Session 2010/2011

Third Report

Committee for Finance and Personnel

Report on the Executive's Draft Budget 2011-15

Volume 2

Memoranda and Correspondence

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Committee for Finance and Personnel

Report: NIA 44/09/10R

Membership and Powers

Powers

The Committee for Finance and Personnel is a Statutory Departmental Committee established in accordance with paragraphs 8 and 9 of the Belfast Agreement, Section 29 of the Northern Ireland Act 1998 and under Assembly Standing Order 48. The Committee has a scrutiny, policy development and consultation role with respect to the Department of Finance and Personnel and has a role in the initiation of legislation.

The Committee has the power to;

- consider and advise on Departmental budgets and annual plans in the context of the overall budget allocation;
- approve relevant secondary legislation and take the Committee Stage of primary legislation;
- call for persons and papers;
- initiate inquiries and make reports; and
- consider and advise on matters brought to the Committee by the Minister of Finance and Personnel.

Membership

The Committee has eleven members, including a Chairperson and Deputy Chairperson, with a quorum of five members. The membership of the Committee during the current mandate has been as follows:

- Mr Daithí McKay (Chairperson)1
- Mr David McNarry (Deputy Chairperson)2
- Dr Stephen Farry

- Mr Paul Frew3
- Mr Paul Girvan4
- Mr Simon Hamilton
- Ms Jennifer McCann
- Mr Mitchel McLaughlin
- Mr Adrian McQuillan
- Mr Declan O'Loan
- Ms Dawn Purvis

1. Mr Daithí McKay replaced Ms Jennifer McCann as Chairperson on 19 January 2011, having replaced Mr Fra McCann on the Committee on 13 September 2010. Ms McCann replaced Mr Mitchel McLaughlin as Chairperson on 9 September 2009.

2. Mr David McNarry was appointed Deputy Chairperson on 12 April 2010 having replaced Mr Roy Beggs on the Committee on 29 September 2008.

3. Mr Paul Frew joined the Committee on 13 September 2010; Mr Ian Paisley Jr left the Committee on 21 June 2010 having replaced Mr Mervyn Storey on 30 June 2008.

4. Mr Paul Girvan replaced Mr Jonathan Craig on 13 September 2010; Mr Jonathan Craig had been appointed as a member of the Committee on 13 April 2010. Mr Peter Weir left the Committee on 12 April 2010. Mr Peter Weir had replaced Mr Simon Hamilton as Deputy Chairperson on 4 July 2009. Mr Simon Hamilton replaced Mr Mervyn Storey as Deputy Chairperson on 10 June 2008.

