



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

**Preliminary Inquiry into Public Sector
Efficiencies: Response to Inquiry Report**

6 October 2010

NORTHERN IRELAND ASSEMBLY

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Response to Inquiry Report**

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Members present for all or part of the proceedings:

Ms Jennifer McCann (Chairperson)

Dr Stephen Farry

Mr Paul Frew

Mr Daithí McKay

Mr Mitchel McLaughlin

Mr Declan O’Loan

Ms Dawn Purvis

Witnesses:

Mr Shane Murphy) Department of Finance and Personnel

Mr Richard Pengelly)

The Chairperson (Ms J McCann):

I welcome Richard Pengelly, public spending director, and Shane Murphy from the performance and efficiency delivery unit (PEDU). Given that we received the Department’s briefing paper, if members are content, we will move straight to questions.

Members indicated assent.

Mr O’Loan:

Thank you for coming before the Committee. I shall ask you about a few general points. When a Department receives a report from a Committee, it is normal practice for it to respond to the recommendations and to say whether it accepts them or not. Remarkably, on this occasion, your commentary does not do that. It simply says repeatedly that you note our comments. I find that concerning. Do you accept any of the recommendations? If so, which ones, and what is the rationale behind doing so?

Mr Richard Pengelly (Department of Finance and Personnel):

It is not uncommon for departmental responses to Committees to note recommendations, and that is the position that our Minister has taken. It resonates with the views that he expressed at the take-note debate.

Mr O’Loan:

The word “accept” does not appear anywhere. In my experience, that is new, and I hope that such an evasive response does not indicate a deterioration of the relationship between the Minister and the Committee.

Mr Pengelly:

I certainly do not think that there was any intention to undermine the relationship with the Committee, which is very good.

Mr O’Loan:

Could the Minister come back to us to firm up some of those simple “take note” comments?

Mr Pengelly:

I cannot commit the Minister to doing anything, although I will certainly take the point back to him. As I said, the paper reflects his take on the report.

Mr O’Loan:

I will come back to you with a similar point later. First, I have a couple of other questions. You tell us that the requirements for Budget 2010 and the savings delivery plan guidance have

superseded the efficiency delivery plan reports. Does that mean that you are no longer considering or monitoring efficiency delivery reports? What is in place to monitor savings delivery plans?

Mr Pengelly:

That issue has to do with the cutover point. The savings delivery plans will be in place for 2011-12 as part of the new Budget period. The efficiency delivery plans will be in place up to the end of the current financial year. We will continue to monitor and report progress against the efficiency delivery plans, but the guidance for the next set of plans that are to be produced by Departments to demonstrate how they are delivering savings will be the new guidance rather than the original efficiency delivery plan guidance.

Mr O'Loan:

We will await those with interest. We have been very clear on the need for a clear definition of valid efficiency savings, and that is not contained in the savings delivery plan. In principle, we do not dispute the validity of increasing charges for services or of creating new revenue streams, but we are concerned about regarding those as savings. The savings delivery plan refers to maximising revenue and indicates that it is treating that as an efficiency saving. We dispute that that is an efficiency saving. I go back to my first point: why do you not provide a clear definition of an efficiency saving to Departments?

Mr Pengelly:

It is difficult to come up with a precise and pithy definition of efficiency that will address the often unique circumstances of over £10 billion of public expenditure. The new guidance to Departments on savings delivery plans tries to bring a sharper focus to the explanation and analysis that Departments require to demonstrate what they are doing and to put some framework around the different types of savings, including procurement savings and other types of spending. It tries to sharpen the edge of that.

Obviously, the contextual position is somewhat different going forward than it was in the 2007 spending review, in which additional efficiency savings were needed to plug the gap between the money that would come to the Executive and the total additional resources that were required to

push forward improvements in public service provision. In this context, we are looking at real terms reductions in the funding that is available, so savings will, inevitably, need to go beyond pure efficiency into the allocative efficiency area and choices about the cessation of programmes. Therefore, the guidance tries to encapsulate all those points.

Mr O’Loan:

For brevity, I will make one final comment, which goes back to my critique on how you have responded to us. I will use paragraph 7 as an example. We made a recommendation that argues against Departments operating in silos as they do their efficiency savings and said that what happens with an efficiency saving in one departmental area may have a consequence for overall Executive objectives. Our recommendation asked you to address that, and, frankly, your answer does not even address that point. That is totally unsatisfactory. It a serious point and a difficult one to address, but you do not address it all.

