



Northern Ireland  
Assembly

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**COMMITTEE FOR  
FINANCE AND PERSONNEL**

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**OFFICIAL REPORT  
(Hansard)**

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**Departmental Efficiency Delivery Plan**

2 December 2009

**NORTHERN IRELAND ASSEMBLY**

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**COMMITTEE FOR  
FINANCE AND PERSONNEL**

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**Members present for all or part of the proceedings:**

Mr Peter Weir (Deputy Chairperson)  
Dr Stephen Farry  
Mr Fra McCann  
Mr Mitchel McLaughlin  
Mr David McNarry  
Mr Adrian McQuillan  
Mr Ian Paisley Jnr  
Ms Dawn Purvis

**Witnesses:**

Mr Adrian Doherty )  
Ms Deborah McNeilly ) Department of Finance and Personnel

**The Deputy Chairperson (Mr Weir):**

I welcome Deborah McNeilly and Adrian Doherty from the Department of Finance and Personnel. Deborah, are you happy to go straight into answering questions?

**Ms Deborah McNeilly (Department of Finance and Personnel):**

Yes.

**Mr McLaughlin:**

Before I start, are you familiar with Professor Midwinter's paper?

**Ms McNeilly:**

Yes. I got it this week.

**Mr McLaughlin:**

It is an interesting paper in that it articulates the concerns of a number of members when defending, in particular, the need for efficiency drives in the current economic circumstances, especially in the context of the perception that output and services are suffering. The definition of efficiency savings is important for the Committee, and, I am sure, for everybody, including the Departments. My sense is that there may be confusion. If charges can be introduced, and if services are being highlighted by Ministers, perhaps in an attempt to manage the impact of top-slicing approaches, that will inevitably impact on service delivery.

For the purposes of the Hansard report, will you tell me what definition of efficiencies is being applied and is being used to guide Ministers and their Departments?

**Ms McNeilly:**

From the correspondence, there is obviously a range of definitions of an efficiency, one of which is having the same outputs for less resources or more outputs for the same resources. That is perhaps one of the key definitions. There is also the definition of allocative efficiency, which is perhaps not as familiar as the first one.

**Mr McLaughlin:**

Given that the Committee has a responsibility to focus on DFP, will you explain how DFP's proposals have been measured against those definitions and, if so, have they been validated and by whom?

**Ms McNeilly:**

In an earlier presentation, David Orr mentioned examples related to moving from leased cellular office accommodation. For example, in the current year, DCAL's properties division moved into the Causeway Exchange, which is a clear efficiency measure under our accommodation savings.

Where we can increase output with respect to chargeable hours or move staff from non-chargeable work to chargeable work — for example, in Central Procurement Directorate, where we already have a tradition of hard charging — we argue that that is a more efficient use of

resources in delivering those services. If we can get more people on the ground, then charging would be a legitimate efficiency.

The Department has taken other actions. I know that there is a clear concern about whether the front line delivery of particular services has been impacted on. Our key area for savings was Land and Property Services (LPS). Its front line services have not been impacted due to the £500,000 worth of efficiency savings that it has had to deliver. Its efficiency saving has concerned rationalising what were four finance units across the four agencies; for instance, in HR support and in some of the common ICT support. That was a strong efficiency in that business area.

**Mr Mc Laughlin:**

The Committee can accept that some of those examples address the basic principles or definitions of efficiency savings. However, developing and passing on a charging mechanism can hardly be said to be preserving outputs for the same inputs.

**Ms McNeilly:**

It can be regarded as a displacement of the costs.

**Mr McLaughlin:**

It cannot be regarded as a true efficiency.

**Ms McNeilly:**

It is partly an economy measure for the Department; focusing on the reduction of our baselines and managing within a reduced baseline.

**Mr McLaughlin:**

You are aware that Professor Midwinter has given evidence to the Committee. He stated that the DFP plan:

“is not an efficiency delivery plan, but a budget saving plan. The proposals are unclear on how savings will be delivered, and offer no baseline data on which to validate efficiency gains.”

What is your reaction to that? That is fairly trenchant.

**Ms McNeilly:**

It is fairly trenchant. The plan was prepared in line with the central guidance that was issued, and was subject to the same level of review. Professor Midwinter's report refers to accommodation savings as an economy. I argue strongly that that is an efficiency saving on the part of the Department. As to the comment on job losses in Land and Property Services, there is clear evidence that there has been a reduction of 17 posts because of the merger of the agencies, in the corporate services function, not in the front line services function. There are solid examples behind the savings that the Department is making.

**Mr McLaughlin:**

Is there scope for the Department to make proper efficiencies that could not be disputed or challenged? The Committee is examining DFP, but I suppose the question can apply across the Departments: does the skills capacity exist to address the issue of efficiencies with respect to existing structures?