Table of Contents

List of Abbreviations and Acronyms used in the Report

ACNI Arts Council Northern Ireland

A&E Accident and Emergency

ALB Arm's Length Body

AME Annually Managed Expenditure

AMU Assets Management Unit

ASB Aggregated Schools Budget

BBA British Bankers' Association

CART Capital Assets Realisation Taskforce

CBI Confederation of British Industry Northern Ireland

CDO Collateralised Debt Obligations

CEF Construction Employers Federation

CFG Central Finance Group

CFP Committee for Finance and Personnel

CIF Construction Industry Forum

CSR Comprehensive Spending Review

DARD Department of Agriculture and Rural Development

DCAL Department of Culture, Arts and Leisure

DE Department of Education

DEL Departmental Expenditure Limits

DEL Department for Employment and Learning

DETI Department of Enterprise, Trade and Investment

DFP Department of Finance and Personnel

DHSSPS Department of Health, Social Services and Public Safety

DLA Disability Living Allowance

DoE Department of the Environment

DoJ Department of Justice

DRD Department for Regional Development

DSD Department for Social Development

DWP Department of Work and Pensions

EDP Efficiency Delivery Plan

EIB European Investment Bank

E&LB Education and Library Board

EQIA Equality Impact Assessments

ERINI Economic Research Institute of Northern Ireland

ESRI Economic and Social Research Institute

ESS Enterprise Shared Services

ETI Enterprise, Trade and Investment

EU European Union

EYF End of Year Flexibility

FDI Foreign Direct Investment

FSB Federation of Small Businesses

FSME Free School Meal Entitlement

FTE Full time equivalent

GB Great Britain

GP General Practitioner

GDP Gross Domestic Product

GVA Gross Value Added

HE Higher Education

HLIA High Level Impact Assessment

HM Her Majesty's

HMT Her Majesty's Treasury

HR Human Resources

ICT Information Communication Technology

ICTU Irish Congress of Trade Unions

IFS Institute for Fiscal Studies

IMF International Monetary Fund

IoD Institute of Directors

ISNI Investment Strategy for Northern Ireland

LPS Land and Property Services

JESSICA Joint European Support for Sustainable Investment in City Area

MAC Metropolitan Arts Centre

MLA Member of the Legislative Assembly

NAMA National Assets Management Agency

NGO Non-Governmental Organisation

NI Northern Ireland

NIAO Northern Ireland Audit Office

NICMA Northern Ireland Childminding Association

NICS Northern Ireland Civil Service

NICVA Northern Ireland Council for Voluntary Action

NIFHA Northern Ireland Federation of Housing Associations

NIHE Northern Ireland Housing Executive

NILGA Northern Ireland Local Government Association

NIMFG Northern Ireland Manufacturing Focus Group

NIPSA Northern Ireland Public Service Alliance

NITA Northern Ireland Theatre Association

NIW Northern Ireland Water

OCA Office Cost Allowance

OFMDFM Office of the First Minister and deputy First Minister

PAC Public Accounts Committee

PEDU Performance and Efficiency Delivery Unit

PfG Programme for Government

PFI Private Finance Initiative

PMS Presbyterian Mutual Society

PPP Public Private Partnerships

PRONI Public Record Office of Northern Ireland

PSA Public Service Agreement

PSE UK Poverty and Social Exclusion in the UK Project

PSNI Police Service of Northern Ireland

PSO Public Service Obligations

PwC PricewaterhouseCoopers

QUB Queen's University, Belfast

RoI Republic of Ireland

RRI Reinvestment and Reform Initiative

SCS Senior Civil Service

SEN Special Educational Needs

SHDP Social Housing Development Programme

SIB Strategic Investment Board

SME Small and Medium-sized Enterprises

SOU Special Olympics Ulster

SROI Social Return on Investment

SSRB Senior Salaries Review Body

STAR Skills, Training and Reinvestment

UK United Kingdom

USA United States of America

Appendix 4

Memoranda and Correspondence from Assembly Committees

Public Accounts Committee

Public Accounts Committee
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Mr Kieran Donnelly
Comptroller & Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU 22 December 2010

Dear Kieran,

At its meeting on 16 December the Public Accounts Committee (PAC) considered a letter to you from the Audit Committee Chairperson concerning the efficiencies that can be made by the Audit Office (NIAO).

Now more than ever, all public bodies must robustly manage all funding to ensure that value for money can be demonstrated.

In the case of the NIAO this must be balanced against its ability to support the process of parliamentary accountability. The Audit Office's independence of Government enables it and by extension PAC and the Assembly to perform full and incisive scrutiny of public spending. As Mr Craig notes, this role is even more important in the current financial climate.

The Public Accounts Committee therefore supports unequivocally the Audit Committee's commitment to ensuring that the NIAO has all the resources necessary to carry out this function.

The Committee endorses the Audit Committee's conclusion that the NIAO should seek to reduce its budget by at least 10% in cash terms by 2014-15, having noted your advice that these savings represent the maximum reduction that could be made while maintaining the same quality and extent of service to the Assembly that has been offered in recent years.

This correspondence is copied to the Committee for Finance and Personnel for information and for the attention of the Finance Minister.

