 3 per cent of GDP by 2015.

- Since 2008, overall gross Departmental expenditure has reduced by €6.5 billion, despite the pressures on public services imposed by the downturn itself, and we are committed to significant further reductions over the next three years.
- As set out in the Comprehensive Review of Expenditure Report last year, a total expenditure reduction of €2.2 billion is envisaged for this year, of which €1.45 billion will be current expenditure and €750 million capital expenditure.
- The Exchequer pay bill has been reduced by 17.7 per cent between 2009 and 2012, from €17.5 billion Gross to €14.4 billion, including the Pension Related Deduction. The aim is to reduce the total cost of the Exchequer pay bill by some €3.8 billion in the period from 2009 to 2015 or, to put it another way, a 20 per cent sustainable fall in the cost of employing people to deliver public services by 2014.
- In discussing the pay bill, we should of course recall that those working in the Public Service have already had two pay reductions, totalling an average of 14 per cent, by way of the pension related deduction and the further cuts in pay introduced in 2010. Salaries at the highest levels have been reduced by up to 30 per cent and capped at €200,000. We have also reduced the salaries for new entrants to the Public Service by a further 10 per cent.
- Public Service pensions have been reduced, saving over €100 million annually. Legislation for a new Single Public Service Pension Scheme has been enacted to reduce future pension costs.

- Public Service staff numbers have been reduced to around 292,000, a reduction of some 28,000 from the 2008 peak of 320,000 and well within our end-year ceiling of 294,400. We plan to go further to reduce this number to 282,500 by end 2014.
- Notwithstanding the progress already made, the deficit in our public finances remains large. To this end, the Government has already begun work on the detailed measures underpinning the 2013 Budget, which will be announced on Wednesday, 5th December.
- I believe that we must also be conscious of our obligations to reduce public spending in a way that is fair, that protects those who rely on public services, that supports employment and enterprise and that take a more strategic view to position ourselves for economic and social recovery as a nation.

Public Service Reform

- In terms of public services, it is clear that we must work harder and more flexibly than ever before, and continue to do better with less. With a backdrop of ongoing significant reductions in public expenditure and Public Service numbers, the Government's ambitious Public Service Reform Plan was published in November last year, based around five commitments to change:
 - placing customer service at the core of everything that we do;
 - maximising new and innovative service delivery channels;
 - radically reducing our costs to drive better value for money;
 - leading, organising and working in new ways; and
 - a strong focus on implementation and delivery.

- Since then, effective structures to implement the Reform Plan have been put in place within my Department, and in Departments, Offices and Sectors. The Cabinet Committee on Public Service Reform, which met again earlier this morning, continues to drive the reform agenda and holds senior management to account against the commitments in the Plan. We also have also put in place a strong governance model and brought in the necessary skills where most needed.
- On 6th September, over nine months into the implementation process, we published a report on the considerable progress that has been made to date on delivery of the Reform Plan.
- I would like to provide just some examples of the progress being made:
 - We are proceeding with a radical reform of the way in which public procurement is organised, which an external review estimates could yield potential annual savings in the range of €250 to €600 million after three years. This will involve a new National Procurement Office overseeing the integration of procurement policy, strategy and operations; greater aggregation of purchasing; better spend analytics; and many other actions to transform our procurement model. We are currently in the process of recruiting, through an open competition, a new Chief Procurement Officer to lead this organisation.

- In April, we published the eGovernment Strategy 2012-2015, which builds on Ireland's strong recent performance in this area, which is borne out by a number of international benchmarks. We have also published a Cloud Computing Strategy and have set out plans for significant further Data Centre Consolidation.
- As part of a wider Shared Services strategy, in May, we approved the establishment of a HR Shared Service Centre for the Civil Service. It is estimated that this will reduce HR headcount by 17 per cent and costs by 26 per cent, with annual net savings of €12.5 million. We have accelerated our plan for a Pensions Administration Shared Service and will integrate this with the HR Shared Service. We are also developing a business case for a Payroll Shared Service and commencing a baselining exercise for a Banking and Financial Management Shared Service. These are all Civil Service projects and each of the main sectors (Health, Education, Justice and Local Government) are now finalising their own shared services plans.
- In July, we agreed a range of actions aimed at achieving a focused and integrated approach to external service delivery of non-core processes. A shortlist of potential major projects for priority implementation is being prepared and plans are being developed by the four main sectors. In addition, all proposed new services across the Public Service will first be tested for external service delivery before any approval to provide the service internally will be granted. Each sector is also finalising a plan for services to be evaluated for delivery by the private sector.

