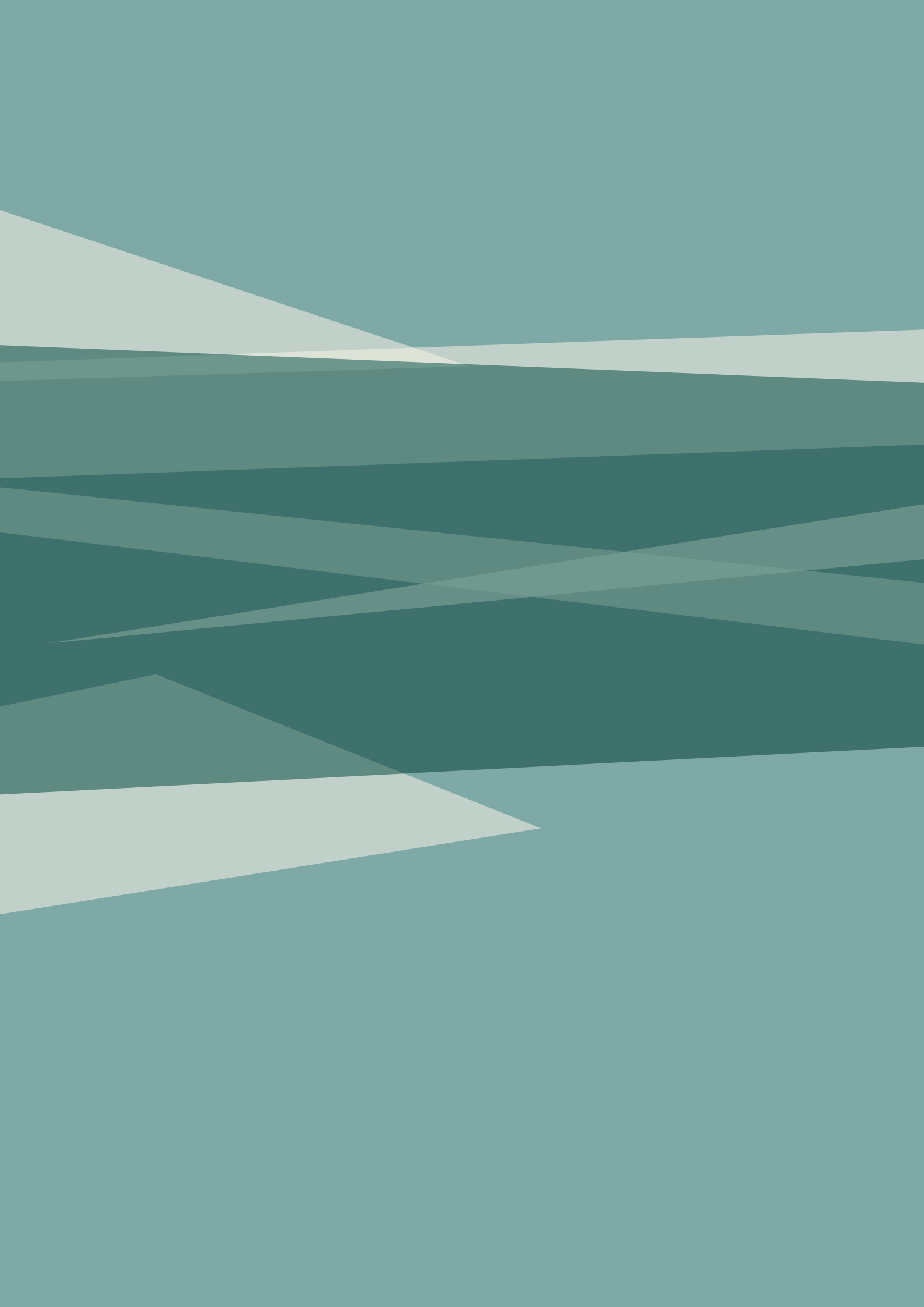


FIT FOR PURPOSE?

PROGRESS REPORT ON PUBLIC SERVICE REFORM



STATE OF THE PUBLIC SERVICE SERIES | JUNE 2013



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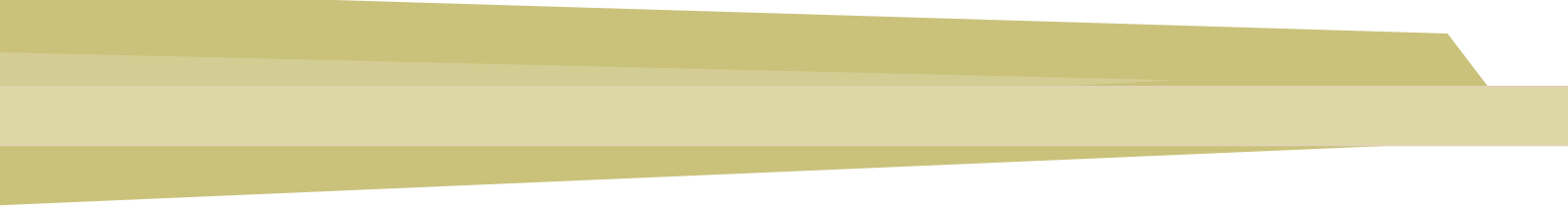
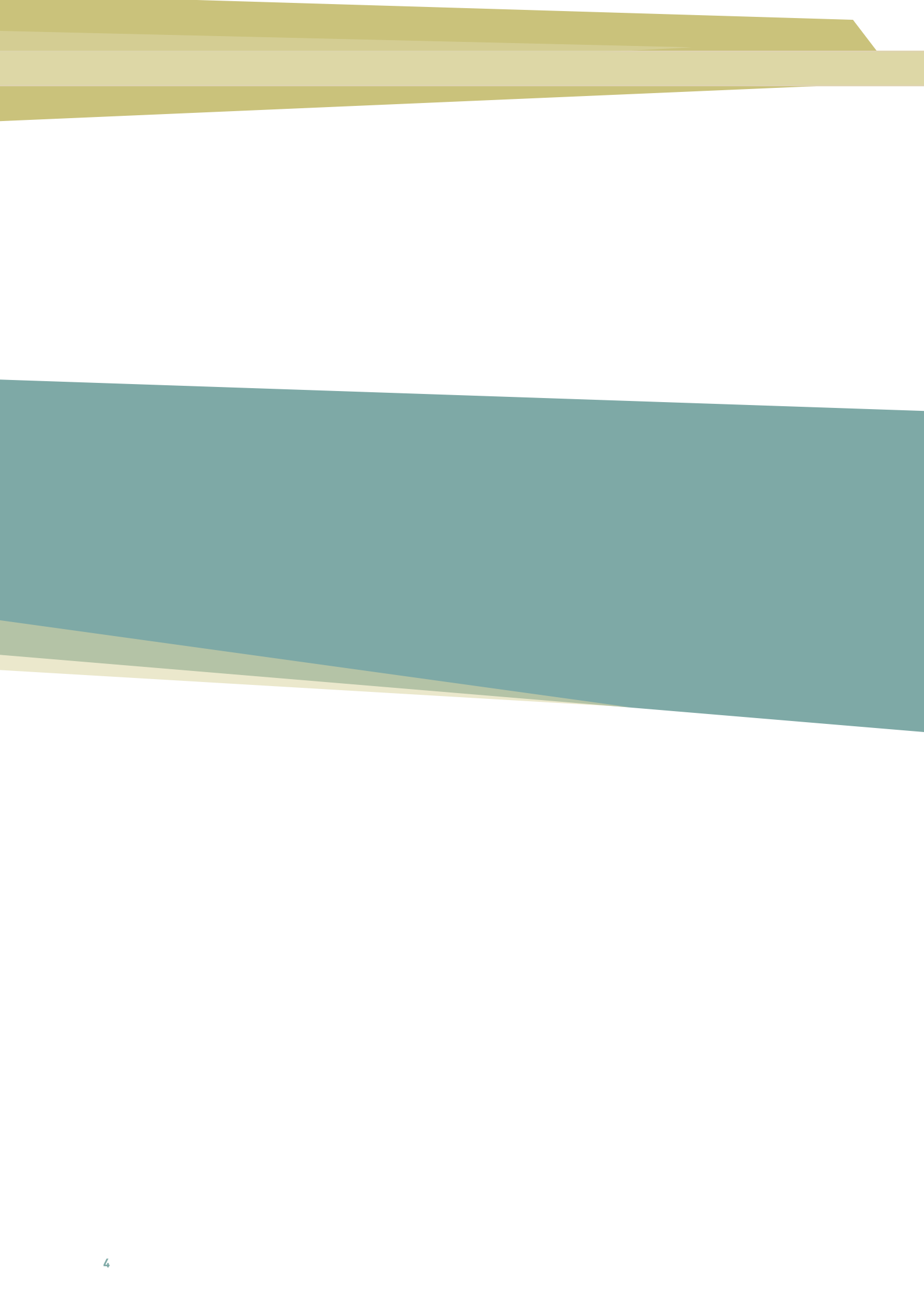


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FOREWORD

When the Institute published the research paper *Fit for Purpose?* two years ago, we sought to contribute to the next phase of public service reform by identifying some of the key challenges for Irish public administration and some of the priority areas where change is necessary.

In this paper we re-visit the challenges set out in *Fit for Purpose?* and assess progress two years down the road. At a time of unrelenting media attention, there is a need now more than ever for sound evidence to show what is actually changing in the public service. This paper seeks to identify where real progress is being made, and to highlight where further progress or new initiatives are needed.

The Institute of Public Administration was founded to promote the study and improve the standard of public administration. These are goals we take seriously. Our intention is that this paper, and others in our State of the Public Service research series, provides sound evidence as the basis for an informed debate on the future direction of the public service in Ireland.