Mr Pengelly:

I will take that point back to the Minister.

Mr McLaughlin:

I endorse Declan’s point, because I have also found some of the responses to be a bit disconcerting. The response states:

“The department notes the Committee’s concerns about the reporting of its Efficiency Delivery Plan, and will give this matter higher priority in future, subject to the reducing administrative resources available.”

That seems to mean nothing. That kind of answer does not take seriously the efforts of the Committee to advise and to scrutinise what the Department is doing. We require a clear commitment not only to take the report’s recommendations seriously but to indicate that the outcome will be better shared information and the ability to share responsibility, which continues to be a shortcoming.

I wanted to colour my comments with that reference, but I could pick out some other answers that indicate, at best, a laissez-faire approach. For instance, I do not understand the reason for the delay and the explanation that we were given that there was a misunderstanding. Again, that does not tell me a great deal. How could the Department not understand the convention on responses and the time frame involved? How could that be the case? What misunderstanding are we

talking about?

Mr Shane Murphy (Department of Finance and Personnel):

With regard to the convention, it was not the Department's misunderstanding but mine. I did not understand the convention. The combined effect of that and the other issue described was that the response was late. I was not aware of the convention. I should have been. I certainly am now.

Mr Pengelly:

I did not know that Shane was going to say that. It was good of him to do so. However, let us not hide the fact that, as public spending director, it is my responsibility. I am there to guide and to support Shane —

Mr McLaughlin:

That saves me making that point, Richard.

I suppose that little difficulties such as that add a bit of canker to our working relationship. However, to be honest, I have generally found it to be constructive enough, and that is the way in which we should proceed. Enhanced transparency helps everybody, including stakeholders, such as the people whom we met earlier. They have difficulty accessing the kind of information that helps them to manage their lives, businesses and the jobs that they help to create and sustain.

I return to the report. There is debate about what is a budgetary saving and what an efficiency gain. Again, there is a need to develop better language because we simply appear to have circular discussions. The Committee addressed that matter specifically in recommendation 2 of the report. In light of the budgetary pressures that we now face, what advice does DFP give other Departments to assist them in their reassessment of priorities in a way that will translate into understandable responses for all MLAs and the people whom they represent?

Mr Pengelly:

There are two ways to approach that. The dreaded management consultancy phrase is “top down and bottom up”. In the top-down analysis, there is the parallel piece of work that colleagues in the Office of the First Minister and deputy First Minister (OFMDFM) are leading on to refresh

and drive forward the Programme for Government, which will put in place the strategic prioritisation at Executive level and provide a framework for that to be cascaded down.

In the bottom-up analysis, there is a clear need for Departments to prioritise individual programmes. Certainly, my Minister is on record saying, on many occasions, that it is not his job to tell individual Ministers about their priorities for their own departmental portfolio. He has expressed publicly his frustration that when we get into that dialogue — for instance, when we sought, during one of the initial stages of the Budget process, identification of bids and pressures from Departments, we asked for them to be prioritised to get a sense of where strategic priorities were at departmental level — many Ministers decline to prioritise their programmes.

In the context of the parallel process of developing the Programme for Government, departmental priorities need to reflect and to respect the programme's strategic priorities. Therefore, it is a matter of trying to bring the strategic and the departmental dimensions together. Until we are further along in the process, there will be that bit of friction between the two. As the Programme for Government starts to crystallise in parallel to departmental portfolios, prioritisation will start to crystallise as we start to evolve the draft Budget for discussion at the Executive.

Mr McLaughlin:

That is a fair enough point as far as it goes, because if people were to cross-reference the Programme for Government, they would expect there to be some kind of synchronisation between departmental priorities and wider strategic priorities. It appears that the process has been impacted by political dynamics apart from any logical assessment of how and why they are going to do it.

The thrust of the Committee's report and what we are interested in finding out is what mechanisms we can expect that would give us a better read-across. Such mechanisms may even help Ministers to get their heads straightened on the need to reflect on the priorities that they set at a departmental level and the fact that those priorities have to be synchronised with the Programme for Government measures that they agreed and signed up to. Are there any new mechanisms? In the upcoming Budget period to 2015, will we see mechanisms for evaluating the

setting of the priorities and their delivery and outcomes?

