Department of Public Expenditure and Reform

Independent verification of savings of selected projects under the public service agreement

May 2012

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Executive Summary

Background

The Public Service Agreement (PSA) 2010 - 2014 allows for the engagement of external financial advisors to undertake the independent verification of reported savings arising (or that will arise) from a selected number of projects. This involves a review of the methodology, quantification and estimation employed by Public Service Management (PSM) to identify savings that have been achieved and savings that will be achieved as a result of agreements reached. Four projects were selected by the Implementation Body for independent verification as part of this exercise. The Implementation Body engaged Grant Thornton, following a tendering process, to review the projects identified and report on them in line with the terms of reference for the review.

The terms of reference for the verification exercise require the consultants to:

- review the methodology, quantification and estimation employed by PSM in identifying the savings arising (or that will arise) from selected projects; and
- provide an independent verification function for these projects/initiatives to the Implementation Body.

Our approach

In order to capture the data required to complete the study we held individual meetings with key staff in the relevant bodies concerned, to gain a full understanding of each of the areas under consideration and gather any additional information available. Following the individual meetings we then requested and reviewed all relevant documentation available in relation to the projects including:

- the background and context for the individual projects;
- the role of the PSA in facilitating the savings;
- all documentation in relation to the projected savings for each project; and
- all documentation in relation to the methodology employed to achieve the savings for each project, including the timing of proposed savings, the quantification of savings and the estimates and underlying assumptions made.

We then proceeded to analyse and verify all of the data gathered in order to draw conclusions in relation to each project under review. The analysis phase was complemented by our experience of carrying out previous relevant assignments.

Key findings

Project 1: Local offices re-organisation project (Department of Agriculture, Food and the Marine)

We are satisfied that the assumptions utilised in calculating the savings are reasonable. Our verification process has concluded however that non-pay savings originally estimated at approximately €3 million (April 2010 – March 2011) and €3.1 million (April 2011 – March 2012) are considerably undervalued by the DAFM as the Department of Finance methodology outlined by the DAFM was not utilised in calculating the declared savings..

Based on our assessment, non-pay savings amount to €7 million (April 2010 – March 2011) and €10.7 million (April 2011 – March 2012) on the basis of the addition of 40% of total salary costs to value overhead costs. The OPW has control over the management of leasing therefore the figure of €3 million is the DAFM's best estimate based on the information available to them.

Our verification process has also concluded that the declared pay savings of €17 million from April 2010 to March 2011 and €22.8 million April 2011 to March 2012 have also been undervalued. The actual amount of pay savings based on our estimates are in the region of €17.5 million and €26.7 million respectively, for the period. The DAFM has undervalued pay savings as the majority of staff within the DAFM are at the max-point scale of their salary, while the estimates are based on calculations at the mid-point of the salary scales. Also, a large number of staff left before the year end and these savings were not taken into account as they had not yet been fully recognised. We are satisfied that the reasons for undervaluing the declared savings are adequate and understandable.

Project 2: Implementation of a single national procurement model (HSE)

Under the PSA the HSE has made considerable savings since the implementation of a Single National Procurement Operating Model. We believe the HSE's estimated savings to be reasonable in value. We also believe that the assumptions utilised and methodology employed is reasonable. Non-pay savings of approx €74 million were achieved in 2011 and a further €8.6 million in savings were achieved in the first two months of 2012.

The PSA also facilitated a reduction in staff numbers in 2011 and up to February 2012 (through non-replacement of retired staff) which resulted in pay savings of €0.528m. This is an addition to a reduction in staff levels of 8.3% in 2010 due to the HSE's Voluntary Early Retirement (VER) and Voluntary Redundancy Schemes (VRS).

Project 3: Cost savings from new e-RCT system (Revenue)

The estimated savings (pay and non-pay) are for the year 2012. As these savings have yet to be achieved it was not possible for us to accurately verify them. We are satisfied however based on the documentation reviewed that the savings declared are a reasonable indicator of the quantum of savings to be accrued. We are also satisfied that the proper procedures are in place and believe that the savings estimated for the 104 staff currently in the process of being redeployed are reasonable. We believe that the non-pay savings will be achieved by the reduction in the administrative burden going forward as a result of the e-RCT system. We deem the pay related cost reductions as 'savings' as opposed to 'avoided costs' as the redeployment of staff to other internal functions has helped alleviate capacity constraints in other areas within Revenue.

Project 4: Merger of Limerick Institute of Technology and Tipperary Institute (Education sector)

Following an analysis of all the relevant documentation, we consider that the methodology used to estimate cumulative non-pay savings between 2009 and 2011 of €0.9m is acceptable and the figure is a reasonable reflection of the savings. Further potential savings of €1.2 million in 2012 are also deemed achievable.

We also verify the cumulative pay savings 2009 to 2011 of €0.892m. The majority of savings from the merger are only being realised in 2012, as a result of the merger which took place in September 2011. We verify that pay savings already achieved in 2012 amounts to €0.931m with a further €0.498m expected by the year end as more staff are expected to be redeployed as a result of the merger.

Overall conclusion

Our overall conclusions in relation to each of the projects reviewed are as follows:

- all of the four projects evaluated either have already facilitated or demonstrate a capability to facilitate verifiable savings in the future;
- the PSA is playing a significant role in facilitating the implementation of the savings initiatives in each case;
- the declared savings reported by management in each of the four projects were found to be reasonable estimates of savings that have arose or will arise due to the successful implementation of the projects and we are satisfied that the methodology used for each project is acceptable; and
- in relation to Project 1: Verification of the savings arising from the Department of Agriculture, Food and the Marine local offices re-organisation project, we considered the declared savings to be underestimated. The quantum of this under-estimation based on our verification exercise is in the order of €4.5 million (April 2010 to March 2011) and €11 million (April 2011 to March 2012).

Introduction

The Public Service or "Croke Park" Agreement

The PSA 2010 – 2014, or "Croke Park" Agreement, between public service employers and the Public Services Committee of the Irish Congress of Trade Unions ("Parties") was ratified in June 2010 and was agreed following negotiations in March 2010.

The PSA provides for a collaborative approach to the reorganisation of the Public Service to deliver a Public Service which is leaner, more effective and focused more on the needs of the citizen.

The parties to the PSA accept that in order to sustain the delivery of public services, in a period when both employee numbers and financial resources are being reduced, efficiencies will need to be maximised and productivity in the use of resources greatly increased through revised work practices and other initiatives.

The PSA was formulated against a backdrop of the worst financial crisis in the history of the state. The PSA is aimed at improving efficiency and quality so that public services can continue to be delivered with the reduced resources available to the Exchequer.

National implementation body

The National Implementation Body, which was established in July 2010, comprises an independent chair and nominees from PSM and the Public Service Committee of the Irish Congress of Trade Unions. The Implementation Body is responsible for overseeing, driving and verifying progress on the implementation of the PSA across the Public Service and for the resolution of issues as they arise.

Mr. P.J. Fitzpatrick was appointed in July 2010 as independent chairman of the Implementation Body. The Secretariat of the Implementation Body ("the Secretariat") is located in the Department of Public Expenditure and Reform.