Brian Cawley
Director General

1. INTRODUCTION: ADDRESSING A CRISIS IN PUBLIC ADMINISTRATION?

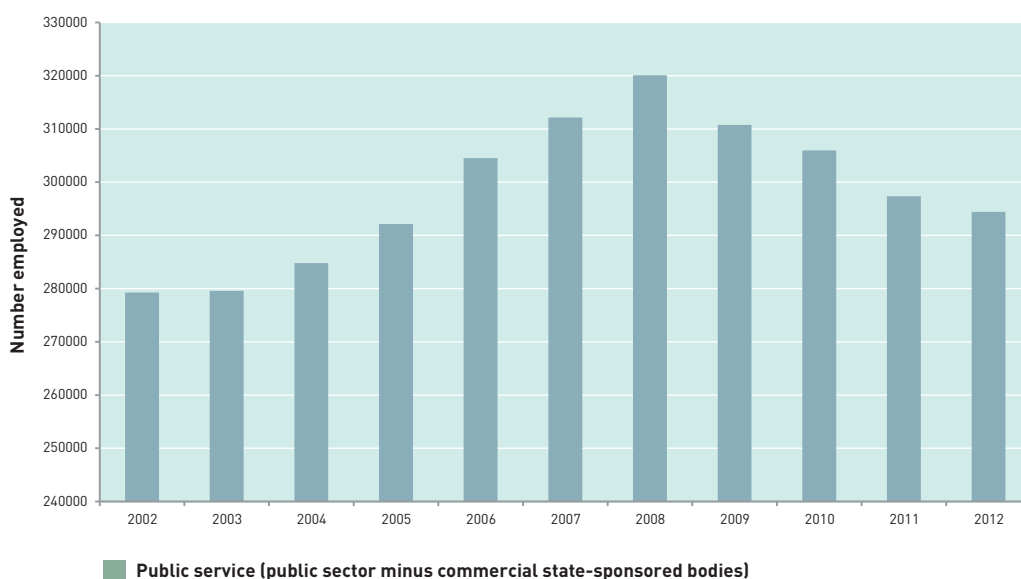
In *Fit for Purpose? Challenges for Irish Public Administration and Priorities for Public Service Reform* (Boyle and MacCarthaigh, 2011), we noted that the depth of the economic crisis had raised concerns about the capacity of the Irish political and administrative system, and prompted calls for fundamental reform of our structures of public governance. There was widespread recognition that changes to the way the public service works were needed, and that change could not simply be a repeat or evolution of past change programmes. What was needed was reform that addressed the fundamental challenges facing the state.

In response to the crisis, the government has reduced numbers and pay levels in the public service as part of the fiscal response required to address excessive levels of expenditure given available revenue streams. In 2011 the government also produced a document entitled *Public Service Reform* (Department of Public Expenditure and Reform, 2011) that sets out a plan for changes to the operation of the public service.

The reduction in numbers and pay levels to date has been significant. The Implementation Body (2012) set up to oversee the Public Service Agreement between the government and unions on resource and staff reductions and service levels notes that by 2012 public service numbers had been reduced to 292,000 from the end 2008 base of 320,000, with a target of 282,500 to be reached by the end of 2014. The Exchequer pay bill has been reduced by 17.7 per cent from €17.5 billion (gross) to €14.4 billion (net of the pension related deduction) between 2009 and 2012.

These developments are shown graphically in Figures 1.1, 1.2 and 1.3. Figure 1.1 shows the drop in numbers in the public service. The steady downward trend since 2008 is evident, with numbers in 2012 down around 2005 levels.

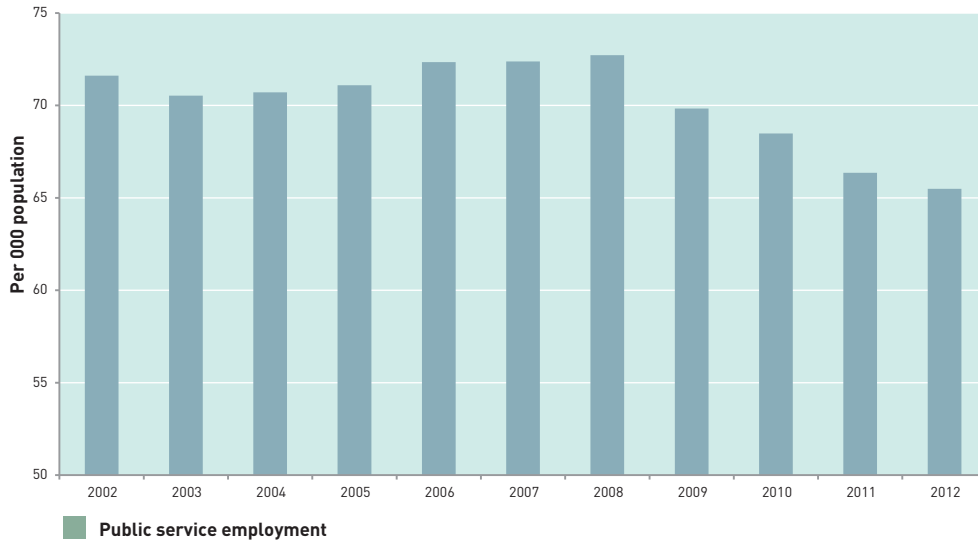
FIGURE 1.1 NUMBERS EMPLOYED IN THE PUBLIC SERVICE



Source: Department of Finance, Budgetary and Economic Statistics

But at the same time as public service numbers have been reducing, the population has been increasing. The population has grown by almost 400,000 from 2005 to 2012, to around 4.5 million, a growth of 9 per cent. Figure 1.2 shows the drop in public service employment per thousand people. Public service employment is around 65.5 public servants per thousand people in 2012, down from 72.7 per thousand in 2008. And even at the height of the boom public service numbers relative to population were not high by OECD standards (Boyle, 2012: 17).

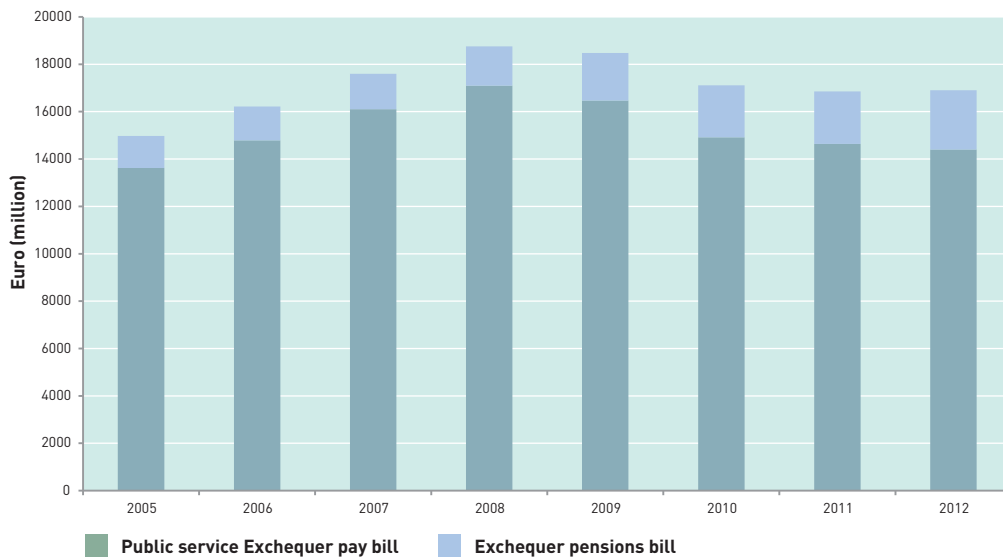
FIGURE 1.2 PUBLIC SERVICE EMPLOYMENT PER 000 POPULATION



Source: Department of Finance, Budgetary and Economic Statistics; CSO

Figure 1.3 shows the exchequer pay and pensions bill, which shows that the pay bill has dropped significantly since 2008 as the cutbacks in numbers and reductions in pay have taken effect, though the pensions bill has increased due to the numbers retiring and the early retirement scheme introduced as part of the numbers reduction policy.

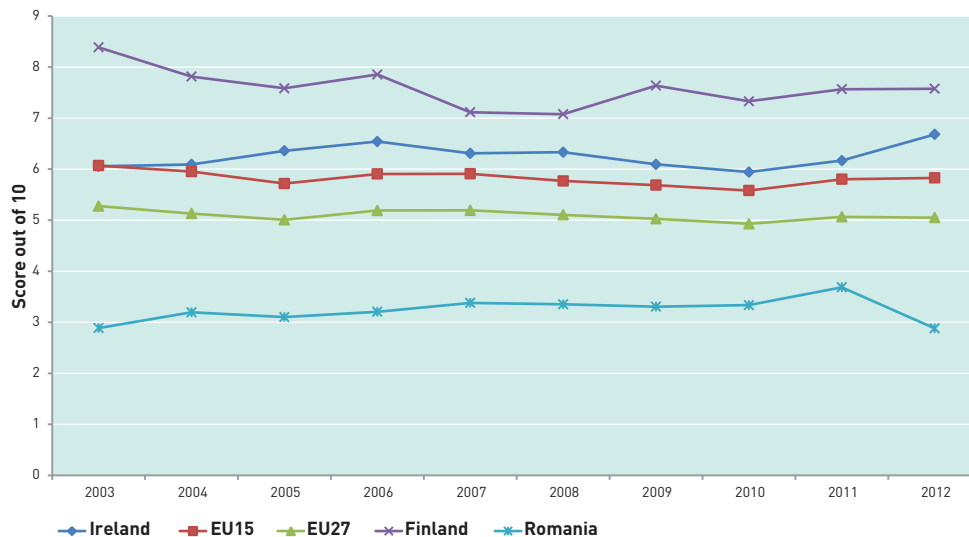
FIGURE 1.3 EXCHEQUER PAY AND PENSIONS BILL



Source: Department of Public Expenditure and Reform and Department of Finance, Analysis of Exchequer Pay and Pensions Bill

What evidence there is to assess the impact these changes have had on service provision suggests that provision has held up well overall to date. In terms of perception of quality of service provided, as assessed by surveys of business executives, Figure 1.4 shows that Ireland's score on a quality of public administration index has actually increased slightly in 2012 compared to European averages.

FIGURE 1.4 QUALITY OF PUBLIC ADMINISTRATION SCORE 2003-2012



Source: IPA analysis based on IMD and WEF data

Also, the chair of the Implementation Body, established to drive and monitor implementation of the Public Service Agreement and to report to government annually on progress, has highlighted a number of examples of productivity improvements the Body have identified in the first two years of the agreement up to March 2012 (Fitzpatrick, 2012):

- In the prison service, staff numbers have reduced by eight per cent, yet the average number of prisoners in custody has increased by twenty-three per cent since 2008. Committal rates are twenty-eight per cent higher than in 2008
- In Revenue, staff numbers are 850 or thirteen per cent lower, while the number of audit and assurance checks carried out has increased by fifty-five per cent, since 2008
- Staff numbers in the health sector reduced by 2,855 between April 2011 and March 2012, yet the number of day cases in 2011 was 6.5 per cent above planned levels. In the acute hospitals, net spend has reduced by eleven per cent between 2009 and 2011, yet activity levels were ten per cent higher and the cost per discharge was twenty per cent lower
- In the higher education area, there has been a 14.9 per cent increase in student numbers since 2008/09, yet staff numbers have reduced by 7.3 per cent in the same period. Student numbers are projected to increase by a further twelve per cent by the 2014/15 academic year, while the decrease in staff numbers will continue

To date, the reductions in numbers and pay levels in the public service seem to be progressing in line with plans, and productivity improvements have contributed to minimising the impact on service provision. Further cuts in pay and conditions are planned. An extension of the Public Service Agreement was proposed by the government

in early 2013, based on the need to achieve additional savings to the public service pay and pensions bill of €1 billion by 2015, as identified as required by the government to achieve its fiscal targets for the period.