Mr Pengelly:

I am not sure that we will ever get to the point that you are pushing towards. I suspect that you recognise that we will never complete that journey. The reality is that there is no mechanism or formula that we can apply to neatly categorise every activity within a Department and across all Departments and to give that activity a priority ranking between one and 5,000 to see what nudges ahead.

The nature of programmes means that they are complex to evaluate. For example, any £1 spent on health can legitimately impact on priorities for the health of the population, economic issues and deprivation issues. There have been many attempts — nationally and internationally — to bring a formulaic approach to that. The reality is that it does not work. Ultimately, it comes down to a subjective discussion at the highest political level about the strategic priorities facing the Administration. The reality is that there will be more of that as opposed to a mechanistic approach.

For our part, we will continue to push Departments to properly articulate what value their spending delivers in both social and economic benefits and to try to quantify those benefits. However, it is in that context that hard choices about relative prioritisation need to be made as opposed to anything more formulaic than that.

Mr McLaughlin:

I am thinking more about the fairly intense pressure that will be put on Departments and the fact that Ministers are going to have to publicly stand over their defining how they will move forward into a situation where the budgets are significantly impacted and, in some instances, reduced. That implies that there is no avoidance of specifying what the real priorities are or what outcomes we are aiming for over that Budget period. It is not formulaic, and, in my view, it should not be. However, if there is to be buy-in and endorsement, people have to be able to agree on priorities. I am talking about the reporting mechanism. Sometimes, we over-complicate matters, and I think that it has been accepted that the PSA approach is too complex for any effective evaluation because there are too many cross-cutting issues. Perhaps performance and output measurement is

the way that we should go.

Mr Pengelly:

That is where we would like to take it, but, again, there is complexity due to the cross-departmental linkages. For any specific policy priority of the Executive, not only can a number of Departments play into that objective but a larger number of individual policies and programmes within any one Department. The way in which the Executive try to give the overall strategic sense of prioritisation will shape a relative budget position initially between Departments and then at individual ministerial level.

At a human level, I can absolutely understand a Minister's position. We have been asked for a prioritisation of bids. If we were to look at the full scale of our programme and to prioritise it in absolute order from top to bottom, it raises the risk that someone else can dive in somewhere in the middle and say that one project is just about important, so, by default, everything that falls below it should stop. Some projects are more important when judged by one set of criteria but less important by a different set.

Our Minister's view is very much that, when it gets to the departmental level, it is not his position to interfere with individual ministerial views. That means that the situation keeps coming back to the two-stage approach: the strategic skewing between Departments and then within Departments for Ministers to consider.

Mr McLaughlin:

I suspect that that is a discussion that is only now starting to strike home. I am a supporter of PEDU, and I see a role for it in identifying deliverables and that type of outcome so that we can move forward with a degree of confidence that we can meet the promise.

What assessment has the Department made of the current invest to save initiative? Is there an intention to roll that forward into the next Budget period and, possibly, to develop it?

Mr Pengelly:

As regards the next Budget period, it is one of a number of strategic issues that our Minister

wants to consider in detail himself and to discuss strategically around the Executive table. His view is that an invest to save fund is a good thing, particularly as we face into a tightening public expenditure position. The trade-off is that invest to save money is always front-loaded, so the costs always fall now, with the benefits later. The challenges facing Executive Ministers are here and now. However, everyone accepts the rationale for the initiative, and there is certainly a long-term gain.

Mr McLaughlin:

Is there any retreat from the idea of invest to save under the financial pressures that you are talking about?

Mr Pengelly:

They have not reached a definitive conclusion on it, but nobody is saying that it is beyond possibility and that they cannot afford to do it. The mood at the moment is that it is a good thing to do and that we need to work hard to find a way to do it.

Mr McLaughlin:

Does that mean that it will be kept as an option to be deployed as and when resources can be found in in-year monitoring, for instance?

Mr Pengelly:

My view is that, if we are going to do it, we should set aside the money at the start, because the in-year position is too tight now. The delivery of long-term savings needs a bit of preparation and planning.

Mr McLaughlin:

It needs programmes and preparation.

Mr Pengelly:

The decision should be to do it and to make provision to do it, or to accept that it is not going to happen.

