



Northern Ireland
Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

Public Sector Reform:
Department of Finance

23 September 2020

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Dr Steve Aiken (Chairperson)
Mr Paul Frew (Deputy Chairperson)
Mr Jim Allister
Mr Pat Catney
Ms Jemma Dolan
Mr Seán Lynch
Mr Maolíosa McHugh
Mr Matthew O'Toole
Mr Jim Wells

Witnesses:

Ms Emer Morelli	Department of Finance
Mr Bill Pauley	Department of Finance
Ms Helen Toner	Department of Finance

The Chairperson (Dr Aiken): We welcome Bill Pauley, Emer Morelli and Helen Toner. Have we got a connection to Helen? Helen can you hear us?

Ms Helen Toner (Department of Finance): Yes.

The Chairperson (Dr Aiken): Excellent.

Hello, Emer and Bill, it is good to see you again. I remind you that this item is being reported by Hansard. Bill, would you like to make some opening comments?

Mr Bill Pauley (Department of Finance): This is not so much an opening statement as a comment to say that we have provided a paper, and we are happy to move quite quickly and to take some questions on it.

I will introduce Emer, who is the new head of the public sector reform division (PSRD). She has been in the post since Monday. Of course, Emer is an experienced member of the senior team in DOF, and some of the issues will be familiar to her etc, and she will be responsible for taking many of our issues forward.

We also have Helen Toner on the line, who is the head of our business consultancy services. Should we go into the detail of the work of that team and the projects that are there, Helen will be able to contribute and to help us with that.

With that, Chair, I am happy to move on to what the Committee might like to discuss.

The Chairperson (Dr Aiken): OK.

Mr O'Toole: Are we taking evidence now? Thank you. I will ask some questions about OECD implementation if that is OK, Chair, if I am doing it in the correct order. Thank you for coming and for giving evidence.

I have read the executive summary of the Organisation for Economic Co-operation and Development (OECD) report, although I have not read all 500 pages, so I will say that up front. Just so that we are clear, that report was published in July 2016. However, in the summer of 2018 — was it May? — the Department got the Northern Ireland Civil Service (NICS) board to agree to cease the systematic monitoring of delivery against it.

Mr Pauley: Yes, that is correct. There were two years where, on a quarterly basis, this directorate sent out to all the action owners that we would consider that, and, indeed, there were a considerable number of sub-actions. We regularly produced reports to the board. I came to this directorate on 2 October 2017, but the two reports that I prepared for the next board on this were pretty much exactly the same in that we felt that the change had substantially been made or embedded in what people were calling the "business as usual" aspects of that.

We felt that the grid-type monitoring where there was recommendation by recommendation in a table had served its purpose and that it could be moved substantially to the delivery and implementation of the Programme for Government and its outcomes-based approach.

Mr O'Toole: We have a table with red, amber or green (RAG) ratings on the 30 main strategic recommendations, of which, I think, the then Executive did not accept two. I do not mean this in a provocative way, but will those two red RAGs, for example, just be left to not be implemented, or is there an action outstanding to implement them? Or are they the two that were rejected?

Mr Pauley: They were substantially rejected by the Executive. The Department for the Economy, which would have been responsible for that regulation, felt that they were covered elsewhere and that the necessary action to ensure equality regulation services had been delivered, so it did not take forward particular actions recommended in the OECD report. As you can see, we highlighted that to the board as we took the decision on whether to park those.

Mr O'Toole: Has the preparation of NDNA and, subsequently, conversations that have happened around a new Programme for Government — which, obviously, have been stop-start because of COVID — formed any part of the conversations around the overall OECD report?

Mr Pauley: I think they have. I found going back to the 2018 report, which I did in preparation for coming here, to be an interesting exercise. There are some of those where it is reasonably clear that the absence of a focus on an outcomes-based Programme for Government, and in the absence of an Executive, while we carried on as a Civil Service taking the outcomes-approach and the individual bit, some aspects of the reforms were difficult and were even carried forward into NDNA as recommendations, such as the three-year Budget. We have never managed to have a multi-year or multi-annual budget, despite the desire back then to achieve it. It has not been achieved, and again we hope as we look forward.

It is fairly clear that, while the structures for some of those issues were put in place, the Programme for Government document was consulted on, widely agreed, agreed across the Executive, put out to consultation and back, but never finally completed or delivered. Although the structures were put in place, we have not actually taken them through to a point at which you could say that it is finally delivered and in place. The three-year Budget is one of the best examples in linking that to the objectives. It is a very specific and similar New Decade, New Approach (NDNA) commitment, and it is something that we have yet to achieve and put in place where having the resources directly linked to that is something that we can plan on the basis of. Linking resources to your strategy is a key element in the delivery of any public service.

Mr O'Toole: One part of the public sector reform directorate is the economic advisory and governance unit. Is that —. I seem to be quite loud; I am quite close to the mic. I presume that that includes a team of trained economists.

Mr Pauley: Yes. That is led by a grade 7 economist, with two others, either DPs or economists, to support them. Within the wider strategic policy and reform directorate I also have the strategic policy division, which oversees the economics profession for the Civil Service. We placed the team within it. Should they need it, they can consult with that team, and deliver upon it as well. As a team of economists, it also provides within the directorate a lot of our corporate core ancillary services, from general service within that team to managing our budget to coordinating input to AQs and coordinating the paper that you have today.

Mr O'Toole: Is that the team that is taking forward work on the fiscal council, or is it involved in it?

