



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Northern Ireland Civil Service Workforce
Restructuring — Voluntary Exit Scheme:
Department of Finance and Personnel

25 February 2015

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Mr Ian McCrea
Mr Adrian McQuillan
Mr Máirtín Ó Muilleoir
Mr Peter Weir

Witnesses:

Mr Mark Goodfellow	Department of Finance and Personnel
Mr Colin Lewis	Department of Finance and Personnel
Ms Debbie Sherlock	Department of Finance and Personnel

The Chairperson (Mr McKay): I welcome Colin Lewis, director of corporate HR; Mark Goodfellow, head of resourcing division, and Debbie Sherlock, project manager of the voluntary exit scheme. Colin, do you want to make some opening comments, and then we will go to questions?

Mr Colin Lewis (Department of Finance and Personnel): Yes, just a few, Chair, if you do not mind; I will not take up too much of your time. In addition to the written briefing you have in your pack, I asked the DFP private office to alert you to some additional briefing that was provided to staff last week on our DFP website. It includes a comprehensive list of frequently asked questions — 65 in all — so, if you have had a chance to look at it, it may well have given you some information on background and context.

Since the Executive approved the business case at its meeting on 5 February, we have been concentrating on advancing our work on completing the consultation exercise with the trade union side and preparing for the launch of the scheme. I am sure you will appreciate that it is an enormous task, and a lot of work has gone into ensuring that our IT and HR systems are fit for purpose and are resilient enough to manage what will be quite a major exercise. The scheme is effectively open to all civil servants, so the demands on the system could well be substantial. Therefore, we really need to plan for every eventuality that comes our way. Our operational testing has been extensive, and we have sought to keep staff as well informed as possible. I firmly believe that we are as well prepared as we can be to deal with what will be quite a substantial exercise.

I can report that the scheme will launch next Monday, and the closing date for applications will be 5.00 pm on 27 March. Time will tell how many people will apply. I honestly cannot predict the uptake, and I would not even want to hazard a guess. I do not really go on anecdotes; we will just have to wait and

see. However, there is some indication that there could well be substantial interest, but we will have to wait for the numbers as we go through March.

We have attempted to design a scheme that strikes the right balance between being attractive to staff and being affordable. In doing so, we have also had to be mindful of the potential impact on business continuity, albeit that the sheer size, scale and suddenness of the exercise curtails what realistically can be done. I can say that, undoubtedly, there will be some disruption. There will be quite substantial redeployment consequences that we will have to manage as a result of this. When you are seeking to reduce the size of the Civil Service by upwards of nearly 13% in little over a year and a half, you cannot expect that there will not be some disruption to services and the machinery of government, not to mention the difficulties we will probably have with staff engagement and industrial relationships. This is a big task, but we have attempted as far as possible in designing the scheme to mitigate risks where possible.

I emphasise that the scheme is on top of other strategic personnel interventions that we have enacted and put in place since November. For example, we have a service-wide recruitment freeze; we have suppressed the majority of vacancies that existed in November; and we have an embargo on substantive promotions. All of this is designed to deliver a permanent pay bill reduction of approximately £90 million from the commencement of the 2016-17 financial year. It is important to mention that this is a budget exercise; you should not look at it as some form of longer-term, strategic personnel workforce-planning exercise. This is about dealing with a pay bill reduction to reduce costs. It is a capacity adjustment. Now that the decision to proceed with the scheme has been taken by the Executive, we need to roll up our sleeves, get on with it and do it. It is a hard decision to take, but we have a task to do, and we need to move on.

The process of future-proofing the delivery of services going forward will be commenced as soon as possible once this adjustment has taken place. We would like to start it as soon as possible, but we have to focus on this issue before we think about dealing with issues around leadership and development going forward, talent identification, terms and conditions of employment and pay. All those things will be important as we seek to restructure the Civil Service, going forward, to deal with what will be a quite difficult public expenditure environment in the years to come.

Chair, that is all I want to say by way of introduction. Mark has been very instrumental around the business case formulation and getting it to this point, Debbie is the project manager who has been working with me on this, and I am the senior responsible officer for the scheme as a whole. I hope that gives you some sort of context. I am happy to take any questions.

The Chairperson (Mr McKay): Thank you, Colin. We have arranged a number of questions. Leslie will ask the first set.

Mr Cree: How are the estimated Civil Service figure of £26 million savings in 2015-16 and the £88 million thereafter being calculated? How much of the £700 million of borrowing will be needed for the Civil Service scheme and how much for the public sector schemes? That is a question that I asked the Minister last night, but he was not able to answer.