The other part of your question asked about the current invest to save programme. We continue to look at that. However, there is a caveat with that. Unfortunately, the £26 million invest to save fund that exists for the current financial year was formally signed off by the Executive and the Assembly only at the start of this financial year, so we missed the opportunity for that necessary preparation and planning work. I think that many of the programme's elements will be successful. However, in a couple of cases, as Departments have tried to move forward, they have identified that they will simply be unable to do it this year. To give credit to those Departments, they are saying that they will not be able to capture the savings, so they should not spend the money. They want to defer it for another year, rather than spending the money and not getting the savings, which would be a worse position to be in. Nevertheless, there are signs that, in many cases, those savings will bear fruit for us.

Mr McLaughlin:

It sounds as though there is not much certainty about the continuation of the initiative. You cannot give me an assurance.

Mr Pengelly:

I could not give an assurance in any event, because the creation or otherwise of an invest to save fund is a decision for the Executive. The Executive have not yet considered a draft Budget position. The invest to save fund is high on the list of issues that we want to make sure the Executive actively consider. However, it is for the Executive, rather than me, to conclude as to how that will play out.

Mr McLaughlin:

I asked you earlier whether the intention is to roll the initiative forward into the next spending round. Is your answer a "maybe" as opposed to a "yes"?

Mr Pengelly:

It is an issue for the Executive. Any decisions about allocations in 2011-12 are not for my Minister to make. My Minister will bring proposals to the Executive, and it is for the Executive to conclude on those. There is a strong case. My Minister has had a round of bilateral discussions with all his ministerial colleagues. Without his seeking a definitive position, all

Ministers without exception have been supportive of the concept of an invest to save fund. So, there is support for it. The rubber hits the road when they see the financial position and have to consider whether they can afford it. I think that the case has been accepted as a concept.

Mr McLaughlin:

If the case has to be proven, it can be proven only if there is a definitive commitment to rolling it out over the next spending round and taking it forward on a programmatic basis. A stop-start approach is not going to work. We are coming at it too late to measure its effect.

Mr Pengelly:

Our view is that, if we are looking at a four-year Budget cycle, an invest to save fund would work if the Executive set aside some provision for each year. For the money that would be spent in year 1, we would start to track the savings in year 2 and to make use of those savings in years 2, 3 and 4, because we need to create an incentive.

Mr McLaughlin:

It could become a revolving fund.

Mr Pengelly:

There is a strong case that the relevant Department would retain some element of the savings, as an incentive to roll them out. The argument about the balance is whether it would go back into an invest to save fund to further replenish the pot or be recycled to other areas to support ongoing core services. Again, that is a decision for the Executive.

Mr McLaughlin:

That is probably something that we will come back to.

Finally, recommendation 4 is about concerns around the lack of transparency and information that is available in monitoring delivery, which has been a consistent theme of the Committee. What information will be made available to enable the Assembly and the wider public to be sure that Departments are safeguarding essential services and strategic policy priorities when delivering their savings in 2011-15? There is an understandable and legitimate demand that those

savings are specified. How can the Assembly and the wider public track performance? Do you envisage any change in the information and reporting that is available?

Mr Pengelly:

I will say a bit about the position going forward. The difficulty with looking back is that, in a Budget process, a number of things happen to result in the Executive ending up with a pot of money that they can allocate to pressures. For example, in Budget 2007, there were efficiency savings from Departments, Barnett consequentials from the national spending review, and increases in the local revenue base through the domestic and non-domestic regional rate. All those resources were pooled in a central pot, at which point the Executive made decisions about allocating them. Administratively and from a common sense point of view, it would be unworkable to track that and to say that a bit of money from here is being moved there. It goes into the pot.

The way in which that is managed is that, in parallel with making allocations, the Executive agreed a clear commitment that administration expenditure would reduce by 5% per annum on a cumulative basis over the period of the spending review. Therefore, no money was going into admin; in effect, money was coming out of it. When admin is taken out, everything that is left is programme spend leading to front line spend. Therefore, with the declining admin spend, the case was made that money was not going back into propping up administrative structures.

In respect of the extent to which the Departments are efficient, parallel to that was the Programme for Government and the monitoring work, which Shane has talked to the Committee about previously. There was continuous monitoring and challenging of Departments as regards how they were delivering on their PSA targets, which require the rolling out of the efficiency agenda. It was about trying to pull those strands together.