Yours sincerely,

Paul Maskey

Paul Maskey

Chairperson
Public Accounts Committee

Committee for Regional Development

Committee for Regional Development
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BT4 3XX

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Ms Jennifer McCann MLA
Chairperson
Committee for Finance and Personnel
Parliament Buildings
Ballymiscaw
Stormont
Belfast
BT4 3XX 6 January 2011

Timetable for consideration of the Draft Budget and publication of departmental information

Dear Jennifer,

1. At the Committee meeting of 6 January 2011, the Committee for Regional Development decided to write to you to request more time to consider the Northern Ireland Draft Budget for 2011-2015.

2. Following publication of the Draft Budget and the Finance Minister's statement to the Assembly, the Regional Development Committee wrote to a number of its key stakeholders requesting written and oral briefing on the impact for their organisations of both the Executive's Draft Budget document and the information to be published on the Department for Regional Development's spending and savings plans and its plans for public consultation and consideration of equality impacts. The deadline given by the Committee for receipt of written papers from stakeholders was Friday 7 January 2011, with oral evidence sessions planned for 12 January 2011. This would allow the Regional Development Committee one week to consider the briefing received and to formulate a response to your Committee's call for input by your deadline of 21 January 2011.

3. As, at the time of writing, the Department for Regional Development has not published its detailed spending and savings plans, and stakeholders are not in a position to provide comment in any meaningful way on the impact for their organisations of the draft Budget or DRD's spending and savings plans. In turn, the Committee will have no adequate time to consider DRD's detailed plans, or the impact they may have on stakeholder organisations.

4. The Finance and Personnel Committee timeframe, as it currently stands, does not allow the Regional Development Committee adequate time to make an informed response to your Committee or to the coordinated report on the Draft Budget. It is also doubtful whether there is

enough time for the Committee to formulate an informed view to represent during the proposed take note debate on the Draft Budget, indicatively timed for 25 January 2011.

5. Indeed Members were concerned, in the absence of detailed information published across all departments, that it could prove very difficult for anyone, be they stakeholders, members of the public, voluntary and community sector organisations, or business and trade union organisations, to make a detailed response to the public consultation by the closing date of 9 February 2011.

6. Members understand that the timetable for finalisation of the Budget is very tight this year, and that this is largely outside the control of the Finance and Personnel Committee. However the Members of the Regional Development were keen to:

a. Request more time for consideration of the detailed departmental spending and savings plans;

b. Reiterate its previously expressed view that adequate time is needed to make an informed response by the Assembly committees, and that this time should reflect the important role of the committees in the Assembly process of developing the Draft Budget and finalising the Executive's Final Budget.

7. A response as soon as possible would be appreciated. In the interim, the Regional Development Committee will continue to prioritise scrutiny of the Draft Budget and will, as far as it is possible, strive to meet your Committee's timetable and to play its full part in the Assembly's consideration of budget and financial matters.

Yours sincerely,

Fred Cobain, MLA

Committee Chairperson

Committee for Enterprise, Trade & Investment

Committee for Enterprise, Trade & Investment,
Room 375
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http://archive.niassembly.gov.uk/index_election2.htm

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To: Shane McAteer
Clerk to the Committee for Finance and Personnel

From: Jim McManus
Clerk to the Committee for Enterprise, Trade & Investment.

Date: 14 January 2011

Subject: Skills, Training and Reinvestment

At the meeting of 13 January, the Committee for Enterprise, Trade and Investment considered your correspondence of 6 January in relation to Skills, Training and Investment initiative.

Members were content for the Committee for Finance and Personnel to undertake more work in relation to the initiative, with input from the Enterprise, Trade and Investment and Employment and Learning Committees, where appropriate.

Committee for Social Development

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To: Shane McAteer
Clerk to the Committee for Finance and Personnel

From: Peter McCallion

Date: 18 January 2011

Subject: Confederation of British Industry's Northern Ireland "Time for Action NI – Delivering public services in a time of austerity"

At its meeting of 13 January 2011, the Committee for Social Development noted correspondence from the Department in relation to the Confederation of British Industry's Northern Ireland Report entitled "Time for Action NI – Delivering public services in a time of austerity".

The Committee agreed to forward the response to the Committee for Finance and Personnel for information.