Mr Pauley: The fiscal council is in the strategic policy division, directly *[Inaudible]* economists unit. We looked at the fiscal council as an NDNA recommendation, following on from St Andrews. It is not a new recommendation in NDNA, as you know. We had a debate in the Department about whether it would be my directorate and strategic policy division who would take it forward, or whether it would be the public spending directorate itself, but we felt that the public spending directorate might seem as though it was appointing a council and would be monitoring its own work. So there is that separation, and the possible links that the fiscal council could take later when we as an Administration may have more devolved tax powers, but it might also report on budget sustainability issues that would include looking at incomes, revenues and expenditure. That would include tax revenues as well.

Mr O'Toole: I have one more, quite broad, question, so I do not mind deferring to others if they want to come in. My quite broad thematic question is that the public sector reform directorate seems to be —. Public sector reform is obviously an enormous job of work in Northern Ireland, and it is something that we — I mean, you talked about St Andrews. I think that the St Andrews Agreement was signed a year after I left St Andrews University, and it will be 20 years next year since I went to St Andrews University, so that gives a sense of how long-standing a lot of this stuff is. What is bringing all this together? Is it being tied together for the new head of the Civil Service, when they are appointed in the coming weeks? If you think of the commitments in NDNA and, I suppose, the un-actioned things from previous documents and the outworking of RHI, there seem to be quite a few big structural things. Do you recognise that description, or am I being unfair? Is it the responsibility of the PSRD to tie that together?

Mr Pauley: It goes outside and beyond PSRD. If we look at the challenges, it comes to what you define as reform. In most documents, people will agree that there are four major transformation programmes under way at the moment if you look to Health, Education and some of the stuff in Justice and housing. They tend to be cited in documentation as the major ones. There are other, smaller transformation programmes as well. In PSRD, if you look at our list of projects at both the iLab and the business consultancy service, you can see where we are working with those Departments, taking forward those transfers and trying to help and assist them with the projects we would undertake for them to do their work on those.

After that you come to how we, across the Department of Finance, have an Enterprise Shared Services (ESS) directorate. In every major reform programme, in every country, in the depths of the OECD report and in most places, you see that an element of reform can include looking closely at the capacity for shared services to improve efficiency and delivery to customers. The digitalisation work and wider work across shared services for the Civil Service and beyond to the wider public sector that ESS delivers is, of course, always going to be a major part of that.

The OECD report referred to procurement as issues in relation to it, and we have a procurement directorate. So reform, even in DOF, goes beyond one division of my directorate. I believe also that we are in the middle of a significant reform of pay policy, which falls to strategic policy division. We are moving out of a pay freeze, and then we had a pay cap at 1%. We now have the capacity in our pay policy to use it to link it to trying to achieve objectives through agreements with staff and groups. When we say that above-the-normally-budgeted-for aspects of pay policy can be financed through reform or other efficiency deliveries, it is possible for Departments and, indeed, for DOF and the Civil Service to look at some reform initiatives that may help to finance slightly higher pay initiatives so more can be used to incentivise and help with the delivery of reform within that.

On fiscal reform and the opportunities for fiscal reform, I have worked on fiscal reform for a lot of years, and I spent a bit of time in Health in between. For a long time we looked at the devolution of corporation tax and what that would achieve for Northern Ireland. I know that you have commented on the air passenger duty elements that we did devolve and take forward, and on where and how, even now, that could be a key part of our aviation sector and how it might be competitive as we come

through COVID, and then smaller taxes and duties, such as stamp duty and the range of it. So that directorate is working on substantial reforms.

Our European directorate is considerably involved in reform initiatives. Our leaving the EU will require much change in the delivery of services. With regard to structural funds losses, there is potentially £90 million a year that we will not have. We will have to look to refinance that in other ways, and with new systems and procedures in that aspect of money. So, across the strategic policy and reform directorate in all of our teams, you have linked it to RHI and the wider response — sorry if this answer is a little longer than I intended — and that response has the most advanced elements of our responses with regard to what others see in relation to it. The codes — it is a separate issue for the Committee on whether the codes are strong enough — for Ministers, civil servants and special advisers set out our *raison d'être*, our well-being, how we behave and how decisions might be more transparent, and that will be a significant part of leading that through to a very specific programme of Civil Service reform. The elements of the response to the RHI inquiry then go to some governance issues across risk management and across how we appraise and approve expenditure, including, as well, the record-keeping and the other detailed aspects that we will have to respond to in that report. That will bring it together.

Mr O'Toole: So, "Yes, but there is a lot of work"?

Mr Pauley: There is a huge amount of work in doing that, and it is overseen by what I think a new head of the Civil Service will have to try to bring alongside the delivery. Sir Patrick Coghlin was very clear in his report that he did not see it as a line-by-line implementation of a tick-box system against individual reports, systems or updated DOF guidance, which we would then put out there and others would have to comply with in relation to it. It was a more long-term thing to change the culture and values of how people apply those, take decisions, are transparent about it, and liaise with the third sector and their customers and stakeholders to deliver to make sure that that focus is there. So it includes all of those elements and getting that across the Civil Service to all Departments, although a lot of that guidance that we are talking about which could drift to those tick boxes is DOF guidance. The DOF produces, from top floor of Clare House, procurement guidance, business case guidance and managing public money and public expenditure guidance. We have the other guidance that ESS issues with regard to information management and other issues like record-keeping and the detail of that as well. We have responsibilities for a lot of guidance. The bringing of that together and the application of that guidance in every project that the Civil Service undertakes is really when the full response to RHI will have been delivered.

