



Ard-Reachtaire Cuntas agus Ciste
Comptroller and Auditor General



Dublin Castle,
Dublin 2.

Telephone: (01) 603 1000
Fax: (01) 605 1010

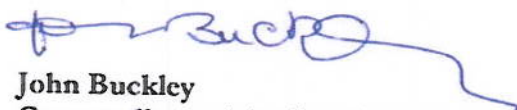
Mr Ted McEnery
Clerk to the Committee
Committee of Public Accounts
Houses of the Oireachtas
Leinster House
Kildare Street
Dublin 2.

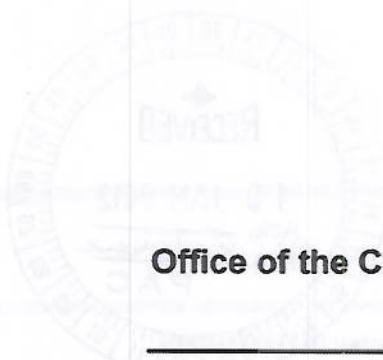
10 January 2012

Dear Mr McEnery

I attach a consultation document on VEC rationalisation, as promised, at previous Committee sessions. I consider that an examination of these matters would be premature at this point.

Yours sincerely



John Buckley
Comptroller and Auditor General



Office of the Comptroller and Auditor General

Consultation Paper for the Committee of Public Accounts

Rationalisation of Vocational Education Committees


John Buckley
Comptroller and Auditor General

Introduction

Legislation provides for the Comptroller and Auditor General, at his discretion, to seek the views of the Committee of Public Accounts in relation to examinations he may carry out.¹ The Committee's own terms of reference provide for it to make suggestions to the Comptroller and Auditor General, in private communication, about his work.²

In response to a request by the Committee to review the feasibility of an examination of vocational education committee (VEC) rationalisation, this note has been prepared as a basis for consultation discussions between the members of the Committee and the Comptroller and Auditor General.

Background to VEC rationalisation

The Government decided in June 2011 to reduce the number of VECs from 33 to 16. A related development announced in July 2011 is the planned transfer of the current FÁS training centre premises and most FÁS regional staff to the new structures. (Senior regional FÁS Training Services staff will remain as staff of SOLAS, the new coordination and funding authority for further education and training.)

The planned combinations of VECs and the administrative locations for each of the planned new organisations (referred to as local education and training boards – LETBs) were announced in October 2011. The planned structure is shown in Annex A.

Legislation is planned to give a statutory basis for the establishment of the boards, which will take over the functions of the VECs, and the further education and training role.

The planned rationalisation is being carried against a general reform agenda that includes the objectives of

- reduction in the number of State agencies
- implementation of staff redeployment schemes across sectors (including, for example, from education bodies to local authorities, or from health bodies to civil service)
- development of shared services in administration areas, such as HR, ICT procurement and finance.

Decision criteria

Two key issues for decision arose in relation to the rationalisation of VECs:

- what number of boards to establish, and which combinations of VECs to choose
- where to locate the administration offices of the new boards.

Notwithstanding the fact that the planned rationalisation extends beyond the VECs and that certain FÁS functions will be managed through the new boards the analysis undertaken extended only to VEC functions. The factors considered are outlined below.

¹ Section 9 (4) of the Comptroller and Auditor General Act, 1993.

² Standing Order 158 (8) of Dáil Éireann.

Number and combination of VECs

The number of boards and the possible combinations were determined on the basis of assessment of the following factors relating to scale of operation

- size of budget
- number of schools
- pupil enrolment
- number of teachers employed
- catchment population (including population under 20).

The result of this analysis was that

- three VECs will remain unchanged
- pairs of VECs will be amalgamated to make up nine boards
- four new boards will be formed from the amalgamation of three VECs each.

The analysis was based on amalgamations of existing VECs, rather than cutting across established boundaries (e.g. on the basis of optimum configurations of schools).

Location of administrative offices

A constraining factor in arriving at the proposal for administration locations was the distance that current VEC staff would have to travel to work. Under the Croke Park agreement, a limit of 45 km has been set as the limit on distance from original to new work base or home to new place of work. In practice, this factor may also have been taken into account in determining the number of boards to establish.

Because of the requirement to meet the maximum distance constraint for staff commuting, it is planned that six of the new boards will have headquarters and sub offices (one or two locations each).

Feasibility of VFM Examination

The stated primary objective of the rationalisation of the VECs was the achievement of greater economy and efficiency arising from greater scale.

The VECs had a combined expenditure of €1.1 billion in 2009. The Department of Education and Skills estimated in 2010 that the recurrent cost of headquarter functions was just over €40 million, mainly comprised of pay.