**Ms McNeilly:**

We have recourse to a number of support services as well as the expectation that delivering efficient services is something that managers should be doing anyway. We also have recourse to units such as PEDU, which can come in and see what we are doing. Business areas across the Department have taken advantage of business consultancy services in the delivery and innovation division to carry out process and organisational reviews. Some business areas have taken forward a number of such reviews and have implemented the recommendations.

There is an increased focus across the Department to continue to deliver the service because there are few elements in the service that DFP delivers that can be switched off. The Account NI system or various other aspects of business cannot be switched off. The key is to find ways to do things better.

The evidence that I have seen is that the focus from the departmental board, even in our recent planning, has been on improving processes and driving out efficiencies; it is not because we have an efficiency target to meet per se. We have a budget baseline that we have to live within and still deliver our service. That is where the position gets much more difficult, particularly moving into next year. A lot of effort has been made by all parts of the Department. Additional resources and skills are available to the Department and business line managers if required.

**Mr McLaughlin:**

Unquestionably, it is very challenging, and you are correct to point out that things will get worse and more challenging. What incentives and sanctions exist for individuals in order to ensure that the efficiency agenda is embedded? How is the approach inculcated?

**Ms McNeilly:**

It should be an integral part of budget management, and perhaps there has been too much focus on managing the budget. Each board member has a target to live within the budget baseline, and manage service delivery in that context. We also have customer survey work to determine whether there are any issues or detrimental impacts. Occasionally, the agency undertook separate customer surveys. There is, therefore, a twin-strand approach. A key issue is to deliver the service and focus on PSA and Programme for Government targets. Those are monitored by the board on a quarterly basis and are subject to scrutiny.

**Mr McLaughlin:**

How are the overall baseline efficiencies calculated?

**Ms McNeilly:**

Departments are issued with central guidance on what to include or not include with regard to what the centre wants to measure. We follow that guidance, part of which may be, for example, to exclude non-cash costs.

**Mr McLaughlin:**

Is that process arbitrary, or is it negotiated and agreed?

**Ms McNeilly:**

The figures come to each Department from central finance group.

**Mr McLaughlin:**

How are the figures affected by, for example, surrenders, or pressures that emerge in subsequent monitoring rounds?

**Ms McNeilly:**

They would not be looked at retrospectively. The figures are set at the time they were announced in January 2008.

**Mr McLaughlin:**

And that becomes the datum point?

**Ms McNeilly:**

Yes. The figures were set at that time, and the budget was taken off the Departments at that time. Departments may have got allocations as a result of reductions in, for example, Department A. However, the figures are set at that time, and that is the reference point.

**Mr McLaughlin:**

The Committee has been informed that there are significant risks attached to approximately half of the efficiencies to be achieved from 2009 to 2011. What is the Department's position on future efficiencies, and how is that being managed with regard to the targets at risk?

**Ms McNeilly:**

The key target at present involves the accommodation side of the services. A robust review of all accommodation services expenditure was carried out to see what savings can be made and whether people can live within their baselines. More generally across the Department, there is an ongoing engagement process to see how it can live within its baseline next year and deliver on its commitments. That was subject to several series of reviews over the past few months in the concept of living within the 2010-2011 baseline.

The Department has had plans in place to mitigate and manage within its baseline next year. We are now awaiting the outcome of the considerations of the wider block grant position to see whether there will be a further impact on us. However, there is still significant focus on the priority that the Department is to continue to try to meet those savings, and, ultimately, live within its baseline.

**Mr McLaughlin:**

Are those reviews examining more short-term responses to the post-Workplace 2010 project other than looking for variations on the theme of the open-plan working environment concept, such as

working locally, using telecommunications clusters, and generally cutting down on the expense of travelling to accommodation that is not up to standard?

**Ms McNeilly:**

I am not sure what progress there has been, or the strategy that exists at present, on home working. The IT system will allow it. Certainly, the latest information that I have is that a policy is being developed in liaison with corporate HR. I am not sure what stage it is at.

**Mr McLaughlin:**

That is what I am getting at.

**Ms McNeilly:**

I am not up to date on that.

I know that business areas, when considering how to rationalise their accommodation, which is driven by business needs, are also looking at things such as hot-desking. For example, in our valuation service's regional offices, there are opportunities for that because valuers and some staff are out of the office quite a bit. Instead of the traditional situation in which everyone has a desk, they are looking at hot-desking in order to consolidate accommodation.

The key is to try to do such things with the resources that we have and take advantage of opportunities that are affordable. Clearly, at the moment, there is uncertainty about next year's baselines and the impact that will have for the planning period. Therefore, it is difficult for us to plan ahead on that aspect.