Mr Catney: Thanks very much, Mr Pauley. I wish you every success in your new post, Ms Morelli.

Ms Emer Morelli (Department of Finance): Thank you.

Mr Catney: Ms Toner, I hope you can hear me all right. This is a key part of where we are in this Committee in trying to look at the reform that we are trying to go to. COVID is there, but no one has a crystal ball to know where it will be going forward. A lot of money has been spent to allow working from home. This is an opportunity to look at our estate and assets. Has work been completed on how much physical office space will be needed for the working environment going forward?

Mr Pauley: COVID has been a huge element of that. Although not directly with me, the Department has been taking forward the reform of property management work in different ways over quite a number of years. That culminated in the agile project, which it had been planned to take forward. Indeed, it was to be rolled out in this division in Clare House, where we have a lot of people working for clients and others. That type of working suits us, and we can be the first pilot for it. Reform initiatives such as digitalisation, working from home and working from other locations, whether it is a core hub that is not in a city centre, not in Belfast but around Northern Ireland, have been a huge part of that. The amount of data that we have on how that can be done and put in place quickly and effectively is there to be captured, and we are attempting to capture it within the division.

Ms Morelli: That will be a key thing to look at. COVID has led to things being delivered in a different way and at pace, hopefully to the benefit of citizens. Departments are working very closely together on that. Part of PSRD's role is played through our innovation labs, where we try to bring in the stakeholders who have been involved in those issues, learn the lessons quickly, get those disseminated and get that good practice out there. The foundations of reform are there. They are there in New Decade, New Approach. They are there in the RHI inquiry. It is now about how we give the service the capacity and ability to respond and build on those foundations. PSRD will not be able to

cover every single element of reform, I hope, but we will be able to identify where there are gaps, where we need to make change, where we can help our colleagues, where cross-departmental working can work better, what works elsewhere and what are the methodologies and tools that we can use.

Mr Pauley: The lab recently started a project to look at the well-being of staff in this COVID situation — as people are working from home, not out and about and not engaging with colleagues and having the support structures that that can give them — to see what learning is coming from that. The lab has the tools to do that.

Mr Catney: How efficiently has the lab worked? How many meetings has it had?

Mr Pauley: I am not sure about meetings. The iLab has grown from when it first started. In fact, some of the people there have been promoted a little bit as well. We now have about 10 people in the lab, depending on full-time equivalents or what way you might come at it. Broadly, it provides three services, the demand for which is way beyond what the lab can provide in terms of the numbers of potential clients who come with projects for the lab. So the first bit of what they do is discuss with the client to try to agree and see if this approach [*Inaudible.*]

Mr Catney: I do not want to cut across you, but have any recommendations been implemented?

Mr Pauley: Numerous ones, some from quite simple projects. We have a team in the lab that looks at the behavioural aspects of how public services impact people. That ranges from looking at the letters that we send out to recover a simple thing like rates debt: how you write that letter, how it lands for customers and how they understand what they have to do. If you cited a whole lot of rating regulations about being required to pay rates, you get very little. The response is a lot different if you give people the information they need to help them to do that. It is about looking at how a letter from the public sector lands with you when you read it, and what you have to do in response. The lab has looked at that, and the response rates to such initiatives have been significant.

We looked at the rates journey for customers. How does someone buying a new house first engage with rates? A lot of people think that the first place they should go is a council website because they think that rates are paid to councils.

There are different impressions. If you look at the journey that customers have from their end, and the level of advice, they are only trying to register to pay their rates. It is about how the information that we share can achieve that.

There are those aspects, through to major projects in what we call the system dynamic modelling of where some actions have unintended consequences. If you take a particular action in the area of health to encourage uptake of a vaccine, people will respond differently. That has wider responses in the rest of the health service with which people may or may not be able to cope. The lab is involved in a range of projects across those features.

A design element in the lab helps people to redesign their service to take account of customer views and leave recommendations across Departments and areas.

Mr Catney: The end point of all that is to show efficiencies.

During my time in Belfast, we would not have survived without the influx of civil servants in the city centre. I am now talking about decentralisation. I am looking at an update on the success of Ballykelly. Where do you sit with decentralisation? Is work ongoing in your lab or Department to push that out?

Mr Pauley: We have not been involved with the wider reform of property management. Ballykelly was pretty much led by DAERA colleagues, and they took that initiative.

Mr Catney: Surely there has to be a financial impact to all that. That would be part of savings under public sector reform.

The point is the togetherness of it all and trying to get it all linked up, taking account of the number of Departments and where you are with this reform. How much of it is joined up as best as possible? I am looking forward to the new appointment, mind you, after today, to see where we go on this.

Mr Pauley: We are all interested in that.

Decentralisation is not directly in the public sector, but it is a key part of how people behave in the reform of work. In our arm's-length bodies review, we are looking at their location and whether they are efficient, given that different bodies come into that.

The location of civil servants, in all my time as a civil servant, has been a key feature. I looked at moving jobs from Belfast to Derry in 1986, when Rathgael was an option. There was also a question of whether we put civil servants in Castle Court when it was being built. It was, as you said, a key part of the Victoria Square development when Churchill House changed.