Mr Lewis: Mr Cree, I cannot answer any questions for you on the wider public sector. My responsibility is entirely for the Civil Service, so I am afraid that I will have to keep my answers to the Civil Service.

Mr Cree: It will fall by default, will it not, obviously, if —

Mr Lewis: Yes, but I can give you a sense of what I need, and then you can deduce what might be available elsewhere. Ultimately, it will be for an oversight group to determine how much I get.

Your first question was on how we came to the pay bill savings amount. The scene for all of this was set when we knew what the Budget allocations were likely to be in the draft Budget, although it was clear at that point, particularly with the ring-fencing of health and the protection of education, that there would be a disproportionate impact on the other Departments, because those Departments have the largest majority of civil servants. At that time, we commissioned work from the Departments to tell us how many staff they needed to exit. On that basis, and through a number of iterations as we went through the draft Budget to the final Budget, we were able to firm up the number of full-time equivalent staff across all grades who would need to exit in the period.

We engaged the Northern Ireland Statistics and Research Agency (NISRA) to help us calculate what the pay bill saving would be. Cutting to the chase, and being very brief about it, we based those on the time of exit. We are planning to exit people in four tranches throughout the year: the end of September, the end of November, January and December. So, we have an indication of the time. We assessed the actual pay bill on the basis of the average salary per grade, to give us a broad sense as to the cost. Then we simply did the maths to find out what the saving would be for the remaining part of 2015-16, and then what the figures were for 2016-17 on. It is a fairly fixed —

Mr Cree: It is a mechanical calculation, then.

Mr Lewis: It is.

Mr Cree: You have no particular view on grades.

Mr Lewis: No. We asked Departments to provide for us a breakdown across the grades, from grade 3 all the way down to administrative officer, so we have the numbers that Departments had indicated collectively that they wanted to exit at all grades. We are able to do the maths and work it out.

Mr Cree: How did you get from £26 million part-year to £88 million? What factor did you use there?

Mr Lewis: The £26 million is simply the proportion of pay bill savings in-year, because we are not getting rid of the people until halfway through the year and then gradually —

Mr Cree: It is as simple as that.

Mr Lewis: Yes, and you will probably find that it is pretty accurate.

Mr Cree: An exact science, then.

Mr Mark Goodfellow (Department of Finance and Personnel): It might be helpful just to add that the £88 million provides the total savings for a full year. You might say that, if we are releasing people from September onwards, it should be half of that. The reason why it is £26 million and not half of £88 million is, as Colin said, we are releasing people in tranches. For some of the people who will not leave until the last tranche, you are not really effecting any pay bill savings during 2015-16. The £26 million reflects the fact that you will have a tranche of people leaving at the end of September, a further one at the end of November, one in January and so on. It is not a case of getting a full six months' savings, for example. That is why £26 million and £88 million pounds might not obviously compute.

Mr Cree: What about the £700 million? What part of that will be for the Northern Ireland Civil Service?

Mr Lewis: If I am successful in the June monitoring and get everything I require to exit 2,400 people —

Mr Cree: That is a very risky thing to say.

Mr Lewis: I know that it is likely to be oversubscribed, because there are a lot of arm's-length bodies out there who want to access the central fund, just as much as the Civil Service. However, I have had to plan on the basis that I am fully funded, because I must put my systems in place to be able to react. If I were able to get everything that I want, we estimate that the compensation cost required would be in the range of £98 million to £130 million. The reason why we cannot be any more precise is that it simply depends on the number of people who apply and the years of service they have. The £130 million assumes that everybody will get the maximum; it is probably unlikely that that will happen. I think that the figure will probably be around £110 million.

We know that, under the Stormont House Agreement, only £200 million is available in 2015-16. A further £200 million will be available in the following year, another £200 million the next and then £100 million in the last year. I will seek to bid for the lot, on the basis of a robust business case, given that we are very well advanced in all this and prepared. However, ultimately I cannot control how much I get, and obviously the head of the service and his team will look at multiple business cases and will have to form of view.

Mr Cree: Will the cost of borrowing be apportioned to the relevant Departments by way of some formula of numbers?

Mr Lewis: That is a good question. I honestly do not know how the reinvestment and reform initiative (RRI) funding and the cost of borrowing will be handled, whether capital repayments on the servicing of debt will be allocated to Departments. I simply do not know how that will be worked out.

Mr Cree: That is obviously a very important part of your budgeting exercise.

Mr Lewis: Of course. Certainly, it is an important part of the budgeting exercise for the Executive.