But ultimately, if it is to have successful long-term impact, reform of the public service has to be about more than pay and numbers. While significant progress on numbers and pay reductions has been made, the wider public service reform agenda is concerned with the operation and management of the public services. It is to these latter issues that *Fit for Purpose?* primarily addressed itself. We identified five main challenges for Irish public administration:

- The challenge of designing a productive public service
- The challenge of renewing public service capacity
- The challenge of implementation
- The challenge of engaging the citizen
- The challenge of securing effective political accountability

It is to these challenges we turn now, setting out what we recommended should happen, see what progress has been made against those recommendations, and identify what further steps are now needed to maintain momentum in building a fit for purpose public administration.

2. THE CHALLENGE OF DESIGNING A PRODUCTIVE PUBLIC SERVICE

Public service staff numbers are being reduced but in most areas demand is not reducing, and indeed in many parts of the public service there is growing demand for services. Improving productivity - maintaining or increasing levels of service provision with much reduced resources - is a very immediate and tangible concern for public organisations. Across the OECD, in response to such concerns, there is an evident re-concentration of central ministerial support services such as internal audit, procurement and facilities management, *ad hoc* downsizing operations, and greater emphasis on shared services and the joining-up of services (OECD 2010b: 56).

In *Fit for Purpose?* we recognised that addressing productivity, performance, efficiency and associated organisational design issues needs action on a number of fronts.

2.1 More joined-up and shared services

2.1.1 What did we recommend?

Several efforts at public service reform over the decades have failed to adequately achieve more joined-up government. This can be addressed through activities such as the use of strategic priorities to promote shared actions across the public service, together with a fundamental re-think and rationalisation of the roles of public service bodies at national, regional and local levels. This includes more use of shared services, new procurement arrangements etc.

2.1.2 What progress has been made?

Much of the focus of attention to date in the area of joining up services has been focused on the development of shared services and more centralised procurement to generate efficiency savings. A number of specific actions have been taken on the shared services front (see Department of Public Expenditure and Reform, 2012 for details) and in particular:

- The Government has agreed a strategic mandate on shared services. A shared services transformation manager has been appointed to the Department of Public Expenditure and Reform (DPER) to oversee and coordinate action. Senior responsible owners and project managers have been appointed to lead projects in HR, pensions and payroll. Other possible areas for shared services are being examined. Each of the main sectors has nominated a senior official to lead the delivery of sectoral shared services plans
- Work is progressing on the establishment of a HR shared service centre for the civil service. Work has begun on the development of payroll shared services
- Local government is progressing plans for more shared services across local authorities

Actions on procurement include (Department of Public Expenditure and Reform, 2012):

- The implementation of mandatory arrangements in respect of centralised frameworks organised by the National Procurement Service (NPS) and the increased use of collaborative procurement arrangements across the public service

- A range of ICT procurement frameworks are in place for use by all public bodies, yielding an estimated €30-€40 million in cost reductions per annum
- An external review of the capacity and capability of the central procurement function. The review sets out proposals to improve efficiency in central procurement

2.1.3 Where to next?

International experience indicates that shared services, whilst being a common reform agenda item for most OECD countries, do not necessarily run smoothly and attention needs to be given to potential limitations if it is to be successful. The experience of the Australian states in particular offers cautionary tales. In 2011 Western Australia dropped its pursuit of shared IT services. The original strategy set out in 2003 had planned to supply 90 Western Australian government agencies with shared services via shared services centres including the Department of Treasury and Finance Shared Services Centre (DTFSSC). The project ran into problems of cost overrun and poor service delivery. A number of reviews of the project were undertaken, culminating in a cost-benefit analysis into the shared services project by the Economic Regulation Authority (ERA) in 2011 (Economic Regulation Authority, 2011).

The ERA (2011) report showed that the original 2003 business case was fundamentally flawed. The proposed benefits were overly optimistic, the true cost of the project was underestimated and the proposed roll-in schedule (of agencies being provided with services) was not realistic. Specifically with regard to the DTFSSC, it was identified as 'a monopoly provider, with a mandated client base and a lack of meaningful service level agreements. This means that there are minimal incentives for DTFSSC to improve service delivery and few ways in which client agencies can hold DTFSSC accountable for the service provided, or DTFSSC can hold client agencies accountable for meeting their obligations.'

The ERA (2011) report identifies a number of lessons learned that would be of benefit if shared services were being maintained. Amongst the key points made of general relevance made in the report are:

- *Need for adequate risk assessment* - It is important to account for the risk of expected outcomes for all assumptions, especially the most important assumptions
- *Take an incremental approach* - A 'big-bang' approach is likely to be much more risky than an incremental approach. The more successful shared services tended to use largely existing systems when successfully aggregating services, rather than concurrently implemented new systems and new software
- *Define and monitor expected service standards* - the lack of defined service standards and independent monitoring of performance in service delivery can result in limited accountability of the shared service provider and a lack of acknowledgement of agency concerns. Service level agreements (SLAs) should include defined service standards, agency responsibilities and key performance indicators, which can be independently monitored
- *Governance* - The governance arrangements of shared services should be such that:
 - any influence by Government is transparent
 - responsibility and accountability for the success of shared services is clearly assigned to an individual
 - the governing body of the shared service should be more actively involved in decisions regarding operational matters than the usual company board

It is important that such lessons are incorporated into the development of shared services in the Irish case. In particular, the need for good governance arrangements and high quality service level agreements that set out clear service standards.

With regard to procurement of goods and services for the public service, Ireland is pursuing a more centralised model of procurement. There has been an increasing trend to centralisation of procurement internationally, to take advantage of bulk buying and economies of scale, and to reduce incentives for favouritism or corruption. The Finnish government initiated a research project to estimate savings potential in centralised public procurement. The study found savings of over €1.5 million by moving to a centrally tendered framework agreement in one category instead of individual agencies tendering their own contracts (though the study only looked at direct costs – the establishment and operating costs of a central purchasing unit must be taken into account when comparing the total costs of each alternative). Price savings of centralisation were also estimated by comparing the central framework agreement prices to market prices in two categories: flights and office supplies. Both comparisons showed significant economies of scale in the central framework agreements (Karjalainen, 2009).

However, a New South Wales study (NSW Government, 2012) found that the centralised procurement system there was seen as complex, with a lack of compliance with procurement policy and procedures and an absence of effective sanctions within the system. Essentially the conclusion was that while there has been a view that whole of government contracts and procurement provide better value, it is now recognised that while this may be the case for homogenous commodity purchases, for other goods and services, value for money is often more effectively achieved through more localised agency and intra agency based contracts. These can be managed more closely to user needs and typically involve purchasing items and services that are more complex than simple commodities.

Perhaps the choice of centralised versus decentralised procurement is not the crucial question. There is no clear evidence that one is necessarily better than the other in all circumstances. What is crucial is that the performance of the agreed procurers is monitored and evaluated to assess how well they are doing. To assist in developing good procurement practice, SKI National Procurement Ltd. – Denmark (owned jointly between Local Government Denmark, an interest organisation for all local authorities, and the Danish government through the Danish Ministry of Finance) has developed a model, named the development model, as a self-assessment tool that can be used to assess a procurement organisation's existing maturity level within public procurement and in the tendering process (Moller et al, 2010). The model also gives the organisations the opportunity to benchmark their own level of progression compared to others. In this way the development model facilitates the sharing of best practices and knowledge among different purchasing organisations.

Closely linked to the procurement issue, and presenting a further challenge for more joined up government services, is the greater use of external service delivery or outsourcing as it is commonly called. Alford and O'Flynn (2012) note the importance of taking account of strategic costs when making outsourcing decisions. In particular, the impacts on the strategic positioning or core competence of the organisation, beyond the service in question. For instance, where handing the service over to an outsider means the loss or reduction of a core competence of the public sector. An example here is provided by outsourcing the system architecture of large-scale IT projects, leaving government purchasers less able to understand what providers are doing. The experience of IT outsourcing shows that keeping certain functions in-house, particularly aspects of oversight and management, helps ensure understanding of the services being purchased ensuring an effective purchaser.

Several studies (for example Macdonald, 2011; Social Enterprise UK, 2012) suggest the dangers of a 'shadow state' emerging, where a small number of companies have large and complex stakes in public service markets, and a great deal of control over how they work. Transparency and accountability are seen as challenging in these circumstances, compared to holding public bodies to account.

Work at the London School of Economics (Willcocks, 2011) suggests that public sector agencies are not well equipped internally in terms of people capability; not just to procure, but also to manage external suppliers. Organisations that are the best at outsourcing tend to retain relatively few numbers of very capable people with distinct skill sets. Only then does large-scale outsourcing begin to achieve its potential impact on cost, quality and innovation. Willcocks notes that 'the Achilles heel of large scale outsourcing in the UK public sector is most likely to be – as it has always been – a lack of investment in the in-house management capabilities needed to shape procurement strategy and service delivery'.

Gash (2012) from the Institute for Government concludes that 'Decisions about when to outsource need a more robust basis; monitoring and stewardship of outsourced services needs to be strengthened; and accountability arrangements also need to be clarified – as commissioners currently appear to face few consequences for failures on their watch. Effective outsourcing won't happen by itself – and, counter-intuitively perhaps, will demand more of government, not less.'

In relation to joining up of government to address cross-cutting policy issues, this matter is dealt with further in section 4.1.3.

2.2 Better inter-working between levels and agencies of government

2.2.1 What did we recommend?

The relationship between central government, local agencies and local authorities must be redesigned and rationalised to reduce unnecessary overlap and reduce costs. There is a need to examine the potential of local government to take on a greater role in service delivery and regional/local development, not least in providing support to local economic development. There is also a need to comprehensively revise the state agency-department relationship in the context of achieving better performance and to provide a new framework for governing agency-department relationships.

2.2.2 What progress has been made?

Limited progress has been made on this front. In terms of central government/local government and the need to examine the role of local government, an action programme for local government titled *Putting People First* has been produced (Department of the Environment, Community and Local Government, 2012). While this plan envisages an enhanced role for local government, actions around local government convey somewhat mixed messages. On the one hand, responsibility for water services, a traditional mainstay of local government service provision, is to be transferred to a new central body Irish Water. Similarly processing higher education grants has been centralised, and issuing of driving licenses is to be centralised, suggesting a trend of greater centralisation rather than decentralisation of functions.

On the other hand, *Putting People First* notes a greater role for local government with respect to economic development and enterprise support, and closer alignment of local and community development supports with local government. It also talks of service level agreements being developed between government departments and local authorities to help clarify responsibilities and relationships. *Putting People First* further states that a programme of devolution of functions and responsibilities from a number of government departments and agencies will commence. These initiatives offer the potential for better inter-working, particularly on the economic development front.