Background to the review

Background

The following report gives an independent verification of savings under the PSA in respect of four sample projects. The PSA refers to the requirement for independent verification in section 1.19 of the 'PSA report 2010 – 2014' in which the report states 'In order to enhance the prospects of successful transformation and more integrated services, the implementation body will have independent support to cost and verify savings derived from the implementation of this agreement and of the sectoral agreements'.

The projects, selected for this review relate to the Health, Education, and Civil Service (Department of Agriculture, Food and the Marine and the Revenue Commissioners) sectors. Grant Thornton has been appointed as independent consultants to verify the savings that arose from the following:

- Project 1: Verification of the savings arising from the Department of Agriculture, Food and the Marine's local offices re-organisation project;

- Project 2: Verification of the savings arising from the implementation of a single national procurement operation model for the HSE;

- Project 3: Verification of the savings arising from the online Relevant Contracts Tax system (e-RCT) which commenced on January 1st 2012; and

- Project 4: Verification of the savings arising from the merger of Limerick Institute of Technology (LIT) and Tipperary Institute (TI).

Terms of reference

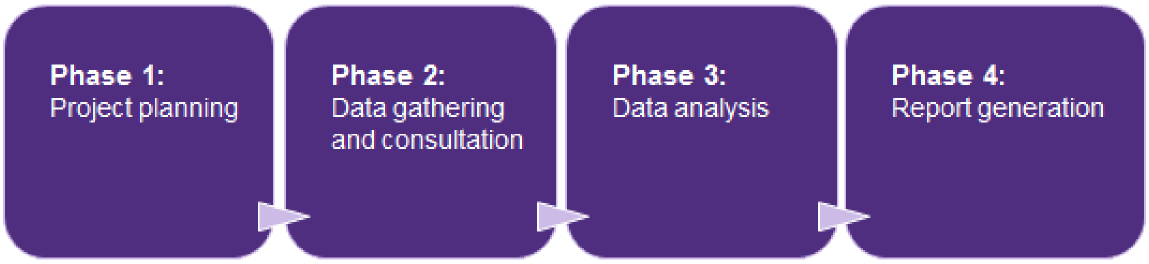
The terms of reference for the verification exercise require the consultants to:

- review the methodology, quantification and estimation employed by PSM in identifying the savings arising (or that will arise) from selected projects; and
- provide an independent verification function for these projects/initiatives to the Implementation Body.

The key deliverable from the evaluation is a single composite report outlining the methodology employed, verification methods utilised and advising of the detailed outcome and conclusions reached in the verification exercise.

Our approach and methodology

We adopted a four staged approach, as an efficient and practical way to carry out this evaluation exercise, including as set out below:



As a first step in the process we conducted a meeting with the Secretariat to the Implementation Body for the purposes of reaffirming scope and boundaries of the exercise; ensuring full agreement and comprehension by all parties of the outputs of the exercise; and confirming the timeline and liaison arrangements.

In order to capture the data required to complete the study we held individual meetings with key staff in the relevant bodies concerned, to gain a full understanding of each of the areas under consideration and gather any additional information available. Following the individual meetings we then requested and reviewed all relevant documentation available in relation to the projects including:

- the background and context for the individual projects;
- the role of the PSA in facilitating the savings;
- all documentation in relation to the projected savings for each project; and
- all documentation in relation to the methodology employed to achieve the savings for each project, including the timing of proposed savings, the quantification of savings and the estimates and underlying assumptions made.

We then proceeded to analyse and verify all of the data gathered in order to draw conclusions in relation to each project under review. The analysis phase was complemented by our experience of carrying out previous relevant assignments.

Finally, we drafted as the key deliverable from this project this composite report outlining the methodology employed, verification methods utilised and advising on the detailed outcome and conclusions reached in the verification exercise. This report was presented in draft form initially and following feedback from the Secretariat to the Implementation Body was finalised.

Project 1: Local offices re-organisation project (Department of Agriculture, Food and the Marine)

Overview

The Department of Agriculture, Food and Marine (DAFM) has been engaged in a process of reorganisation and improvement of its business processes, which is facilitating the reduction and redeployment of staff resources while maintaining operational capacity to the greatest degree. The DAFM's current staffing level is some 350 below its 2009 level.[1] In tandem with this reduction in staffing levels, the DAFM has adapted its business processes to implement existing schemes more efficiently and provide a better service to its customers while rolling out new schemes.

According to the DAFM, considerable progress has been made on the reorganisation of the local office network. This involves the closure of 42 of the DAFM's local offices and the retention of 16 offices to provide an enhanced service to the DAFM's customers. The full implementation of the local office reorganisation plan will allow for the redeployment of administrative and technical staff to other areas of work within the DAFM and to other departments, state bodies and local authorities.

When fully implemented, the DAFM suggests that savings are expected to amount to over €30 million annually along with a reduction of 400 staff. Surplus technical and professional staff are being identified for reassignment to other critical areas of the DAFM.

In 2008, 58 Departmental regional offices existed. The reorganisation of the DAFM's offices aims to reduce the number of offices to 16. The 16 enhanced offices that will continue to operate are set out in Appendix 1.

Declared savings

The DAFM has declared that annual savings in the period from April 2010 to March 2011 are approximately €20 million. The DAFM have also declared savings from April 2011 to March 2012 which are approximately €25.9 million. The key savings arise from:

- number of staff retiring from the local offices without replacement;
- number of staff redeployed from the local office network;
- number of retained offices enhanced; and
- number of offices closed.

[1] This figure relates to local office staff numbers.

Table 1.1 – declared savings

Savings	April 2010 – March 2011 €'m	April 2011 – March 2012 €'m
Non-pay savings	3	3.1
Pay savings	17	22.8
Total savings	**20**	**25.9**

Non-pay savings

As part of the re-organisation of its local offices, the DAFM is closing 42 offices entirely and putting in place 16 enhanced regional offices. The programme has estimated to have delivered non-pay savings of €3 million from April 2010 to March 2011 and a further €3.1 million from April 2011 to March 2012. Non-pay savings arise from savings in rent, operating costs and IT costs.

Pay savings

As noted above, the DAFM is undertaking a complete re-organisation of its local offices and believes that this programme will deliver a reduction in payroll costs estimated to be in the region of €17 million from April 2010 to March 2011 and a further €22.8 million from April 2011 to March 2012.

Methodology

The methodology employed by the DAFM for savings estimation is determined using the methodology guidelines of the Department of Finance which are as follows:

Total salary cost (pay)

Total salary cost is defined as direct salary cost plus an imputed pension contribution. Employing civil/public servants normally results in the creation of entitlements to pensions which are payable in the future. In estimating the total cost of employing a civil servant, allowance must be made for this deferred cost. Since October 2005 the pension contribution has been increased to 30% of gross salary in the case of staff who entered the civil service before 6 April 1995 (modified staff) and to 25% of gross salary in the case of staff who entered the civil service after 6 April 1995 (integrated staff). The pension contribution is based on gross salary, and not direct salary cost, because employers' PRSI is not reckonable for pension purposes.