**Mr McLaughlin:**

The Committee should follow up on that matter, Chairperson. Pressure on the overall budgets means that other opportunities need to be found. The Bain report, which the Minister has suggested may be set aside, actually addresses hot-desking and having clusters in other locations.

**The Deputy Chairperson:**

We shall certainly come back to that issue.



**Mr McLaughlin:**

I suggest that we write to the Minister. I believe that he would be interested to know that there may be other opportunities to find efficiencies.

**The Deputy Chairperson:**

Are Members happy that we write to the Minister with that suggestion?

*Members indicated assent.*

**Mr McQuillan:**

I want to discuss the reform programmes. Why has expenditure for finance, human resources and ICT been excluded from the baselines?

**Ms McNeilly:**

When the efficiency delivery plan was being developed, it was agreed with central finance group that those areas would be excluded from the baseline, in the context that savings that relate to them should be treated separately in line with savings in the wider programmes. Therefore, for example, if an efficiency can be made as a result of one of the reform programmes, whether it is Account NI, or whatever, all of that was to be taken on that side. It was to prevent double counting. All Departments were asked to take those costs out of the baselines for the purposes of efficiency savings.

**Mr McQuillan:**

Would it not have been more challenging if they had been left in the plan?

**Ms McNeilly:**

Yes, it would have been more challenging as regards numbers. However, at that stage, the impacts of those services were still crystallising. Detailed benefits to delivery plans were being developed, for example, by the reform delivery unit. Work is still ongoing as regards reform delivery benefits realisation packs for all Departments and driving the efficiencies through.

The reform delivery unit, which is now sitting in the shared service organisation of DFP, has a role to drive out and monitor the efficiencies that are delivered by the reform programmes and support Departments in their realisation of efficiencies. However, at that point in time, it was

excluded due to the fact that there was a major strand of work on that aspect.

**Mr McQuillan:**

You mentioned shared service. How are efficiencies being measured there? Will there be any proof of that?

**Ms McNeilly:**

The reform delivery unit has developed benefits realisation packs to enable monitoring of efficiencies and measures associated with the reform programmes. Information at present, for example on IT Assist, is that it will cost £1,200 per user, as opposed to a benchmark in GB of £1,700 per user. Benchmarking activities are ongoing with regard to the realisation of efficiencies. There are various streams of work. It is a detailed area of work, for which a specific resource has been set aside in the reform delivery unit to take that forward. SROs also have responsibility to roll out detailed benefits realisation packs to Departments.

Although there is the bigger project to make efficiencies, each Department has its own work to do. I am expected to make efficiencies in finance division by reducing the number of staff and reporting back to the reform delivery unit through the reporting mechanism. That work is ongoing. The key thing about the plan in 2008 was that it was recognised that a good reason for putting the reforms in a different stream was that some of the quantitative and qualitative benefits would not be realised until the post-CSR period. That reflects moves to implement and stabilise. I know that Account NI has a plan to drop its current number of processing staff post-stabilisation. It is an ongoing process.

**Mr McQuillan:**

Will you provide the Committee with some of those plans?

**Ms McNeilly:**

I can check to see if there is an update from the reform delivery unit.

**Mr McQuillan:**

DFP efficiencies are delivering more and better outputs, but the plan does not provide any output measurements. How do you plan to measure those?

**Ms McNeilly:**

It would be in tandem with the delivery of our PSA targets and departmental targets, and whether those are being met, the areas of weakness, and the reasons for those weaknesses. That is how we measure outputs. There is a customer survey to underpin all of that in relation to outputs that relate to customer satisfaction.

**Mr McQuillan:**

Have those customer surveys been done?

**Ms McNeilly:**

A customer survey was done last year, and another has recently been completed for the current year. I am not sure what the results are yet.

**Mr F McCann:**

Are the mechanisms for carrying out customer surveys reviewed on a regular basis?

**Ms McNeilly:**

Our customer survey is carried out in liaison with NISRA. We take advice from NISRA on the nature of the questions and the sample selected, and NISRA then pulls together the data, including percentages and measurements, and will benchmark that data against other organisations if possible. I know that the staff satisfaction levels are benchmarked. We have professional support from NISRA in compiling the survey.

**Mr F McCann:**

Are the surveys carried out face to face, by post, or by phone?

**Ms McNeilly:**

A dual approach was used for the current survey. I may be confusing the staff survey with the customer survey, but there were certainly phone calls made, and email surveys in some cases.

**Mr F McCann:**

The delivery plan states that the plan will be reviewed and updated as necessary. The current version is the same as the one considered by the Committee in 2008, and includes actions to be completed from as early as February 2008, but no confirmation that those have been completed.

