



## Public sector reform – evidence for Committee for Finance

Pivotal is an independent public policy think tank for Northern Ireland. Launched in September 2019, Pivotal aims to help improve public policy by promoting a greater use of evidence and involving more people in discussing the policy issues that matter to them. Pivotal wants to encourage and enable greater policy debate in Northern Ireland about day to day issues like health, education, the economy and climate change. Pivotal is independent of government and has no political alignment. Further information about Pivotal can be found on our [website](#) .

So far Pivotal has published nine reports including: [Moving Forward - putting Northern Ireland on track for the future](#) (November 2019); [Good Government in Northern Ireland](#) (March 2020), [Covid-19 in Northern Ireland - a new economic vision](#) (June 2020); [Education, skills and training for young people aged 14-19](#) (December 2020), [New Decade, New Approach - one year on](#) (January 2021) and [Retaining and regaining talent in Northern Ireland](#) (March 2021). You can find all our reports [here](#) .

Pivotal welcomes the opportunity to provide evidence to the Committee for Finance on public sector reform. Our evidence is in two sections:

- A. Public sector reform – progress and priorities
- B. Civil service reform

Section A discusses public sector reform overall and makes some comments about progress and priorities in Northern Ireland. Section B looks at the specific issue of civil service reform.

I am happy to expand on any of these points at the Committee on 14 April.

### A. Public sector reform – progress and priorities

#### What is public sector reform and why is it needed?

Public sector reform is about making changes to public services that result in improved opportunities and wellbeing for people in the real world. It is about changes that bring about more effective, efficient and sustainable public services.

Public services in Northern Ireland are straining to meet needs. Funding settlements are tight and likely to remain so into the future. Long-term trends like an ageing population mean increasing demand, particularly in health and social care. Reform of public services is needed to help improve services and make them sustainable for the long-term.

Public sector reform involves restructuring or re-design to give more effective and efficient service delivery, so more can be achieved with the funding available. Common features of effective public sector reform include:

- focussing on cross-cutting action across government departments ('horizontal collaboration');

# PIVOTAL

- involvement of all those who deliver public services, especially staff ('vertical collaboration');
- looking to the future to focus on long-term sustainability;
- focussing on improved outcomes for users of public services;
- transparency and scrutiny about performance;
- public participation and an emphasis on the experience of users of public service;
- partnership working with local government, the third sector and businesses.

## Public sector reform in Northern Ireland

In the last ten years there have been some significant reforms in the public sector in Northern Ireland. Local government was restructured to reduce the number of councils from 26 to 11 in 2015, along with the transfer of some powers from departments. Executive departments were reconfigured from 12 to nine in 2016. A Voluntary Exit Scheme beginning in 2015-16 across the public sector saw a 3,900 reduction in civil service posts over four years. Northern Ireland has a strong record for digitising public services. More recently, Covid has meant rapid and radical change in service delivery, particularly in health. All of this demonstrates that the public sector in Northern Ireland has restructured and reformed in some areas, resulting in improved services and outcomes for service users.

In Northern Ireland there have been a number of significant strategy and policy documents setting out the need for further major public sector reform, particularly in health. The [Bengoa report](#), *Delivering Together* and *Power to People* reports all described the transformation needed in health and social care. So in the case of health, there is broad agreement about the principles that should guide reform, but there has been little progress towards delivering change (noting of course that the past year has been extremely challenging). In housing, a plan was announced in autumn 2020 to create a mutual housing association out of the landlord-arm of the Housing Executive, to help tackle a major back-log in planned maintenance and to build new homes. In other areas of public services (eg education), while there is an acknowledgement of the need for change, there is less clarity about what reforms are needed, and even less agreement about how they should be delivered.

The transformation of public services is a strong theme in [New Decade, New Approach](#) (NDNA). NDNA contains multiple commitments to reform and transformation of public services. For example: "deliver reforms in health and social care as set out in Bengoa [and other recent] reports"; "priority given to transformation of key services in health, education, housing and justice"; "further reform of the civil service"; "committal reform to help speed up the criminal justice system", "reforms to deliver a better and more efficient education system"; an "efficiency and effectiveness review of arm's length bodies". But apart from health and social care where the recommendations in earlier reports are referenced, there is no further detail in NDNA about what these commitments will mean in practice.

