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FROM: Committee Secretariat cc: Deputy Chairperson
Committee members

DATE: 20 April 2009

TO: The Chairperson

SUBJECT: **Secretariat paper on the briefing from DFP and SIB
officials on *Financing Strategic Investment* on 1 April 2009**

ISSUE **Key issues from the session have been extracted and
detailed in the attached paper.**

TIMESCALE: **Immediate. For members to note at the meeting on 22
April 2009.**

**Key issues from Evidence from DFP and SIB Officials on Financing
Strategic Investment (1 April 2009)**

Witnesses:

Richard Pengelly, Public Spending Director, DFP

Paul Montgomery, Central Expenditure Division, DFP

David Gavaghan, Chief Executive, Strategic Investment Board

Restricted Classification

The reasons for the DFP paper being classified as restrictive were discussed. The DFP officials stated that restricting the paper meant that more information could be given to the Committee, but that the classification will be reviewed.

Construction Spend

The DFP officials stated that construction prices in 2009 were some 10% lower than had been envisaged which would provide scope for departments to secure significant value for money savings to be used by the Executive to offset pressures. They contended that the focus should be on delivery of ISNI as opposed to the amount spent.

Tracking System for Capital Projects

Approximately 500 projects had been input to a computerised tracking system and it was hoped that this would go live in the next 8 weeks. The SIB official expressed the view that delays in implementing the tracking system were due to departments having the perception that they will be 'hostages to fortune' when providing details on targets/spend etc for input to the tracking system. Committees asking for information on capital projects was therefore helpful in highlighting to departments the importance of the tracking system.

Information for Construction Industry

In relation to practical help for the construction industry, the DFP officials advised that precise figures for actual spend on capital projects should be available for 2008-09 as part of Provisional Outturn in June. Three Investment Delivery Plans in DHSSPS had not been published to date. The SIB official accepted that there had been communication issues in the SIB and that this needed to improve as SIB needed to be as clear as possible on the future programme.

ISNI Review

A review of progress in the first year of ISNI will be undertaken and SIB will come back to the Committee on when the review report will be available. Any shortfalls will be explained and lessons learned included. The SIB official accepted that there may be an information failure regarding the success of ISNI delivery, in that public perception does not reflect this success.

Budget Transparency

The issue of transparency in the Budget was discussed, given that ISNI figures were published with the Budget for 2008 – 2011 and that circumstances were changing. In response, the DFP officials stated that Investment Delivery Plans have the level of detail required and that information from the tracking system will soon be in the public domain. The provisional outturn for 2008/09 will give further clarity. The DFP officials confirmed that it was not possible to transfer capital to revenue spend.

The allocations in ISNI for 2008 – 2011 had been agreed by the Executive as firm plans whilst, the subsequent allocations until 2018 were indicative only. It was noted that the ISNI would be refreshed for 2011-12 onwards.

ISNI Roles

On the respective roles for ISNI delivery, DFP had responsibility for the strategic management of public expenditure, with a key focus on 2008 - 2011, and on creating a 10-year envelope for delivering ISNI in negotiations with Treasury. SIB looks beyond the government departments and liaises with the construction sector.

ISNI Spend

Members questioned the DFP officials about the perceived gap in ISNI spend for 2008/09. Whilst the Budget target was for £1.8 bn, the officials stated that this was gross spend and that the latest information from departments was that an approximate net spend of £1.4 bn (equating to a £1.7bn gross spend) would be achieved.

Crossnacreevy Valuation

The pressure on the Budget from the anticipated £200m receipts relating to the sale of Crossnacreevy was also discussed. It was confirmed that DARD had to deliver this receipt in 2010/11 or bring the issue formally to the Executive, and that lessons had been learned from the issue. Officials stated that asset management difficulties had been managed in

the current year and that other compensating measures, such as end-year flexibility for capital were available.

Social Housing

In relation to social housing, the DFP officials stated that the available evidence would suggest that the five year target for 10,000 social homes was still on course to be achieved.

SIB officials indicated that there had been progress on six of the seven recommendations from the Capital Realisation Task Force and that Ed Vernon was currently reviewing progress, including the potential for the transfer of assets between departments.

PPPS/PFIs

The DFP officials stated that the use of the above instead of conventional procurement would be looked at on a case by case basis to ensure value for money, but that PFI would struggle to meet value for money in the current economic conditions.