Total staff cost[2] (non-pay)

Total staff cost is defined as total salary cost plus an allowance for overheads. Each officer requires office space, materials, use of telephones, fax, postage service, etc. In addition, security services have to be provided, recruitment and training expenses are incurred, personnel services are provided, and so on. Provision for these was included by applying a proportionate increase in salary costs. Due to the Office of Public Works (OPW) being responsible for the management of rental space used to accommodate Government Departments it was difficult for the DAFM to establish non-pay savings. In calculating the value of non-pay savings the DAFM therefore used an estimate of 40% of total salary cost based on Department of Finance guidelines.

[2] Revised RIA Guidelines – How to conduct a regulatory impact analysis (June 2009) – Appendix F, pg 76

Office closures

The DAFM have provided information concerning the progress of planned office closures. Out of the original 58 offices, 16 have been retained as regional offices and 42 offices have been closed to the public of which 29 are hot-desk locations and 13 have been fully vacated. The 29 hot desk locations are currently undergoing the process of being vacated. The PSA provisions on redeployment were phased in due to an existing agreement between IMPACT and DAFM. It allowed the DAFM to exempt IMPACT members from the redeployment element of the PSA for a period of 18 months from the start of the agreement. The DAFM consider that without the PSA it would not have been possible to achieve the success to date, in redeploying staff to other departmental facilities.

The DAFM utilised the 45km condition in the PSA to finalise closure. The DAFM waited a little longer than needed to close the offices as several officers at hot desk areas were due to retire by the retirement grace period deadline of 29 February 2012. Hot desk locations overhead costs were reduced over the period of operations as the level of accommodation was greatly reduced (two thirds given to OPW) and running costs were reduced.

Underlying assumptions

The DAFM provided detailed background information on the underlying assumptions utilised when calculating the declared savings as follows:

- with office closures, it is assumed the DAFM will no longer be responsible for paying the lease and operational costs of maintaining these offices as the OPW is pursuing a rationalisation strategy in achieving significant savings in rent through lease surrenders. This assumes that savings would be realised when either the leased building has been passed to another government department for their use, or when the lease expires;
- the 29 remaining hot-desk locations are expected to be fully vacated within the year 2012 (8 by the end of June 2012, remainder by year-end 2012);
- staff savings – it is assumed that staff savings come from staff retiring without replacement or being redeployed to other areas of the DAFM or the wider public service;
- while the timeline of this project dates back to 2009 from which some savings have accrued, the focus here is verifying savings arising from the period covered by the PSA;
- staff costs equate from base salary plus 40% (overhead estimate) plus pension (27.5% of base salary) plus PRSI (10.75% of base salary); and
- mid-point salary is used for calculating staff costs which is a conservative reflection of staff savings upon retirement as the majority of staff within the DAFM are at the maximum scale of salary.

Independent verification of savings

PSA's role in facilitating the delivery of savings

Chapter 4 of the PSA which sets out the Civil Service and Non-Commercial State-Sponsored Bodies Sectoral Agreement specifies that the Civil Service and State Agency sectors should be smaller, leaner, more integrated and more technology driven. As a result they will be high performing, efficient and effective, operating within a reduced cost base and with fewer staff.

Specifically with regard to business processes and service delivery, it states that it will be improved by a move to service provision online as a norm, the elimination of data entry, the reuse of information already provided, the centralisation of transaction handling, the use of electronic funds transfers, and a review of relevant legislative provisions. Measures required to achieve this vision include improved business processes in areas such as revenue collection and agriculture payments.

The local office re-organisation project for the DAFM involved the comprehensive restructuring of the Department's public local office network in order to provide a fully integrated service to its customers at a significantly reduced cost. The PSA was considered by the DAFM to be a key enabler of this project, especially in the area of industrial relations in terms of co-operation and flexibility both at union and at individual level. They believe that the resultant transformation would not have been possible without the support of the PSA. Another key area assisted by the PSA was the management of staff surpluses. In this regard the PSA increased redeployment opportunities and broadened the selection criteria for identifying the individuals to be redeployed which greatly benefited the project.

Finally, the requirement for increased flexibility in work practices, staff engagement with new technology and re-organisation of work as part of the PSA further assisted the re-organisation. An example provided of this was the willingness of staff to engage with the Customer Snapshot Application that was developed and implemented in the enhanced Regional Office structure. This system builds significantly on the "one-stop shop" concept and increased the efficiency of handling customer queries.

Declared savings

As already stated, table 1.2 outlines the declared savings that were received for verification from the DAFM. The DAFM declared non-pay savings below the value calculated using the 40% method which they proposed as part of their methodology.

The DAFM has reported that the additional savings were not declared because:

- the 40% allocation for non-pay costs, while in line with Department of Finance guidelines was considered excessive, relative of actual costs incurred; and
- from the closing of offices and relocating staff etc., the full savings achieved are not yet fully realised by the DAFM.

Table 1.2 – Declared savings

Savings	April 2010 – March 2011 €'m	April 2011 – March 2012 €'m
Non-pay savings	3	3.1
Pay savings	17	22.8
Total savings	**20**	**25.9**

Verified savings

Listed below are the verified cost savings achieved to date from the local office reorganisation.

Table 1.3 – total annual savings

Savings	April 2010 – March 2011 €'m	April 2011 – March 2012 €'m
Non-pay (40% of base salary)	7	10.7
Pay savings	17.5	26.7
Total savings	**24.5**	**37.4**

Non-pay savings[3]

In accordance with the Department of Finance methodology, non-pay savings should be estimated by the addition of 40% to total salary cost, which in this case is 40% of total annual savings (see Appendix 2). As explained above, however, the DAFM did not report the full non-pay savings using the 40% method, which would have come to the value of €7 million from April 2010 to March 2011 and €10.7 million from April 2011 to March 2012 (Table 1.3). Instead, the DAFM only reported €3 million of savings between April 2010 and March 2011 with a further €3.1 million reported for the following year until March 2012, hence non-pay savings declared were undervalued by the DAFM.

Pay savings

As stated above, the DAFM is undertaking a complete re-organisation of its local offices, closing 42 offices entirely and putting in place 16 enhanced regional offices. As a result during the period many staff are being redeployed or retiring. This has led to annual pay savings as follows:

- annual pay savings achieved between April 2010 to March 2011 came to €17.5 million along with a 2.9% reduction in staff numbers from the previous year; and
- annual pay savings achieved between April 2011 to March 2012 came to €26.7 million with a further reduction in staff of over the 2.9% mark from the previous year.

The pay savings achieved by the DAFM between April 2010 to March 2011 were €17.5 million. Only €17 million of this was reported as the DAFM believe that the €17.5 million was an overestimation of the savings. Similarly, for the year-end March 2012 total pay savings came to €26.7 million, yet only €22.8 million was declared by the DAFM. The DAFM has undervalued savings due to the fact that the majority of staff within the DAFM are at the max-point scale of their salary, while the estimates are based on calculations at the mid-point of the salary scales. Also, a large number of staff left before the year end and the savings arising as a result of their departure were not taken into account.