Mr Cree: It is the x factor, is it not?

Mr Lewis: Absolutely. I would say, however, that, given the scale of what we are talking about, if you were to extend this over a five-year period, which is not unreasonable when you are looking forward to the life of these things, this scheme, as far as the Civil Service is concerned, will generate total savings of nearly £500 million, which is vastly in excess of the cost of servicing the necessary debt. There is a very strong value-for-money argument to do this.

Mr Cree: If you do not get the pick-up that you expect, especially in the latter years, what risk assessment have you done, or where do you go from there?

Mr Lewis: Again, it is important that we differentiate between the Civil Service and the public sector. I cannot answer any questions on what is happening. It is such a huge exercise. My focus has been on the Civil Service.

The scheme is, essentially, a one-year scheme. I am working on the basis that we will be able to exit all the staff we require in the first year. If I am not allocated sufficient funds, that will not be the case, and we would have to extend it into next year. My intention, however, is not to think about any future schemes once we have achieved our pay bill savings, because that is not what Departments are telling me at present. Budgets for 2016-17 have not been determined yet, but, given that this is a fairly substantial exercise, it could well be possible that, in future years, as far as the Civil Service is concerned, further reductions could be dealt with by natural wastage. It is such a huge adjustment in this year.

Mr Cree: We could not do that from the beginning, obviously; we could not accept natural wastage. I have heard the arguments that —

Mr Lewis: No. It would be —

Mr Cree: — that would not be adequate or high enough.

Mr Lewis: Absolutely impossible. Natural wastage in the Civil Service — those who leave — runs from about 2.5% to 4%. It is broadly around 3%. That would equate to no more than 1,000 people in the Civil Service: we need to exit 2,410 full-time equivalents. When you gross it up to the number of people, given that quite a lot of people in the Civil Service work reduced hours, it could be upwards of 3,000 people. It is not an option if the Executive want to achieve the pay bill reduction to fund their pressures, which they have determined.

Mr Cree: Will the leavers be able to rejoin the Civil Service at some point in the future?

Mr Lewis: Anybody can rejoin the Civil Service. The issue is probably whether they would have to pay back any compensation if they had received —

Mr Cree: There is an expectancy of that. There was also some legislation passed recently; I think that there was a one-year moratorium.

Mr Goodfellow: The posts will be suppressed. The vacancies will not exist in that sense. This is about achieving an immediate and permanent pay bill reduction. Once the posts are suppressed, that work will not be there for people to come back into. That does not preclude some Departments using

agency staff to meet a particular project, but, by and large, because the posts are suppressed, there will not be work for those people to move back into.

Mr Cree: Will the Civil Service be able to carry on at 100% efficiency after those people go?

Mr Lewis: As I said in my introductory remarks, it would be foolish and probably naive to think that, when you are seeking to exit nearly 13% of the Civil Service in little under a year and a half —

Mr Cree: It is bound to have some effect.

Mr Lewis: — it is not going to have some effect, particularly as the Civil Service numbers have not changed at all in the last five years. This is a capacity adjustment. Clearly, Departments will have to stop doing lower-priority things. Undoubtedly, there will be disruption. To make this work, we will have to redeploy quite a lot of people. Some people, naturally, are going to be quite unhappy about being told, "By the way, you are moving into a post". That, in itself, causes disruption and an impact on productivity, but, all those things having been said, the Civil Service is resilient enough to deal with this; it can adapt. However, it would be foolish to say that there is not going to be some impact on services or disruption.

Mrs Cochrane: My questions are more around the support that will be in place for staff who may avail themselves of the scheme and those who will be left behind.

First, for those who are not necessarily quite ready to retire but, because they have enough years' service, it would be financially viable for them to do it, has any support been put in place to help them to adjust to not working all of a sudden? It is a major life change without them necessarily having originally planned that, given that we are trying to move quite quickly. Secondly, what is being done to prepare staff who might leave to go to the outside job market? Many of them will not have encountered anything other than a competency-based interview, or perhaps they will not be used to progression on performance alone. How can DFP and the Departments manage those expectations in people and still encourage them to avail themselves of the scheme? Thirdly, is there anything proposed to help those who may have a business idea that could allow them to leave but do not necessarily have those skills? Is there any support around that aspect of things? Finally, what is being done to upskill managers who will be left behind to manage that change and the associated pressures? I am sorry; I have one more. Has the need for all that support been considered, and how much money has been set aside to pay for it?

Mr Lewis: I can understand why you ask that question, but I need to reinforce the point that this is a voluntary scheme. People are choosing to leave for personal reasons.