With regard to the state agency-department relationship, to date most effort has been focused on agency rationalisation rather than wider governance reforms. Forty-eight rationalisation measures were set out in the *Public Service Reform* plan (Department of Public Expenditure and Reform, 2011) covering 102 bodies. All but one of these are being progressed. Forty-six critical reviews are also examining further rationalisation possibilities.

2.2.3 Where to next?

With regard to local government and central government inter-working, there is a need both for the local government system itself, and more widely the broader public service including central departments and relevant national agencies, to develop a shared, agreed, coherent view of local government and its role, based around the vision set out in *Putting People First* (Department of the Environment, Community and Local Government, 2012), and to use this to drive change. The local government sector should play a more prominent role in articulating and promoting the vision and the practicalities that flow from this. Much of this work is about trying to build capacity to enable local authorities to get people out of their silos and working together on projects at the local level. A difficulty here is that to coordinate effectively, ultimately the local authority needs to be able to take a lead role, while national agencies involved in local planning have their own priorities and balancing these different requirements can be difficult (Boyle and O’Riordan, forthcoming).

With regard to state agencies and central government departments, the issues of agency governance and performance need further attention. In many ways, addressing these issues is of more importance than decisions on the number of agencies that exist.

The OECD in its 2008 report (OECD, 2008: 31) recommended more performance dialogue across government, and in particular between departments and agencies. Separating steering and control of performance from the annual budget process is an important trend in several countries. The annual exercise to reach agreement about output targets within the budget process is increasingly seen as ineffective, bureaucratic and distortive (leading to perverse incentives). Output targets should be set, monitored and evaluated in a performance dialogue running throughout the year. Budgeting, though separate from steering, should be reinforced as a task of the parent ministry and if necessary the finance directorates of portfolio ministries should be strengthened to make this possible. The Ministry of Finance (in the Irish case the Department of Public Expenditure and Reform) should play a supportive role and be represented in budget negotiations with agencies.

More formal agreements between agencies and their parent departments are needed. But vital to the success of such agreements (service level agreements/memoranda of understanding/performance agreements) is that they are actively used, in a structured manner, as part of the regular ongoing performance dialogue between the relevant parties. As Hatry and Davis (2011:8) note, in this context: ‘Regular means that meetings with reporting units are held at least twice a year and on a regularly scheduled basis. Structured means that the meetings focus on the latest available performance information and have a reasonably common format’.

Sweden is widely seen as a leader with regard to agency governance and has recently developed annual performance procedures that to a large extent are separate from the budget process (OECD, 2012c). Important elements are: the performance dialogue with the minister on the basis of the annual agency report; regular (up to monthly for larger agencies) meetings between agencies and ministries; more informal frequent contacts; the meeting with the National Audit Office on the basis of the audit report; and various forms of evaluation.

2.3 Better data on performance to inform budgetary decision making

2.3.1 What did we recommend?

More information on the continued relevance of programmes, their successes and their limitations needs to be obtained and published if judgements are to be made on the prioritisation of scarce resources. New evaluation procedures, including spending reviews, are needed to support the allocative priority setting function of the budget. More benchmarking of performance against baselines, trends and targets is needed. So too is benchmarking of performance against other EU countries across policy areas. A better evidence base for decision making is required.

2.3.2 What progress has been made?

In March 2011 the Department of Finance issued a discussion paper on budgetary reform (Department of Finance 2011). The Department of Finance paper identified a number of issues requiring particular attention including: the development of fiscal rules; improving medium-term fiscal planning; budgeting for performance; and the introduction of an independent budgetary advisory council.

Notable progress has been made in addressing the issues raised in the discussion paper, especially the introduction of medium term fiscal planning (including the introduction of spending reviews), performance budgeting, and the passing of the Fiscal Responsibility Act 2012 that set out fiscal rules and the creation of an independent Irish Fiscal Advisory Council. These actions, while having broader aims, should enhance the data available for budgetary decision making, particularly the spending reviews and performance budgeting.

In 2011 the government undertook a spending review entitled a comprehensive review of expenditure (CRE). This review examined the number, range and activities of bodies funded significantly from public expenditure. The review fed into Budget 2012. Periodic spending reviews are to be a permanent feature of the budgetary landscape, with a further CRE to be undertaken from autumn 2013 to spring 2014 to inform the next phase of fiscal planning. The intention is that a CRE of all areas of government spending should be conducted every 2-3 years to assess the relative contribution of each area towards meeting government commitments, and to evaluate its relative priority in terms of resource allocation policy (Department of Finance, 2011: 27).

In February 2012, the Revised Estimates Volume (REV) was published in a restructured format with most departments and offices spending allocations grouped by strategic programme and accompanied by performance information, known as performance budgeting. The performance budgeting approach has been extended beyond the Estimates procedures to include a new public web platform called Ireland Stat (see www.irelandstat.gov.ie). The Ireland Stat initiative, introduced as a pilot for selected programmes initially, aims to present a whole of government performance measurement system which will measure success in delivering on the government's objectives, linking high level goals with inputs, outputs and impacts. Ireland Stat also establishes baseline data and enables trends over time to be examined, and where possible comparisons to other EU countries.

2.3.3 Where to next?

Significant progress has been made with trying to improve the performance information base for budgetary decision making. The performance budgeting, spending review and pilot Ireland Stat initiatives have all increased the amount and quality of data available. There are still data gaps and shortcomings, and work will be needed to enhance the quality and relevance of the data.

Also, it is important that these initiatives in performance budgeting and spending reviews are seen as linking together and with related initiatives such as statements of strategy and programme evaluations. Statements of strategy, for example, should set key results targets to facilitate spending reviews and bring greater clarity to what is expected to be delivered by agreed expenditure. Programme evaluations should identify performance indicators that can be used to help improve the information base of performance budgeting (Boyle, 2011).

But equally important will be looking at how to encourage active use of the performance data, a recognised weakness internationally. It is common for the performance data that is produced to be peripheral to decision making in practice. In thinking of how to improve the use of performance data, much can be learned from the experience of the 'Stat' movement in the United States where structured meetings around performance data have become a feature of a number of cities, with the active involvement and leadership of the mayor. Behn (2008: 2) summarises the approach taken:

A jurisdiction or agency is employing a PerformanceStat performance strategy if it holds an ongoing series of regular, frequent, periodic, integrated meetings during which the chief executive and/or the principal members of the chief executive's leadership team plus the individual director (and the top managers) of different sub-units use data to analyse the unit's past performance, to follow-up on previous decisions and commitments to improve performance, to establish its next performance objectives, and to examine the effectiveness of its overall performance strategies.

Behn also identifies what he sees as seven big potential errors that can be made when introducing PerformanceStat related initiatives:

1. No clear purpose
2. No one has specific responsibilities
3. The meetings are held irregularly, infrequently, or randomly
4. No one person authorised to run the meetings
5. No dedicated analytic staff
6. No follow up
7. No balance between the brutal and the bland

2.4 Further regulatory reform

2.4.1 What did we recommend?

With regard to regulation, enforcement is a key issue that must remain to the forefront not least to ensure that there is sufficient external scrutiny. While the role of economic regulators in Ireland continues to be developed, similar attention must be given to the management and role of social regulators and the regulatory functions embedded in central and local government. More extensive use of network forms of regulation, bringing together those involved across the public service, should be explored to achieve more effective compliance regimes.

2.4.2 What progress has been made?

Regulatory reform received relatively little prominence in the Irish 2011 reform plan. There have, however, been significant developments in the area of financial regulation, as the radical overhaul of financial regulation introduced in 2010 with a new Central Bank as a unitary organisation with responsibility for both regulation and oversight of banking in Ireland takes root. Initiatives on business regulation to ease administrative burdens are also being progressed. In early 2013 the Department of the Taoiseach invited submissions from interested parties in response to its consultation paper *Government Policy Statement on Economic Regulation*.

However, it is difficult to get a clear picture of overall progress with regard to regulatory reform and the impact of regulatory impact analysis (RIA). The better regulation function was historically shared between the two departments of the Taoiseach and Jobs, Enterprise and Innovation, with the Department of the Taoiseach better regulation unit providing a central coordination and oversight role. In April 2012 government confirmed the assignment of lead responsibility in respect of various functions in the regulatory arena across a number of relevant departments: the Department of Jobs, Enterprise and Innovation (reducing red tape/administrative burden, competition issues, representing Ireland at international fora); the Department of Public Expenditure and Reform (regulatory impact assessment); and the Department of the Taoiseach/Office of the Attorney General (effectiveness of regulators, transparency/quality of legislation) (Department of the Taoiseach, 2013: 16). There is no body such as the former better regulation unit providing a coordinating and oversight role.

2.4.3 Where to next?

In terms of the substance of regulatory reform issues a number of international initiatives are of interest:

- Some countries have started to develop simplification programmes going beyond administrative burdens, for example aiming to reduce substantive compliance costs of regulation. Front runners in the EU are the UK, where in principle increases in regulatory costs now have to be offset by decreases of the same amount (the 'one in, one out-principle') and the Netherlands, which started to set quantitative targets for substantive compliance costs in 2007 (OECD, 2012b: 29)
- Countries including the Netherlands, Belgium, Germany and Austria were early developers of regulatory reform programmes aimed at reducing burdens for citizens. In the United Kingdom and the Netherlands they have also gone on to develop specific programmes targeting red tape for public sector workers (like teachers, police and other frontline workers) based on the same approach used to reduce administrative burdens for businesses (OECD, 2012b: 29)
- In the Netherlands a 'domain-oriented' approach to inspections has been developed so that instead of businesses facing a fragmented field of supervisors acting independently, compliance with regulation is facilitated by organising information, advice and inspections from the business sector perspective. In a specific domain the relevant supervisors work together, and approach the businesses in that domain in a coordinated way

With regard to the management and governance of regulatory reform, the experience of Norway has lessons for Ireland. Norway has been criticised by the OECD for the fragmented field of actors involved in regulatory policy (OECD, 2012b: 31). Responsibilities are spread between the Ministry of Public Administration and Church Affairs, the Ministry of Finance, the Ministry of Trade and the Ministry of Justice. No one is seen as being responsible for taking the lead in formulating regulatory policy strategy, monitoring progress and evaluating the policy at regular intervals. Norway is seen to lack a strong oversight authority facilitating the development of regulatory policy. A similar situation may be said to pertain in Ireland with regard to oversight of regulatory reform.