Enc.

Committee for Social Development - response to CBI report

Department for Social Development www.dsdni.gov.uk

Stephen McMurray

Director of Financial Management

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Clerk to Committee for Social Development

Mr Peter McCallion
Room 412
Parliament Buildings
BELFAST
BT4 3XX 22 December 2010

Dear Peter

Re: Social Development Committee Update on Confederation of British Industry Northern Ireland

1.0 At its meeting of 2 December 2010 the Committee noted correspondence dated 22 November 2010 from the Committee for Finance and Personnel on the Confederation of British Industry's Northern Ireland Report entitled "Time for Action NI – Delivering public services in a time of austerity." In respect to this the Committee requested an update on revenue-generating activities identified in the report, including the social rent-alignment process and the possible mutualisation of the Northern Ireland Housing Executive.

2.0 The Confederation of British Industry's Northern Ireland Report entitled "Time for Action NI – "Delivering public services in a time of austerity" refers to the following potential revenue generating activities relevant to housing:

2.1 Modest rent increases for Northern Ireland Housing Executive tenants;

The report suggests raising income through modest rent increases to invest in improving the thermal comfort of social housing stock. The report does not quantify what is regarded as modest rent increases and as Housing Executive rents have historically been increased on an annual basis this does not represent an additional revenue generating activity. The Committee letter also refers to rent realignment which is an option the Department is considering. To determine the practicalities of this option the Department is in the process of tendering for research into rent setting policies which will update and expand upon the work undertaken by Glasgow University in 2007. This research will inform the Departments views on the future rent setting policies across the social rented sector and the potential for a rent realignment process.

2.2 Mutualisation of part of the Northern Ireland Housing Executive;

The Department has started a review of the Housing Executive. The Review will examine the housing and other functions of the Housing Executive in detail, providing a comprehensive assessment of their contribution to housing and other Departmental and Government policy objectives. This will take account of other organisational structures in the housing policy sector and make recommendations about remit, role and responsibility to achieve best results. It will consider reports into Housing in Northern Ireland produced over the last three years.

The Review will also examine the efficiency and effectiveness of the Housing Executive's operations, including the appropriateness of existing structures. It will identify opportunities and make recommendations for improving performance and delivery of housing policy and objectives.

An interim report on the review is due by the end of March 2011. The review will assess the options for the future structure of the Housing Executive.

2.3 Accessing alternative sources of debt finance/capital;

Housing Associations have already successfully secured significant funding through bonds with the European Investment Bank and the Housing Finance Corporation. This additional funding will complement the Grant already available to Housing Associations delivering the Social Housing Development Programme in effect allowing more units to be delivered with less subsidy.

The Department has previously considered the options available to the Northern Ireland Housing Executive for borrowing funds. The Department of Finance & Personnel (DFP) has pointed out that Resource Accounting Rules under which the Department must operate dictate that the Housing Executive is regarded as a Public Corporation. HM Treasury guidance (Public Expenditure Survey (2002) 10, paragraph 25) states that Public Corporations can only take on long term borrowing through a departmental voted loan or through the National Loans Fund. Long term borrowing from the private sector will not be allowed by Public Corporations. The Department's Housing Division had recently looked at the possibility of the Housing Executive borrowing from the European Investment Bank, however this was subsequently rejected by the Department of Finance and Personnel for the reasons explained above.

The ability of the Housing Executive to access additional private finance is dependent on the future structure of the organisation which is to be part of the current review. Currently the Housing Executive has approximately £750m of loans outstanding from the consolidated fund and any future change to their structure will have to take account of these. Any potential large scale sale of the Housing Executive stock needs to take account of how these loans will be repaid. DFP has previously considered an approach to HM Treasury about writing off the loans as part of a future stock transfer but concluded that due to the impact of a write off on the NI Block it was not viable option. To service any additional borrowing the Housing Executive would require a considerable increase in rental income or increased deficit funding from the public purse. These are just some of the functions that need to be considered in the assessment of the future structure of the Executive.