We do not, to my knowledge, have a formal policy of decentralisation out of Stormont or Belfast at the moment. Within DOF, we have been looking at the potential for agile working and efficiencies in our buildings, where we move out of buildings like this one, with individual rooms and services, and into rooms that are more like those in Clare House, which are open plan and where people can engage with one another, work together and gather those efficiencies, rather than in individual offices with leather chairs.

Mr Catney: You are trying to retain the skills that you have in the Civil Service after natural wastage.

Mr Pauley: People are very keen to look at these centres or hubs, which work very well around the M25. We do not quite have the traffic of London, but there is certainly scope for hubs, which would help a lot of the environmental aspects of traffic and other congestion. They would be popular with staff and others, and save them an hour a day in journey times, and yet they could have engagement. It is not working at home; it is working in an office environment where they can log in and hot-desk. There are types of work that that suits really well.

Mr Allister: Short questions and short answers. So that I understand Emer's position exactly, what is your new title?

Ms Morelli: I am head of the public sector reform division.

Mr Allister: Who now is head of supply?

Ms Morelli: Two appointments have been made to head of supply.

Mr Allister: Who are they?

Mr Wells: I cannot hear you, Emer. Can you come closer to the mic?

Ms Morelli: I am sorry. They are Patrick Neeson and Jonathan McAdams.

The Chairperson (Dr Aiken): There are two heads.

Mr Pauley: An additional post has been created at Senior Civil Service level in the public spending directorate to reflect the demand and the needs that were on it. Emer, if you like, has been replaced by two men — not that that was a criterion — but those two people have taken up appointments in the last two weeks following a selection board.

The Chairperson (Dr Aiken): Who is in charge of it?

Mr Pauley: Joanne McBurney is the director at grade 3 level of the public spending directorate, and the supply team now has two grade 5s, who, as I understand it, will each be responsible for a portfolio of Departments. They will split the Departments across two supply units, and there are some central services.

Mr Allister: Who previously held Emer's current post?

Mr Pauley: Helen, who is with us, was temporarily promoted to that project for about a year, after a lady called Ms Kelly Clark left the Department in December 2018. The post was not filled on a substantive basis. There was a temporary promotion to that post that lasted some 16 or 18 months.

Mr Allister: Are we now in a settled position?

Mr Pauley: I hope so.

Mr Wells: Are you telling me that it took two men to replace Emer? Does that tell you something?

Ms Morelli: Thank you.

Mr Catney: I was thinking that but did not have the courage to say it.

The Chairperson (Dr Aiken): Steady, steady. Calm down. This is important work. *[Laughter.]*

Mr Pauley: To be clear: we used part of the money for the grade 5 post in the public sector reform division, the RHI sponsor branch, to pay for the grade 5 who is currently working on the Department's response to the RHI inquiry. David Hughes was with me the last time that we were here.

Given the demands, we used what we had. We are moving, hopefully, towards a settled position. I hope that the RHI post will, at some stage, as we respond to that report in the next three, six, nine months, become *[Inaudible.]*

Mr Allister: I want to stay with RHI for a moment. That is about the reforms that might flow from RHI. Without prying into the disciplinary side, is that also under the wing of your section?

Mr Pauley: Yes. I lead on the response to the RHI inquiry report and coordinate that across a number of teams.

Mr Allister: Does that include the disciplinary processes?

Mr Pauley: I do not lead on the disciplinary element. The HR department in the NICS deals with the disciplinary and personnel elements.

Mr Allister: The disciplinary element is outside your remit.

Mr Pauley: That is outside my remit. I lead on other elements of the response: I act as secretary to the executive subcommittee; and I produce, coordinate and pull together the papers.

Mr Allister: OK. I was asking only about the disciplinary side, and that is not your area.

Mr Pauley: No, it is HR.

Mr Allister: Pat Catney raised an issue about Ballykelly and decentralisation. I really was taken aback to hear you say that those are individual departmental decisions. Surely, if we are in the business of reform, at any level, there has to be a central thread through all of that. Yet, when it comes to an issue as pivotal as that, you tell us that Departments do their own thing.

Mr Pauley: There are central threads to everything within that. It is my understanding that, when the Ballykelly decisions were taken some years ago, they were driven from within the Department.

Mr Allister: Would that still be the position today?

Mr Pauley: The Department of Finance is responsible for the public-sector estate and its management. We have a role in that.

Mr Allister: Would it be any different from the role that you had in Ballykelly?

Mr Pauley: I do not think so.

Mr Allister: Therefore, even today, in 2020, the Department is free to make the sort of Ballykelly decision that the Agriculture Department made. There is no central coordination.

Mr Pauley: Property management, lease management and departmental delegations are centrally coordinated. Financial delegations for business cases and expenditure would have to flow through DOF in the normal way. The normal approval roles that we have would apply.

Mr Allister: Right.

The answer to a question about the likely impact of homeworking on upcoming reform was not very clear. Are you still sucking it and seeing? Has a view been taken on homeworking?

Mr Pauley: We have not collected all the data on the extent to which we now have homeworking, or aspects of it. People currently work at home. You will have seen the wider guidance that people should work from home, and it is for a very different reason from the reform aspects of it. However, there is a huge amount of data that we can collect. Previously, we ran a pilot exercise on agile working on two floors of Goodwood House. We now have homeworking pretty much across the service and all Departments, and very large numbers of people are working from home.

Mr Allister: What is the biggest problem with it?