Another development of note with regard to the process of managing regulatory reform comes from the UK in 2009 when the Regulatory Policy Committee (RPC) was established. The RPC is the first body in the UK to provide an independent assessment of regulatory changes at the time government regulations are being made (the National Audit Office undertakes independent scrutiny of regulatory measures only on an ex post basis). The RPC was set up to comment on the quality of analysis supporting policy decisions on new regulations, and on whether the policy design will ensure the benefits justify the costs. Studies by the RPC suggest that it is making a contribution to improving the quality of regulatory impact assessments. From 1 April 2012, the RPC became a non-departmental body with its members appointed under a competitive process. The work of the RPC is mirrored in four EU member states, which have similarly established bodies to scrutinise proposed legislation: in the Netherlands Acta, in Germany the NKR, in Sweden the Better Regulation Council (Regelrådet) and in the Czech Republic the Komise Prohodnoceni Dopado Regulace (Regulatory Impact Assessment Board).

3. THE CHALLENGE OF RENEWING PUBLIC SERVICE CAPACITY

The capacity of the public service refers to 'the ability of departments and offices to get things done, to address challenges, follow through on commitments and ultimately achieve valued outcomes for the citizen' (O'Riordan 2011: 10). The ability of the public service to maintain and provide better services with smaller budgets will require drawing more comprehensively on the management, leadership and implementation skills of a smaller number of public servants. The capacity challenge requires a radical re-examination of how public services operate.

3.1 Improved leadership capabilities and focus on public service motivation

3.1.1 What did we recommend?

There is a need not only for leadership within organisations, but for the development of capacity for collective leadership of change across the public service. Mobilisation of the recently established senior public service (SPS) is needed to support focused leadership development. It is important that the SPS is spread beyond the civil service to incorporate the wider public service sooner rather than later.

There is a serious challenge in the current environment to the motivation of public servants. Non-pay initiatives to enhance motivation and performance levels such as enhanced leadership, greater delegation, and more emphasis on teams and team performance should be pursued.

3.1.2 What progress has been made?

The Senior Public Service (SPS) has been established, but is only operational within the civil service and not across the wider public service at present. The intention of the SPS is to promote a more integrated public service and strengthen senior management and leadership capacity. A management committee for the SPS was established in December 2011. A protocol on mobility at deputy and assistant secretary levels has been drawn up and is being piloted at present. Within the area of leadership development, an SPS leadership development strategy is being produced, and a pilot executive coaching programme at assistant secretary level has commenced (Department of Public Expenditure and Reform, 2012).

There are no specific initiatives targeted at motivation in the reform plan to date. Some initiatives have been taken at local level, such as the introduction of an engagement and innovation programme for staff in the Department of Social Protection.

3.1.3 Where to next?

The Senior Public Service (SPS) is a welcome initiative at senior management level. But there is a need, as noted in *Fit for Purpose?* to widen membership beyond the civil service. In terms of assisting with providing an integrated public service, closer collaboration arrangements and opportunities for exchange across the service are needed.

With regard to leadership more generally, New Zealand is putting particular emphasis on system-wide and sector-based leadership. Plans are in place to formally designate the State Services Commissioner as the head

of state services accountable for overall performance of the state services, empowered to determine functional system-wide leadership roles and appoint chief executives into these roles; and deploy chief executives and second and third tier leaders to critical roles across the system. Changes are planned to the State Sector Act 1988 to rebalance the accountability of public service chief executives more towards the delivery of better results and value-for-money, including requirements to collaborate where necessary, and away from the independent management and operation of departments. Changes to the Crown Entities Act 2004 are similarly required to rebalance the accountabilities of Crown entity boards. In order to implement these changes, in August 2012 the *State Sector and Public Finance Reform Bill* was introduced to Parliament.

In the UK, at management board level in departments (roughly equivalent to management advisory committees in the Irish civil service) recent reforms to corporate governance structures have enabled the appointment of fifty-nine non-executives to departmental boards in an effort to enhance top-level leadership. The new arrangements, where secretaries of state chair departmental boards, bring together the political and official leadership of departments and give non-executives and ministers a direct relationship for the first time. The non-executives' role is to provide challenge and support to their departments on performance, operational issues (including the operational and delivery implications of policy proposals) and effective management. Many of the non-executives have led large organisations through change, as well as initiated and delivered major projects.

With regard to motivation, IPA research (O'Riordan, forthcoming) presents four central themes which if addressed can help organisations grappling with addressing the issue of how to motivate staff:

- *Transformational or value-based leadership.* Value-based leadership requires the articulation of public service values and the communication of goals and objectives consistent with those values. It is also necessary that the leaders themselves model these behaviours
- *Person-organisation fit.* Person-organisation fit theory suggests that performance is enhanced when an employee's values match organisational goals, values and culture. To be credible, all HR practices need to be consistent with the message that 'public service matters'. Thus, recruiting individuals who are not only task qualified but who hold values consistent with the organisation's mission is important. Similarly, induction programmes, training, development and performance appraisal all need to embed and promote public service values and review performance against the demonstration of behaviours critical to the effective operation of the public service, such as customer awareness, collaboration and accountability
- *Effective goal setting and design.* Having clear and important goals can energise and motivate staff. Given that many people are attracted to public service work by their motivation to serve and make a positive difference in others' lives, it is essential that what is referred to as 'the line of sight' between their values and the task they are required to fulfil in the organisation is not lost. Showing all employees how their contribution matters to the overall objectives of the organisation is critical to maintaining their sense of motivation
- *Creating a supportive work environment.* This is a particularly wide-ranging concept, with factors including the nature of informal relationships, the quality of communication, the way conflict is managed, the collegiality of the organisation and, not least, the incentive systems, which together shape the relationship between an employee's public service motivation and their performance at work

In terms of both identifying leadership potential and enhancing motivation, performance appraisal has a potentially important role to play (the performance appraisal system in the Irish public service is known as PMDS, standing for performance management and development system). Performance appraisal is a perennial feature of public service reform plans. But evidence suggest that most performance appraisal schemes absorb significant amounts of management time and resources, have little if any positive effect on performance (and may have unintended negative effects) and make almost everyone unhappy (Behn, 2006; Pfeffer and Sutton, 2006). Yet where appraisal can be useful is in involving employees and providing feedback on performance and development opportunities. Appraisal is also seen as important for public accountability purposes and is unlikely to be done away with. A number of issues for consideration are suggested to further develop the existing approach to performance appraisal and to more generally managing the performance of public servants:

- Move away from a standardised approach to PMDS and allow for experimentation at organisational level. Then learn from the best
- Do not adopt forced rankings of individuals. This has a negative effect on employee engagement and overall performance
- Put much more emphasis on organisational and work unit business planning and goal setting
- Goals alone are not enough; they need to be complemented by feedback that provides information on results achieved
- Devise means of tackling chronic underperformance outside of the appraisal process

3.2 Enhanced capacity review and workforce planning

3.2.1 What did we recommend?

In the context of reduced numbers and increased mobility, there is a need for a coherent and formalised approach to maintaining and building workforce capacity and workforce planning. Organisations must assess current and future budgetary and staffing requirements in the light of known resource constraints, in order to ensure that resources are appropriately targeted towards government priorities.

3.2.2 What progress has been made?

The government plans to reduce overall public service numbers to 282,500 by the end of 2014 from a peak of 320,000 in 2008. To address gaps in the system arising from these reductions, a workforce planning initiative was put in place by the Department of Public Expenditure and Reform. Strategic workforce planning groups were established in each sector to deal with the consequences arising from the reduction in staff numbers in 2012 and beyond. Guidelines on the development of a workforce planning framework for departments and their agencies were finalised and circulated in March 2012, and departmental workforce action plans developed, with a view to them being re-visited in 2013.

Significant redeployment is taking place across the system, enabled by the Public Service Agreement, to target resources on areas of greatest priority. The Implementation Body (2012) stated that the redeployment provisions of the agreement have been critical to enabling public service organisations to maintain and develop services with fewer staff.

3.2.3 Where to next?

Before examining what further developments are needed with regard to capacity, it is important to reflect on the impact of the staffing embargo on future capacity in the public service. The embargo on public service recruitment and use of employment control frameworks has been effective in facilitating the reduction in public service numbers in recent years, alongside initiatives such as the incentivised scheme for early retirement. However, in the longer-term such number reduction measures can lead to problems building up in the system. The OECD highlight the problems that can arise based on the experience of a number of countries:

...recruitment freezes tend to create problems with the structure, allocation and skills base that can take a long time to repair. And like job cuts, they tend to depress the morale of remaining employees who have to take on additional work; indeed, because they are long-drawn-out, they may have a more detrimental effect on efficiency and morale than staff cuts, which are accomplished more rapidly. The nature of attrition and non-replacement of departing staff is such that organisations cannot control which posts will be left vacant and which organisations will be most affected. That depends largely on the organisations' age structure and previous recruitment patterns...As there is also generally a restriction on internal promotions to vacant posts, management structures may be affected. Finally, total or partial recruitment freezes restrict the injection of new skills into the workforce and so create skills gaps that will have effects elsewhere unless remedial action is taken sooner (2011a: 80).

In several countries, the use of automatic productivity cuts is being promoted as a more sustainable way of maintaining pressure on organisations to control staff numbers while at the same time allowing some discretion at local level as to the management of resources. Automatic productivity cuts (APCs), also sometimes called efficiency dividends, take the form of across-the-board reductions in operational expenses based on estimated productivity gains. The intention is to put pressure on public sector organisations to operate efficiently. When combined with greater flexibility and autonomy for managers, APCs appear to be useful in managing the size of the workforce in a more sustainable, orderly and cost-effective manner over the longer term (OECD, 2011a: 90). Several countries, including Australia, Denmark, Finland, New Zealand and Sweden, use a system of APCs. The main advantage mentioned by the countries that use them is that APCs change the baseline of current policy that serves as the point of departure for the annual budget process. This is seen by finance ministries as a strategic advantage in budget negotiations.

In most countries, the base against which cuts are measured is current operational costs. In Denmark, the cuts are applied to the last year of the multi-annual estimates. In this way, the cuts are gradually phased in and inserted in the multi-annual estimates that serve as the basis for budget preparation every year. Sweden also uses the multi-annual estimate for the upcoming budget year as the baseline for the annual budget cycle, but imposes an implicit productivity cut from year to year on the operational expenditures by not fully adjusting the compensation of employment expenditure for inflation and wage development in the market sector. New Zealand uses nominal current operational costs as the baseline in the annual budget cycle. This implies that inflation has to be absorbed (around 2 per cent in recent years) but adjustments may be made for wage developments in the market sector (OECD, 2011b: 79).

After deciding on the total limits for workforce capacity and how these are to be managed, there is the issue of workforce planning within organisations. In addressing the impact of significant employee reductions, it would seem that so far many Irish government departments, local authorities and state agencies are still in a 'coping' phase. To the extent that workforce planning is considered, much of the thinking is around the need to find ways

to continue to do what the organisation has always done rather than use workforce planning to facilitate more fundamental thinking about new ways of working. There are, however, examples of good practice where public service organisations have sought to implement workforce planning, including the Courts Service and Dublin City Council (O’Riordan, 2012).