What is the mechanism for reviewing and updating DFP's efficiency delivery plan, and why has it not been updated since it was put in place in April 2008? Why is the Minister still not informed of progress 20 months later?

**Ms McNeilly:**

Progress has been passed to the Minister through the half-yearly updates that we provide, but I accept that the plan has not been updated; it should have been.

**Mr F McCann:**

Are there plans to do that?

**Ms McNeilly:**

Yes. We hope to have it updated by the end of January 2010, because by that stage we will also have a view on the implications of next year, and will therefore also be able to update the plan for 2010-2011, taking account of the Budget and our position then.

**Mr F McCann:**

Will the Minister be kept fully aware of that?

**Ms McNeilly:**

Yes, it will have to be referred back to the Minister.

**Dr Farry:**

I will move on to efficiencies and administration, as mentioned in your report. DFP is expected to achieve efficiencies in administration spend of £15.7 million from 2008 to 2011; however, the reform programmes have been excluded from that figure. What would the administration efficiency savings targets have been if the reform programmes had been included?

**Ms McNeilly:**

I do not have numbers for that. I can arrange to get you a number.

**Dr Farry:**

What was the rationale for excluding the reform programmes?

**Ms McNeilly:**

Some of those savings were to be realised in the post-CSR period, but there was a significant, separate strand of work on the efficiency delivery associated with the reform programmes. That has been taken forward by the reform delivery unit. At that time, there were two strands of work, and that is why it was not included.

**Dr Farry:**

How are administration costs in the reform programmes monitored, checked and challenged?

**Ms McNeilly:**

Business cases were developed for the reform programmes, and the senior responsible owners (SROs) for each of the reform programmes were required to monitor and update in line with their spend. There is also an oversight board, or there was until last month, which was monitoring baselines that were issued by the Department's previous permanent secretary to the various reform programmes in January and February 2008.

The reform programmes were, therefore, monitored against those baselines and the explanations for variants, such as whether there has been a delay. That is the context. The oversight board also has external members who are involved in challenges.

**Dr Farry:**

DFP has reclassified expenditure to administration spend in previous monitoring rounds, so was the efficiency target met in 2008-09, and are we still on course for the current year?

**Ms McNeilly:**

The efficiency target for DFP was issued on the baselines for January 2008. You are right to say that there has been reclassification since then. My understanding is that all those efficiency targets are amalgamated into the Northern Ireland block level and that the central finance group will allow a Department to reclassify resource to administration if it has headroom in the overall Northern Ireland total to do so. Therefore, if our Department is allowed a reclassification, presumably another Department has dropped expenditure. That is how the overall total is monitored centrally.

Individual targets for Departments are backed on baselines for 2008, and central finance group will permit reclassification if that is in line with its management of the overall Northern Ireland

block level.

**Dr Farry:**

What is the underlying rationale for those reallocations?

**Ms McNeilly:**

That is largely to do with the transfer of functions and the delivery of shared services becoming DFP's role. Transfers are being made to DFP in other resource, and we need to spend money on administration. However, we are not actually spending any more on transfers. For example, when a Department that has front line services, such as DSD, has its money reclassified, it will try to give that to us, but it will be in the wrong category.

**Dr Farry:**

The Committee has heard expert evidence about the controls to limit administration expenditure being circumvented by the reclassification of administration expenditure and the use of consultants in particular. Is there evidence of that happening in DFP?

**Ms McNeilly:**

New guidance was issued on the use of consultants with effect from 1 April this year. That guidance is aligned to the Treasury guidance, and it makes the position clear that all external consultancy work should now be treated as administration. Prior to that, external consultancy was treated as other resource; however, that has now been tightened up. In past years, we would have reclassified administration to other resource, but that is no longer the case. The new guidance clarifies that position.

**Mr Paisley Jnr:**

I wish to discuss efficiency measure 1 "Increase Charging". What were the key findings of the review of income generation across DFP?

**Ms McNeilly:**

As part of the review, we have cut information from all the business areas, and there is a degree of disparity between the approaches being taken by some of the business areas. We have been liaising with the business areas to ensure that there is a common approach to common customers, because some of the practices have been developed over time. We also have a draft charging

policy that we are sending out to our business areas for consultation. That is very much a policy-based approach.

The wider issue for us is the amalgamation of the shared services into the new shared services organisation, the stabilisation of those services and driving out the costs of the shared service organisation. That is the one key area in which a joined-up charging approach needs to be developed. That is a key strand of the work now that the organisation has been established. That will be a key piece of work once all the services have been amalgamated in the next three months,

That is the biggest strand of work. However, we have not been able to take that forward, because we wanted to wait until the shared service organisation was in place, so that it could find out what its overheads were, how it wanted to restructure management and what efficiencies it wanted to make in contract management, before we would pull all that together and send out a formal plan on that element of charging. However, that is only one element of charging across the Department.