Table 1.3 shows a total annual savings of retired and redeployed staff of €24.5 million from April 2010 to March 2011, with a further €37.4 million in total annual savings from April 2011 to March 2012 (see Appendix 2 for breakdown of savings between retired and redeployed staff).

The DAFM's savings (pay and non-pay) arise from savings made on leases, operating costs, the full closure of hot desks and more staff retirements and redeployments taking place. All hot desks locations are to be vacated within the year which will lead to a continued decrease in costs currently associated with the DAFM.

Conclusion

We are satisfied that the assumptions utilised in calculating the savings are reasonable. Our verification process has concluded however that non-pay savings originally estimated at approximately €3 million (April 2010 – March 2011) and €3.1 million (April 2011 – March 2012) are considerably undervalued by the DAFM as the Department of Finance methodology outlined by the DAFM was not utilised in calculating the declared savings.

Based on our assessment, non-pay savings amount to €7 million (April 2010 – March 2011) and €10.7 million (April 2011 – March 2012) on the basis of the addition of 40% of total salary costs to

[3] Revised RIA Guidelines – How to conduct a regulatory impact analysis (June 2009) – Appendix F, pg 76

value overhead costs. The OPW has control over the management of leasing therefore the figure of €3 million is the DAFM's best estimate based on the information available to them.

Our verification process has also concluded that the declared pay savings of €17 million from April 2010 to March 2011 and €22.8 million April 2011 to March 2012 have also been undervalued. The actual amount of pay savings based on our estimates are in the region of €17.5 million and €26.7 million respectively, for the period, for the reasons outlined above. We are satisfied that the reasons for undervaluing the declared savings are adequate and understandable.

Project 2: Implementation of a single national procurement model (HSE)

Overview

Under the PSA unprecedented changes took place for the Health Service Executive (HSE) Procurement in July 2010 when agreement was reached between IMPACT and the HSE for the implementation of a Single National Procurement Operating Model. Procurement is responsible for strategic sourcing, purchasing, storage and distribution of the HSE's goods and services in order to optimise efficiencies and achieve best value for money in the delivery of patient care.

The implementation of the national model involved migrating from 10 historic procurement organisations to one single procurement organisation. According to the HSE this has resulted in staff engaging in procurement activity across the HSE, and staff are now reporting into the Procurement Directorate. The integrated national model is considered a key enabler in achieving cost reduction, increasing efficiencies and in the adopting streamlined standardised procurement processes to avoid duplication of effort.

The National Procurement Model does not include the majority of drugs and medicines procured by the HSE. The procurement of these products is covered by the Irish Pharmaceutical Healthcare Agreement (IPHA) which facilitates in the negotiation of drug pricing across the Health sector. The capital work programme which involves the procurement of work contracts is also outside the remit of the national procurement model. This is covered by the HSE Estates function.

Declared savings

The following are the declared savings which were received for verification from the HSE.

Table 2.1 – declared savings

Savings	Jan 2011 – Feb 2012 €'m
Non-pay savings	82.6
Pay savings	0.5
Total savings	**83.1**

Non-pay savings

The HSE have declared that through an integrated approach, the total estimated procurement savings achieved from January 2011 to December 2011 are €74 million with a further €8.6 million up to February 2012. Combined savings from January 2011 to February 2012 are declared at €82.6 million.

Pay savings

The HSE has identified a reduction in 13 dedicated procurement staff from January 2011 to February 2012. This reduction has led to approximately €0.528m in total pay savings.

Methodology

As part of the HSE Service Plan 2011, the HSE sought to achieve best value for money in terms of quality of product, service support and pricing in its procurement arrangements.

The outcome of this initiative was price reductions in excess of €74 million across a diverse range of categories of products and services. These declared price reductions are reported to be due to achievements in both price management and demand management in the context of increasing service demands. The strategy adopted by the HSE included a series of direct engagements with current suppliers to seek better commercial terms for current business arrangements on an interim basis while in parallel prioritising certain categories to go to tender and award contracts/framework agreements. The delivery of the price reduction initiatives involved not only HSE managed locations but also incorporated a high level of engagement and co-operation with the Voluntary Hospital Sector as well as contributing to cross public sector contracts being co-ordinated by the National Procurement Service.

The HSE reported that these savings were delivered in parallel with ongoing operational activity in respect of Procurement Support Requests from the customer base to progress other initiatives. For example, during 2011 the HSE reported that 334 procurement support requests were received and 276 were prioritised and progressed. Furthermore, the HSE reported that a database and reporting methodology was developed, agreed and implemented to monitor progress against savings targets being achieved.

In calculating staff savings the methodology employed by the HSE takes retired staff's maximum point of their salary scale and counts it as a saving. The savings do not take into account additional taxes such as employers PRSI and pension contribution.

Underlying assumptions

The HSE provided detailed background information on the underlying assumptions utilised when calculating the declared savings as follows:

- not all of procurement for the sector is included in the single procurement model e.g. the majority of drugs and medicines are procured outside of the HSE's control with the exception of vaccines;
- non-pay reported savings were achieved due to achievements in both price and demand management when negotiating with suppliers;
- pay savings are not attributable to the Voluntary Early Retirement (VER) and / or Voluntary Redundancy Schemes (VRS);
- no staff have been redeployed in the process. All staff savings arose from retirements without replacement; and
- staff wage calculations do not include employer PRSI, pension contribution or overhead costs.

Independent verification of savings

PSA's role in facilitating the delivery of savings

The PSA highlights in Chapter 1 the need for the public sector to be re-organised and public bodies and individual public servants to increase their flexibility and mobility to work together across sectoral, organisational and professional boundaries.

To sustain the delivery of excellent public services alongside the targeted reduction in public service numbers over the coming years, the parties to the PSA accept that efficiencies need to be maximised and productivity in the use of resources greatly increased through revised work practices and other initiatives.

Specifically with regard to the health sector the Health Sectoral Agreement in Chapter 2 of the PSA sets out a number of areas of focus to achieve these efficiencies including, at section 2.2 (I), the identification and implementation of all opportunities to centralise functional, transactional, support and other services at national level, including areas such as medical card and other scheme processing functions, payroll, procurement and purchasing, ICT and HR management.

The implementation of a single national procurement model for the HSE embodies this goal with the creation of a single national operational model for procurement in the health service.

The HSE advised that the PSA directly facilitated the implementation of this single procurement model by allowing agreement to be reached between IMPACT and the HSE. In its view without this it believes the new model would not have been implemented. This centralisation of procurement has in its view facilitated, as per the PSA:

- cost reductions;
- increased efficiencies; and
- adoption of streamlined standardised procurement processes.

Declared savings

As outlined above, the HSE have declared savings of €83.1 million for independent verification as follows:

Table 2.2 – declared savings

Savings	Jan 2011 – Feb 2012 €'m
Non-pay savings	82.6
Pay savings	0.5
Total savings	**83.1**

Verified savings

As noted in the HSE's estimated savings under the PSA, the establishment of the single national procurement operating model led to substantial savings from January 2011 to February 2012 (14 months).

