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Northern Ireland Audit Office

MEDIA RELEASE

NORTHERN IRELAND PUBLIC SECTOR VOLUNTARY EXIT SCHEMES

Mr Kieran Donnelly, the Comptroller and Auditor General, today published his report on Northern Ireland Public Sector Voluntary Exit Schemes.

Mr Donnelly said that: "***The Department of Finance managed the implementation of both the Public Sector Transformation Fund and the Northern Ireland Civil Service Voluntary Exit Scheme in a way which was consistent with value for money, within restricted timescales and in an uncertain funding climate***".

He added that: "***Voluntary exit schemes in future years should be based on detailed workforce planning. Over time, it will be important to demonstrate that paybill savings have been sustained and that the schemes have not had a negative impact on staff skills, morale or service delivery"***.

The Stormont House Agreement (December 2014) committed the Northern Ireland Executive (the Executive) to a comprehensive programme of reform and restructuring. This included measures to reduce pay bill costs and reduce the size of the NICS and the wider public sector.

In March 2015, the total number of public sector jobs funded by the Executive was estimated at just over 185,000:

- 37 per cent of these public sector jobs were within the Health and Social Care sector;
- 25 per cent were in teaching;
- 15 per cent were in the Northern Ireland Civil Service (NICS); and
- the remaining 23 per cent was made up of non-teaching staff in the education sector, staff within the Police Service for Northern Ireland and various other arm's-length bodies.

Northern Ireland public sector employment per head of population is the highest of any region in the United Kingdom. In December 2015, just over one quarter of individuals in employment in Northern Ireland were employed in the public sector. This compares with around 21 per cent in Scotland and Wales and almost 15 per cent in London. Reducing the proportion of public sector employment in Northern Ireland to the level in Scotland and Wales would require a reduction of approximately 35,000 staff.

The Stormont Agreement and Implementation Plan (Fresh Start) provided the flexibility to use £700 million of capital borrowing to fund voluntary exit schemes over the four year period to 2018-19. This funding was managed and allocated across public sector bodies in 2015-16 by the former Department of Finance and Personnel (DFP) (now the Department of Finance (DoF)) through the Public Sector Transformation Fund (PSTF).

In 2015-16, £170.7 million was spent on 23 public sector exit schemes. The interest rates on the associated borrowing for 2015-16 the schemes ranged from 1.31 per cent to 1.89 per cent (based on the Public Work Loans Board interest rates on the days the loans were issued).

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Over half of the expenditure, (£90.4 million, or 53 per cent) provided for the exit of 2,363 Full-Time Equivalent (FTE) staff under the NICS Voluntary Exit Scheme (NICS VES). The remaining funding, of £80.3 million, provided for the exit of 2,020 FTE staff through 22 voluntary exit schemes across the wider public sector.

In overall terms, the 2015-16 PSTF supported the exit of 4,383 FTE staff from the public sector in Northern Ireland at a total cost of £170.7 million. Schemes funded in 2015-16 are estimated to have generated in-year pay bill savings of £45 million in 2015-16. Annual savings in future years are estimated at £155 million.

We found that:

- the tight timescales for effecting staff voluntary exit scheme exits in 2015-16 precluded completion of a strategic workforce planning exercise to assess priority skills across the NI public sector;

- departmental Accounting Officers were responsible for approving their respective business cases as per DoF delegated limits;

- while several organisations reported efficiencies in their operating model, some have identified a loss of key skills and a deterioration in staff morale; and

- it will only be possible to the measure the actual value for money achieved if:
    - permanent reductions in paybill costs are sustained and savings are generated to offset the initial costs of compensation;
    - bodies monitor the extent to which paybill costs have been displaced into other categories of spend (such as consultancy/agency costs);
    - net savings are reported alongside data on annual loan repayment and interest payments; and
    - the impact on staff skills, morale and service delivery is monitored.

Notes for Editors

1. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He and the NIAO are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
2. This report is available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 hrs on 11 October 2016.
3. Background briefing can be obtained from the Audit Office by contacting Eddie Bradley (028 9025 1011) or Clare Dornan (028 9025 1035).
4. Figures on exits, expenditure and paybill savings are based on the position at 31 July 2016.