- We will shortly launch the “*Ireland Stat*” website, on which Minister Hayes will go into greater detail.
- We have introduced a range of expenditure reforms to change the processes involved in allocating and assessing public expenditure to improve transparency and decision making.
- The agreed standardisation of annual leave and the standardisation of paid sick leave will assist the move to a more integrated Public Service by having the same cap on leave allowances for different Public Service employment groups. Specifically, the major reform of sick leave for the Public Service will realise productivity and performance gains and reduce costs. For most employees, the new arrangements will mean that the amount of paid sick leave which they may be granted will be halved.
- The Senior Public Service has been established to promote a more integrated Public Service and strengthen its senior management and leadership capacity.
- Significant reforms to the Performance Management and Development System in the Civil Service have been agreed, which will ensure the more effective management of performance.
- Significant progress is being made on the ambitious programme of political and legislative reform, aimed at enhancing openness, transparency and accountability. This includes planned reform of the Freedom of Information legislation, drafting of the Protected Disclosure in the Public Interest Bill to protect whistleblowers, and

enactment of the Ombudsman Amendment Bill by end-year to significantly extend the remit of the Ombudsman. In addition, legislative proposals will be brought to Government this autumn on the regulation of lobbying and on Oireachtas inquiries.

- These are just some examples of the many reforms that we are driving and many more are set out in the published report.

Sectoral Reforms

- Along with this comprehensive suite of cross-cutting reforms, the Reform and Delivery Office in my Department is also working with each of the main sectors – Health, Education, Local Government and Justice – on the ambitious reforms which they are leading and delivering.
- The Reform and Delivery Office has collaborated with these sectors to develop an integrated approach to reform that addresses:
 - the many strategic reforms the sectors are driving on foot of the Programme for Government;
 - the cross-cutting Public Service Reform initiatives for each sector;
 - the suite of reforms being facilitated by the Public Service Agreement;
 - clear timelines and ownership; and
 - governance and structures to drive implementation.
- These reforms are essential as many of the public services on which people rely are provided by these sectors.

Croke Park Agreement

- The Committee will be aware that the Croke Park Agreement is a key enabler of the Public Service Reform Plan and is playing a strong part in underpinning many of the changes we are making in the Public Service. Solid progress has been made and this has been documented by the Implementation Body in the two annual progress reports it has published to date. I understand that you will be briefed on its latest report by the Chair of the Body later this morning.
- I want to see delivery under the Agreement maximised to ensure that things remain on track. With that in mind, the Government agreed last month that Ministers should give consideration to options for accelerating the delivery of savings and reforms under the Agreement over the remainder of 2012 and 2013.
- My Department has been examining the proposals received and, together with the Taoiseach, I have met with Ministerial colleagues from the key sectors in recent days for useful and frank discussions.
- The Government is agreed on the need to ensure that the Agreement delivers on its full potential in the period ahead.
- In this regard, I expect management to be proactive and ambitious in their pursuit of change under the Agreement. I expect unions to continue to approach the implementation of reform in a constructive and co-operative manner.

- I believe the Croke Park Agreement offers an unprecedented opportunity to achieve change in an atmosphere of proven industrial relations stability and with management and staff interests working together we should drive forward every aspect of the change agenda.
- The Taoiseach and I are meeting with the Implementation Body later today. We will be stressing to the Body the need to ramp up delivery over the remaining lifetime of the Agreement. We will be asking the Body to ensure that the proposals that have been advanced by Ministers are reflected in Croke Park Action Plans and carried through.
- Our focus remains squarely on maximising the potential of the current Agreement to leverage further pay and non-pay savings as well as further reform of work practices and service delivery. There can be no let up in momentum.