Mr Pauley: Some aspects of homeworking are coming out in reports that I see as a director in the Department, rather than in the reports produced in my particular division. For instance, it is harder to keep in touch with people, to share, to make sure that you have the necessary level of engagement and that everybody remains up to date with different stages of their work. Other aspects include the well-being of staff. We are looking at absence rates and other issues

Mr Allister: Are absence rates a bigger or smaller problem with homeworking?

Mr Pauley: Absence has fallen.

Mr Allister: Is there any issue with slacking?

Mr Pauley: I have not seen anybody identify or quantify any issues with slacking, or whatever. However, when you have data, you look at it to see what it means and whether there are issues around absence rates. Before COVID, a reduction in absence rates was also one of the benefits of agile working. A more flexible approach means, for example, that staff working from 12.00 pm to 8.00 pm can do their messages when they need to.

The Chairperson (Dr Aiken): How do you go about measuring output from remote working?

Mr Pauley: I am not measuring that across the Civil Service.

The Chairperson (Dr Aiken): Somebody must be.

Mr Pauley: In measuring the outputs of our teams, we know the quantum of work that staff have: the projects that they are taking forward and the issues that they face. There are types of policy work that are very different from, for example, the benefit claims process and similar aspects of work.

The Chairperson (Dr Aiken): So, data is being gathered.

Mr Pauley: There is particular data on certain aspects. We know, for example, that COVID has brought dramatic increases in universal credit claims.

The Chairperson (Dr Aiken): Is somebody coordinating that centrally?

Mr Pauley: Not centrally, in my understanding. However, Departments are looking at their business areas and monitoring the work, the effectiveness of it and the impact of COVID on their areas. I do not know how and when the different lessons learned from that project might be brought together when we emerge. I am not aware of a central COVID team responding to it, but central teams are looking at the COVID recovery plans, COVID responses and things like that. We know that there are more benefit claimants because there is more unemployment.

The Chairperson (Dr Aiken): Do you not think that the iLab could be usefully doing that?

Mr Pauley: The iLab has quite a full programme of work. Collecting data and statistics is more the role of my colleagues in the Northern Ireland Statistics and Research Agency (NISRA). As you will know, NISRA has statistician teams in every Department.

The Chairperson (Dr Aiken): Will you let us know whether NISRA is gathering this data? This is, potentially, a very important shift in policy. We might think that there are benefits to be gained from remote working or homeworking, and we have had about six months to analyse that. Will you let us know how NISRA is getting on and whether it has been tasked to do that? It would seem a bit remiss had it not been.

Mr Pauley: People are, where possible, trying to learn the lessons from our COVID experiences. The particular iLab work that has come our way asks us to look at the well-being of people in those situations. We will collect data through surveys of staff and other material, and we will produce something. There are other impacts on absence, as one example, and that data is being collected and monitored. There is no information on how it might all be brought together at some point to look at the COVID experience and what we can learn from it. However, the property management people are doing work on what was once a pilot on a couple of floors of one building in the centre of Belfast but has quickly had to become a way of working across the service.

The Chairperson (Dr Aiken): Jim, have you finished?

Mr Allister: Yes.

Ms Dolan: Thanks for coming in. Most of my points have been covered. You made a couple of important points about the well-being of staff. Your written evidence states that research will be carried out among staff on their experience of working during lockdown. Is that linked? Will they just be asked about their well-being?

Mr Pauley: We will look at the wider experiences and how they might be linked to their well-being: for example, the type of behaviour, the type and nature of the work that staff were doing and how that changed and the different experiences of interacting with each other. We will also be looking at how we worked with the technology involved, how it can be rolled out to others and how much of it needs to be retained.

The situation may change, but all staff have been strongly encouraged to work from home and will continue to be while it remains effective to do so. Staff from our teams can go into the office — Clare House is open, as is the building at Lanyon Place — use the facilities that they need for a short time and, because the vast majority of people are not there, social distancing and all the other requirements can be comfortably observed. Are they going in to socialise, engage and meet people to discuss policy issues or are they going in simply to use the A3 printer or use dual screens? What is helping them to work effectively on those days is important.

Mr Lynch: Thanks for coming in. Will you give an update on the review of arm's-length bodies, in particular, the time frame and intended outcomes?

Mr Pauley: The review of arm's-length bodies is under way. It is unclear as to whether that comes under the public sector reform division. We have an individual who is doing that work, and I oversee it with our permanent secretary, Sue. It has not actually formally joined a structure; we have an individual doing that work for us.

The Chairperson (Dr Aiken): Are arm's-length bodies not seen as being part of the public sector? Can you expand on that?

Mr Pauley: We have put that review in a very flat structure to do it within a short and focused period of time to get the first part of it done. As part of that, every paper or aspect does not have to go between each grade of the Civil Service. We have someone working on that who reports to myself and Sue Gray. It has not gone through any of the management team in the public sector reform division.

The Chairperson (Dr Aiken): Seán, apologies for that; I was just a bit confused there.

Mr Pauley: We have received the responses from Departments in respect of about 116 of the arm's-length bodies. A desktop exercise is ongoing to analyse that data to reach first conclusions on what

might be presented to our Minister and subsequently his Executive colleagues. We hope that a paper will go to the Executive during October. The type of question that is being asked is whether there is a need for the service in question to be delivered at arm's length from a Department. Hence, after direction from the Minister, we have looked at when a body was last subjected to the formal reviews that are required of arm's-length bodies, we have looked at its board structures and we have looked at different approaches to public appointments and different salaries for public appointees. There will be a range of questions that come from that work about different arm's-length bodies and their future. It is immediately evident when you look at them that some are very small and some are very large. They range from health trusts to the Education Authority and to Invest NI, delivering huge elements of our public service. We have about £11 billion of expenditure that flows through arm's-length bodies. The timetable is broadly that, during October, we hope that the Minister will take some of those first findings to Executive colleagues. That will determine which arm's-length bodies we would look at more closely to determine what their future might be, in line with what the 'New Decade, New Approach' document asked us to look at in terms of their efficiency and governance.