From the information and data obtained the savings are as follows:

Non-pay savings

Through an integrated approach total estimated procurement non-pay savings achieved from January 2011 to December 2011 were €74 million with a further €8.6 million achieved up to February 2012 (see tables 2.3 and 2.4). Our review of the documentation provided established that the above figures are a reasonable estimate of the savings that were achieved. Each non-pay savings category is detailed at Appendix 3.

Table 2.3 – non-pay savings 2011

Savings	2011 €'m
Medical and surgical supplies	22.3
Hotel and other operating costs	6.5
Support costs	14.1
Contingency	1.0
Fast track 2011 programme	12.7
Inventory Management	17.5
Total savings	**74.1**

Table 2.4 – non- pay savings January to February 2012

Savings	Jan – Feb 2012 €'m
Medical, surgical and Pharma	1.5
Equipment, laboratory and diagnostics	1.4
Hotel services and utilities	4.7
Professional services	1.0
Total non-pay savings	**8.6**

Pay savings

The pay savings declared were estimated at €0.528m. Our review has deemed the figure as a reasonable estimation of the savings affected. The calculation is based on the 13 staff who retired between January 2011 and February 2012 and their combined salaries. No staff were redeployed during the year so all pay savings arose from the retirement of staff.

Conclusion

Under the PSA the HSE has made considerable savings since the implementation of a Single National Procurement Operating Model. We believe the HSE's estimated savings to be reasonable in value. We also believe that the assumptions utilised and methodology employed is reasonable. Non-pay savings of approx €74 million were achieved in 2011 and a further €8.6 million in savings were achieved in the first two months of 2012.

The PSA also facilitated a reduction in staff numbers in 2011 and up to February 2012 (through non-replacement of retired staff) which resulted in pay savings of €0.528m. This is in addition to a reduction in staff levels of 8.3% in 2010 due to the HSE's Voluntary Early Retirement (VER) and Voluntary Redundancy Schemes (VRS).

Project 3: Cost savings from new e-RCT system (Revenue)

Overview

On 13 December 2011, the Minister for Finance signed the Commencement Order for the new Relevant Contracts Tax (RCT) system which was implemented by the Office of the Revenue Commissioners (Revenue) on 1 January 2012. RCT applies to payments made by a principal contractor to a subcontractor under a relevant contract (this is a contract to carry out, or supply labour for the performance of relevant operations in the construction, forestry or meat processing industry). The current paper-based RCT system has been replaced by an electronic system, where principal contractors are obliged to engage with Revenue online (mandatory electronic communication). From that date, all contacts between a principal (or agent on behalf of the principal) and Revenue have been completed through an online process. All principals in the construction, forestry and meat processing sectors will be obliged to submit information, data, payments and returns to Revenue electronically. The legislative framework for the new scheme is contained in sections 530A to 530V of the Taxes Consolidation Act 1997.

Revenue developed the new RCT system in phases (contract registration, payment notification, etc). As development progressed, technical information (draft schemas, data capture and details, etc.) was issued to software providers and those companies who indicated to Revenue that they had in-house RCT systems. This enabled those companies to update their systems in preparation for the introduction of the electronic RCT system when it was introduced in January 2012.

The expected benefits created from this project are in areas of RCT staff redeployment, improved customer compliance, reduced burden on contractors and cost savings in RCT related outputs.

Declared savings

The following are the declared savings received for verification purposes as part of this evaluation.

Table 3.1 – declared savings

Savings	2012 €'m
Non-pay savings	0.3
Pay savings	3.4
Total savings	**3.7**

Revenue has declared expected pay savings in 2012 to be approximately €3.4 million. These are expected to arise predominantly from the redeployment of staff. Non pay savings are estimated to amount to approximately €0.321m for the year 2012. These savings relate to the elimination of RCT processing, production, printing and postage costs as a result of the delivery of RCT online.

Methodology

RCT burden

Staff assigned to RCT duties within Revenue also work in other functional units. The value of staff redeployed as part of the (online - Relevant Contracts Tax) e-RCT project therefore relate to the allocation of these staff to other functions.

Before RCT went online the old RCT system was extremely resource intensive and as such an administrative burden. The burden relates to internal processing work related to the function including work in relation to:

- processing RCT forms for scanning;
- inputting of RCT forms into the IT system;
- issuing of RCT forms and processing of applications for payment cards;
- processing repayment claims and checking compliance with other tax-heads;
- screening and processing C2 (application by Sub-Contractor for Certificate of Authorisation) applications and issuing C2s for compliant cases;
- dealing with general queries in relation to refunds, offsets etc; and
- advising RCT section that C2s have been collected and activating the C2 on ITS (Integrated tax services).

Over 190 staff worked on RCT in Revenue. Approximately 65% of these staff dealt with customer service while the remainder worked in audit/compliance. Since RCT is now done online many of the administrative burdens no longer exist so the need for the majority of staff within the RCT function is no longer necessary. These staff could therefore be redeployed to other areas within Revenue. With the introduction of e-RCT, 104 staff have been redeployed to other function within Revenue.

Underlying assumptions

Revenue provided detailed background information on the underlying assumptions utilised when calculating the declared savings as follows:

- cost savings – all of the figures stated are for 2010. The relevant cost saving figures for 2011, are not yet available. However, Revenue believe these should be in line with the 2010 figures.
- staff wage calculations do not include employer PRSI, pension contribution or overhead costs;
- since the e-RCT was established in January 2012, there has been a significant decrease in the customer service requirement involved in the old RCT system;
- by RCT moving to an electronic annual repayments system many additional benefits have arisen in addition to staff savings, including for example increased assurance as to the integrity of RCT which contributes to a reduction in fraud and improved RCT compliance. Such savings are non-quantifiable however as the e-RCT system has not yet been operational for one full year;
- staff savings were calculated using employee’s mid-point base salary; and
- the Revenue took account of the impact of the fall-off in the construction trade when declaring e-RCT savings.

Independent verification of savings

PSA's role in facilitating the delivery of savings

As stated previously, Chapter 4 of the PSA which sets out the Civil Service and Non-Commercial State-Sponsored Bodies Sectoral Agreement, specifies that the Civil Service and State Agency sectors should be smaller, leaner, more integrated and more technology driven. Specifically with regard to business processes and service delivery, it states that it will be improved by a move to service provision online as a norm, the elimination of data entry, the reuse of information already provided, the centralisation of transaction handling, the use of electronic funds transfers, and a review of relevant legislative provisions. The introduction of new technology will be regarded as the norm. Measures required to achieve this vision include improved business processes in areas such as revenue collection and agriculture payments.

In addition, with a view towards progressing the requirement for a more flexible public service, the Civil Service and Non-Commercial State-Sponsored Bodies Sectoral Agreement states that it will be necessary to redeploy staff from non-priority areas to services requiring additional resources, within individual sectors and across the wider Public Service itself. In the context of managing this transformation agenda, issues such as restricted mobility, staffing levels and structures, work practices, office opening and closing hours, shift patterns, attendance and cross-stream reporting arrangement patterns will be reviewed and may be revised.