Specific capacity challenges have surfaced in the Irish reform programme at both local and national levels. Numbers reductions, early retirement and redeployment have led to the loss of competencies. New reform imperatives also demand new or upgraded skills and capacities in areas such as procurement, contract management, project management and change management (Boyle and O’Riordan, forthcoming). These capacity challenges will likely increase in the medium to longer term even as recruitment begins again, as challenges in attracting the right people presents problems, as identified by the OECD (2011a: 33):

In order to attract and retain young talent, governments in OECD member countries have to adapt human resource management strategies to satisfy the need of younger generations for greater mobility, career development, cross-cutting careers, a variety of work experiences (topic and responsibilities), differentiated compensation for differentiated careers, and work-life balance...Public managers have to get the best out a workforce with people of two or three different generations who embrace very different philosophies and work ethics. This is one of the reasons why some OECD member countries are focusing on developing future middle and, above all, senior managers through high-flyer programmes. These schemes aim to detect talented workers and develop them through their careers to ensure that the best and most talented are placed in the most challenging jobs.

International experience provides some pointers as to how to address such challenges. The UK in particular is addressing these capacity challenges with some new initiatives:

- A cross-civil service capabilities plan that identifies what skills are missing and how gaps will be filled. A new civil service learning (CSL) core curriculum and learning and development offer for all staff is being rolled out. A serious lack of commissioning, contracting and digital skills has been identified. Many more public servants need skills in managing markets, negotiating and agreeing contracts, and contract management. A new commissioning academy is to be set up in 2013 to provide these skills to the whole public sector
- As part of a drive to enhance project management, a Major Projects Authority (MPA) has been set up to oversee the government’s 208 highest risk and highest value projects. Departments report quarterly to the MPA on project progress against a number of critical indicators. A Major Project Leadership Academy will train the senior leaders responsible for major projects. In future only project leaders who have successfully completed this intensive development programme will be able to lead a major government project

In New Zealand, the State Services Commissioner is required to lead a culture-building process across the state services by defining, communicating and reinforcing the behaviours required of all state employees (for example, integrity, innovation, continuous improvement) and aligning the formal parts of the system to incentivise, support and reward these behaviours (e.g., recruitment, performance agreements and performance review processes).

In an Irish context there has been increasing debate in recent months both amongst politicians and some media commentators about the need for reform of the employment terms and conditions of public servants and in particular job security. This is something that is also featuring in a number of other countries:

- The terms and conditions of Dutch civil servants have to a large extent been harmonised with the private sector as a consequence of the government policy of ‘normalisation’ of labour relations and employment conditions

- The Swedish public sector is governed by labour law, and there is no lifelong employment guarantee in central government posts. Conditions of employment are governed by collective agreements concluded between the Swedish Agency for Government Employers and unions. The rules applicable to public sector employees are nearly identical to those applicable to private sector employees; there is no specific civil servant status. Every agency is its own employer

Potential gains from more flexible employment practices need to be balanced against the potential loss of continuity, stability, impartiality and probity, attributes of public administration that are often only recognised as valuable when they are absent. Some of the recent concerns about the employment of retired public servants in the private sector serve to demonstrate that there are particular aspects to the role of the public servant that are unique. In some countries the top echelons of the civil service change with the government. But introducing such a change comes with risks attached and creates a much more overtly politicised public service.

3.3 More specialist skills

3.3.1 What did we recommend?

The public service, which is now required to address a wide variety of complex areas of policy and delivery, cannot be successful in the future without developing more specialist skills in designated functions and areas, such as economics and human resource management, and also removing any barriers that may exist to the progression of technical and specialist grades within the system.

3.3.2 What progress has been made?

Some limited recruitment has been sanctioned to allow for the beginning of action to move towards balancing the need for generalist skills with more specialist skills. One particular example is the creation of a dedicated Irish Government Economic and Evaluation Service (IGEES) based within the Department of Public Expenditure and Reform to expand and develop technical capacity across all departments. IGEES economists are engaged in policy analysis and development.

3.3.3 Where to next?

In the medium to longer term, as recruitment to the public service recommences, the recruitment of experts in areas such as financial management, procurement, economics, IT and HR as an integral part of the service-wide response to the challenges confronting public services is needed. There is a particular need, within the context of risk management activity carried out by organisations, to identify those areas where the greatest risk exists in terms of specialist capacity and focus recruitment on these areas. For example, the areas of contract management and project management have been highlighted by issues such as the development of service level agreements and procurement as areas where more specialist skills are needed.

4. THE CHALLENGE OF IMPLEMENTATION

There has been much discussion in the media and elsewhere concerning an ‘implementation deficit’ in respect of public service reform. Indeed the literature on the difficulties associated with implementation of public service reform is long established in many countries. Essentially, implementation of public service reform is concerned with the process by which public services are re-structured and re-designed, and the process by which change is managed and plans turned into practice.

4.1 New arrangements to oversee reform

4.1.1 What did we recommend?

The Department of Public Expenditure and Reform, established in 2011, has a central role to play in driving reform and enhancing cohesion. It is important that the public service reform element of the brief is not ‘overwhelmed’ by the public expenditure element. More generally there is a need for a stronger ‘challenge’ role by the centre, aimed at ensuring that a limited number of priority targets are set and that these targets are sufficiently stretching and challenging. The centre also needs to promote innovation and guard against a culture of micro-management and risk aversion.

4.1.2 What progress has been made?

A number of structural and procedural arrangements have been put in place aimed at ensuring implementation follow through (Department of Public Expenditure and Reform, 2012):

- A new Reform and Delivery Office (RDO) has been established within DPER to lead and coordinate the delivery of the reform agenda. Senior responsible owners have been appointed for the main projects in the reform plan. The RDO works alongside change delivery teams in each department/office on their reform plans. External skills have been brought in to the office to lead key areas such as shared services and external service delivery
- A new governance model for public service reform has been developed. The cabinet committee on public service reform, chaired by the Taoiseach, meets regularly to review progress on the implementation of the reform plan. The cabinet committee is supported by an advisory group of secretaries general and a reform delivery board which includes the assistant secretaries leading on reform in all departments/major offices. Project boards oversee the major projects under the reform plan e.g. a HR shared services project board has been appointed to oversee that project
- In departments and offices, a lead assistant secretary on reform has been assigned and change delivery teams have been established. Each department/office has completed an integrated reform delivery plan setting out the various actions and milestones in relation to priority areas of reform

The Implementation Body (<http://implementationbody.gov.ie/>) set up under the Public Service Agreement has also had an important role to play in facilitating reform. The Public Service Agreement itself has been an enabler of reform implementation, promoting the reconfiguration of public services within an agreed industrial relations framework.

At local government level, a local government efficiency review implementation group was established in 2011 to oversee and advise on the delivery of efficiency gains and savings in areas such as shared services, procurement, value for money and audit in the local government sector. And the County and City Managers Association set up a programme management office in 2012 to coordinate the public service reform plan within the local government sector.

4.1.3 Where to next?

A major challenge for the reform programme is ensuring the progress and implementation of strategic high priority and cross-cutting performance issues. The appointment and identification of specific responsible officers is a significant step in ensuring action in these areas. International experience would suggest that a number of complementary actions can further support and encourage implementation.

In the USA the Government Performance and Results Modernization Act of 2010 requires the head of each agency to identify agency priority goals from among the agency's performance goals, with a general expectation that the total number of federal goals will not exceed 100 and agency goals will not exceed five per agency (this coincides with the recommendation we put forward in *Fit for Purpose?* that a limited number of priority targets should be set and that these targets be sufficiently stretching and challenging). Agencies must report performance data on a quarterly basis, and hold data-driven quarterly reviews of agency priority goals. For each agency priority goal, the head of the agency and the chief operating officer, with the support of the agency performance improvement officer, reviews the progress achieved during the most recent quarter and the likelihood of meeting the performance target. The reviews include the designated leader for each agency priority goal (known as a 'goal leader'), and relevant personnel both within and outside the agency. The reviews should also highlight high risk areas, where there is the greatest risk of not meeting a priority goal.

The Office of Management and Budget (OMB) is expected to identify goals agencies fail to achieve, and to require remedial action. Unmet goals, by law, are subject to a graduated response from OMB ranging from the development and submission of a performance improvement plan by the agency to the OMB through to the director of the OMB submitting recommendations to Congress on actions to improve performance not later than sixty days after his/her determination.

New Zealand has put particular emphasis on the management of performance that cuts across organisations. Ministers must agree and align around a small number of critical, measureable sector-wide results, reflecting their priorities, and mandate the appointment of chief executives to lead sectors in delivering these results. The lead chief executive in each sector is required to organise themselves in the way that will best deliver results, including working with the State Services Commission, the Department of the Prime Minister and Cabinet, and the Treasury on any enabling, system-wide changes needed. The lead chief executives in each sector must identify a small number of critical, measurable results that reflect ministers' priorities, and produce results action plans, with formal, public and regular reporting of progress against these plans. Legislative changes are being used to support the New Zealand initiative. Changes to the State Sector Act 1988 are required to provide for a broader suite of organisational forms for collaborative and joint action. Changes to the Public Finance Act 1989 are also needed to enhance financial flexibility and to better support a stronger focus on results and aligning and strengthening incentives for collaboration and a results focus across the system.

Scotland has also been active in promoting cross-cutting performance management. At the start of the third session of the Scottish parliament, as part of the 2007 spending review, the Scottish Government introduced

a new outcomes-based national performance framework (NPF) to underpin the delivery of its agenda. In June 2008, the Government launched *Scotland Performs*, a website designed to present information on how Scotland is performing against the range of indicators and targets outlined in the NPF. The NPF is composed of a number of elements (Scottish Parliament Information Centre, 2012):

- *The Government's purpose.* To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth
- *Strategic objectives.* The government has five objectives that underpin its core purpose
- *National outcomes.* Sixteen national outcomes describe what the government wants to achieve over the next ten years
- *National indicators.* Fifty national indicators track progress towards the achievement of national outcomes and ultimately the delivery of the purpose
- *Measuring progress.* *Scotland Performs* reports on progress against the national performance framework

Underpinning this performance framework, a process is in place overseen by the Scottish Government's strategic board - the civil service 'top table' for the organisation - consisting of the permanent secretary (chair), six director generals (DGs), the chief scientific advisor, the chief economic advisor, the chief executive of the Crown Office and Procurator Fiscal Service, together with three non-executive directors. Each DG has line management responsibility for a grouping of directorates. The strategic board acts as a joint decision-making body on issues which cut across the bodies concerned, for example on staffing and other personnel issues. It monitors departments' performance in areas where it is agreed an improvement is required. It also acts as a co-ordinating body for policy advice and other papers which are to be presented to the Scottish ministers. It therefore ensures that matters of fact, and the arguments for and against a particular line of action, are put together in a way that takes account of all interests. The strategic board normally meets on a monthly basis and is supported in its role by a number of groups and committees.