Mr Lynch: You said that there were 116 arm's-length bodies, and you outlined a number of important ones with huge responsibilities. Would it be the view to significantly reduce that number?

Mr Pauley: 'New Decade, New Approach' asked us to look at the possibility of reducing the number. Whether we can have efficiencies without reducing the number of arm's-length bodies, I do not know, but, yes, reduction is part of what was tasked in New Decade, New Approach and is part of the terms of reference for that review.

Mr McHugh: Tá fáilte romhaibh anseo inniu. You are very welcome here this evening. Comhghairdeas, a Emer. Congratulations, Emer, although I do not know whether congratulations are in order, given the task that is in hand. Commiserations, possibly.

I want to go back over territory that we have covered. In fact, like Mr Allister, I was shocked when you said that decentralisation was not part of your remit. I would have thought that, in looking at reform, decentralisation would have been a central plank as would the relocation of services. One would have thought at least that the pros and cons would have been considered.

COVID-19 has, in effect, enforced decentralisation, in that many people are working from home. The bidder locations are Belfast and Derry. However, once again, the question arises whether county towns such as Omagh or Enniskillen, for example, would have benefits for relocating services. Is it the case that, in order to maybe consider that it is only but a political decision, that is, a Minister taking that decision, it should be considered by a particular Department? Is it not an integral part of the Minister looking at reform in terms of the delivery of service?

Mr Pauley: I think that COVID-19 will have an effect on the location of jobs. We talked about the possibility of hubs where staff from any Department could log in and work from any NICS or public-sector building; they would have access to double screens or A3 printers or whatever it might be [*Inaudible*] and the support services that they need. The location of the hubs could include those who live beyond the greater Belfast area. I mentioned the M25, which suggests an area around a single city type of approach. It can certainly expand to beyond that to where our people are travelling to work from. We have people who drive from Coleraine; I was going to say every day, but also on different days. There can be flexible working patterns now for people from there or from other towns, whether that be Omagh, Dungannon or Newry. We have staff who travel every day from those towns to work in either Belfast or Stormont, predominantly. Some hubs could certainly be located that could offer staff the ability to work for any Department in the future, no matter where its headquarters are or how big a building it has, and to have a workstation that makes the effectiveness of that working pretty much the same.

Mr McHugh: When the business consultancy service is doing its appreciation or recommendations, will it once again look at how a Department and its staff being located in Belfast impacts on other businesses as opposed to taking into consideration the need for an incentive to do business in the more rural areas?

Mr Pauley: That would be an aspect of choosing where the hub might be located if we were to move to that and people were looking at that option. The business consultancy service is not working on that at the minute, but were we working on that type of thing, it would be a feature of preparing any business case for hubs.

Mr McHugh: I will go back to my initial statement with a question. Is this entirely a political decision or would it be a recommendation coming from this type of consultancy?

Mr Pauley: In the first place, it would be a business decision for the Department to take about the location of its services and which buildings it has. Would that be something that any one Department would consult its Minister on? Yes, I imagine that that would be the case. Would the most significant of those types of decisions come to DOF in the wider reform of property management in the Civil Service as a whole? Ultimately, DOF would have a position on that.

There are some decisions that we, as officials, can take about the number of buildings, whether we have agile working and how much flexibility with homeworking and other parts we can have in line with good practice. There are others that become fundamental and that may have a political aspect where politicians such as you would begin to take an interest. Where it would start to have an impact on certain issues, such as the objective to have regionally balanced growth that the Executive have set themselves, significant moves or changes that would affect that would need that level of thought.

The Chairperson (Dr Aiken): I have a few questions. I am sorry that I did not come in earlier, but I wanted to get an outline view of this. I will ask about a couple of specifics. You know that we have been looking at the voluntary exit scheme, and one of the things that we, as a Committee, are going to take a very close look at is whether it ever achieved any of the savings and efficiencies that it was supposed to achieve. One of the recommendations from the Northern Ireland Audit Office report was that the Department of Finance was going to say that:

"each year, it will monitor and report the level of net savings generated against overall pay bill expenditure, other staff and interest costs."

I was talking about what the output is and about monitoring and looking at information, but I do not think that I have seen any of those reports. Bearing that in mind, can you tell me where those reports are and when we will see them?

Mr Pauley: I thought that we sent most of the evaluation reports to the Committee. We listed a number of pieces of correspondence in the document about it.

The Chairperson (Dr Aiken): This is specifically about pay bill expenditure, staff and other costs.

Mr Pauley: We would certainly have the pay bill expenditure. We know how much the exits cost for each of the schemes. We know how much the pay bill savings were, and we certainly calculated where some of those exits were replaced so that there would be a net pay bill saving if you —.

The Chairperson (Dr Aiken): Is the Department of Finance producing an annual report on that?

Mr Pauley: We produced an evaluation report for each of the three main years that the public-sector transformation scheme, as it was called, or the voluntary exit scheme, operated.