Mrs Cochrane: But we need them to leave.

Mr Lewis: Yes, but they do not have to. They will be compensated, and some will be compensated quite handsomely for doing so. In saying that, we have a responsibility to try to support our staff who are thinking about moving into the private sector and those who wish to continue to work in a different environment.

We are having discussions about how we can try to soften the blow. There is a normal process for anybody retiring from the Civil Service, and they will be given access to some support on how to adapt. That will be available to people in any event. We are also considering — in fact, I am meeting staff on Friday to consider this — what else can be done to soften the blow. It will probably be more about signposting to where you need to look for things as opposed to the provision of practical support. We have to get the balance right. People are doing this voluntarily and will be compensated. We cannot necessarily take responsibility to prepare them for the outside world, but we will signpost. Do you want to say anything else?

Mr Goodfellow: I think that that covers the main bit. To communicate with staff and make sure that they understand what is coming downstream, the head of the Civil Service has written to staff on four occasions over a period of months to signpost and say, "This is coming soon. We are planning for this. Start to give some thought to it". Although the focus is on Monday, which is the launch date, we have had communications from the head of the service and right down on four separate occasions.

Last week, as Colin said in his opening remarks, we very consciously released 65 frequently asked questions to try to make sure that staff are provided with information. We have released the online calculator, so that people can start to think through the financial implications. Our intent all along has been to try to communicate with staff so that, on D-Day, which is 2 March, that will not be the first they have heard of it. We hope that staff have had a chance to start to think through the implications.

Colin is right: we are in discussions with DEL and DETI colleagues in particular, because there is a range of support mechanisms, not only for staff exiting through pre-retirement support but for those who are minded to use some of their compensation payment on a small start-up. DETI has a suite of initiatives. Given the pace of this project, I do not think that we are in the territory of developing a bespoke suite of new interventions, but it is, as Colin said, a matter of signposting to what is already available.

In the slightly longer term — to pick up your point on how we will support line managers to cope with that change — we are working closely with colleagues in the Centre for Applied Learning so that their suite of training and development initiatives goes beyond the standard training and start to look at issues like resilience, change management and coping with change. You are absolutely right to say there will be huge pressure on line managers as well, given the redeployment consequences.

Mr Lewis: We should not underestimate the challenge that leaders and managers will face. It is not often that they have to deal with substantial redeployment opportunities. The staff they have today might not be the staff they have next week. It will test the organisation and its resilience. Is there anything you want to say, Debbie, about practical support?

Ms Debbie Sherlock (Department of Finance and Personnel): I think that you have covered it pretty well. We will have a stand at NICS Live. Anyone who attends that and wants to ask us any questions about the application process can do so. We will also have people there to help people with the online calculator, if they need assistance with that on the day.

Mr Ó Muilleoir: To add to what Judith asked, you are clearly trying to get the balance right and are under some pressure. Thank you for the presentation, which was very helpful. I urge you to do a little bit more. I have very high regard for our civil servants and our public servants; I think that they do a marvellous job. I have no doubt that they will be tested and will rise to the challenge ahead, especially those who are staying on and will be working with reduced teams. That said, when those people take their voluntary redundancy — I am sure that they all have different plans — what we really want to see is those who are young enough to use their talents to build the economy and to become active in the private sector becoming employers or employed. You mentioned some of the coordination with Invest. This seems to me to be a really good opportunity for Invest, which has always been looking for people with skills who may want to set up their own business. More than that, as I travel Belfast I see billboards all around the town from private-sector employers, especially our technology employers, who are looking for all types of talent. When a company like PwC, Deloitte or Kainos tries to recruit 300 or 400 people, they recruit not only computer engineers but people right across HR, marketing and so on.

Even with the pressure you are under, I urge us to raise our heads a little bit for a broader view and to think of the impact that there will be on the economy in five years' time. We should also think about whether there is any way that we can coordinate it just a little bit better so that we seize the opportunities that are here for the new employers coming into the region — we expect more of those — and the opportunities for self-employment. You mentioned some of that, but, if it was just a little bit more coordinated, I would be very pleased.

Mr Lewis: Thanks for that, Máirtín. Having worked in IDB and Invest NI for many years and having been heavily involved in inward investment and job creation, I know the skill sets that employers require. I think that civil servants are sometimes an easy target. People say, "They are civil servants. What do they know?". They are very adaptable, and I have absolutely no doubt that they would be very marketable if they chose to apply for posts in the Civil Service. While there may be specialisms around IT coming in, there are a lot of jobs that I think would suit people from the Civil Service, who have a variety of skills. However, but I take your point and record it.

