



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

**February 2010 Monitoring Round
Outcome**

3 March 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)
Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Declan O'Loan
Mr Ian Paisley Jnr
Ms Dawn Purvis

Witnesses:

Mr Michael Daly)
Ms Joanne McBurney) Department of Finance and Personnel
Ms Deborah McNeilly)

The Chairperson (Ms J McCann):

I welcome Michael Daly, from central expenditure division in central finance group, Deborah McNeilly, finance director, corporate services group, and Joanne McBurney, from central expenditure division. You are all very welcome. Perhaps you will make a few opening remarks and I will then open the meeting for questions.

Mr Michael Daly (Department of Finance and Personnel):

Thank you, Chairperson. There is not really an awful lot to say. As the Minister explained

yesterday — sorry, it was Monday; the days tend to blend into one another at this time of the year. The main themes that he drew from the February monitoring round statement were his disappointment about the reduced requirements and the return of funding for swine flu from the Department of Health, Social Services and Public Safety. Against that, all of the current expenditure bids were met, and we were able to make sufficient funding available to enable the arrears of pay in relation to the equal pay settlement payable in March, hopefully. We are ending the current monitoring round with the overcommitment, both on current expenditure and capital expenditure, at the level we would expect at this time of year. In that sense, it is over to Departments now in relation to their outturn. Other than that I have nothing else to say, so I will take questions.

Ms Purvis:

I have a question about the easement of £16.2 million from the Department of Health, Social Services and Public Safety, which the Minister referred to as disappointing in his speech. DHSSPS is being asked to retain that money so that it does not go back to the Treasury. Does the difference between the £13.4 million and the £16.2 million represent the costs of elective care?

Mr Daly:

No. As you say, £16.2 million was surrendered, and some Departments — I think the Department for Social Development (DSD) was one of them —

Ms Joanne McBurney (Department of Finance and Personnel):

Yes; DSD, the Department of the Environment (DOE) and the Department of Agriculture and Rural Development (DARD).

Mr Daly:

They had said that they had sufficient flexibility within their spring Supplementary Estimates to take their funding back, so they have done so. The Department of Health, Social Services and Public Safety's bid for elective care was for £10 million. So, that Department is keeping the full £13.4 million, and at the June monitoring round next year, that funding will be returned to the other Departments that had originally needed it.

Ms Purvis:

There was reference to the headroom that was built into the Supplementary Estimates in relation

to the equal pay issue. Could that money not have been used for this? Where did that money come from?

Mr Daly:

There are two separate issues here. The headroom that was built into the Supplementary Estimates was for the equal pay claims and to provide the potential for monitoring round bids to be funded. It is about just making sure that the capacity exists to provide Departments with the legal authority to spend that funding. As regards actually providing the funding, although the money we are talking about could have been used for that purpose theoretically, the Barnett consequentials amounting to £26.5 million were available from the 2009 budget. That was also in the melting pot, and the Minister put it to the Executive that that should be used, with an additional £3.2 million to cover the arrears of pay included in the equal pay settlement.

However, as the Minister explained, the settlement costs, which are one-off payments, will be dealt with later. It is a little more complex to deal with those, so it will take some time to do so. I would not expect it to be done in this financial year; it will have to be in the next financial year. The Minister said in the Assembly on Monday that it will probably be done by August. I think that that will be the latest: we would like it to be done by then.

Dr Farry:

You are very welcome, Michael and colleagues. I have two questions at this stage. First, one aspect of the Minister's statement was his dissatisfaction at the fact that a number of Departments surrendered a considerable amount of money in February, which is quite late in the process to make any decisions about redistributing that money to Departments to make productive use of it. How can we address that problem? It is one thing to talk about applying sanctions to Departments or to not treat Ministers' future bids for money credibly, but that would impact on Departments' customer bases, thus creating tensions that would have to be managed?

Secondly, given what happened with swine flu in the past 12 months, how should we respond in similar situations? On Monday, the Minister said that we should not listen too much to scientists. Leaving the Minister's way of putting things aside, his point was that one must critique what advisers say about the appropriateness of bids. However, when a crisis emerges, people naturally overbid for resources because they are not sure how things will unfold, and those overbids have consequences for expenditure elsewhere in the system. Given that finances are

tight and opportunity costs are considerable, what lessons can the Northern Ireland Government learn from other Administrations about managing those types of pressures?

Mr Daly:

You raised a number of points, so, if necessary, I will bring in Joanne McBurney. As the Minister pointed out, to avoid such situations arising again, it comes down to DFP's role in challenging Departments, and he illustrated the point with the range of figures — beginning at £77 million and eventually coming down to £45 million — that the Health Minister presented to the Executive to deal with swine flu. Much of the decrease was due directly to DFP officials, the Minister and the Executive scrutinising and challenging the figures. However, as the Finance Minister pointed out in the Chamber on Monday, we rely on Departments and Ministers to take charge, because if DFP were to attempt to micromanage departmental budgets, Departments would, rightly, see us off.