**Mr Paisley Jnr:**

What charges have been revised or introduced, and who is being charged?

**Ms McNeilly:**

Business areas have reviewed their charge-out rates. The review of hourly charge-out rates has been carried out by the business consultancy arm of the delivering innovation division. Central Procurement Directorate's charges are reviewed on an ongoing basis in the light of —

**Mr Paisley Jnr:**

Do those charges increase?

**Ms McNeilly:**

They can increase, but the overall total — the total income line — can depend on the chargeable hours worked. If those increase, income can be increased in line with targets.

**Mr Paisley Jnr:**

Is any income being generated by the private sector, or is it all public sector money that is being moved around?

**Ms McNeilly:**

There are various strands of income. There is income from the private sector, but, in general, that would come from front line services such as registration. The CPD is a key source; it provides services to the Departments as well as to other public bodies, such as councils or hospitals, for which charges are made. However, the Departments and the other bodies are not tied to buying services from the CPD; they can go to the wider marketplace, if they so wish, in order to seek greater value for money.

**Mr Paisley Jnr:**

What is the percentage share of private sector income?

**Ms McNeilly:**

I am not sure about the different rates that are chargeable.

**Mr Paisley Jnr:**

Can you give us an indication of how much money is being generated by the private sector as opposed to the public sector?

**Ms McNeilly:**

I do not have those figures with me.

**Mr Paisley Jnr:**

Can you get them for us? The new policy was to be implemented in April 2008. What additional income was generated between 2008 and 2009, and what is expected in future years? Do you have projections?

**Ms McNeilly:**

I do not have figures for increased income generation over the period. Income is generated through better charges, more chargeable hours, increased service delivery and increased demand. We can provide members with the high-level figures for last year's income as opposed to the income for the previous year; those figures are in our accounts.



**Mr Paisley Jnr:**

Were you able to conduct a free review? Were there any upfront costs or expenditure involved?

**Ms McNeilly:**

We utilised a resource that we had. We used the services of a contract member of staff who was doing some other work for us in the division and filling a post that we were unable to fill.

**Mr Paisley Jnr:**

That was a good bit of efficiency.

**Ms Purvis:**

I want to ask about efficiency measure 2, "Accommodation". Efficiencies in accommodation will be made from what you describe as "fit for purpose" staff reductions. Those staff reductions of just over 2,300 were met by March 2008. To what extent has the number of employees changed since those reductions were achieved?

**Ms McNeilly:**

I do not have the numbers, but I understand that there has been an increase. Workplace 2010 was going to be a key driver in obtaining better use of space and reducing the amount of space that was occupied in order to generate savings. In the absence of that programme, our properties division has taken opportunities to move staff into open-plan accommodation. One of the key actions in the current year has been to take staff out of leased accommodation in Interpoint and River House and relocate them to open-plan accommodation at Causeway Exchange. They have moved into a smaller footprint.

It is difficult to manage the office estate down in circumstances in which staff numbers have been reduced in small increments. Unless a whole building is being relocated, it is hard to drive numbers down. However, when leases come up for renewal, the properties division has taken the opportunity to move people into open-plan accommodation and rationalise the estate, and that is an ongoing process.

**Ms Purvis:**

What does the baseline of £76.2 million in 2007-08 refer to?

**Ms McNeilly:**

That would have been the properties division's net baseline at that point.

**Ms Purvis:**

What accommodation efficiency savings have been achieved to date? Have savings been made on leases?

**Ms McNeilly:**

Savings have been made on leases and on the associated rates costs. Also, there has been some outsourcing of services, such as non-core-hours security. As a result of Workplace 2010, there has been a reduction of staffing levels in properties division to manage the office estate. That division has an ongoing strand of work to better streamline all those aspects. It continues to take that work forward, particularly in the light of the expected difficulties in future budgets.

**Ms Purvis:**

Do you have a figure for that?

**Ms McNeilly:**

I do not have figures for the individual items.

**Ms Purvis:**

Have you a total for the efficiencies?

**Ms McNeilly:**

In total, the division has taken forward a basket of measures. The key thing is for it to live within its baseline. It has not had that £2 million and it has managed without it.

**Ms Purvis:**

You said that, with this efficiency, the plan will lead to better-quality accommodation, and you spoke of open-plan accommodation. How do you measure the quality of the accommodation?