4.2 Improved process and change management initiatives and skills

4.2.1 What did we recommend?

There is a need for processes such as pooled budgets and a focus on outcome targets which 'cross-cut' different departments and levels of government, in order to incentivise joined-up approaches. There is also a need for greater expertise in change management across the system. It is vital that managers have the capacity to lead change, lead people and build coalitions of support for change. Active engagement of front line staff requires clear and consistent communication, explaining what has to be done and why, and encouraging input and direction from the front line.

4.2.2 What progress has been made?

There has been no new action on pooled budgets. With regard to a focus on outcome targets, the performance budgeting and pilot Ireland Stat initiatives referred to earlier have placed more emphasis on the outcomes to be achieved by expenditure programmes. Change management is still seen as an area in need of further improvement across the system.

4.2.3 Where to next?

Many problems that present as implementation problems are, in fact, problems arising from poor policy formulation that did not take implementation sufficiently into account. Policy development is a relatively underdeveloped theme in the Irish reform plan. Options to develop specialist policy skills being considered in a number of OECD countries include placing more emphasis on career development programmes focused on particular policy areas and providing job rotation opportunities within the policy area. This includes job rotation between research institutes, executive organisations and policy development in the same policy area (OECD, 2012a: 58).

The UK is promoting open policy making in their 2012 reform plan, with policy developed on the basis of engagement with external experts and those who have the task of delivering the policy once announced. There are suggestions to make use of 'policy labs' which draw in expertise from a range of people and organisations and provide an environment to test new policies before they are implemented, along the lines of the MindLab experience in Denmark. There is also an emphasis on involving delivery experts early in the policy process to help ensure that the policy can be implemented successfully.

In 2011, the Australian government agreed to a number of reforms to shift the emphasis towards delivery-focused policy. This included requirements for comprehensive implementation plans for new policy proposals, consistent methodology for risk assessments, greater co-ordination and collaboration on complex cross-portfolio initiatives and improvements to agency delivery capability in the medium term. Also, the Cabinet Implementation Unit (in the Department of Prime Minister and Cabinet) was given an expanded mandate to assess all submissions and policy proposals going to the Cabinet for implementation and delivery issues that may not have been addressed, facilitate capability building across the Australian public service on implementation and delivery, and develop a network of implementation capability sharing across the Australian public service.

More generally with regard to change management, a study of capacity needs in local government (Boyle and O'Riordan, forthcoming) highlights the issue faced across the public service:

...a high level of competence is required in the area of innovation, change management and project management. From a technical or skills perspective, project management, business process re-engineering and strong IT skills are needed to manage the workplace implications of change. However, fundamental attitudes and responses to change are also important...In particular there is a need for more capacity in the area of innovation. Innovation has been defined by Howard (2012: 5) as '...the successful application of new ideas...in the domains of ideas driven innovation (relating to new products and services), demand driven innovation (meeting community expectations in new ways) and transformational innovation (using the assets of the organisation in new ways to deliver value)'. Transformational innovation is a particular competence required in local government as it attempts to find new ways of working and new thinking around how activities are delivered.

5. THE CHALLENGE OF ENGAGING THE CITIZEN

The public service delivers a wide variety of services to the community. Citizen engagement in the design and provision of public services is an issue at the heart of public service reform. Unless the citizen is centre stage in the process, the chances of reform receiving widespread backing are small. We identified a number of actions that can encourage citizen engagement and enhance trust in government and public services.

5.1 Citizen engagement in policy formulation and implementation

5.1.1 What did we recommend?

Citizens should have a more active voice in the design, delivery and monitoring of policy and services. At the policy formulation stage, more active engagement of citizens through innovative consultation processes is needed. At the policy design and implementation stage, citizens should be given a more direct role in shaping practice. Experimentation should take place with the development of user-driven services, including individualised budgets, particularly in the sphere of social care.

5.1.2 What progress has been made?

The focus to date in the reform initiative has been more on improving citizen access to services rather than broader citizen engagement. According to the Department of Public Expenditure and Reform (2012) initiatives include:

- A new eGovernment strategy (2012-2015) was published in 2012. The strategy contains 44 actions across eight key priority areas
- The new Public Services Card is intended to facilitate easier access to government services and to eventually be used by a range of public bodies to identify an individual at points of service. This intention here is to reduce the burden on citizens and enhance the delivery of joined-up government
- The Government's central portal - www.gov.ie - provides access to a wide range of informational and transactional public services available online, including services relating to revenue, agriculture, social welfare, local authorities, property registration, motor tax, higher education grants, and accessing Companies Registration Office facilities

However, there have also been some innovative efforts to engage citizens more broadly in policy deliberation. A prime example is the Constitutional Convention set up to deliberate on proposed amendments to the Constitution, including such issues as provisions for same-sex marriage, reduction of the voting age, and increasing the participation of women in politics (<https://www.constitution.ie/Convention.aspx>).

5.1.3 Where to next?

A prominent academic and commentator on what he has termed 'digital era governance' is Patrick Dunleavy at the London School of Economics. He and colleagues have identified a number of customer service innovations brought about by developments in the digital arena (for example Dunleavy and Margetts, 2010: 20-21):

Amongst the key centralising trends is the migration of social security systems online, more than a decade after national tax systems began this same journey. One indication of the gap across silos here from the UK is that in 2009-10 three quarters of submissions of self-assessment tax forms were online, compared with less than 1 per cent of customer contacts with social security recipients that were handled online. Key pioneers of the major changes needed to reverse such differences have been the US Social Security Administration, who moved the registration for the state pension decisively online, with major savings in time and costs; the UK Department of Work and Pensions which belatedly responded to an unemployment surge in 2009 by bringing in online registration for unemployment assistance (called Job Seekers' Allowance); and the Swedish government, with an online only access to a scheme for subsidising parents taking time off work to care for ill children...

The development of online citizen testimonial systems has also seen a push in the UK towards replacing top-down, central controls over and regulation of local delivery in hospitals, schools and local governments by online customer feedback mechanisms (such as the giant UK website NHS Choices) and a strong push for 'open book government' requirements. The hope is that instant patient and family feedback on hospitals will substitute for previous long-winded and after the fact regulatory investigations of problems, which conspicuously failed to prevent service delivery disasters.

One particularly notable trend in recent years is what has been termed channel management. Channel management is defined by a group of Canadian researchers as: 'the management of the selection, rationalisation and integration of service delivery channels, including not only the in-person, telephone, mail, fax, Internet and e-mail channels but also such newer channels as text messaging, social networking and mobile applications' (Best Practices Sub-Committee of the PSSDC/PSCIOC Research Committee, 2011). However, it should be recognised that a number of challenges to channel management have been identified (Best Practices Sub-Committee of the PSSDC/PSCIOC Research Committee, 2011: 14-17 and Kernaghan, 2012: 4).

Particularly in the context of coping with reduced numbers of public servants, there are a wide variety of innovations taking place internationally in digital service channel development, including:

- The enhancement of websites, service simplification and use of virtual service agents. Virtual service agents, also known as chatbots are software programmes that are used to engage in intelligent online conversation with a human partner in natural language, such as 'Erik' who answers questions on personal income taxes for the Swedish National Tax Board
- Smart phones and tablet use. Smart phones and tablets are currently the main mobile technologies by which users help themselves to information and services from public, private and not-for-profit organisations. A significant public sector initiative in this area is the UK Post Office's announcement that it will be installing contactless payment terminals covering 30,000 counter positions in its 11,500 UK branches so that customers can pay using either near field communication (NFC), enabled phones or contactless cards

- The Queensland Police Service (QPS) provide a good example of the use of social media for both engaging with the public and informing frontline colleagues in times of a disaster. During flooding which occurred in January 2011, in addition to issuing regular media releases, the QPS began to add these media releases to the QPS Facebook page and link to these on Twitter. The QPS social media strategy centred on public communications and community engagement (PWC 2012: 12)
- A strict condition for the development of e-government initiatives in Denmark is the proof of cost savings in the form of a positive business case. An example of a new initiative with a positive business case is Digital Mailbox, where each citizen has a digital mailbox for receiving government communications (estimated accumulated savings potential of €65 million in 2016)
- In Norway in April 2012 it was announced that digital communication is to be the main means of contacting the administration. Relevant services will be provided online and members of the public will have to actively select paper-based solutions if they prefer this option. Access to items such as health and tax information will be obtained by logging in with a secure electronic identification. People and businesses will receive mail in a secure digital mailbox and be notified via SMS text messages and e-mail when they receive such digital mail

5.2 Better provision of and access to open government data sources

5.2.1 What did we recommend?

There is a need for greater public access to data on the performance of programmes and services. At its most basic, it is about increasing data transparency for the public, for example through reviewing freedom of information legislation. At its most advanced, it is about giving citizens more control and more informed choices with regard to the public services they use and/or pay for.

5.2.2 What progress has been made?

A number of initiatives have been developed to make more public data available to citizens, academics and businesses. For example, the Department of Public Expenditure and Reform has launched a DataBank on its website providing access to detailed information on expenditure going back to 1994. Fingal County Council has developed one of Ireland's first open data websites which facilitates the reuse of public data.

5.2.3 Where to next?

There is a growing use of social media to improve how public service organisations provide information, communicate, consult, engage and interact with citizens. It is important that public organisations know what they are trying to achieve, understand the rules of conduct on social media, and have clarity on obligations under law. Using new channels not just to improve information access, but also to promote new consultation and participation opportunities will be important.

Also, more generally there is little assessment of the economic or social benefits of open data, and this is needed to inform future directions of progress.

6. THE CHALLENGE OF SECURING EFFECTIVE POLITICAL ACCOUNTABILITY

In the context of the 2011 election, much attention has been given to political reform. Issues such as the abolition of the Seanad and the role of ministers and the Dáil vis-à-vis the executive have been prominent features of debate. Accountability has become a much more prominent issue as a result of the economic and financial crisis and the associated oversight, regulatory and governance failures. There are a number of initiatives that can improve our accountability procedures.

6.1 Enhancing accountability relationships

6.1.1 What did we recommend?

Given the complexity of contemporary policy-making and the need to meet the requirement of good management practice within the highest levels of government, there is a requirement for:

- Further clarification of the relationship between ministers and senior civil servants, special advisers and programme managers
- The strengthening of the ability of public servants to 'speak truth to power'
- Ensuring that written records are used appropriately and effectively to support the accountability process

There is a need to develop the capacity of Management Advisory Committees (MACs) in government departments to operate as effective management teams and to bring more structure and consistency to the relationship between the minister and the MAC. The MAC should be a forum for discussion on major policy issues.

