

E.R.

BAB/4919/BN

**FROM: Brian Blackwell
PEFO
8 April 1998**

395/872/98

*40 We will have to need to address
Block management arrangements
copied 5/15/4
15
See Copy Distribution Below
15/4*

cc **MRS MCADLEY
MR ALLEN**
15/4

- 1. PS/PUS (L&B) - **Agreed JGP 10/4/98** See Copy Distribution Below
- 2. PS/Secretary of State (L&B)

PREPARING THE NIO FOR THE PHASING OUT OF DIRECT RULE

Summary

Issue: The organisation, staffing, accommodation and Vote/Block management arrangements for the Northern Ireland Office for the first phase of devolution after a political settlement.

Timing: To take effect when the first phase of devolution is implemented on foot of the enactment of a Settlement Bill.

Recommendation: The Secretary of State to endorse the arrangements outlined in this paper and to agree to further work to flesh out further details on finance and staffing arrangements.

Assumption

2. This paper is based on the assumption that, in the first phase of devolution on foot of the enactment of a Settlement Bill, the Northern Ireland Office will retain all its reserved functions. Annex A broadly describes the Reserved and Transferred functions of the NIO and the numbers of HCS and NICS staff currently working in them.

Changes that will occur on devolution

3. Notwithstanding the fact that no Reserved functions will be devolved in the first phase of devolution it seems inevitable that the Ministerial Team will shrink and that there will be significant changes in the organisation of the Information Service.

a. **The Ministerial Team.** There will no longer be a need for junior Ministers to have oversight of the Northern Ireland Departments but there is likely to be, at least initially, a continuing heavy burden of Ministerial responsibility for the political, security and criminal justice functions; and a need for a more substantial presence in Westminster/Whitehall. It is likely, initially, that there will be a need to retain two junior Ministers in support of the Secretary of State, a Commons Minister of State and a Lords Parliamentary Under Secretary or two Commons Ministers. There would be some small corresponding reduction in Private Office staff.

b. **The NI Information Service.** Quite clearly both the NIO and the devolved administration would require an Information Service. It is assumed that the Secretary of State would not wish to follow what is proposed by her Scottish counterpart who proposes to place the whole of the present Scottish Information Service in support of the new Administration and to recruit whatever Information Service support the Secretary of State for Scotland would require.

In Northern Ireland, a more logical step would be to split the present Service, placing the NI Departmental Press Offices plus elements of the Belfast Central Press Office in support of the devolved Administration with the rump of the Belfast Central Press Office and the London Press Office in support of the Secretary of State. Some additional Information Service staff might be necessary. What would happen to the present newly formed senior management structure requires further consideration.

Accommodation

4. There do not seem to be any major difficulties in accommodating the Northern Ireland Office after devolution, provided the Department retains access to the government offices on the Stormont Estate. Provided that is the case, then the

main determinants of the deployment of the NIO are whether the devolved Administration and Assembly are located in Parliament Buildings or Castle Buildings. Annexes B1 and B2 set out diagrammatically the possible dispositions based on **the assumption that the NIO would retain the refurbished Stormont Castle at the end of 1999**. If the devolved Administration successfully bids for Stormont Castle then the Secretary of State, Ministers, senior officials and the NIO's Information Service would remain in either Parliament Buildings or Castle Buildings.

Finances

5. Preliminary discussions with DFP and Treasury colleagues suggest that at the Block level there are alternative models for the resourcing arrangements for the LOPMS Vote (initially all Reserved and Excepted functions) and for the remainder of what is currently the NI Block (all Transferred functions). Either the Secretary of State receives resources as now, for a NI Block including the LOPMS Vote which she would then divide between the NIO and the devolved Administration; or the Secretary of State receives separate resources for the NIO's LOPMS Vote like any other Exchequer department and receives separate resources for the devolved Administration.

6. In the first option, if terrorism and public disorder continued after devolution (which seems likely), the Secretary of State might face difficulties extracting resources from the devolved Administration to offset pressures arising in the LOPMS Vote. On the other hand, the Secretary of State's hand would be strengthened in arguing for retention of the 'peace dividend' for the devolved Administration if sustained stability and peace were established.

7. In the second option, if terrorism and public disorder continued after devolution the Secretary of State might have to seek to ease pressures arising in the LOPMS Vote by seeking Treasury assistance. As might be expected, Treasury colleagues have indicated that, in such circumstances, they would see HMT as

having first claim on any subsequent 'peace dividend'. There may, however, be scope for political negotiation on this, particularly in the early years of a devolved Administration.