The Chairperson (Dr Aiken): Have we done any reports since on the implications of what happened and whether there have been pinch points or other issues? Bear in mind that it is going to be quite important when we look at substantial public-sector reform; it is going to deal significantly with shifts in personnel, revaluation and various other issues.

Mr Pauley: The principal ask of us in the voluntary exit schemes was to reduce the pay bill. The money was provided in that way. I say that it was "provided", but I mean that it was access to borrowing, so we borrowed the money under the reinvestment and reform initiative (RRI) in order to finance the exit schemes. That happened on the basis of the expectation that the pay bill savings would enable the borrowing to be paid off and secure wider savings. The overriding priority was to achieve pay bill savings without damaging the operation of the service; the pay bill savings were the key feature. That has substantially been achieved; almost all the schemes have achieved that separately. The Civil Service scheme was one of a number of schemes. In total, across the four years, we had 34 different entities, of which the Civil Service was one. Most of the others would have been arm's-length bodies. The level of savings differed across those, as arm's-length bodies, typically, were front-line operations and services. We have data, and my understanding is that we have provided all the evaluation reports that are available. We are still finalising the one for 2017-18.

The Chairperson (Dr Aiken): For 2017-18?

Mr Pauley: The schemes that operated during 2017-18 were, if you like, the benefits of those schemes and the pay bill savings, so the evaluation was carried out after that. We are pulling together the evaluation of the schemes for the three years into a single evaluation report for the exit scheme as a whole. However, at the top level, has the scheme achieved significant pay bill savings? Those savings are typically under 18 months in terms of the cost of the exit and how long it takes to achieve the pay bill savings. That even takes into account the fact that some critical posts were replaced or filled.

The Chairperson (Dr Aiken): Emer, I have a couple of questions for you. First of all, congratulations and welcome.

One of the biggest issues that came out of the RHI report was that, in many respects, the Northern Ireland Civil Service, at the upper levels, is not fit for purpose. If it was, RHI would not have happened. Indeed, we see examples across all areas and sectors of where things have gone very badly wrong because normal checks, balances and controls have not been in place. Your role will be fundamental in this. I think that the language that you used was "linking resources to strategy". There must be a strategy, so what is your mission statement for PSRD?

Ms Morelli: PSRD is there to support the institutional and cultural change that is needed. There are strategies across the system that can be implemented and used. The people strategy, where capability and capacity is a key theme, needs to be implemented and brought through. People need to stop avoiding taking hard decisions and be given the tools to make those hard decisions. In PSRD, we can look to best practice elsewhere and support and help that. We can look at where there are gaps and address those gaps. There are gaps in the system, and we just need to be upfront about them and say, "We need to do something about this".

Fundamentally, we need to find a structure that allows Departments and officials to talk to each other in an open and transparent way and, where lessons can be learned on one side, to share them quickly. Where bad things happen, share those too. Let us all learn together, and if we cannot do it ourselves, get external advice and external people in who can help us. Through our internal consultancy, we know what we can do ourselves, and then we can look to the outside, through external consultancy, to get that information in.

For the innovation labs, the Civil Service needs to reach out wider. We need stakeholders to come with us. We cannot just be the decision-makers on our own. The innovation lab allows that freedom of thought and innovation to take place and happen, and we can learn a lot from that.

COVID is also an excellent example of people standing up, taking decisions and making things happen at pace but all in an accountable way to the taxpayer. Ultimately, PSRD needs to be a hub that helps to support that. I do not think that we can be responsible for implementing all the reforms. I do not think that we would have the capacity to do that ourselves, but we need to seek to help as much as we can and put those methodologies in place.

The Chairperson (Dr Aiken): That is an interesting point. You say that you do not have the capacity to institute all the reforms.

Ms Morelli: No, they are service-wide.

The Chairperson (Dr Aiken): Who is in charge? Who will deliver it?

Ms Morelli: The accounting officers of the Departments of Health, Education and Justice, where the big reforms will happen. In DOF, we are responsible for our own reforms, but we need to understand where the reforms are happening, why they are happening, if they are happening for the right reason and whether they are needed, which is another key issue. We are not doing reform for the sake of reform.

In PSRD, we can keep that overview. We can keep that sight, but we can also help Departments to deliver those reforms and understand why they are doing them.

The Chairperson (Dr Aiken): Do you feel that you have got buy-in from the other Departments?

Ms Morelli: Absolutely, yes. 'New Decade, New Approach' and the RHI recommendations give us the foundation that we have to do things now as a Civil Service. It is written for us. In my view, there is very little wriggle room there. We are all in it together to go forward.

The Chairperson (Dr Aiken): The other comment that came up was that the Northern Ireland Civil Service is responding to the challenges of RHI. One of the questions that many of us will ask is this: is the Northern Ireland Civil Service the right body to look at the challenges caused by RHI? If we look at the report, we can see that a lot of the challenges from RHI were caused by the Northern Ireland Civil Service. So, when we are looking at the necessary reform, how do we ensure that that it is being done appropriately by the right people? If you are only marking your own homework, how do we get to the point where we get delivery of cultural change?

Let us get to the core of it. Unless the culture changes, nothing will change. That has to come from the top. That is why I specifically asked who is in charge. You cannot have eight people in charge, in the same way that you cannot have two civil servants in charge of one particular Department, no matter how much it is done.