6.1.2 What progress has been made?

A number of actions are being progressed with regard to accountability (Department of Public Expenditure and Reform 2012):

- Drafting of Freedom of Information reform legislation and its extension to all public bodies
- Drafting of the Protected Disclosure in the Public Interest Bill to provide employment protection to whistleblowers in all sectors of the economy
- Passing of the Ombudsman Amendment Act, providing for a significant extension in the remit of the Ombudsman
- A commitment to overhauling the existing statutory framework for ethics to strengthen and reform the current legislation and provide a single, comprehensive ethics framework
- In April, 2013 the Government approved the drafting of the Regulation of Lobbying Bill 2013
- The Government Reform Unit in DPER is developing a policy paper on the commitments with regard to the reform of civil service accountability relationships with ministers and the Oireachtas contained in the Programme for Government.

There have been no specific published initiatives targeted at the role and performance of management advisory committees (MACs) in government departments or senior management teams in other public organisations.

6.1.3 Where to next?

The ambiguous nature of accountability relationships in the public sector is a source of criticism, but it is also an unavoidable feature of public administration. To some degree, whilst endeavouring to bring greater clarity to relationships, it must be accepted that a degree of ambiguity will inevitably remain. A more contractual style of accountability, whilst it can be helpful in determining who is responsible for what, cannot be overly-contractual in nature. The complexity of government means that if a system were too formally contractual, the contract would have to be in a state of continuous renewal as new issues arose. It could also lead to less emphasis on building a relationship of trust between a minister and senior civil servants, which is the basis for effective accountability. This position has been well articulated by Gregory (2012: 116) in relation to accountability reforms in New Zealand:

At one extreme, which is what New Zealand's earlier reforms moved decisively towards, attempts are made to specify respective roles and responsibilities with greater precision and specificity. Anything that happens, for better or for worse, can be sheeted home to some individual, whether a politician or an official. The problem with this, as argued, is that it hardly ever works. The real world is much more uncertain and complex. The opposite extreme would be characterised by a form of laissez-faire accountability, in which it would be every person for himself – 'dog-eat-dog and the devil take the hindmost'. There would be little, if any, assignment of individual roles and responsibilities. This would constitute a form of political and administrative anarchy, hardly well suited to the concept of 'representative and responsible government'.

Some mid-point that enhances accountability but which is not over specific in contractual terms is needed. It needs to be remembered that too much accountability of the wrong sort can be as damaging as too little accountability. Enhancing clarity where possible as to what public servants are accountable for is a continuing challenge that needs careful attention. In the UK, the Civil Service Reform Plan published by the Cabinet Office in 2012 sought to expand the accountability of permanent secretaries beyond the traditional accounting officer role, to include the provision of policy advice and also the success of policy implementation. It stated:

...Permanent Secretaries must be accountable for the quality of the policy advice in their department, and be prepared to challenge policies which do not have a sound base in evidence or practice. They must also ensure they are content that the implementation of any policy is in line with their responsibility for managing their departments and public money in an effective and efficient way (Cabinet Office 2012: 16-17).

The issue of managers being able to 'speak truth to power' and to provide frank and fearless advice is one that is likely to feature in future discussions on ministerial and senior public servants accountabilities, and in particular the role of ministers in civil service appointments. This is an area where there are varying approaches. In New Zealand, for example, reforms over recent years have created a system in which chief executives are explicitly responsible for day-to-day management of their departments, and employed on fixed-term contracts. There is an emphasis on separating out respective roles, such that, for example, departmental reports appear in the name of chief executives rather than ministers. Such a system brings public officials into a more public and therefore political arena, but New Zealand has maintained a system of merit-based and non-political appointment of officials to senior posts. By way of contrast, in Australia there has been more direct political involvement in senior civil servant appointments since the 1990s, and appointments and dismissals are at the discretion of the prime minister.

What is clear is that the issue of the independence of civil servants and their ability to 'speak truth to power' should not be compromised by any arrangements that might facilitate further political input to appointment and performance assessment processes for senior civil servants. In Australia, Paun and Harris (2012: 11) note that '...there are those who today criticise the public service for being too responsive to ministers, at the expense of providing robust challenge to the political masters'. It would seem wise to be cautious about moves to further develop formal political input to appointments and performance assessment.

6.2 Strengthening Oireachtas scrutiny of performance

6.2.1 What did we recommend?

The capacity of the Oireachtas and its committees to scrutinise and oversee will have to be strengthened. The proposals in *Programme for Government 2011* (2011) provide a basis for the development of more comprehensive parliamentary oversight of the administration, and should be progressed swiftly.

6.2.2 What progress has been made?

Drafting of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Bill 2012 has been undertaken to establish a statutory framework for the conduct of Oireachtas inquiries within the constitutional parameters on parliamentary inquiries set down by the Supreme Court in the *Abbeylara* case, which decided that Oireachtas inquiries did not have power, in general, to make findings of fact adverse to the good name of any person who is not a member of the Oireachtas.

6.2.3 Where to next?

With increased levels of responsibility being devolved to senior and middle-ranking civil and public servants, the requirement for individual public servants to appear before parliament has increased. Oireachtas committees provide a suitable means for allowing parliamentarians to engage directly with public servants. But this raises new questions about the accountability of public servants to parliament. In particular it raises an accountability dilemma – should a person or group (public servants) be held to account by a forum (parliamentary committee) which has no direct involvement in their appointment or setting of their tasks? And if so, how is this accountability to be operationalised? These issues are particularly important where the prevailing culture of accountability is one of apportioning blame in the context of a political adversarial setting.

In appearing before Oireachtas committees, the principle that policy advice by officials should remain protected, but officials should be required to explain implementation, is one that would gather a wide degree of support. Making this principle work presents challenges, however, given the very real difficulties in separating out policy from implementation. There is a need for developing guidance as to the behaviour of both public servants and committee members in such circumstances. In particular it would seem reasonable that committees should expect accounting officers to give evidence about current performance and major planned programmes and projects.

MacCarthaigh and Boyle (2013, forthcoming) suggest that it may be more fruitful to conceive of the parliamentary element of executive accountability as part of a more integrated accountability network. The convention of ministerial accountability should not necessarily inhibit the development and strengthening of other means of providing for public accountability of the administrative system. A systemic review of existing accountability

relationships, and the adoption of a more networked approach to civil service accountability that involves parliament and its committees at the apex, would involve other forums and actors. These would include public bodies such as Ombudsman and audit offices at local and national levels, but could involve non-public actors also. The central issue would be strong co-ordination of what is an otherwise fragmented system. A more networked approach to the pursuit of civil service accountability would also reflect the reality of contemporary policy making and implementation, which is multi-actor and poly-centric and which does not lend itself to more simple approaches.

6.3 Strengthening the budgetary framework

6.3.1 What did we recommend?

The budgetary process and timetable needs to be reformed, including the timely release of more information for public and parliamentary review, the introduction of 'performance informed' budgeting, the integration of evaluation findings, and the creation of a fiscal advisory council as proposed by the independent review of the Department of Finance (Report of the Independent Review Panel, 2010).

6.3.2 What progress has been made?

The main steps taken to date to improve the budgetary process have been outlined above in section 2.3.2. These are the development of fiscal rules, a new medium-term fiscal planning framework, performance budgeting, and the introduction of an independent fiscal advisory council.

6.3.3 Where to next?

Broadly, the new budgetary framework that has been put in place is a major enhancement of the budgetary process. But this does not mean that the framework will necessarily operate without difficulties. Boyle and Mulreany (forthcoming) note some of the challenges likely to be faced in the future in implementing the new budgetary arrangements:

There are considerable challenges for the management of budgets in coming years. Clearly there is the overriding problem of trying to generate job-rich growth at a time when cutbacks are required by the EU and IMF. Within this there are fresh management problems such as how to coordinate two departments - the Department of Finance and the Department of Public Expenditure and Reform - which are central to the formulation and management of budgets. Heretofore, when an expenditure proposal emerged it was assessed by the 'vote' section responsible for that area of expenditure within a unified department. This section got the views of the tax and expenditure sides of the department before finalising its position. There is a challenge ahead in co-ordinating a unified view from, or in resolving disagreements between, the two departments about expenditure, not least tax expenditure, proposals. This challenge is compounded by the loss of senior personnel due in part to the ... early retirement scheme which is part of government policy to reduce public service numbers and hence pay. A further key challenge ahead is to combine objective economic analysis with effective communication on economic policy between the senior civil servants and ministers so as to transmit difficult economic choices to the political system.

7. Conclusion

To answer one of the questions raised at the beginning of this study, much has changed in the public service since *Fit for Purpose?* was published two years ago. Not least, managing the scale of reductions in numbers and pay across the public service without major disruption to services at a time of population increase has been a significant achievement. Reducing the size of the public service, which was not large by international standards even at the height of the economic boom in the late 1990s and early 2000s, means that public services have to be reconfigured if they are to deliver effectively and efficiently.

The mantra of doing more with less was heard a lot at the start of the reform process. But increasingly reform is about doing things differently with less. The old way of doing things cannot be sustained in many places and new ways of working are needed to cope. This means that cost-cutting measures cannot be taken in isolation, but need to be accompanied by structural and process reform of the public service. This is what was advocated in *Fit for Purpose?* and in the Government's *Public Service Reform* plan.

The review of progress outlined here suggests that overall some solid progress is being made in reforming the public service. Two years into the process most issues we identified are being addressed to varying degrees. New shared services and procurement arrangements, and a revised budgetary framework and enhanced information base for budgeting are examples of good progress. Local government has coped with major staff reductions by changing work practices. Structures to facilitate implementation have been put in place nationally and locally.

But initiatives such as shared services and procurement are not a panacea and may bring their own difficulties if not managed well. No one wants to see a situation where in a few years time some of the reforms are being reversed because they did not work out. Sustainability of reform has to be a key requirement. In this context, the review has highlighted potential emerging challenges and difficulties. In particular in the sphere of capacity; ensuring that there are people of the right calibre and with the competencies needed to manage and deliver the public service of the future. The limited and reduced pool of staff under the age of 30 in particular needs attention. While maintaining strict aggregate expenditure controls on payroll is needed, some increased flexibility within agreed limits with regard to recruitment will be needed in the coming years if capacity to change and deliver is not to diminish.

Other challenges which can be said to have increased in importance since *Fit for Purpose?* was published and which need attention have been highlighted in the course of this study. Among the main challenges are:

- Further developing structures and processes to manage high-priority cross-cutting policy issues, including more formal allocation of responsibility to public service leaders to collaborate
- Governance and performance of agencies
- Active encouragement of the use of performance data alongside its production
- The coordination and oversight of regulatory reform
- Maintaining public service motivation in a difficult environment
- Development of particular capacities in areas such as project management, contract management and change management
- Emphasising delivery-focused policy development, and the design of policies with delivery in mind
- More use of digital service channel developments in interactions with the citizen

Addressing these and other challenges will require new thinking and action in the continuing quest for a fit for purpose public administration.

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