The re-engineering, simplification, and movement of the RCT system online enabled Revenue to enhance service delivery to RCT stakeholders and optimise the potential of technologies in line with the above PSA requirements. Revenue advised that the PSA provided for the introduction of the necessary business processes and assisting in gaining the full co-operation from staff at all grades and at each stage of the e-RCT project from: testing; re-skilling / training; roll-out and finally full implementation of the new system. Revenue is of the view that without the PSA these changes would have been more difficult to negotiate and effect and that this would have lengthened the implementation period and added significantly to the cost of making the required changes.

Declared savings

As stated above, Revenue have declared savings of €3.7 million for independent verification as follows:

Table 3.2 – declared savings

Savings	2012 €'m
Non-pay savings	0.3
Pay savings	3.4
Total savings	**3.7**

Verified savings

Listed below are the verified cost savings achieved to date from the implementation of the new e-RCT.

Non-pay savings

Table 3.3 outlines the costs related to RCT processing, production, printing and postage for the year 2010. Since the e-RCT went live at the start of January 2012 these costs no longer exist. It is therefore estimated that savings of €0.115m (processing and production savings) will be achieved by April 2012 and the annual non-pay savings will be in the region of €0.321m.

Table 3.3 – non - pay savings

Savings	2010 €,000
Data processing	40
Production	75
RCT related printing	15
RCT postage	191
Total costs	**321**

Pay savings

The table below shows the pay savings made from the redeployment of staff. Savings were calculated by taking the average salary of staff grades and multiplying this average by the number of staff redeployed.

Table 3.4 – pay savings

Savings	Assistant principal	Higher executive officer	Executive officer	Services officer	Clerical officer	Total
Staff redeployed	2.95	9.4	25.7	0.325	65.8	104
Average annual salary	€64,000	€48,000	€36,000	€37,000	€28,000	€32,881
Total savings	**€188,800**	**€451,200**	**€925,200**	**€12,025**	**€1,842,400**	**€3,419,625**

The pay savings are estimated to be in the region of €3.4 million. The savings arise as a result of 104 full-time staff members, previously assigned to RCT related administrative functions, now being redeployed to other functions within Revenue.

Conclusion

The estimated savings (pay and non-pay) are estimated for the year 2012. As these savings have yet to be achieved it was not possible for us to accurately verify them. We are satisfied however based on the documentation reviewed that they are a reasonable indicator of the quantum of savings to be accrued. We are also satisfied that the proper procedures are in place and believe that the savings estimated for the 104 staff currently in the process of being redeployed are reasonable. We believe that the non-pay savings will be achieved by the reduction in the administrative burden going forward as a result of the e-RCT system. We deem the pay related cost reductions as 'savings' as opposed to 'avoided costs' as the redeployment of staff to other internal functions has helped alleviate capacity constraints in other areas within Revenue.

Project 4: Merger of Limerick Institute of Technology and Tipperary Institute (Education sector)

Overview

The merger of Limerick Institute of Technology (LIT) and Tipperary Institute (TI) was completed in September 2011 after being approved by the Government in June 2010. The aim of the merger was to create an enlarged Institute of technology (IOT) by making TI the 5th school of LIT. The process has a five year time frame (2010 – 2015) to revise and develop governance structures, financial arrangements, human and physical resources and academic offerings.

The integrated organisation will offer a course portfolio of 68 Central Applications Office ("CAO") listed programmes and numerous part-time programmes across all four campuses, giving scope for a major increase in student numbers from circa 7,000 in the 2010/2011 academic year to 8,000 by academic year 2015/2016. This will be achieved within the current publicly funded resources available to the new LIT.

The key opportunities offered by the merger of TI with LIT are as follows:

- efficiency improvements which will allow the TI to meet sectoral norms and performance benchmarks and thus ensure the viability of the resultant Institute and its long term future and development;
- sectoral benchmarks, including unit costs and staff/student ratios, have indicated that LIT has consistently been amongst the most efficient of the 13 IOTs – the TI's strategic realignment to a model consistent with LIT and the IOT sector as a whole offers opportunities for efficiency gains and improvement of financial performance. This is considered to be critical to the success of the enlarged organisation;
- synergies for an enlarged organisation in the development and delivery of academic programmes and in support areas;
- improvements in the attraction and retention of students, resulting in increased student numbers where there is sufficient capacity;
- full time student numbers have increased from 297 full time students in academic year 2007/2008 to 720 in 2011/2012 and are projected to grow to 1101 by the end of the transition period at end academic year 2014/15;
- maximisation of available human and infrastructural resources offers the potential for an increase in student numbers and improvement in the levels of service delivered to students, industry and communities in the region.

Declared savings

The following are the declared savings that were received for verification from LIT/TI.

Table 4.1 – declared savings

Savings	Cumulative 2009 – 2011 €'m	Annual Savings 2012 €'m	Cumulative 2009 – 2012 €'m
Non-pay savings	0.9	1.2	2.1
Pay savings	1.0	1.5	2.4

Declared savings are broken into the following four sections:

- cumulative non-pay savings of €0.9m (2009 – 2011);
- cumulative pay savings of €0.956m (2009 – 2011);
- annual non-pay savings of €1.2 million (2012); and
- annual pay savings of €1.45 million (2012).

LIT/TI have also declared that other non quantifiable benefits have also arisen from the merger such as for example an increase in productivity. LIT/TI expect student numbers to increase from circa 7,000 in the 2010/2011 academic year to 8,000 by academic year 2015/2016 (increase of 14.3%). Students attending TI have risen from 297 students in the academic year 2007/2008 to 720 (142% increase) in 2011/2012. This is expected to grow to 1,101 students by the end of the academic year 2014/2015.

According to LIT/TI the unit cost per full time student in 08/09 was €37,000 whereas in 2010/2011 the unit cost per student has reduced significantly to €15,000.

Although these additional cost savings have been declared, the overall financial impact has not been quantified and is not verifiable at this stage. However, to contextualise this it should be noted that the Core Government funding for TI – (State Grant) has declined from €10 million in 2009 to €7million in 2011, a decline of € 2.9 million or 29%, which is a clear indicator of substantial savings to date.

Methodology

Academic pay costs and student numbers

In LIT a large part of academic staff time is devoted to direct contact with students. A typical academic lecturer in LIT is contracted to teach 16-18 hours per week or 560/630 hours per year. Because of larger student numbers LIT schools and departments can also plan to take into account commonalities across courses or modules which add to efficiencies. The effective and efficient deployment and planning of these resources contributes to the efficient student unit cost base in LIT.

Unlike LIT, TI has traditionally utilised staff time (based on a unique TI employment contract) at least as much on development and outreach work and on partly funded part-time programmes as on servicing full time student numbers. Previously, a typical academic staff member in TI was expected to teach from 5 to 15 hours per week with the average at 8.9 hours per week. This means that there is very significant academic capacity and talent within TI to service increased student numbers in the years ahead. In addition, TI's student numbers generally have been comparatively low across many disciplines.

