Northern Ireland Assembly

COMMITTEE FOR FINANCE AND PERSONNEL

OFFICIAL REPORT
(Hansard)

June Monitoring Round — Departmental Position

2 June 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Ms Jennifer McCann (Chairperson)
Mr Jonathan Craig
Mr Simon Hamilton
Mr Fra McCann
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Declan O'Loan

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

The Chairperson (Ms J McCann):

I welcome Deborah McNeilly, finance director of the corporate services group, and Adrian Doherty from the finance branch of the corporate services group. I ask you to make some short opening remarks, which will be followed by members' questions.

Ms Deborah McNeilly (Department of Finance and Personnel):

The starting position for June monitoring for the Department is the revised spending plans, which were announced on 20 April 2010. Those revised spending plans for DFP, which the Department has discussed with the Committee previously, meant a reduction of £4·1 million in resource and £2·1 million in capital. That is our starting point. An uncertainty for us at a departmental level is what the impact of the UK Government cuts may be in respect of their translation into Northern Ireland Departments.

There are key pressures. We have to continue to deliver services against the backdrop of contained inflation and, more particularly, the equal pay award. The ongoing cost associated with the equal pay award is likely to be in the region of £3 million for DFP in 2010-11. That is a significant issue for us. Members will have seen from the briefing paper that we still have an underlying shortfall of £5 million in the baseline for Land and Property Services (LPS).

The key pressures that have been identified are those that were identified in the review of the revised spending plans. Paragraph 4 of the briefing paper identifies as a pressure the additional funding that is associated with the 2011 census. The delivery of the census is an inescapable cost for us. Census day is 27 March 2011. That date was brought forward, which means that some of the costs have been brought forward into the 2010-11 year and the £4 million that we are looking at on the delivery of the 2011 census is an increased pressure.

The revised spending plans also highlighted as an issue the cost pressures associated with the Northern Ireland Civil Service (NICS) office estate. The business area has been reviewing those pressures and has identified a £3·5 million administration pressure and a £3 million capital pressure. A lot of that comes from the fact that the Workplace 2010 PFI procurement was terminated in February 2009. In the run-up to that, the Department had not been doing much maintenance because the Workplace 2010 PFI was to be taking on that role. Therefore, we now have to catch up on a lot of the work on the office estate. The briefing paper refers to the possible disposal of an asset. That asset is a site at Stoney Road that used to be occupied by some Civil Service departments. We hope to dispose of that in the next few months to help to realise some income.

Members will be familiar with the issue outlined in paragraph 6, namely the underlying deficit in LPS. Its baseline is reflective of the Budget 2008-2011 position, and, since then, there have been significant operational changes to what LPS is required to deliver. The Budget is still trying to catch up with what LPS is required to do. This is the second year of the transitional rates relief for district councils, which is associated with the revised cap on capital value. Therefore, we have a pressure to pay the relief of £0·5 million to councils.

The transfer of policing and justice powers has required the Department to set up a new supply team for the Department of Justice. One key pressure is that £0·5 million is necessary to fund the new supply team and to fund additional posts in other areas of the central finance group, because the need for the two organisations to work in a Northern Ireland context is recognised and a high level of engagement is anticipated.

Paragraph 9 refers to the need to realign budgets in relation to enterprise shared services in order to reflect the new consolidated organisation. Summaries are provided at appendices 1, 2 and 3, and I am happy to take questions.

Mr McLaughlin:

Paragraph 5 refers to Workplace 2010 and to the potential disposal of an asset. What kind of money does that disposal involve? Given that the whole capital assets realisation process was in virtual suspension, is that a new development?

Ms McNeilly:

That particular disposal has been in the pipeline and is coming to fruition. The value that could be realised for the site is estimated to be about £2·2 million. At some point last year, the site was vacated in anticipation of the disposal, but the small print had not been formally signed off. It is hoped that the disposal will go ahead in June or July, which will allow the development and expansion work on the Ulster Hospital to proceed.

Mr McLaughlin:

Does the £2·2 million represent a contemporary assessment of the value and reflect the current market?

Ms McNeilly:

The valuation has been provided by Land and Property Services.

Mr McLaughlin:

Does that disposal suggest that Departments would be encouraged to at least start to explore the potential of revenue-raising through disposal of assets even though the market is nowhere near what it was a few years ago? It will never return to that level.

Ms McNeilly:

When reviewing the delivery of accommodation services, the key issue for the properties division has been to review all its leases and how it uses its property. Its immediate focus is on leases that are nearing their end and on determining whether it can make better use of an owned estate. One of its priorities going forward is to increase density. If there are opportunities to dispose of buildings to consolidate organisations, for example, that will be looked at. However, it will depend on the business case and on the valuation that LPS puts on a property at the time. The Department would have to take into account the market at that stage and to decide whether the value for money stacks up when it is pulling together a business case. Therefore, potential disposals will be looked at, but whether the button is pressed because it has been demonstrated that it is worthwhile to proceed is a decision that has to be taken.

Mr McLaughlin:

We are talking about property and land. I am trying to establish whether the position on the realisation of capital assets has been relaxed and Departments are now being encouraged to at least explore the potential of being able to dispose of land or property for capital receipts, which can then be redeployed.

Ms McNeilly:

I cannot speak for other Departments, so I cannot say whether they are being encouraged to do that. However, when looking at the reconfiguration of the office estate, the Department of Finance and Personnel looks at all the options available to it. Those options could include the disposal of land or buildings if the value-for-money and affordability aspects stack up.