**Ms McNeilly:**

The movement of staff to Clare House and Royston House and recent Department of Culture, Arts and Leisure moves have been reviewed. Staff who have moved have been surveyed, and the

data is used to assess whether the outcomes have improved, whether work has improved and whether staff morale has risen. Various studies have been conducted.

**Ms Purvis:**

They are staff attitude surveys?

**Ms McNeilly:**

Yes. It is that sort of information.

**Ms Purvis:**

What about increased productivity?

**Ms McNeilly:**

That is very hard to measure. That is recognised in the reports that have been provided. In the past, the reports have been made with the assistance of the Northern Ireland Statistics and Research Agency (NISRA) to give them a statistical perspective.

**Ms Purvis:**

The efficiency delivery plan mentions that some upfront costs might be involved in achieving accommodation efficiencies. What are those costs?

**Ms McNeilly:**

The upfront costs in achieving efficiencies, in any type of move from cellular accommodation to open plan, lie in managing it within the baseline. They include fit-out costs and costs involved in the relocation of staff from one building to another.

**Ms Purvis:**

Was the expenditure in Workplace 2010 included in those upfront costs?

**Ms McNeilly:**

To some extent. The pilot schemes at Clare House, Royston House and Lesley Exchange were included in those upfront costs.

**Ms Purvis:**

How were those costs affected by the decision not to proceed with Workplace 2010?

**Ms McNeilly:**

The Clare House and Lesley Exchange moves were made in previous years, and, therefore, their costs had already been accounted for in the Workplace 2010 budget for those years. That expenditure has already been incurred.

**Mr McNarry:**

The Committee has a note from the Department that says that it is not currently in a position to provide a paper on the progress of efficiency delivery and that it is preparing its position to advise the Minister. Can we take it that the plan is complete?

**Ms McNeilly:**

In the financial year 2008-09, the Department has lived within its baseline and has delivered the efficiencies required. It has reported that to the centre.

**Mr McNarry:**

So the plan is complete?

**Ms McNeilly:**

It is a three-year plan. In the current year, our primary monitoring of it is a part of the integral financial monitoring across the Department as to whether business areas have lived within their baselines, which have already been reduced. The other part of it will be in the context of customer surveys to see whether there has been any decline in the level of services provided.

**Mr McNarry:**

What is the problem then, in providing a paper in DFP's progress in efficiency delivery to date?

**Ms McNeilly:**

In the current year, our customer survey was completed only two weeks ago. The data has not come through from that either.

**Mr McNarry:**

I understand that. When will the Department be in a position to advise the Minister?

**Ms McNeilly:**

I am not sure of the timescale for reporting back on the customer survey. If the previous one is anything to go by, that detail may be available in the new year.

**Mr McNarry:**

So if the Minister wants to put major things right, he might have time to put them right?

**Ms McNeilly:**

There are no major issues on customer service coming from the business areas in light of the Department's efficiency delivery plan.

**Mr McNarry:**

That is good to hear. With regard to efficiency measure 3, "Land and Property Services", how was the baseline of £21.4 million, against which efficiencies have been measured, calculated?

**Ms McNeilly:**

That would have been the net baseline, held in baselines at that point, for the agency.

**Mr McNarry:**

So, on the net baseline —

**Ms McNeilly:**

Clearly, due to the monitoring rounds and income generation, there will have been changes from a baseline that dates back to 2007-08 — historic figures.

**Mr McNarry:**

Where does it sit, currently?

**Ms McNeilly:**

The baselines for each business area will change at each monitoring round depending on what transactions it puts forward —

**Mr McNarry:**

Do you review the targets as the monitoring rounds change?

**Ms McNeilly:**

No. Those targets have been set and our reference point for reporting back to the sector —

**Mr McNarry:**

So, is what you have just said to me relevant or irrelevant?

**Ms McNeilly:**

Sorry, it may be potentially irrelevant but additional information.

**Mr McNarry:**

Is the baseline set?

**Ms McNeilly:**

The baselines that we have to report back to the centre are on the total savings of £5.7 million, £10.3 million and £14.8 million. Those baselines were established on the basis of the 2007-08 figures.

**Mr McNarry:**

So the targets are only relevant to those baselines?

**Ms McNeilly:**

Yes, and the focus is on those headline numbers.

**Mr McNarry:**

So you can do what you like after you have established the baselines. As long as you concentrate on those, it does not matter what comes in in the middle. Is the target of only £1.4 million in efficiencies over three years from the merger not easily obtainable?

**Ms McNeilly:**

When the efficiency delivery plan was drawn up, it was recognised that LPS was a new agency

and that it would take some time for it to realise savings. That was recognised in those targets at the time.

**Mr McNarry:**

Is it not easily obtainable?