There is one thing that I want to add about the leadership challenge. In the Civil Service, perhaps over many years — maybe this is because of the focus on accountability etc — work has tended to move up the ladder. Senior staff have perhaps not pushed down sufficient work for people. There are a lot of very talented people in the Civil Service who could see this as an opportunity to step up to the

plate and take on much more responsible and important leadership roles. That work going down would require a step change in the culture at the top, but I think that that is inevitable. From both angles, I take your point. I think that more work probably needs to be done to make them employer ready for the private sector, but we can do a lot internally for those people who remain in the service to give them much more incentive and enthusiasm to take on more responsible roles. I, in my role, will encourage the permanent secretary group.

The Chairperson (Mr McKay): Where eligibility is concerned, how will the Department ensure consistency and fairness? How many are likely to be ruled out? Obviously, there is the need to ensure that there is not a brain drain, for want of a better term. How is that going to be incorporated within the scheme?

Mr Lewis: Because of the sheer size and scale of the exercise, it is a pretty blunt instrument. I cannot say otherwise. It is removing quite a lot of people quite quickly. Therefore, to be attractive, we have to basically open it to all grades. We allow Departments to come forward with specific exceptions and particular posts that they feel they cannot let go because they would immediately have to recruit to fill them. The scheme document that will launch next week will have a list of exceptions, but they are not huge in number.

We also allow Departments to apply quotas if they are concerned, say, within the general services, that, on particular pieces of work where there are maybe five, six, seven or eight people, they cannot afford to let them go because the work would then not be done. They can set a quota so that maybe only two from that team would go. We encourage that to be used sparingly, because if it is abused — that is probably the wrong phraseology — we will not achieve the pay bill reduction.

I honestly believe that the service is resilient enough to be able to deal with the reduction. It will not be materially impacted in skills. For example, I cannot see us being wiped out of finance or IT professionals. That is simply unlikely to happen. In my introductory remarks, I said that I thought that your question was spot on for what will be to come. That will be a strategic workforce planning exercise in which we will have to look at skills and capabilities going over the next five years to prevent what you think is happening. I just do not think that, at this stage, it is feasible to protect every eventuality. However, I think that we are resilient enough to cope and to not have a brain drain.

Is there anything else that you would like to mention?

Mr Goodfellow: Yes. I think that we have built in a number of safeguards to try to prevent that very scenario. From a departmental perspective, you are saying to Departments that, given that every member of staff who will exit will have a three-month notice period, it means that every Department and line manager will have the very minimum of three months' notice that their member or members of staff will leave. They will actually have a minimum of three months and up to nine months' notice for people who will go between September and next March. That is the first reassurance, I think, for Departments. They have sufficient lead-in time.

Colin covered the provision of exceptions and quotas that Departments have as well. The other —

The Chairperson (Mr McKay): Just on that point, Mark, you outlined that 13% of the posts will be reduced, so what percentage of the total are the exceptions? Are they 1% or 2%?

Mr Lewis: They are even less than that. The exceptions have to be agreed by the permanent secretaries group as a corporate body, and the appetite and hunger for exceptions is, I have to say, pretty low. The Executive were pretty clear when they approved the scheme on 5 February that everyone, up to and including grade 3 and right across general service and specialist posts, should fall within its scope to ventilate enough numbers. As Colin said, we expect exceptions to be rare and to occur only where letting someone go would require a recruitment exercise, thereby negating the savings you would make and undermining the principle of the scheme.

Another reassurance that we have is that the redeployment group has been stood up again, so there is a redeployment group right across the Civil Service. It is working in parallel to this scheme being launched. We are already working to see what the redeployment challenges are and whether existing policies allow us to manage those challenges and, if not, how we should tweak and refine them.

The final reassurance that I would offer the Committee is that, at this point in time, we are saying that, although it is a pay bill reduction strategy, once the applications are closed, we will have two sets of

costings. One set will look at pure value for money right across on a Civil Service-wide basis. The second set will look at the costings within grades in Departments. It may well be that one option may be more expensive than the other. There is actually a decision to be taken then, again by the permanent secretaries group, about whether it is a price worth paying to do the costings by Department, making it more expensive to let people go, or whether there is a limited tolerance there to protect the business continuity and ensure that we do not lose all the people whom we want to keep.

The Chairperson (Mr McKay): Say that you get two members of staff from the same grade but can afford to let only one of them go, what would be the criteria for those kinds of decisions? Are there standard criteria that you would adopt?