Mr McLaughlin:

I suppose that we must wait to see how that particular project goes. It may encourage people to look at other options.

Mr Hamilton:

Why is a bid only now being made for the additional funding of £4 million that is necessary to meet the inescapable costs of the census? Is it because the legal and legislative parts of the process are only now taking place? Is the £4 million a one-off inescapable cost? Will that cover the entire cost of the census or, even if that bid is met, should we expect to see further bids being made in the coming year?

Ms McNeilly:

Your question has two parts. First, we highlighted in the revised spending plans that £4 million would be required for the delivery of the census. It was recognised at that stage that that was an inescapable cost. However, obviously, an allocation was not made then, and the June monitoring round is the Department's first opportunity to make a formal bid through the in-year monitoring process. That is why the bid is on the table now.

Secondly, based on the information provided and the business case produced on the census, it is thought that the £4 million requirement will suffice for the rest of the current financial year. That will be the peak. There will be a small additional requirement for next year, because that is when the data will be examined, but it drops significantly after that.

Mr O'Loan:

I note the reference in the briefing paper to the establishment of a new supply team in the central finance group to support the Department of Justice. Given the pressures that have been thrust on public finances and the need to do more with less, was that not an ideal opportunity to ask whether that new function could have been delivered using existing resources and staff?

Ms McNeilly:

That was considered. However, the Department of Justice and the Public Prosecution Service are not used to monitoring rounds and the local process. The delegated authority arrangements and the scrutiny role provided for them are not the same as those provided for other Departments. The business areas looked at whether they could discharge their functions and scrutiny role for other Departments and take on what they regard as being a much larger role for the Department of Justice and the Public Prosecution Service. They advised that they could not discharge their ordinary scrutiny role.

In order to operate within the current baseline, a redeployment plan was already in place for the other teams in the central finance group in advance of the establishment of the Department of Justice. The central finance group had already been pushing its staff numbers down. The Department of Justice is new. Aside from the Department of Justice, the central finance group sought to redeploy around 12 posts in response to last year and in planning for this year. The supply team supports a new area of work, and steps had already been taken to minimise staff numbers in the other teams.

Mr O'Loan:

I presume that that extra £0·5 million is largely for staffing costs. Are NIO staff transferring to the central finance group? If not, where are those new staff coming from?

Ms McNeilly:

Some of the posts have been filled through redeployment. Some economists who filled posts in the team transferred from other Departments, where priorities have changed now that not as many business cases are coming through. The team has been bolstered through the redeployment of those types of staff.

Mr O'Loan:

The creation of those additional posts is an example of the public sector's natural tendency to grow. When new work arrives, a public sector body increases its staff to deal with it. There is much less tendency or pressure to find more efficient ways of doing things. From this distance, I cannot say with confidence which is the right outcome in this case, but pressure must always be on to test fully whether we can do more with existing resources.

Mr McQuillan:

You said that £3 million extra is needed for the equal pay award. How confident are you that that will be paid out in the current financial year and a line drawn under the whole process?

Ms McNeilly:

There are two aspects to the equal pay award. One is the revised pay scales for the affected grades. The payments for the first 14 months of the revised pay scales, from 1 February 2009 until 31 March 2010, were made to staff in their March 2010 pay. The ongoing costs that the Department is required to meet are the costs of those adjustments to pay scales.

You refer, perhaps, to the one-off compensation payment. An exercise is ongoing whereby staff are told what their compensation payment is likely to be and are asked to review it. That approval process has been initiated, and staff are feeding into it.

Mr McQuillan:

Have staff accepted that offer?

Ms McNeilly:

Some have. I am not sure whether the process is being operated on a Department-by-Department basis, because it is being managed through an electronic system. I know that some staff in DFP have received e-mails asking them to check their likely compensation award. A series of roadshows is to be held with staff about signing up. Staff must sign officially to declare that they are content with the award, so that the door is not left open for future tribunals. I am not sure about the timing of the payment, but I expect it to be made in this financial year.

Mr F McCann:

I return to the subject of the possible sale of land or buildings by the Department. When DFP decides that a site may be surplus to requirement and that selling it may be a possibility, does it contact other Departments to ask whether that site may fit into some strategic development that they have planned? Do you give them the first option on it?

Ms McNeilly:

Yes. Part of the process is to check with other Departments whether they are interested. I think that that is managed by Land and Property Services as a part of the valuation aspect.

Mr F McCann:

Do you get many requests from other Departments about the release of pieces of land?

Ms McNeilly:

I do not know. I will find out for you.

The Chairperson:

Paragraph 6 of the briefing paper, which is about LPS, states that the money is significant in the recovery of rates arrears. I know that there have been ongoing problems with that. Will you give us a sense of the impact that the deficit in the budget would have on the recovery of rates arrears? A substantial amount of money has not been recovered. I appreciate that LPS has made the distinction between people who habitually do not pay and those who cannot pay. How much money are we talking about should the bid not be successful?

Ms McNeilly:

It is estimated that, if the bid is not successful, the rates collection level could be £10 million less than the amount that should be realised. I imagine that that is a conservative estimate. In response to such a deficit, the agency would have to think again. It has already reduced staffing levels. It got rid of more than 30 temporary staff last year and is also undertaking a redeployment exercise. Therefore, the deficit would impact on staffing levels.

The agency is limited in the action that it can take, because a large proportion of its work is income generating. If it was to stop that work, it would not save any money. Therefore, it is very difficult for the agency not to impact on staffing levels and priority functions in the key areas in which pressures exist.

The Chairperson:

There are no further questions. Thank you very much.