The effective deployment of existing staff up to 560 hours per year in line with the IOT lecturer contract and the introduction of the Assistant Lecturer grade combined with larger student numbers is addressing these issues and driving efficiency to sustainable levels.

One other factor is the increased module sharing across programmes that has been developed in TI. All programmes share modules with other programmes and this has already led to significant efficiencies in delivery. It enhances the opportunities to develop new programmes which also adopt the module-sharing approach.

Underlying assumptions

LIT/TI provided detailed background information on the underlying assumptions utilised when calculating the declared savings as follows:

- savings were not declared in areas where the budget was decreased;
- the majority of savings did not transpire until 2012 as the merger did not take place until September 2011;
- the merger of LIT and TI has led to the opportunity to increase student numbers from 7,000 in the 2010/2011 academic year to 8000 by academic year 2015/2016.
- a small volume of non-pay savings occurred prior to the PSA as some cost savings measures were introduced in anticipation of the changes;
- pay savings calculated, do not take into account the 5% to 8% salary reductions mandated by the government in January 2010; and
- changes with regard to financial systems and structures, include the creation of;
  - one accounting officer – President;
  - one funding body – HEA;
  - one governing body – Under IOT Act;
  - one budget (special arrangements will apply for the transitional period);
  - one employer;
  - one management structure;
  - one academic council/quality processes;
  - one resource allocation process – with special recognition of historical funding needs of Thurles and Clonmel campuses;
  - one set of financial statements; and
  - one IT version/copy of Agresso, Core, and Banner with the LIT and TI operations having unique coding structures to ensure accurate revenue and expenditure tracking for all aspects of the operation.

Independent verification of savings

PSA's role in facilitating the delivery of savings

As specified in Chapter 1 of the PSA, one of its main aims is to "ensure that the public service continues its contribution to the return of economic growth and economic prosperity in Ireland, while delivering excellence in service. This will be done by working together to build an increasingly integrated public service which is leaner and more effective, and focussed more on the needs of the citizen."

To deliver on this aim the PSA outlines and provides for both a "Reduction in Public Service Numbers" (sections 1.5 to 1.6) and "Redeployment in the integrated Public Service" (sections 1.7 to 1.8). In terms of re-deployment the objective is to absorb surplus staff where posts have become surplus for whatever reason by means of redeployment. The PSA also details that the parties to the PSA recognise that to achieve this, in the context of reduced resources and numbers, the public services will need to be re-organised and public bodies and individual public servants will have to increase their flexibility and mobility.

The Education Sectoral Agreement in Chapter 3 of the PSA details a range of measures designed to facilitate the most effective and efficient use of resources to maximise the quality of educational delivery. This includes at section 3.5 the implementation of redeployment schemes for academic, administrative, technical and support staff across the Institutes of Technology and between the Institutes of Technology and the wider public service. The merger of Limerick Institute of Technology (LIT) and Tipperary Institute (TI) fulfils this objective.

The participating bodies believe that the PSA had a significant role in creating the industrial relations environment required to facilitate the merger. In its absence they believe it may not have been possible to create the staff buy-in needed and as such it is unlikely that the merger could have been completed as quickly and successfully as it was. They believe the merger would likely have been delayed and/or undeliverable without the commitments to both flexibility and re-deployment gained under the PSA, as set out above.

In particular the relevant bodies believe that the PSA was directly responsible for allowing the re-assignment of some staff to alternative roles within the enlarged organisation, the voluntary re-deployment of staff to other public sector organisations and the placing on the PAS (Public Appointments Service) for re-deployment of other staff as a result of the surplus declaration process. However, it was also found that as LIT was the first IOT to engage in a merger under the CPA, teething troubles had to be ironed out.

Declared savings

As stated above, LIT/TI have declared cumulative savings of €1.8 million from 2009 to 2011 and annual recurrent savings of €2.2 million in 2012 for verification.

Table 4.2 – declared savings

Savings	Cumulative 2009 – 2011 €'m	Annual Savings 2012 €'m	Cumulative 2009 – 2012 €'m
Non-pay savings	0.9	1.2	2.1
Pay savings	1.0	1.5	2.4

Verified savings

Listed below are the verified cost savings achieved to date from merger of LIT and TI

Non-pay savings

Table 4.3 – cumulative non-pay savings

Savings	2009 €'m	2010 €'m	2011 €'m	2009 – 2011 €'m
Non-pay costs	3.4	2.7	2.5	8.6
Non-pay savings		0.7	0.2	0.9

Non pay savings related to the reduction in materials, maintenance, cleaning, security etc. The total savings for 2011 are €0.187 m with cumulative savings between 2009 and 2011 resulting in total savings of €0.876. When compared to the declared savings of €0.9m in table 4.2, there is a small difference which we attribute to a rounding error.

Other non-pay savings were achieved by TI in a number of areas including:

- bank and legal fees;
- reception costs;
- advertising costs;
- costs associated with staff and training development; and
- course accreditation.

The quantification of indicative future recurring annual non-pay related savings that will arise are €1.2 million resulting in cumulative savings from 2009 to 2012 of approximately €2.1 million.

Pay savings

Table 4.4 – pay savings

Savings	2009 €'m	2010 €'m	2011 €'m	2009 – 2011 €'m
Pay costs	8.7	8.2	7.8	
Savings (year on year)		0.4	0.5	0.9

Between the years 2009 and 2011, cumulative pay savings amount to €0.892m. This includes a saving of €0.434m in 2010 and €0.458m in 2011. Pay savings include staff savings in academic departments, premises, academic support services and central administration services. Between 2010 and 2011, TI achieved additional saving on pay related expenditure, primarily as a result of efforts to reduce staff numbers and associated staff savings through staff attrition. This compares to the declared saving of €0.956m set out previously in table 4.2. We are satisfied that the difference again refers to rounding errors on figures submitted.

Potential further savings are due to occur in 2012 which will result in further savings of €1.4 million when all declared surplus staff are successfully re-deployed (this will depend on opportunities arising elsewhere in the public sector, and proactive management under the framework of the PSA). So far, €0.931m in savings have been achieved in 2012 from the redeployment of staff and we are satisfied the figure will reach €1.4 million approximately by the year-end as 7 more staff are currently in the process of being redeployed or about to retire.

Conclusion

Following an analysis of all the relevant documentation, we consider that the methodology used to estimate cumulative non-pay savings between 2009 and 2011 of €0.9m is acceptable and the figure is a reasonable reflection of the savings. Further potential savings of €1.2 million in 2012 are also deemed achievable.

We also verify the cumulative pay savings 2009 to 2011 of €0.892m. The majority of savings from the merger are only being realised in 2012, as a result of the merger which took place in September 2011. We verify that pay savings already achieved in 2012 amounts to €0.931m with a further €0.498m expected by the year end as more staff are expected to be redeployed as a result of the merger.