Mr Goodfellow: There are. The standard criteria for selection are, firstly, value for money. Obviously, that would apply only in circumstances where we are oversubscribed with applications. If we were oversubscribed, we would draw up a merit list based on value for money. That calculation would look at the pay bill savings that would be clawed back over a one-year period and the value of the compensation payment. Taking one away from the other would allow us to rank people, albeit quite crudely, in merit order.

In circumstances where people are tied — there will be occasions where people are tied — we will use random selection. The reason we went for random selection is that we had spoken to colleagues in GB and other areas. We went through a number of scenarios, looking at selection criteria, including performance management, sickness absence and those who might be approaching retirement age and who therefore, some might argue, would be retiring soon anyway. The bottom line is that, having taken legal advice, we found that none of those was robust. The fairest way to do this is through random selection because, otherwise, we walk very quickly into the territory of age discrimination or potentially rewarding bad behaviour for performance management or, if we were to look at sickness absence, rewarding poor attendance. Value for money is the main criterion, and beyond that, it will be random selection.

The Chairperson (Mr McKay): What points has the trade union side raised, and what have you addressed?

Mr Lewis: Our engagement with the trade union has been quite extensive and, to be frank, very cooperative. It is unsurprising, of course, that the trade unions are absolutely against public-sector job losses. They were very clear about making that point to us, and we acknowledged it. In the consultation on this scheme, they did not raise any particular issues. It is similar to the scheme that was launched for the DVA in Coleraine, which they were in agreement with, so they really had no issues on that. They are just taking the view that they are against public-sector job losses. As you know, they intend to ballot all members for industrial action on 13 March. That is the stance. The relationship has, I think, been pretty good.

The Chairperson (Mr McKay): Peter, do you have a question?

Mr Weir: No, I am fine.

Mr McQuillan: Colin, you mentioned the DVA scheme in Coleraine. I hope that this scheme runs a bit more smoothly than that, because, even today, we are having problems with it. People are being moved where they do not really want to go, and they are being told that they have to go there and that is it. I hope that this runs a bit more smoothly.

I want to ask you about the arm's-length bodies, especially those for Health and Education. What effect could they have on the scheme if there is slippage in their schemes? Do they need a special scheme? What way is that going to be rolled out?

Mr Lewis: Again, I cannot give you an absolute, clear answer, but I will do my best to give you some sense of it. The arm's-length bodies, as employers, will be in exactly the same position as the Civil Service. They will have a similar responsibility to come forward with their scheme and to reduce their numbers in exactly the same way. An oversight board has been set up. It is being chaired by the head of the Civil Service and has members from various arm's-length bodies and Departments. Its job is simply to look at all these schemes and business cases and to decide how the funding is allocated. Everybody is clear that they want to be as fair and as equitable as possible and to not prefer one or the other. However, there will inevitably be schemes at different states of preparedness.

As far as the Civil Service is concerned, we are at a point now where we are going out looking for applicants. I would have thought that we are pretty well advanced, having seen this coming for some time. Others will be less so. It will be a difficult enough process. I think that schemes will be funded. It is simply a case of when, whether that is this year, next year or the year after.

There is a cost to all that, of course. If you cannot exit the people, you have to continue to pay them, and, therefore, funding would have to be diverted from other sources. However, there is an urgency in all this. I know that DFP colleagues on the public-sector reform side are looking at all of it and are anxiously trying to push it forward and to get momentum elsewhere. I am fairly content that this is being managed as efficiently as it can be. However, ultimately, it will depend on how quickly individual employers come forward with their schemes.

Mr McQuillan: Does it have the potential to cause slippage and problems down the line if —

Mr Lewis: First of all, the indications are that the money that is available will be oversubscribed for. There are a lot more people who want to avail themselves of the compensation fund than we can actually pay. However, there will be compensation available next year that could be called down relatively quickly into next year. If there is slippage from one year to the next, I do not think that it would be anything really significant. The problem would be if schemes were not developed to the appropriate standard to justify the expenditure, and that is a matter for the individual employers.

Mr McQuillan: What role will the DFP have in overseeing the arm's-length bodies? Will it have a role?

Mr Lewis: DFP will not have a role. As I said, that oversight role will be driven by the oversight group that the head of the Civil Service is chairing. It will try to ensure that there is fairness and equity in the whole thing.

Mr McQuillan: So, there is an oversight role but not for DFP.

Mr Lewis: Not for DFP.

Mr McQuillan: What way do you think the morale of the staff who are going to be left will pan out?