The only projection of the potential saving arising from the rationalisation is that produced by the Special Group on Public Service Numbers and Expenditure Programmes (McCarthy Report, 2009). The Group projected an annual saving of €3 million, based on a reduction of the number of VECs from 33 to 22 (aligned with the proposed 22 local authority functional areas). The savings were expected to arise through reductions in administration staffing and costs, and efficiencies in service delivery. The Group concluded there would be once-off additional costs, but that there would be off-setting revenue through property disposals.

The Department is currently carrying out an analysis of the potential savings that may arise from the planned rationalisation.

An examination of the business case carried out by the Department may be premature at this time, given analysis is currently underway. Once that process is completed, an examination could be carried out.

However, an evaluation of the management of the change would be more appropriate some time into the programme e.g. three years from initiation of the process.

Overall, the process is not sufficiently developed to allow for an examination at this juncture. However, the potential scope of such an examination would be broadly on the lines set out below.

Focus of VFM Examination

Any comprehensive examination of this matter would cover

- the appraisal of the change project
- the management of the change
- the outcome of the process.

Appraisal questions

Has the Department carried out a comprehensive business case analysis of the options around rationalisation of the VECs, and incorporation of FÁS further education and training functions? This might include

- quantification of the expected impact of the planned amalgamations on service levels, including responsiveness to local needs
- functional implications of a multi-location structure, and the consequential operational impacts over time (including exercise of adequate controls)
- benchmarking of the current VECs against one another, to establish the current relative costs of administration and the potential for economies of scale – establish if scale (based on the decision criteria used to determine the combinations) currently delivers the expected savings
- projected requirement for staff (by grade) /expected staff savings over time
- projected impacts on recurrent administration costs and on required staffing levels – identifying both achievable savings and costs associated with longer average distances between administration locations and points of service delivery e.g. travel time, security of communications
- separating the potential cost impacts of amalgamating VECs into boards, and the impact of developing a platform for the new boards (or the existing VECs?) to share relevant services
- estimation of additional once-off accommodation costs (e.g. new/extended/refurbished administration accommodation) and likely cost of disposing of unexpired leases, set against windfall gains from disposal of property that would be surplus to requirements
- quantification of impacts (if any are significant) on other policy areas, such as spatial strategy, public sector redeployment, sharing of services on a geographic basis (e.g. with local authorities).

Change Management questions

Was there adequate planning for the amalgamations and was monitoring effective in delivering the plan to time and costs? Were the targets specific, sufficiently challenging but realistic?

Outcome questions

Were the planned benefits delivered in a timely way, without adverse impacts on service delivery?
Were the costs as envisaged, and were the ongoing savings achieved?

Focus of VFM Examination

The examination will focus on the following areas:

- the delivery of the change program
- the management of the change
- the outcomes of the process

Key questions

The Department will conduct a comprehensive business case review of the proposed project, including the identification of the VFM and integration of VFM into the business case and project delivery. The review will include:

- identification of the expected benefits of the proposed project, including the identification of the VFM and integration of VFM into the business case and project delivery.
- identification of the expected costs of the proposed project, including the identification of the VFM and integration of VFM into the business case and project delivery.
- identification of the expected risks of the proposed project, including the identification of the VFM and integration of VFM into the business case and project delivery.
- identification of the expected impacts of the proposed project, including the identification of the VFM and integration of VFM into the business case and project delivery.
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- identification of the expected outcomes of the proposed project, including the identification of the VFM and integration of VFM into the business case and project delivery.

Change management questions

The Department will conduct a comprehensive business case review of the proposed project, including the identification of the VFM and integration of VFM into the business case and project delivery. The review will include:

Annex A

Planned Administration Locations for Local Education and Training Boards

Local Education and Training Board	Administration location(s)
City of Dublin*	Ballsbridge, Dublin 4
City of Cork and County Cork	Cork (greater city area)
County Dublin and Dun Laoghaire	Tallaght
Limerick City and County and Clare	Limerick (greater city area)
Donegal*	Letterkenny
Kerry*	Tralee
Tipperary	Nenagh (sub-office in Clonmel)
Wexford and Waterford City and County	Wexford (sub-offices in Waterford City and Dungarvan)
City and County Galway and Roscommon	Athenry (sub-office in Roscommon Town)
Mayo, Sligo and Leitrim	Castlebar (sub-offices in Sligo and Carrick-on-Shannon)
Cavan and Monaghan	Monaghan (sub-office in Cavan Town)
Louth and Meath	Drogheda
Longford and Westmeath	Mullingar
Laois and Offaly	Portlaoise
Kildare and Wicklow	Naas (sub-office in Wicklow)
Kilkenny and Carlow	Carlow Town

Note: * No merger is involved in City of Dublin, Donegal or Kerry and the headquarters remain unchanged.

