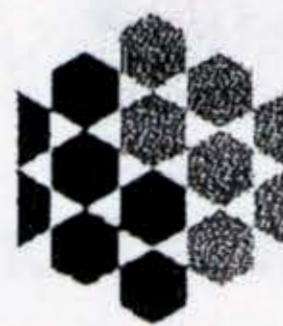


028 90 522822

MEMO

DHSSPS
SUB/88/2005

Teresa
Please forward
to minister
in relation to
Thors' Telephone
call.



Department of

Health, Social Services
and Public Safety

An Roinn

Sláinte, Seirbhísí Sóisialta
agus Sábháilteachta Poiblí

www.dhsspsni.gov.uk

From: Paul Simpson
Deputy Secretary*Thanks*cc Secretary
Don Hill
Denis McMahon*Ursula*

Date: 21 Feb 2005

To: Angela Smith

Minister

REVIEW OF PUBLIC ADMINISTRATION

1. The RPA is due to be discussed at the Good Governance meeting on 23 Feb. Ian Pearson had asked you to clear the DHSSPS contribution to the RPA consultation paper by 23 Feb. I sent you the draft DHSSPS chapter on 9 Feb for your consideration. You may be asked to confirm whether you are content.
2. Clive Gowdy and I discussed the broad outline of our proposals with you in November in preparation for a series of informal briefings of the political parties, and you were generally content at that stage. I suggest that you might say, if asked on 23 Feb, that you understand the text of our chapter has been shared with the RPA team, and you are happy to await the latest draft of the whole document, which Ian Pearson intends to circulate shortly.
3. A worrying issue raised its head last week, when it emerged that the RPA team had commissioned Deloitte to undertake a high level assessment of the scale of savings which the RPA might achieve. The content of this report was not shared with Departments until Friday 18 Feb, and we are now being pressed by the RPA team and by DFP to respond to the estimates in the report. I have just sent a reply to Greg McConnell, who leads the team, making it clear that the level of savings estimated for the HPSS are totally unrealistic. I have attached a copy of my memo at Annex 1.



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4. The Deloitte report estimates between £60m and £80m savings from the HPSS, against overall ballpark savings ranging from £190m to £330m depending on the number of public bodies abolished, including local government and education. My note to Mr McConnell suggests that a net saving of £17m for the HPSS would be more realistic.
5. It would be essential to make it clear to Ian Pearson that the figures quoted for the HPSS are based on the most superficial analysis and do not stand up to even a perfunctory scrutiny. It is telling that Deloitte were most anxious in their introduction to the report to say:

"This analysis has been prepared solely for the purpose of assisting the RPA team. Our report should not be quoted or referred to or used for any other purpose".
6. The RPA team recognise that the issue of savings is difficult, and are anxious to ensure it is not a "showstopper". For that reason Greg McConnell has suggested the inclusion of a brief paragraph in the RPA consultation paper which would avoid getting into the detail of what might be saved in individual areas. It would go something along the lines of:

"The changes proposed in this document represent a significant rationalisation of the present administrative structures. They are designed to deliver modern accountable administration and to achieve greater efficiency and effectiveness. The savings which the proposals could deliver are significant. While much detail has yet to be developed, best practice elsewhere suggests that organisational mergers on this scale, combined with the introduction of shared services within and between organisations can deliver savings in the region of 20% of administrative costs. For the proposals set out in this document this equates to annual saving of £190-330m per annum depending on the options adopted. This money would be available for redirection into front-line services and a reallocation on this scale would result in a recognisable improvement in services to the public."
7. DFP are resisting this line and are pressing for detailed figures from each Department. If this is raised at the Good Governance meeting, I suggest you say that the Deloitte report provides no basis for doing this and that the time it would take Departments to carry out the detailed work required would put the publication

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of the RPA document in jeopardy. While you might want to stress that in the absence of properly detailed work the overall range of savings quoted could be a hostage to fortune, you would prefer this approach, and resist the pressure for detailed figures at this stage.

P. Simpson

Paul Simpson