2.4 Sales of surplus or underutilised land/property.

2.41 Northern Ireland Housing Executive Land

The Housing Executive currently has in excess of £28m of surplus land being actively marketed for sale. Offers totalling £23m for the various lots have been received but are largely dependent on planning approval being granted. For this reason they predict that actual receipts from these sites will be limited.

The Housing Executive also hold a significant amount of land which is not currently being marketed for sale for specific reasons such as future housing need. Given the difficulties being experienced with the existing land for sale it may not be that this sites would realise receipts in the near future. However, the potential for sale will be exhausted in going forward.

2.42 Northern Ireland Housing Executive Commercial properties

The Housing Executive has 431 commercial properties generally comprising shops/small commercial units. Strategic Investment Board had started to look at the potential for the commercial units to be sold off but never progressed this to a formal proposal because of the economic crisis and perceived lack of interest. Again this matter will be actively assessed going forward.

2.43 Northern Ireland Housing Executive Head office

Strategic Investment Board completed an Economic Appraisal in late 2008 to assess the viability of the sale and leaseback of the Executive's Housing Centre. At that time Strategic Investment Board predicted a receipt of between £16m to £20m depending on the type of lease being negotiated. When the economic appraisal was submitted to DFP their conclusion was that "in the absence of any decision to the contrary, the Housing Centre is expected to be occupied by the Housing Executive, in some form, for the foreseeable future. Therefore, at this time, it is not surplus to requirements or underutilised. There does not appear to be an obvious business need for the proposed transaction, other than the opportunity to raise further capital receipts in the short term, and it restricts flexibility to react in line with future business requirement. As it stands, the Value for Money of the preferred option is not been clearly established and it has not been confirmed as being affordable." It is not known if a similar capital receipt could be realised from such a transaction in the current market or if DFP will be of the same opinion on the Value for Money and affordability of this proposal. However, the department again believes that this is an option that requires active consideration going forward.

3.0 Urban Regeneration Assets

The other revenue activities applicable to this Department are in respect of Urban Regeneration as follows.

3.1 Asset Sales and strategies

The Department has identified that the former Newtownlands holdings is surplus to requirements and has developed a disposal strategy to sell the assets.

3.2 Alternative Sources of debt finance/capital

Finding appropriate mechanisms to generate the funding needed to support regeneration has been a longstanding issue – an issue that has now come to the fore due to the combined effects of the credit crunch, the downturn in the property market and increasing constraints on public spending. It is understandable that these recent developments have reignited interest in imaginative new ways of funding infrastructure requirements.

In examining alternative funding sources we have considered three particular types of investment to be important:

- Maximising the level of public spending into the most disadvantaged areas;
- Levering additional resources from private investment when and where market conditions are appropriate; and
- The development of community finance infrastructure.

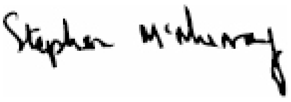
We therefore intend to work with relevant stakeholders and partner Departments to explore the feasibility of mechanisms that exploit:

- Community Financing options such as Urban Patient Capital Funds and Asset Transfer Units;
- European financing options such as JESSICA (Joint European Support for Sustainable Investment in City Areas);
- Tax based financing options such as Tax Incremental Financing districts/Accelerated Development Zones; and

- Joint venture financing options such as Local Asset Backed Vehicles and Regional Infrastructure Funds.

It should be emphasised that the application and use of these instruments will clearly depend on economic and development conditions across the region.

Yours sincerely



Stephen McMurray

cc: Michael McKernan
Margaret Sisk
Billy Crawford
Gareth McKinty
Joann Hanna

Committee for Employment and Learning - Departmental Proposals

Draft Budget 2011-15:

Budget Settlement and Proposals to Reduce Expenditure for tthe Department for Employment and Learning

10 January 2011

Budget Settlement and Proposals to Reduce Expenditure for the Department for Employment and Learning

Introduction

1. The Northern Ireland Executive's 'Draft Budget 2011-15' was announced by the Minister for Finance and Personnel on 15 December 2010. The Executive's Draft Budget provides proposed departmental Current expenditure and Capital investment allocations for the four year Budget period. To allow Ministers time to make decisions on priorities, the proposed allocations were presented at an overall departmental level. The announcement of the Draft Budget triggered the public consultation period, the closing date for which is 9 February, 2011. A copy of the Executive's 'Draft Budget 2011-15' can be accessed on the Budget website: www.northernireland.gov.uk/budget2010.