Going forward, the guidance we are putting together on savings delivery plans for Departments builds on and makes specific reference to the Committee's report. In rolling that forward, we are trying to bring greater clarity, to centralise the availability and publication of information, and to see exactly what Departments are doing. However, our Minister will not go nap on that until we get to the end of the Budget process, because a lot of the tracking

arrangements going forward will be contingent on the shape of the Budget that we end up in.

The savings plans that have been requested from Departments will not be the final position. The reality is that some, if not many, Departments will need to make further savings beyond what we have asked for thus far, because money will not be given to them to meet pay and price inflation. Departments will have to generate those resources internally.

We are working on the guidance for what we will require Departments to publish, and we will watch and build on the points made in the report as we finalise the arrangements for the end of the Budget process.

Mr McLaughlin:

I acknowledge that it is very complex. People will look at headline figures, such as the ratio between administration and programme spend, but a figure for programme spend does not tell them about the prioritisation process that resulted in that programme spend and the spend areas that were de-prioritised or dropped. Those are the kind of things that people want to know about.

Mr Pengelly:

They will be clearly set out in the savings delivery plans.

Ms Purvis:

I assume that you evaluated the use of efficiency delivery plans to see whether they worked.

Mr Pengelly:

It is a classic case of the curate's egg; some were missing, some were not great, and some were good. Our Minister's position is clear that the delivery of efficiencies is an issue for Ministers. Our imposition on Departments was for them to set out how they would do it, to publish the information and for it to be challengeable. From our Minister's point of view, money was taken off Departments, so it was for Departments to account for how they did that. In a sense, the evaluation is a combination of this report and the other work that we have been doing with Departments. We even moved the savings delivery plan to another place. However, the answer to your question is that we have not carried out a full, formal evaluation of efficiency delivery

plans, because they were departmental tools.

Ms Purvis:

Are you saying that the lessons learned from the process have been put into the savings delivery plans process?

Mr Pengelly:

Yes, with respect to a better articulation of what is required in them.

Ms Purvis:

However, there is still an element of unaccountability. Given that Ministers have responsibility for their Departments, they can do almost whatever they want with their Budget allocations when they get them.

Mr Pengelly:

No, and the accountability issue is what our Minister is trying to point out. Too heavy a hand from DFP would blur the accountability mechanism, because it would allow Departments to say that the efficiency plans are DFP's and not theirs and that there are points in them that DFP wants but they do not. A Minister might say that his or her responsibility lies with the portfolio, which would blur things fundamentally. Our Minister is saying that the Executive have agreed, as a strategic decision, that Departments will deliver x in the way of efficiencies. It is for individual Ministers, who are absolutely responsible for their respective departmental portfolio, to deliver those efficiencies, to explain how they are doing so and to be held accountable for that. Our Minister's intention is to keep that accountability line clear.

Ms Purvis:

Yes, but the process is only as good as the plans that are produced. In light of the quality of the plans that are being produced, how is that process progressing?

Mr Pengelly:

No plans have been produced thus far in the process. The guidance for Departments is that they should produce and publish savings delivery plans within two weeks of the publication of the

draft Budget, so that those are available as part of the public consultation on the draft Budget process. No Department yet knows the full quantum of savings that it will need to deliver. They are all working on plans, because they know that they need to deliver some savings. However, it is too early to tell, because we have not seen any of the plans yet.

Ms Purvis:

Are you working with Departments to prioritise where cuts will be made?

Mr Pengelly:

It is for the Minister in each Department to prioritise where savings will fall in his or her Department. The Executive have started the process of working at block level on the relative prioritisation of resources between Departments. Although we have what we think are quite good forecasts of the likely outcome from the national spending review, we will not know for certain until 20 October, which is the point at which the Executive have indicated that they want to get into detailed dialogue on constructing a draft Budget. That will allow the review to cascade through Departments.

Ms Purvis:

Your guidance to Departments says that the overriding principle is that savings should be cash releasing and not result in the diminution of the provision of priority front line public services. How do you ensure that?

Mr Pengelly:

We do not ensure it, in the sense that we do not police that. That is the guidance. Our Minister sees our role as issuing guidance to Departments, which need to produce plans to demonstrate how they are complying with the guidance, and it is against those plans that Departments will be held to account.