8. These are complex issues in which NI departments as well as the NIO will have a material interest. Further discussions between NIO, Treasury, DFP and other NICS colleagues are necessary before firm, final advice as to which is the preferred alternative is offered to the Secretary of State.

9. Whichever option is finally adopted, Treasury advice is that provision for the devolved Administration will be channelled through the NIO to DFP for distribution to the NI departments. The degree of scrutiny and control of supply by the NIO has still be determined and will, to a large extent, depend on the nature of the changes that will ensue after devolution to the relationship between the Treasury and DFP and to the relationship between the NIO and DFP.

10. Because resourcing for all Central Government funding of the NIO and the devolved Administration would be made through the Secretary of State for Northern Ireland and the NIO then the Accounting Officer of the NIO (PUS) would have to satisfy himself that the appropriate systems and controls were in place for the proper, efficient, effective and economic management of both the NIO's and the devolved Administration's finances to allow him to provide the necessary assurances to Parliament. However, subject to further discussions with Treasury and DFP colleagues, it may be that the level of assurance required is no more than that currently required for payment of the NI Grant in Aid from the NIO to the NI Consolidated Fund.

Status of NIO Staff

11. Currently the NIO is staffed from two Services: the Home Civil Service (HCS) and the Northern Ireland Civil Service (NICS). HCS staff are employees of the NIO and work directly for the Secretary of State for Northern Ireland. NICS staff

are employees of DFP on secondment to the NIO. Although in recent years considerable work has gone into aligning the terms and conditions of the two staff groups in the NIO, there remain differences, particularly over promotion procedures and opportunities, which cause management difficulties.

12. On the implementation of devolution, DFP will become a department of the devolved Administration while the NIO's status as an Exchequer department headed by a Secretary of State will be brought even more sharply into focus. In theory all of its staff should be HCS, except that staff working in the Reserved functions can expect ultimately to find themselves working for the devolved Administration when the functions are devolved and, therefore, can expect that their medium to long term status will be as members of the NICS. On the other hand, there are some HCS staff currently working in Reserved functions who may wish either to remain HCS with the NIO when devolution is complete or to transfer to the NICS because that is where they see their future lies. There are also NICS staff currently working in Excepted functions in the NIO who may either wish to move to a devolved department by the time devolution is complete or may wish to transfer to the HCS in order to remain with the NIO.

13. The Secretary of State will readily see that the process of devolution has the potential for creating considerable uncertainty for the staff of the NIO. We are advised that there is no legal impediment to DFP remaining the employer of NICS staff in the NIO after devolution but unless there is a clear understanding prior to devolution between the NIO and DFP over the terms and conditions by which NICS staff work in the NIO during the process of devolution, there is considerable potential for tensions and divided loyalties between HCS staff whose employer is the Secretary of State and NICS staff whose employer is a devolved department serving an Administration whose interests may not coincide with those of HMG (over policing for instance).

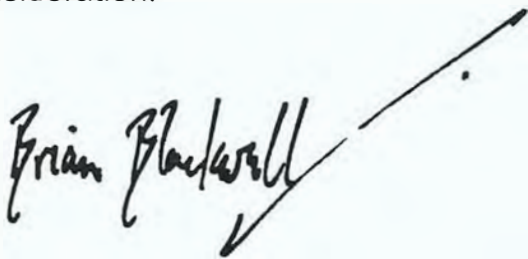
14. We are currently engaged in discussions with DFP colleagues from the Central Personnel Group to see how we can arrive at satisfactory arrangements for both groups of staff that will address the potential difficulties described.

Conclusions

15. The Secretary of State is **invited to note** the main issues that have to be addressed by the NIO before the implementation of devolution and the phasing out of Direct Rule, namely:

- Block/Vote financial arrangements;
- HCS/NICS staffing arrangements; and
- Accommodation arrangements

16. The Secretary of State is also **invited to agree** that urgent work between NIO and DFP officials should continue on the finance and staffing issues, to bring forward as soon as possible either agreed recommendations or options for consideration.

A handwritten signature in black ink that reads "Brian Blackwell". The signature is written in a cursive style and is positioned above a diagonal line that extends from the bottom left towards the top right of the page.

BRIAN BLACKWELL
(☎ 27743, 6574)