**Ms McNeilly:**

In the current year, LPS has made the saving of £0.5 million in relation to the consolidation of its corporate services and its HR and finance support services. It has made that saving now, so that will roll forward to next year. It is a saving that has already been made. Therefore, it will have to find an increment of £0.4 million next year.

**Mr McNarry:**

We are not talking about large sums of money.

**Ms McNeilly:**

Not in the context of the overall budget for the LPS, but the target recognises the difficulties of bringing the four agencies together.

**Mr McNarry:**

So, the LPS has had all the help and assistance that one could expect, and it has not been pressurised too much?

**Ms McNeilly:**

In the development of the plan.

**Mr McNarry:**

Were there upfront costs involved in the merger?

**Ms McNeilly:**

There may have been some sort of additional project staff costs. However, the large majority of the work to bring together the finance units was done by the existing staff who were managing those areas.

**Mr McNarry:**

So you are saying that, whatever the upfront costs were, they were not significant and that is why they are not specified?

**Ms McNeilly:**

Yes.

**Mr McNarry:**

Efficiency measure 4 relates to staff reductions. We set baselines back then and we stick to them, and it does not matter about monitoring or anything else that is going on — any new information — we will stick to those and that will be our target. In that context, will the back pay settlement that is being agreed with the Civil Service force additional staff reductions and redundancies?

**Ms McNeilly:**

The back pay element of the equal pay settlement has, I understand, two aspects, including the compensation-type payment. We are liaising closely, as are other Departments, with colleagues in central finance group and corporate HR. We understand that they are trying to seek central funding so that Departments will not be impacted adversely because of that. Departments will have to find the resources to pay for ongoing costs, so there might be consequences for them in having to live within a baseline and meet increased ongoing costs.

**Mr McNarry:**

Are you saying that we should at least acknowledge that the efficiency plan has taken no account of what we have been talking about?

**Ms McNeilly:**

No; it would not have been taken into account.

**Mr McNarry:**

Furthermore, as a consequence of the equal pay settlement and, moreover, due to the ongoing cost that might hit the Department, are staff redundancies a prospect?

**Ms McNeilly:**

I cannot comment for other Departments; however, in light of the wider pressures on the Northern



Ireland block, the Department of Finance and Personnel has been reviewing plans for, in particular, 2010-11, and we have put options forward to the Minister for his consideration. The impact of the equal pay settlement is being considered in the round, and it is included in those numbers. At this stage, we cannot say how much of that will filter through to staffing levels.

**Mr McNarry:**

I fully understand that there is a risk that a document can go out of date. This document seems to be going rapidly out of date, even before the Minister has considered it. Perhaps you might suggest that it be brought up to date, because that could save an awful lot of trouble and bother in trying to factor in issues as they arise. Having been a draftsman, I appreciate how difficult that could be.

**Ms McNeilly:**

The delivery plan, if that is what you were referring to, has been approved by the Minister. It is the update that he has yet to see.

**Mr McNarry:**

It is the fluidity of the situation that worries me. How was the £24.8 million baseline calculated?

**Ms McNeilly:**

It was calculated using the net baseline for each departmental business area, such as the Central Procurement Directorate, the central finance group and the corporate services group. The baseline calculation takes account of the net running costs of each business area.

**Mr McNarry:**

How much do we need to read in to those baselines to see where they are now in real terms?

**Ms McNeilly:**

The baselines change as we move through each financial year and monitoring round.

**Mr McNarry:**

I understand your position, Deborah. You have been very helpful. Were staff reductions made to achieve efficiency targets?

**Ms McNeilly:**

There has been serious focus throughout the Department on efficiencies and rationalisation, not least in respect of the plan as well as in preparation for 2010-11. There were five reductions in the Senior Civil Service, two of which were in corporate human resources, one was in central finance group and there were two others. The reduction of a grade-3 post is planned in the central finance group. There has been a suite of reductions at all grades throughout the Department.

**Mr McNarry:**

So, in accordance with the plan, the reductions have come about through natural wastage and redeployment?

**Ms McNeilly:**

They have been achieved through natural wastage and redeployment.

**Mr McNarry:**

Are you sticking to that? Is that all that has caused those staff reductions?

**Ms McNeilly:**

All the Department's business areas have been cautious about filling posts. Almost every post that becomes vacant is reviewed to see whether it is still required and whether the work could be done differently and better. In addition, there has been extreme caution about filling the posts because 2010-11 is going to be much more difficult. Nevertheless, the reductions have come about through natural wastage and redeployment.

**Mr McNarry:**

You used the phrase "extreme caution". Are there high risks in saying, as you have done, that no upfront costs are anticipated, assuming that natural wastage and redeployment is realised?