Ms Purvis:

Who will measure that? It will not be DFP. Is the Minister hoping that Committees will do so?

Mr Pengelly:

The Minister will be looking to the relevant Committees and to the consultation. That is why the plans are to be produced and published virtually alongside the draft Budget. Although we are not taking ownership of the plans, DFP will be looking at them and posing some questions as part of the process of moving from draft to final Budget.

It is about getting the balance right between trying to be an informed critic of what is in the plans and pushing back. We will highlight issues mentioned in the report, such as when one Department's savings delivery plan would have an adverse impact on another part of the public sector. If one Department is determined to do that, that would influence our Minister's proposals to the Executive on a final Budget. Therefore, we will be looking at the plans and feeding comments back to Departments. However, our Minister will be looking to the Committees to challenge Departments on their plans as well.

Ms Purvis:

Therefore, the prioritisation of front line services is a principle that is aspirational but depends on the commitment of individual Ministers, the level of scrutiny from Committees, and the quality of the savings delivery plans produced?

Mr Pengelly:

The prioritisation of services will be determined at a strategic level by the Executive through the Programme for Government, which the Executive will sign off. The nature of the Programme for Government, and the level of granularity in that, will set out the big issues. It is a right and a responsibility of an individual departmental Minister to determine his or her priorities in that Department, as long as they are consistent with the Programme for Government. In many cases, it will be difficult to spot an inconsistency because of the respective level of detail. Beyond that, there is DFP's challenge role, the Committees' role, the general public and the wider Assembly. There are all those mechanisms, but that is fundamentally about holding Ministers to account. We cannot put a single organisation in place to get that right, partly because prioritisation is also a subjective view.

Ms Purvis:

We have previously discussed evidence of efficiencies being passed on as blunt cuts to the tail end of Departments. I am concerned that the same thing will happen again, with no focussed process or unit to oversee how front line services will be protected and that the savings will be cash releasing.

Mr Pengelly:

I absolutely accept the point. We have talked about it before, and I certainly cannot or will not attempt to push back against it. I am genuinely trying to find a way through this. If we take Department X, I do not believe that we could create a unit or function outwith Department X that could have any legitimacy in saying to the Minister of that Department: "We do not agree with your priorities; therefore, you must change them."

The approach that we have is one of ensuring transparency, so that all of us collectively can pose the questions. Beyond that, there is no way that we can undermine the rights and responsibilities of a Minister with regard to prioritisation in a Department.

Ms Purvis:

I accept and understand that.

Dr Farry:

Richard, I take you back to the issue of definitions. You ducked Declan O'Loan's question on a definition of efficiency. Surely, that is fairly straightforward, and it basically means outputs relative to inputs.

Mr Pengelly:

Yes. It is so straightforward that everyone knows it.

Dr Farry:

Good. On a slightly more difficult definition, how do you define front line services?

Mr Pengelly:

I suspect that, if we went round the population of Northern Ireland, we could find about 1·7 million different definitions for front line services. The classic example of that is the debate nationally at the moment in which the coalition Government have confirmed that front line services in health will be protected. Anecdotally, I know that the Department of Health in Whitehall is very concerned about what that means, because it could be that they define 50% of what they do as front line services, which will be protected, and the balance takes a severe hit; or it could be that 90% of what they do is front line services. There is no definition.

Dr Farry:

Just to complicate things even further, I have a concern that, using a popular definition of front line services, we take the view that front line services are good and back office services are bad. There is a danger in that, particularly if Departments have a singular focus on front line services, because, at the same time as we are asking government to protect front line services as much as possible, we are scrutinising government more and more. If civil servants make mistakes, they are hauled before the Public Accounts Committee. I am concerned that there is not a system that encourages innovation and that that perpetuates a simplistic view of life.

Mr Pengelly:

Absolutely. My personal view, for what it is worth — probably not very much — is that everything any civil servant does should be seen as a front line service. When I get out of bed and come to work in the morning, if I do not add something to the provision of public services in Northern Ireland, I would be as well staying in bed and saving the taxpayer some money. Front line service provision needs back office support. Unfortunately, one cannot deliver services without that element of support.

Dr Farry:

The point is also that, if we hollow out the back office, or if Departments are overly encouraged to do so, that may become a false economy and become counterproductive.