There is little mention of public sector reform in the recently published [Programme for Government draft outcomes framework](#), although there is a clear acknowledgement of the potential for the new outcomes-based approach to act as a foundation for transforming public services.

# PIVOTAL

The Department of Finance (DoF) has a coordinating role for public sector reform through its Public Sector Reform Division (PSRD), which gives support, provides expert advice and encourages best practice. This includes promoting innovative solutions through the Innovation Labs, providing a Business Consultancy Service and economic advice. However, this is a supporting and enabling role rather than a leadership one, with responsibility for delivering reform in particular public services sitting with each individual department. Some departments (eg Department of Health, Department of Education) have their own transformation programmes and teams.

## **OECD Public Governance Review (2016)**

OECD was commissioned by the Executive in 2015 after the Stormont House Agreement to provide analysis and advice on public sector reform. The [OECD's report](#) noted the absence of a strategic approach, with departments progressing their own reforms without central coordination. The report said that siloed departments remained entrenched, with tensions between ministers and a lack of collective responsibility or common purpose. It noted that while there was a broad consensus about the need for public sector reform, there was limited agreement on what to do and how to do it.

The Review's recommendations included: moving to multi-year outcome-based planning; a greater focus on evidence based policy; a strengthened centre of government; greater engagement with the public through consultation and co-design; more focus on assessing delivery; more priority given to early intervention and prevention; and strengthened leadership to bring about change.

## **What more is needed?**

While there has been some progress over the past decade, it is not obvious that public sector reform is a high priority for the current Executive. This may be because the pressures of Covid leave little room for longer term planning. There are high-level statements about the need for public sector reform and public service transformation (most recently in *New Decade, New Approach*), but there is a lack of detail about what this means in practice and a lack of actual action.

Health and social care is the area of public service where the case for reform is most obvious, and the changes needed have been set out clearly through recent independent reports. Yet progress has been slow, partly but not entirely because of Covid in the past year. In this area of public sector reform, and in others, it would seem that there is a reluctance amongst politicians to make the difficult decisions and choices needed.

There is no overarching public sector reform strategy. Departments individually are responsible for their reform plans without any central leadership or driving of progress. PSRD in DoF provides expert support to departments, but it is not tasked with leading public sector reform across government. This is a clear gap. The disruption provided by Covid, and the radical changes that there have been in some public services as a result, may create an opportunity to prioritise further change.

# PIVOTAL

The new outcomes-based Programme for Government should act as a strong foundation for public sector reform. A properly operating outcomes approach provides a clear focus on improving outcomes in the real world, and delivery planning should highlight areas where reform of public services is needed. An agreed outcomes framework should incentivise much-needed cross-government working and should result in a greater priority being given to prevention and early intervention.

Below are some suggestions about what is needed to bring about effective public sector reform in Northern Ireland:

1. Leadership and ownership – public sector reform will require leadership and ownership from senior politicians and civil servants. Without this senior leadership to drive progress on these difficult issues, change will not happen. This includes continuing to push forward the reform agenda when other issues are pressing and resources are tight.
2. Strategy – the Executive needs an overall strategy for public sector reform, which sets out both its in principle commitment and what it will mean in practice in terms of specific actions in particular areas of public services.
3. Long-term commitment – government in Northern Ireland is dominated by short-term issues. Forward planning rarely looks beyond the immediate period. A proper commitment to public sector reform needs to prioritise long-term sustainability, and also must ensure it remains a priority despite short-term challenges.
4. Make the difficult choices – public sector reform requires making changes to how services are delivered, in order to improve the service that is provided to the public. The Executive needs to demonstrate a willingness to take these tough decisions, some of which may be unpopular.
5. Proper outcomes-based accountability with multi-year budgets – outcomes-based planning can form a strong foundation for public sector reform since it creates a focus on working collectively across government to improve outcomes. It is encouraging to see the Executive moving to this approach for the new Programme for Government, but the proof will be in what difference it makes to behaviours and decisions in practice.
6. Ambition for change and a focus on delivery of improved outcomes – transparency and scrutiny about improved outcomes are essential. Detailed delivery planning will help to identify where reform is most needed.
7. Stakeholder involvement – service users and service providers should be involved in service design and delivery, including local government, the third sector and businesses.
8. Staff engagement and participation is essential throughout the reform process.