**Ms McNeilly:**

If you are asking whether there is a risk of redundancies and the upfront costs that would result from them, I would say that, based on liaison with corporate HR, there is no risk of that.

**Mr McNarry:**

The efficiency delivery plan makes the sweeping comment:

“No upfront costs are anticipated assuming staff reductions can be realised through natural wastage and redeployment.”  
Is it your position not to move from that, even while moving extremely cautiously?

**Ms McNeilly:**

Reducing staff numbers is being done through redeployment and natural wastage.

**Mr McNarry:**

That is fine. I am content that that position is stuck to and that no other factors come into it, because some people are rather anxious about their jobs.

Efficiency measure 5 is the recognition of costs recovered from rates collection. I know what your answer will be, but how was the baseline of £12.5 million calculated?

**Ms McNeilly:**

When the Rate Collection Agency was a single agency, it pulled those costs out.

**Mr McNarry:**

Did the Department carry that forward?

**Ms McNeilly:**

The costs of the former Rates Collection Agency have been amalgamated into LPS.

**Mr McNarry:**

Was the target for 2008-09 achieved?

**Ms McNeilly:**

Yes.

**Mr McNarry:**

The target of saving £4.4 million was achieved?

**Ms McNeilly:**

Yes; that amount of income was saved.

**Mr McNarry:**

Are any costs involved in charging councils for rate collection?

**Ms McNeilly:**

Costs are involved in carrying out segmental analysis in the review of expenditure in business areas. The staffing levels that the agency uses involve ongoing costs.

**Mr McNarry:**

How significant are the costs?

**Ms McNeilly:**

They are not significant.

**Mr McNarry:**

Deborah, you deal in multi-million-pound figures.

**Ms McNeilly:**

It is not as though 10 members of staff are involved; the work is carried out as part of one post.

**Mr McNarry:**

Are any charges related to those costs?

**Ms McNeilly:**

There is a legislative basis for the methodology of working out the charges for the services that are delivered by the rating side of LPS. That legislative basis is followed in working through the charges and determining what the councils can be charged.

**Mr McNarry:**

That is helpful; thank you.

**Mr McLaughlin:**

I wish to determine that efficiency savings are being achieved, either through more output for the same input, or through the same output for less input. There are genuine reasons to be concerned about whether that maxim is being applied across the board. I have rehearsed that argument and

recorded my concerns. Is our nerve, in a sense, standing up to the challenge of the invest-to-save concept? Is that programme still being rolled out across Departments?

**Ms McNeilly:**

To my knowledge, there is no separate funding available for which we can bid in order to invest to save. Therefore, we must realise any opportunities that we have, for example to make savings through accommodation, within existing baselines. It is very difficult to invest to save in light of the constraints.

**Mr McLaughlin:**

If we can characterise, or at least criticise, the Department's efficiency plan as being based on increasing charges and cutting staff, does that mean that we have subliminally set aside the investment or the necessary freeing up of resource that would allow it to invest to save? Has that option disappeared off the table?

**Ms McNeilly:**

The key area is accommodation services, which had project-type expenditure in the past. In determining how to spend their budget, they are asking themselves how they can work more efficiently, and they are looking at what will drive down costs and eventually lead to savings.

**Mr McLaughlin:**

I am looking for reassurance that there are proposals on the table.

**Mr McNarry:**

Go on, Deborah, give him reassurance.

**Ms McNeilly:**

I can only talk about the proposals on the table in DFP and the way that its business areas are managing their budgets. As regards accommodation services, they are managing their project-type spend, which they would have traditionally used, to invest so as to realise savings. For example, if two leases are up for renewal, and I can put more people into one building, I will use my project money to invest in that building. Therefore, the proposal is on the table in that context. However, to the best of my knowledge, no invest-to-save budget or programme is available.

**Mr McLaughlin:**

Therefore, we could discover in a year's time that the response across the board as a result of the pressures that have emerged is that invest-to-save has been virtually abandoned.

**Ms McNeilly:**

There is a difference between a central pot that may have existed in the past, when there were certain central initiatives, and Departments trying to find how to work more efficiently and knowing what they can afford to put up front for investment in managing their budgets within the constraints.

**Mr McLaughlin:**

The point that I am driving at, and to which I have given you a couple of opportunities to respond, is that whether the Department is alive to the possibility that there could be a retreat from that approach and that it will do its best to encourage other Departments to continue to look for those opportunities, despite the pressures that are emerging.

**Ms McNeilly:**

We can pass that concern to central finance group.

**The Deputy Chairperson:**

It is important to ensure that the Department is on its toes.

**Ms McNeilly:**

It is for DFP. With respect to other Departments, that would be a key message for central finance group.

**The Deputy Chairperson:**

That brings the session to a close. I thank the officials.