Overall conclusion

The PSA allows for the engagement of external financial advisors to undertake the independent verification of reported savings arising (or that will arise) from a selected number of projects. This involves a review of the methodology, quantification and estimation employed by PSM to identify savings that have been achieved and savings that will be achieved as a result of agreements reached. Four projects were selected by the Implementation Body for independent verification as part of this exercise. The Implementation Body engaged Grant Thornton, following a tendering process, to review the projects identified and report on them in line with the terms of reference for the review.

In conducting this evaluation we are satisfied that we have obtained full co-operation from the appropriate PSM personnel responsible for the oversight and quantification of the savings concerned. In addition, although each of the projects reviewed was undertaken using different methodologies and assumptions, we are also satisfied that we were in a position to independently verify the declared savings based on our consultations and the documentation received.

Our overall conclusions in relation to each of the projects reviewed are as follows:

- all of the four projects evaluated either have already facilitated or demonstrate a capability to facilitate verifiable savings in the future;
- the PSA is playing a significant role in facilitating the implementation of the savings initiatives in each case;
- the declared savings reported by management in each of the four projects were found to be reasonable estimates of savings that have arose or will arise due to the successful implementation of the projects and we are satisfied that the methodology used for each project is acceptable; and
- in relation to Project 1: Verification of the savings arising from the Department of Agriculture, Food and the Marine local offices re-organisation project, we considered the declared savings to be underestimated. The quantum of this under-estimation based on our verification exercise is in the order of €4.5 million (April 2010 to March 2011) and €11 million (April 2011 to March 2012).

Appendix 1 – Sixteen enhanced regional offices

The following table outlines the locations of the 16 enhanced DAFM regional offices, which are referenced in page 8 of the report.

Locations of 16 enhanced office's
Cavan town
Cork city
Clonakilty, Co. Cork
Raphoe, Co. Donegal
Galway city
Tralee, Co. Kerry
Naas, Co. Kildare
Drumshanbo, Co. Leitrim
Limerick City
Castlebar, Co. Mayo
Navan, Co. Meath
Tullamore, Co. Offaly
Roscommon town
Tipperary town
Waterford City
Enniscorthy, Co. Wexford

Appendix 2 – Total annual savings calculation

The table below outlines the total annual savings of the DAFM. The annual savings are calculated by the savings made from redeployed and retired staff.

Staff savings	April 09 – March 2010 €'m	April 10 – March 2011 €'m	April 11 – March 2012 €'m
Redeployed	9.4	3,7	11.3
Retirement	8,3	3.1	1.6
Cumulative annual savings	**17.7**	**24.5**	**37.4**

Appendix 3 – HSE non-pay savings

Medical and Surgical Supplies

Medical Surgical and Pharmaceuticals (MSP) Portfolio

This Portfolio is responsible for the development of procurement strategies, conducting agreed procurement processes and delivering value for money through comprehensive contracting of expenditure in the categories of Medical Surgical and Pharmaceuticals. It will also be responsible for providing an appropriate level of support to a wide range of stakeholders, on a national basis, across the contracted categories within the Portfolio. The following are an example of the main categories within the Portfolio

- renal / cardiology;
- orthopaedic / ophthalmic / blood;
- nutritional / wound management;
- laparoscopic / sutures / instrumentation;
- aids and appliances / prosthesis / therapy products;
- vaccines; and
- dental products.

Hotel and other operating costs

Hotel Services and Utilities

The Hotel and Utilities team is responsible for rolling out the Portfolio and Category Management operating model which includes strategic sourcing, tendering and contracting for all the HSE's non pay expenditure in six major primary category material groups.

Primary categories covered under Hotel and Utilities, include;

- facilities and property maintenance;
- waste management;
- rent and utilities;
- clothing and cleaning consumables;
- foodservice and kitchenware; and
- personal hygiene and continence.

Support costs

The function for Communications, Training, Customer Relationship Management and Business Support for procurement is headed up by an Assistant National Director. This department co-ordinates and manages a wide range of activities within procurement both at a strategic and

operational level. Initially Business Support was a separate function but has now been amalgamated into this function.

The following is an indication of the type of activity managed by this function.

- change management planning and support including all procurement related HR elements as procurement transitions fully to the National Model;
- procurement related communications both internal and external;
- procurement related Training and Up-skilling requirements as outlined in the PSA to support staff taking on their new roles;
- development of a Competency Framework for each Procurement Work Stream; and
- development and Implementation of a Customer Relationship Management Model for Procurement.

There is currently 9 staff supporting this element of procurement. This area will evolve in line with the requirement of the business to support the overall procurement model.

Fast track 2011 programme

As part of the price reduction strategy for Procurement in 2011 it was agreed that a number of key top suppliers would be targeted with a view to achieving price harmonisation and increased value for money across the HSE. A series of structured meetings were held with these suppliers to request that they work in partnership with the Procurement team in submitting proposals that would assist with cost reduction across the HSE in an effort to protect front line patient care. Where the HSE believe value was offered, commercial agreements were agreed for a short period and where the HSE believed value was not offered these areas were prioritised to go to tender.

Inventory management

The Logistics and Inventory Management function is headed up by the Assistant National Director for Logistics and Inventory Management. This function provides services to a wide customer base including Hospitals, Community and Home Care Settings. Currently this service is delivered through a fragmented infrastructure with 75 locations supported by 514 staff with a mix of operating models, mix of processes, different levels of technological support and a mix of transport arrangements.

As part of the implementation of the National Operating Model a review was carried out of the Logistics and Inventory Management function and recommendations were made to enhance the operation. These plans are now being progressed in line with overall implementation plan and in line with PSA Protocol.

Currently, Logistics and Inventory Management are focusing on a number of core areas. These include:

- increased level of management of stock at point of use;

- consolidation of fragmented stores infrastructure into a national distribution centre distributing to nine hubs;
- outsourcing of logistics transport; and
- increased recycling of aids and appliances.

Equipment Lab and Diagnostics Portfolio

The Equipment, Laboratory and Diagnostics Portfolio Team is responsible for strategic sourcing, conducting competitive processes using robust life cycle costing models and contracting for all the HSE's equipment requirements and the provision of a coordinated and proactive Project Equipping Service capability in all areas of the HSE.

The Equipment, Laboratory and Diagnostics Portfolio comprises of 4 major categories;

- diagnostic imaging technologies;
- laboratory sciences;
- high tech, theatre and life support equipment; and
- high touch and point of care equipment, furniture / furnishings, emergency ambulance, PTV and commercial vehicles.

The ELD Team will establish and provide a national expert point of contact for all enquiries for equipment.

Professional Services, ICT and Office Portfolio

This Portfolio is responsible for strategic sourcing, tendering and contracting for the following categories;

- Professional -these categories combine 'Intellectual Property' and 'Labour intensive' requirements. There is a significant proportion of 'demand-led' activity Procurement Support Requests (PSR's) in the Intellectual Property Services Categories;
- ICT (Information and Communications Technology) - procurement support is provided at various levels to the ICT directorate for 'operations/infrastructure, corporate services, business administration and supporting front line ISM (Integrated Service Management) and patient/client related requirements. Additional factors include CMOD approvals and Process Audit requirements for large scale projects; and
- Office - office requirements are generally low value-high volume 'standard' products and services.