2. Clearly, Budget 2010 takes place in a very difficult fiscal environment. This presents us with the challenge of making resource savings in order to fund business-critical services over the forthcoming Budget 2010 period, covering the financial years from 2011-12 to 2014-15.

3. The purpose of this paper is to set out the impact of the Draft Budget for the Department for Employment and Learning's (DEL) over the period 2011-15. The public consultation period on

the department's budget settlement and proposals to reduce expenditure runs in tandem with the public consultation on the Executive's Draft Budget.

Consultation Arrangements

4. The department has already taken a number of steps to engage with key stakeholders, setting out the challenges for the department's own finances and the anticipated impact of a Budget settlement.

5. The department has consulted with the Assembly Committee for Employment and Learning in developing its spending proposals.

6. Over the forthcoming weeks the department will continue to engage with the Committee for Employment and Learning. In addition, we are publishing this document on our website www.delni.gov.uk. We have also taken steps to inform our staff of the likely departmental implications of the Draft Budget settlement. In addition, business areas across the department will continue to update their key stakeholders of the likely impacts of the Draft Budget on the services which they deliver as part of their ongoing engagement.

7. We are interested in hearing views on any aspects of this document and the budget settlement and proposals to reduce expenditure contained within it. We encourage all interested parties to make their responses as soon as possible before the consultation closing date of 9 February 2011.

8. If this document is not in a format which suits your needs, please let us know. Contact details can be found below.

Contact Details

9. Should you wish to make comments in relation to any of the issues contained within this document, the address for consultation responses is as follows:

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Finance Director
Adelaide House
39/49 Adelaide Street
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BT 2 8FD

Telephone: 028 90257810
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Comments should be sent to arrive no later than 9 February 2011.

10. In order to promote environmental sustainability respondents will not receive an acknowledgement letter. A list of respondents will be placed on the department's website along with copies of responses (in full or in part). If you do not wish your response or name to be published on the website, please make this clear in your response to us.

Department for Employment and Learning (DEL)

Introduction

1. This paper sets out the outcome of the proposed budget settlement for the Department for Employment and Learning (DEL), and assesses its implications in the context of increasing inescapable demands on the services provided by the Department and the targeted reductions in expenditure imposed by the Department of Finance and Personnel (DFP) for the period 2011-12 to 2014-15.

2. The department's overall aim is "to promote learning and skills, to prepare people for work and to support the economy". It is responsible for further and higher education, training and skills and employment programmes. In pursuing its aim the department's key objectives are:

- to promote economic, social and personal development through high quality learning, research and skills training; and
- to help people into employment and promote good working practices.

3. It seeks to achieve these through four key areas of activity:

- enhancing the provision of learning and skills, including entrepreneurship, enterprise, management and leadership;
- increasing the level of research and development, creativity and innovation in the Northern Ireland economy;
- helping individuals to acquire jobs, including self employment, and improving the linkages between employment programmes and skills development; and
- the development and maintenance of the framework of employment rights and responsibilities.