## B. Civil service reform

The remainder of this evidence looks at the specific issue of civil service reform.

Two recent reports have highlighted the need for reform in the Northern Ireland Civil Service (NICS). First, the RHI Inquiry report (March 2020) was critical about many aspects of civil service performance and made specific recommendations for changes in systems and practice. Second, the Northern Ireland Audit Office (NIAO) report [Capacity and Capability in the Northern Ireland Civil Service](#) (November 2020) gave a critical assessment of the need for change in the NICS workforce. This followed [an earlier NIAO report](#) (October 2016) about the public sector voluntary exit schemes.

### What has happened so far?

There has been some important progress on civil service reform, both before and after the RHI Inquiry report. In 2016, the number of Northern Ireland departments was reduced from 12 to nine. Staff numbers reduced by 3,900 in the four years to April 2019 (15% of the workforce), mostly through the Voluntary Exit Scheme (VES). This much-reduced workforce has dealt with significant demands during this period, for example three years without an Executive, preparing for Brexit, dealing with Covid and its impacts, and the wide set of commitments in NDNA. There has been good progress in digitisation of public services and in setting up shared services for public sector bodies. Reform of Property Management and Collaborative Procurement have generated savings.

### What more is needed?

*New Decade, New Approach* includes commitments to “further reform of the Northern Ireland Civil Service” and “a review of civil service reform”, but without any detail about what this means in practice. There has not been anything announced since to flesh this out, although the assumption would be that it will be rolled up into the NICS response to the RHI Inquiry report.

The RHI Inquiry report’s recommendations about the civil service included: having the right skills for future policy making, and bringing in external expertise where needed; the need for specialist skills (eg commercial, project management and risk management); stronger governance and risk management; developing professions in NICS; whistle-blowing; and proper record keeping. While there has been progress over the past year within the civil service on taking these actions forward (eg review of risk management; revision of project management guidance; review of business case and expenditure approvals; new practice guidance for Private Offices), there is an absence of public information that would allow proper scrutiny of progress. An update report from the Executive sub-Committee on RHI implementation was due before Christmas, but has yet to appear. The Northern Ireland Audit Office will publish a progress report in May, in its role assessing and validating progress on implementing the RHI Inquiry’s recommendations.

The recent Northern Ireland Audit Office report [Capacity and Capability in the Northern Ireland Civil Service](#) (November 2020) echoed many of the issues from the RHI Inquiry, and added in an absence of long-term workforce planning, an ageing workforce, over-reliance on temporary staff and

# PIVOTAL

temporary promotions to fill vacancies, and a lack of effective performance management and career development. It reached a concerning overall conclusion – “...for too long, workforce planning, organisational development and people management have been afforded inadequate priority and direction by the NICS”.

## Looking ahead

As with public sector reform, there is an absence of an overall strategy for civil service reform. An obvious action therefore would be for the NICS to develop an overarching reform strategy that reflects the RHI report recommendations and recent NIAO findings. Again, senior leadership from politicians and civil servants will be essential to make any change happen. Below are some suggestions of specific areas to include in this strategy:

1. Develop specialist capacity so that policy is developed by subject experts when needed;
2. Encourage interchange in and out of the NICS so that civil servants have a broader range of skills and experience;
3. Promote an outward-facing culture which recognises the value of external expertise and involves a wider range of people and organisations in policy making;
4. Recruit and allocate jobs to match people with the appropriate skills to roles;
5. Long-term workforce planning to determine whether the workforce post-VES is the right size and appropriately skilled for the challenges NICS faces now and in the future;
6. Recruit far more younger staff, including apprentices and fast-track graduates (45% of NICS staff are aged over 50);
7. Continue to increase diversity so the NICS workforce better reflects the population of Northern Ireland;
8. Transform performance management so that staff are supported effectively to improve their performance and helped to develop for future roles.

**Ann Watt**  
**Director**  
**7 April 2021**