Mr Lewis: That is a good question. We have invested heavily in various methods to try to improve employee engagement and encourage levels of enthusiasm etc. We have had some success, because we have seen a gradual increase in all that in the staff survey. I think that I said in my introductory remarks that you cannot help but think that reducing the number of staff in the Civil Service so quickly and possibly having quite substantial redeployment consequences, where staff are probably naturally concerned about things, will have a negative impact on morale.

The difficult thing is that the balance between the business needs and the employee needs could well change in all this. The Civil Service has gone out of its way in the past, quite rightly, to try to help staff with personal circumstances. Inevitably, given the sheer scale and suddenness of this, that balance may change a little bit. There will be occasions, as our scheme document will say, when staff cannot expect the certainty that the job that they have now will be the job that they will be doing next week. You can understand that that is not going to be taken too well.

Mr McQuillan: It is up to you to manage that.

Mr Lewis: It will require skilful management, but it will also require people to understand that they are employed in the Civil Service to do a job.

Mr McQuillan: It was not managed very well through the Coleraine episode. I would hate to see it being managed in that way overall in the wider Civil Service.

Mr Lewis: This is not me criticising the previous scheme, because it had certain circumstances, but one of the underlying principles of the scheme is that you learn from things. For this to work, Departments have to work in a collegiate and corporate manner. They cannot adopt a position of saying, "Well, my problem is more important than somebody else's". This will test how we operate. If it is done properly and there is that sort of collegiate approach to things, which is being overseen by the

permanent secretaries group, I would have thought that we could manage this. However, it will not be without pain, Adrian.

The Chairperson (Mr McKay): Has there been any equality screening or an equality impact assessment? I suppose that the equality impact is not only about how the scheme is put in place, but what the outcome will be, and whether it affects gender or any other section 75 category.

Mr Goodfellow: That is a difficult one, Chair. The short answer is yes, we have carried out an equality screening exercise. That screening exercise concluded that there was probably no need to move to a full equality impact assessment on the basis that there was nothing in the process to suggest that there would be an adverse impact on any section 75 group. The subtext to that, of course, is that it is entirely voluntary. As Colin said, this is open to virtually all civil servants at all grades, at all ages, from all areas and from all backgrounds. There are no barriers there. The entirely voluntary nature of it makes it impossible to predict the outcome. However, we have been able to screen the actual process that we have applied, and we do not anticipate any adverse impact from this.

The Chairperson (Mr McKay): Obviously, there have been improvements in certain section 75 categories down the years. How do you guard against an over-representation of, say, females leaving the service? It is a 13% reduction of the service, so that would have an impact on female representation in the Civil Service. That is something that you need to guard against.

Mr Goodfellow: We cannot do that ahead of the scheme launching and seeing the profile of applicants.

The Chairperson (Mr McKay): Are you going to do it as the scheme rolls out?

Mr Goodfellow: Given the nature of the scheme, I do not think that we will be in that place, to be honest, in the sense that it is entirely voluntary. Ministers and permanent secretaries have signed up to the fact that it is voluntary and that everyone should be given the opportunity to apply. If they apply, if they satisfy the selection criteria and if they are not part of the exceptions put forward by permanent secretaries they should be allowed to go, subject to available funding.

Mr Lewis: We do not anticipate problems.

Mr Cree: Very brave.

Mr Lewis: We do not, simply because, as Mark said, it is open to everyone and is entirely voluntary. If it came out that there may be some adverse events, there is nothing that we can necessarily do about it. The process has been screened, and it is fair. We will just have to wait to see who the applicants are.

The Chairperson (Mr McKay): I presume that there will be greater applications from those who have served longer in the Civil Service and are approaching retirement age. What is that group's profile? If they are more likely to leave, you could analyse what the impact could be, if any.

Mr Lewis: I am absolutely convinced that, when this is done and we employ NISRA, it will analyse it to the nth degree and we will take lessons from that. My point is that I do not think that groups will be adversely impacted, but I cannot give you a clearer and maybe more comforting answer until we see what comes out of the process.

Mr McQuillan: I have a quick question that came to me after I had finished speaking. What about civil servants who transfer from the Civil Service to local government? Will the scheme be open to them, or will they miss out on it?

Ms Sherlock: Anybody who is due to TUPE transfer this year [*Inaudible.*] They will not be eligible to apply under the scheme.

Mr McQuillan: That might cause a wee problem or two for somebody who is thinking that they would be happy enough to go rather than to transfer.

Ms Sherlock: Once they go, we will obviously not be their employer any more.