Key Issues / Challenges over period 2011 -15

4. The Department faces the following key issues and challenges over the Budget 2010 period:

- DEL's cash funding is reduced by £53m over the Budget 2010 period, increasing to a reduction of over £124m when inflation at 2% pa is included;
- the above reductions exclude the pressures being exerted on the Department's budget in its response to the economic downturn, and from the increase in the numbers unemployed, welfare reform, higher demand for student support and cessation of funding for innovation and research;
- when these are taken into account the Department has a funding deficit of £40m and £31m in years 20011-12 and 2012-13 respectively after delivering savings of £40/72/108/144m across the four years of the budget settlement period;
- this real reduction in funding and the deficit above is impacting at a time when our services are most needed to assist increasing numbers of unemployed adults back to work, to support our young people to improve their skills and find work and to help industry to climb out of the downturn through improving its skills base; the Department's plans seek to protect capacity in these essential services as far as possible;
- but we do have to acknowledge that as a result of the budget settlement we will struggle to deliver parity in our services to the unemployed with the rest of the UK;
- the implementation of our proposed skills strategy will be severely restricted by a lack of resources;
- the Further Education (FE) sector will continue to struggle to sustain capacity and financial balance;

- important and successful initiatives in innovation, knowledge transfer and research and development will need to be curtailed;
- given the need for the Employment Service and training capacity to be maintained as far as possible, it is inevitable that in line with decisions elsewhere Higher Education (HE) must bear a significant proportion of the necessary reductions in expenditure; and
- in addition, student fees will need to increase if capacity and service quality in that sector is to be maintained.

Budget 2011-15 Allocations

5. The overall draft expenditure allocation for DEL is set out below:-

Table 1 – Draft Budget Settlement for DEL

	£m				
	2010-11	2011-12	2012-13	2013-14	2014-15
Current Expenditure:					
Proposed Allocation	798.9	775.4	767.4	785.6	813.8
Year-on-year % change		-2.9%	-1.0%	2.4%	3.6%
Capital Investment:					
Proposed Allocation	37.6	41.2	32.3	18.5	28.3
Year-on-year % change		9.6%	-21.6%	-42.7%	53.0%

6. Over the four year period the Department will seek to sustain its current level of activity, subject to the service implications of the proposals to reduce expenditure set out below.

Current Expenditure

7. The proposed current expenditure settlement for DEL is as follows:

	10-11 Baseline (£m)	11-12 (£m)	12-13 (£m)	13-14 (£m)	14-15 (£m)
Resources Available	798.9	775.40	767.40	785.60	813.80
Funding Change from 10-11 baseline		(23.5)	(31.5)	(13.3)	14.9
% change from 10-11 baseline		(2.9%)	(3.9%)	(1.7%)	1.9%

8. This table shows that the proposed allocation for DEL in 2011-12 is some £24m less than that provided in 2010-11, some £32m less in 2012-13 and some £13m less in 2013-14. The allocation improves at the end of the period showing an increase of some £15m over the 2010-11 baseline. But in overall terms there is a cash reduction of some £53m over the four year period.

9. There are two important considerations in assessing these figures in money terms.

- Firstly, they are in cash terms. Hence the impact of inflation effectively increases the above % change. The year on year effects of a 2% inflationary rise are as follows:
-

	11-12	12-13	13-14	14-15
% change from 10-11 baseline @ 2%	(4.9%)	(5.9%)	(3.7%)	(0.1%)

- Secondly, the allocation includes the Barnett consequentials for the increase in the cost of the student loan subsidy associated with the fees changes in England. This amounted to £0/5/20/36m over the 4 year period to 2014-15. This is a ring fenced sum which must be used for the cost of the loan subsidy and the resources will need to be returned to the Treasury if they are not utilised.

10. If these resources are stripped out to provide for a like for like comparison with the 10-11 baseline, the results are as follows:

	10-11 Baseline (£m)	11-12 (£m)	12-13 (£m)	13-14 (£m)	14-15 (£m)
Proposed Allocation	798.9	775.40	767.40	785.60	813.80
Less ringfenced loan subsidy		0.00	5.10	20.40	36.40
Net like for like comparison	798.9	775.40	762.30	765.20	777.40
£ Change from 10-11 baseline		(23.5)	(36.6)	(33.7)	(21.5)
% change from 10-11 baseline		(2.9%)	(4.6%)	(4.2%)	(2.7%)
Real term change @ 2%		(4.9%)	(6.6%)	(6.2%)	(4.7%)

11. This shows a different picture than that provided at paragraph 2 above. There is a cash reduction compared to the 10-11 baseline in each year of the Budget 2010 period ranging from some £22-37m per year and a real terms reduction of some 5-7%. (assuming 2% inflation). Overall, after making this adjustment the cash reduction over the 4 year period amounts to some £115m.