Mr Pengelly:

Absolutely. You mentioned the Public Accounts Committee (PAC). Hollowing out the back

office certainly raises the risks in relation to accountability, value for money, governance and stewardship. The experience of the PAC suggests that, when we get that wrong, we jeopardise millions of pounds of public expenditure, because we do not spend it in the best possible way, securing value for money.

Dr Farry:

That could even be tied into the discussion about the construction sector with which we started our meeting this morning. If government is slow in turning around economic appraisals, it has an impact on life.

Mr Pengelly:

It would do, though when economic appraisals need to be turned around quickly as an output of DFP, I assure you that there is never a delay.

Dr Farry:

It is always the other Departments' fault.

Mr Pengelly:

Absolutely.

Dr Farry:

Is invest to save still fundamentally seen as a silo approach — that it is for individual Departments to bid for moneys that are centrally available, as opposed to the old Executive programme funds that were cross-cutting?

Mr Pengelly:

It is more a case of the former. I envisage that, if the Executive agree the establishment of an invest to save fund, we will ask Departments to submit proposals to access that fund. Obviously, that is subject to Executive consideration. For the current financial year, the Executive agreed that priority would be given to those proposals that are deliverable and offer the biggest potential return. What you are suggesting, and I agree, is that the biggest potential return undoubtedly lies in better joined-up working between Departments. If two or three Departments join together to

make a proposal, the payback will be much greater for a smaller investment, and that will massively enhance —

Dr Farry:

So, there is nothing to preclude a joint bid in the invest to save rules.

Mr Pengelly:

Absolutely not; we would encourage joint bids.

Dr Farry:

At the same time, there is no real incentive for Departments to do that, given the way in which the system and the rules for budgets are structured. Each Department brings forward its own budget.

Mr Pengelly:

The only incentive would be that it would massively enhance the potential return. We know that, in the event that there is an invest to save fund, the bids for it will be a multiple of the available funds. If our criteria are about deliverability and the rate of return, the joined-up bids will have a much greater chance of success.

Dr Farry:

Finally, I appreciate that there is a bit more emphasis on what happens beyond 20 October over a longer period of time, but we do still see some evidence of the Budget being prepared. I am seeing very little evidence of the Programme for Government being prepared. We are told that it is best practice for the Programme for Government to be prepared in conjunction with the Budget; in practice, it is even better if it is actually ahead of the Budget. Is there a danger that we will end up producing a Budget that is ahead of the Programme for Government because we have to set a legal timetable?

Mr Pengelly:

That remains a threat. Colleagues in OFMDFM are progressing work and have been involved in substantive engagement —

Dr Farry:

With whom?

Mr Pengelly:

With other Departments in respect of commissioning programmes, so —

Dr Farry:

Is that solely behind the scenes at the moment?

Mr Pengelly:

At this stage, yes.

Dr Farry:

No Committee has been briefed on potential Programme for Government proposals in the same way that some Committees have been briefed by some Departments on their budgets.

Mr Pengelly:

I am not sure exactly where OFMDFM is in the process. It may be at the first pass of distilling inputs from Departments.

On your point about partnership, common sense suggests that, if a Budget is to be run, the strategic priorities need to be understood before allocations to Departments are thought about because they fundamentally shape that. That analysis was evident in earlier comments. The difficulty is that the Executive want a Programme for Government to be deliverable, and that is contingent on the availability of funds. Including a lot of aspirational targets for which funding is not available would leave us with an undeliverable Programme for Government. By necessity, they need to move together. However, there can be emerging strategic priorities, and going nap on the specific metrics in some of the targets can be left until the tail end. The debate about strategic priorities and a framework can precede the Budget and helpfully inform the Budget process.

The Chairperson:

I have a question that is unrelated to this evidence session. I asked the Minister a question in the Assembly about the outcome of the September monitoring round and end-year flexibility stock. The Minister has written to me to say that there is £428.4 million in current and £72.8 in capital, but he did not answer my question. I asked what access the Executive have to that. Can you answer that?

Mr Pengelly:

Yes, but not off the top of my head.

The Chairperson:

Will you get me that information?

Mr Pengelly:

It is easy to answer because the Executive's access was agreed with the Treasury as part of the last spending review, so I can get that information for you quickly.

The Chairperson:

That is great. There are no more questions from members. Thanks to Richard and Shane for coming along.