Mr McQuillan: No, but they are not going until 1 April, and the scheme opens at the start of March. Is that month an opportunity for them to apply, or did you rule that out totally?

Ms Sherlock: Yes, but once they go on 2 April, they are not our —

Mr McQuillan: No, I mean before that. From the beginning of March until 2 April there will be an opportunity or window for them to apply.

Ms Sherlock: There would. However, the overriding principle behind the scheme is to reduce the NICS pay bill, so we would not be paying them to leave when they have already left.

Mr McQuillan: They will leave anyway, but will there still be a window of opportunity in that month. How will you be fit to manage that?

Mr Goodfellow: We made it clear from the start, in consultation with Departments, that anyone who will be TUPE transferring within the financial year will be ineligible to apply. We have covered that in the frequently asked questions, so there should not be any surprises for staff come the launch of the scheme on 2 March. We have also been clear with Departments that people who fall into that category or who are subject to exceptions or the quotas should get that news early and in a very open and transparent way. We have shared suggested template letters with Departments, so it should not be a surprise for any staff who fall into those categories. They should either know already or should certainly know ahead of 2 March.

Mr McQuillan: I am not clear on that. Are you saying that they are not eligible — full stop?

Mr Goodfellow: That is right.

Mr McQuillan: They will still be employed by the Civil Service for a month, but they will not be eligible.

Mr Goodfellow: No.

Mr McQuillan: That is fair enough.

Ms Sherlock: They should not get an email on 2 March to invite them to apply in the first place. We have worked with the Department to identify them.

Mr McQuillan: Right. So, they will not get that email.

Ms Sherlock: No.

Mr Cree: Gentlemen and lady, where the wider economic impact is concerned, what assessment has been done of whether the private sector can absorb those leavers? What is the risk of them ending up on the benefits claimant list?

Mr Lewis: Those are not issues for me to address as part of the exercise that I am responsible for. The economic impact of the job reductions was presumably considered as part of the Budget process. Once the Budget was determined and allocations were made, it was fairly clear what was going to happen to the numbers in the Civil Service. Do we know how many of them are likely to move from the public sector to the private sector to seek work? We just do not know that.

In the way that you have framed your question, I know precisely what you are asking, but I am not certain whether that economic assessment on the impact of the workforce was done. The economic assessment is what the Budget is determined —

Mr Cree: I understand that. It is the other side of the coin, really, and we certainly would not want that sort of situation.

I have another throwaway question. As you know, we are interested in flexible working and have done a lot of work on it. Do you think that flexible working, which is happening and which we discussed in our report, will be affected by this major change in the Civil Service structure?

Mr Lewis: No, I do not think that the work that you did on flexible working and its general impact will be affected. It is one of those things that we will have to think about. What will we do about running the Civil Service in the next five years? When we see the full extent of the public expenditure reduction and once we have dealt with the capacity adjustment, we will have to think about how we will manage the Civil Service. Flexible working and the more innovative use of our policies are bound to be considered in that. It certainly has not been ruled out. In fact, it will probably be front and centre. However, at this stage, to be quite frank, our focus is on dealing with the scheme and the short-term problem.

The Chairperson (Mr McKay): We will reduce to nine Departments in just over 12 months' time. Why have the permanent secretaries been excluded from the scheme?

Mr Lewis: In the permanent secretary group, a number of permanent secretaries have been temporarily promoted, so a reduction in Departments will have no impact on the substantive numbers of permanent secretaries. That is why they have been excluded.

The Chairperson (Mr McKay): So, the temporary permanent secretaries will be eligible for the scheme. Is that right?

Mr Lewis: No.

The Chairperson (Mr McKay): So, all the permanent secretaries have been excluded.

Mr Lewis: At this stage, they are permanent secretaries. They may have been temporarily promoted, but, at this stage, they are not eligible.

The Chairperson (Mr McKay): Why is that the case?

Mr Lewis: We will come back to you on that. *[Laughter.]* That is the safe answer.

Mr Goodfellow: The other point to add about why permanent secretaries will be excluded is that, of course the departmental reorganisation will not take place until after the scheme has closed. That will not take place until all our leavers have exited, which will be by 31 March 2016.

Mr Lewis: I think that that is the answer, Chair. *[Laughter.]*

The Chairperson (Mr McKay): OK. Fair enough.

OK. We are happy enough to wrap it up there. Thank you for very much for answering our questions. We have other questions that we have not asked that we will send to you.

Mr Lewis: Yes. I am sure that you will be interested in how the process progresses. We are happy to come back to give you further updates.

The Chairperson (Mr McKay): OK. Thank you.