Public Service Allowances

- The Committee will be aware that the Chairman has written to me on the issue of recently completed review of Public Service Allowances.
- There has been a lot of commentary on the work being carried out in my Department in relation to the review of Public Service Allowances, which I announced as part of my Budgetary Statement in December 2011.
- In that Statement, I indicated that I aimed to secure additional savings by way of reductions in overtime and allowances to assist public service management in meeting their paybill targets. €40 million in

overtime saving has been achieved by making reduced allocations to public service organisations for 2012.

- In relation to the allowances review, in all over 1,100 allowances were notified to my Department as part of the review and of these 800 business cases (some covering more than one allowance) were made to retain allowances in either their existing or an altered format. As members of the Committee will be aware, I published details of all these business cases on my Department's website.
- In my announcement on 18th September, 2012, I gave details of the Government Decision in relation to public service allowances. Details were published of a range of allowances, costing approximately €475 million annually, which would no longer be payable to new beneficiaries. In addition, a further range of allowances, costing €245 million per annum, would be subject to review and modification for new beneficiaries.
- Obviously on their own and over time, those measures would produce medium term savings as new appointments are made to posts which previously benefitted from these payments.
- One thing that we discovered in this first ever review of allowances paid to public servants is that what was created in the past cannot be dismantled in one action. The complex matrix of allowances is the result of old agreements at sectoral level, previous national wage agreements and local decisions to secure service improvements. The disaggregation of all of these decisions is not a simple task.

- Despite the impression given in much media commentary, from my perspective, dealing with the overall issue of rationalising public service allowances is very much a work in progress.
- Turning to the cases of existing beneficiaries, it is clear that the allowances of which, in modern eyes, the business case does not justify payment, fall into two distinct categories.
- The first category, representing the largest allowances in terms of spend form a significant element of the overall taxable and often pensionable remuneration of the staff involved especially for certain groups such as Gardai, Firefighters, Prison Officers, the Defence Forces, teachers in our schools and certain support grades across the Public Service. It would neither be practical or reasonable, to attempt to take away unilaterally such a large additional element of these public servants' pay – in effect applying an additional pay cut just to those key groups. What the review has highlighted are structural weaknesses and a lack of transparency in the way in which those groups are paid. Addressing these issues will require preparatory work and discussions involving the relevant sectoral management, my own Department and the relevant staff interests. The aim will be to achieve a simplification of the way in which we pay those staff for their services, and to ensure that the pay regime for those groups supports efficient and cost effective public services.
- The second category of allowances are made up of payments that do not form a significant element of the overall remuneration of the beneficiary. In these cases, my Department has already written to all sectors of the Public Service asking that, where no business case exists

to pay an allowance to a new beneficiary, the sectoral management immediately engage with staff interests to secure early agreement to eliminate payment of these allowances to existing recipients. We have also asked that all allowances falling into this category be identified to my Department in terms of their priority for elimination – my Department has also indicated its views as to those that should be tackled first by suggesting in excess of eighty allowances we believe should be targeted for elimination.

- I would remind members of the committee that the Croke Park Agreement provides for speedy and binding third party findings on these issues.

Conclusion

- In concluding, let me say that good progress is being made on the implementation of the Public Service Reform Plan. This is a huge endeavour, involving hundreds of different organisations and nearly 300,000 employees. Everyone has a part to play in reforming the way the Public Service does its business. There are challenges of course but the reality is that frontline services will suffer unless we continue to implement far-reaching reforms. Without meaningful and sustained reform, we will lock into the system all the costs and practices associated with the boom years – that would represent a colossal missed opportunity.
- Through the establishment of a dedicated Reform and Delivery Office in my Department, we have placed an appropriate emphasis on implementation, including a strong programme management discipline. As a Public Service, we need to have an equal balance of

policy and implementation skills to continue to drive the level of reform that we have commenced.

- My challenge is to build in reforms that last generations, not to pander to particular interests or headlines. Of course, I am fully aware that the pace of change needs to be accelerated in many cases. More must be done to achieve further savings and to develop a Public Service to meet the challenges of today and of the future. I am confident that we can do this and deliver a Public Service of which we can all be proud.
- I welcome the role of the Public Accounts Committee in this process.
- Thank you.

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