I take Dr Farry's point about sanctions. If one imposes a sanction or a penalty on a Department, one must be aware that that, in effect, takes funding from that Department's customers, so it is not a simple matter.

Dr Farry:

Is it understood how similar situations are handled in Scotland or Wales? Do we follow a similar approach to them, or do they do things differently, and could we learn from them?

Mr Daly:

I do not have any information about that with me.

Ms McBurney:

I am not aware of how they handle things. As far as I know, monitoring rounds in those Administrations follow a slightly different process, but I am not aware of the details.

Mr Daly:

You also asked about what happened with swine flu throughout the year. The Health Minister and his Department have much more information about that than me; but, early last year, some of the easements were due to lower than anticipated vaccine uptake rates and to the agreement with GPs about the cost of vaccinating people. In the latter part of the year, the easement was down to

the low-level spread of the virus and to the knock-on effect on hospitalisation and fatality rates and so forth. It was due to the virus's failure to spread.

Dr Farry:

I appreciate that that was an extraordinary case, but it points to the fact that it can be very difficult to pinpoint what costs will be. Depending on how circumstances evolve, costs can overrun or under run massively, so it is a matter of how we factor that into our plans.

Mr Daly:

Your question was about what lessons we have learned for the future. Again, it comes down to the level of scrutiny that DFP and, indeed, departmental Committees have with Departments, which brings us back to the question of whether it is necessary to have monitoring rounds. It has been suggested that this is the end of monitoring rounds. However, when one looks at the past couple of years, one realises that they have been useful in dealing with issues such swine flu and the deferral of water charges. In the future, although the fiscal situation will be extremely constrained, getting the level of overcommitment down to zero will still be a challenge.

Dr Farry:

For the record, I am happy to keep monitoring rounds.

Mr Paisley Jnr:

I am trying to get my head round some of the figures quoted in the Minister's statement. He said that it was extremely disappointing that Departments had declared such large sums as reduced requirements. He indicated that, over two monitoring rounds, the Department of Health, Social Services and Public Safety requested £27.9 million but spent only £7.8 million.

Mr Daly:

Are you referring to swine flu funding?

Mr Paisley Jnr:

Yes. According to the Minister, DHSSPS surrendered £20.2 million. Does this not fall into the area of mismanagement of resources, in that a Department so excels its expectations that it has to hand back vast amounts of money?

Mr Daly:

As the Finance Minister explained in the Chamber on Monday; originally, the sum was £77 million but ended up being between £40 million and £50 million. The Health Minister can speak for himself, but he and his officials will argue that the original bid was based on scientific evidence.

Mr Paisley Jnr:

It is such a large proportion, Mr Daly. If the Minister of Finance had known that he had that money to play with, he could have addressed other bids that were made by the Department earlier last year. Frankly, it is enough money to save the Presbyterian Mutual Society; it is enough to provide an additional 15 neuro-physiotherapists to address MS needs in Northern Ireland; and it is enough to address compensation for vegetable and potato growers in the farming sector.

Ms Purvis:

It is also enough to address the Irish language strategy.

Mr Paisley Jnr:

Yes, absolutely. It is enough money to address language strategies. Despite all that, the money has been surrendered. Surely, that is mismanagement.

Mr Daly:

There are issues with the swine flu funding. The Finance Minister made his position clear that he felt that the money should have been identified earlier. He made the point throughout the process, including in the Executive, that the bid was too large. The money that has been surrendered will go back to the Departments that donated it originally.

On the general point about the late surrender of reduced requirements, the Minister pointed out that, given the funding that emerged in this monitoring round, and had those sums been surrendered in September, there would have been a gap between total bids and current expenditure of about £30 million and only £5 million allocated. Therefore, it would have closed that gap.

Mr Paisley Jnr:

From the Department of Finance and Personnel's point of view, is there anything that tells you that there is something sloppy going on in Departments that leads to them handing back such vast chunks?

Mr Daly:

We will be taking up the timeliness of the surrendering of funds with Departments. It is an issue that we normally put to Departments throughout our normal stocktake meetings. However, I think that it will have to be brought up the agenda now.

Mr Paisley Jnr:

Was DFP led to believe that the amount handed back would be considerably less?

Mr Daly:

The Minister explained in the Assembly on Monday that he had been led to believe, in the last week of January, that between £5 million and £6 million would be handed back. It became clear at the start of February that the final figure would be £16.2 million. Therefore, there was a significant switch within a very short period of time, which was a surprise.

Mr Paisley Jnr:

So, it was three times the amount. That is shocking. The average housewife in Northern Ireland manages accounts for the maintenance of her home considerably better than the Department of Health handles vast amounts of public money to resolve health issues. That is a scandal.

Mr Daly:

The issue of late surrenders will be taken up with all Departments.

The Chairperson:

As there are no further questions, I thank the officials very much for coming along.