One of the reasons that I asked the question specifically about the mission statement is that, for anything substantial, if you cannot explain it in one sentence, there is real concern about the direction of travel that we are on. I know that you tried to give us that, and I dropped you in it, but you are supposedly in the key, central role in the Northern Ireland Civil Service for implementing the change that is desperately needed following RHI, and you need to be able to say, "I have the back of the head of the Northern Ireland Civil Service. It is accountable and responsible for the delivery of this cultural change". I did not hear that.

Mr Pauley: That would not lie solely with Emer. Our Department has a key role —

The Chairperson (Dr Aiken): Correct.

Mr Pauley: — and so, we will have the head of the Department and the head of the Civil Service. One of the recommendations of the RHI Inquiry gave a very specific role to the NIAO as to how well the Civil Service implements those recommendations. Kieran Donnelly has indicated that he is comfortable with who will undertake that role and put systems and processes in place to do it.

To the extent that NDNA was written, not in response to RHI but in the knowledge of the evidence that had been given to the RHI Inquiry, and with regard to the words about the accountability and transparency of the Executive and those sections of NDNA, it requires confidence to be rebuilt in our institutions and in how decisions are taken. A lot of that will fall to —. Ten RHI recommendations relate to Minister's spads and civil service codes.

The Chairperson (Dr Aiken): We are doing that later on this afternoon.

Mr Pauley: I understand that, and I have seen it. We have debated those aspects before and what they might be. There is a lot of convergence on issues, although how they might be addressed is slightly different. Those aspects are there in terms of how decisions are taken and what changes can be made to transparency and accountability. There are 44 recommendations in total. One is for the Assembly, and one is for the NIAO to have the role, but the rest will be across our making sure that we have the guidance and the facilities for the application of systems and processes. Then comes the wider and bigger challenge of changing the culture of everyone who is engaged in it, to value it and *[Inaudible.]*

The Chairperson (Dr Aiken): The Committee has looked at the voluntary exit scheme, and we have quite a few questions that still need to be resolved and answered. Public sector reform is going to be key to making Northern Ireland work effectively. However, there has to be a cultural shift because we cannot play around at the edges. Quite frankly, this is not about getting a computer and an A3 printer working; it is about a cultural shift and a mindset shift that means that we are delivering.

One of the problems that many of us in the Assembly have seen in the short period since we came back is that there is not much indication of a real mindset shift in the flow of information and openness and transparency. The key point, if this is going to work, particularly taking on the throughput from New Decade, New Approach, is that the cultural shift has to come absolutely from the top. It cannot be the case that some Departments do it this way and some do it that way. There has to be a full and proper cross-cutting approach to doing this. It is about shifting the culture and the cultural values.

It will come under Conor's bailiwick, and I understand that he has been given the responsibility in the Executive to head up the RHI responses subcommittee. It will be our remit to look closely at public sector reform and where it lies and to keep a very careful eye on it as it develops and grows. As part of that, I would like Emer to do a bit of homework to produce a sentence-long mission statement about what you are trying to deliver. I would also like the Committee to have an updated wiring diagram, because I was not aware of the changes that were happening throughout the Department. That would give us an overview of what is going on and who is doing what, where and when, so that we are available to do that.

We have asked for the terms of reference for what is going on with the RHI piece and all the rest of it. That is part of our tabled papers as well. Emer, we will want to keep a close eye on how public sector reform is developing and, in particular, some of the recommendations that are coming out and flowing through it. We have a remarkably short period of time to deliver the changes that we need.

Mr Catney: A key decision is being made today within the Northern Ireland Civil Service, and the decision on that appointment will show the path of travel and whether the intent is there. We need to see who gets the role and where they sit in the change that we need. That is a key part. If the right decision comes from here today, everything else should start to fall into place. Leadership from the top is required to allow the changes to be made that we all know are needed.

Mr O'Toole: I have a couple of brief questions. The OECD report states that:

"Northern Ireland's public sector workforce shows signs of low morale and of lacking confidence in its leadership."

That was written before the RHI was known about and before any of the tumult of the past few years, such as the collapse of the institutions and Brexit. We are relatively pressed for time. It has been a useful, discursive session. Is the prolonged low morale and lack of confidence in leadership a long-term structural challenge for the Northern Ireland Civil Service, or was it a more recent challenge — "recent" meaning the few years up until 2016?

Mr Pauley: Some of the views are personal to different people. As an organisation, the Northern Ireland Civil Service has done brilliant work and achieved a lot. The RHI is not who all of us civil servants are. Much of the evidence presented to the RHI inquiry was not pretty and showed the need for change. For many people, it showed that you can lose a bit of confidence. It relates to our leadership, our politics and the confidence that we have in our Administration. It is not the sole cause, but moving in and out of devolved structures has stopped us, sometimes. I am not assigning blame to anyone for why the devolved structures collapsed or whether they should or should not have done so, but we see greater confidence in our colleagues from Scotland and Wales. Their Administrations have grown in confidence. They can deliver quality services to their devolved area, but we have not gained that experience because we have had a little bit of stop-start devolution. We are behind our colleagues in tax devolution, for instance. We have devolved direct long-haul air passenger duty, where colleagues in other Administrations have moved on to have a range of taxes, a substantial income from income tax and to setting income tax. That is one example of the confidence of Administrations and where that can come from.

The Chairperson (Dr Aiken): Bill, Emer and Helen, thank you very much. I will give you a couple of days to think about that. When you take over a role, it is always useful to do the mission statement first.

Mr Pauley: I know we are over, but there are some stated mission statements *[Laughter.]*

The Chairperson (Dr Aiken): Team, until the next time, cheers.