Resource Requirements

12. The Department's resource requirements are not only determined by the cost of existing services, but by the cost of any inescapable requirements it faces and the resource consequences of any new developments it wishes to pursue.

13. The Department faces a number of inescapable demands over which it has limited control and little, if any, discretion over its response. For example:

- the unemployment register is anticipated to rise further as a result of the economic downturn; this will place an additional demand on the Employment Service which will have to be resourced;
- UK government policy with regard to welfare reform will also place an additional and unavoidable demand on the Employment Service as a result of the migration of those currently in receipt of Incapacity Benefit to Employment Support Allowance or Job Seekers Allowance, and other changes to the arrangements for lone parents;
- the Department's budget for student support is already under severe pressure and these pressures will continue over the Budget 2010 period and will need to be properly resourced;
- resources will also need to be set aside for services which are currently funded by time limited monies such as the Funding for Innovation, which cease in March 2011; these include knowledge transfer and research activities in the Higher and Further Education sectors;

- recurrent provision also needs to be made available for the Assured Skills programme which has been funded on a time limited pilot basis to date; and
- although our financial strategy will be to bear down on pay and price inflation increases payable to our providers, we must recognise that some increases in costs will be inevitable as we progress through the Budget 2010 period.

14. Taking these issues into account our resource requirements for the Budget 2010 period compared to the resources available are as follows:

	11-12 (£m)	12-13 (£m)	13-14 (£m)	14-15 (£m)
Baseline 2010-11	799	799	799	799
Increased demand for Employment Service	14	20	16	18
Student Support Pressure	21	25	32	41
Innovation and Research	13	11	8	7
Assured Skills	3	3	3	3
Pay and Price Pressures	5	7	28	50
Total Requirement	855	865	886	918
Less Resources Available	775	762	765	777
Deficit	(80)	(103)	(121)	(141)

15. This table demonstrates that if our cost and service pressures are to be met the Department faces a deficit of some £80m next year rising to some £141m by 2014-15. These deficits can only be met by reducing expenditure (either by improving efficiency or reducing services) or by generating additional income.

Options to Reduce Expenditure or Generate Additional Income

16. The Department was tasked by DFP earlier in the year to identify areas to reduce expenditure by some 5% year on year. This amounted to a target of reduced expenditure as follows:

	11-12 (£m)	12-13 (£m)	13-14 (£m)	14-15 (£m)
5% cash releasing reductions	40	72	108	144

17. If these reductions in expenditure are delivered the impact on our resource requirements is as follows:

	11-12 (£m)	12-13 (£m)	13-14 (£m)	14-15 (£m)
Target reduced expenditure	40	72	108	144
Total additional requirement	(80)	(103)	(121)	(141)
Total	(40)	(31)	(13)	+3

18. The table above shows that, even after achieving the target reductions, the Department continues to face a deficit of £40m and £31m in years one and two respectively. The position improves slightly in year 3 and particularly in year 4, but this is critically dependent on the target reductions being met. Given the scale, these will become increasingly difficult to deliver as we move through the Budget 2010 period - £144m by 2014-15 is an 18% reduction on the existing baseline.

Strategy for Reducing Expenditure

19. The Department's strategy for delivering the necessary reductions in expenditure focuses on:

- squeezing out unnecessary bureaucracy, concentrating resource on front line services;
- bearing down on pay and price inflation;
- recognising the public benefit of investment, but seeking greater contributions from service users and beneficiaries; and
- seeking improvements in efficiency from HE sector in particular, given the generous funding it has been allocated over the last 5 years.

20. Details are provided below:

	11-12 £m	12-13 £m	13-14 £m	14-15 £m	Notes
Proposed Budgetary Reductions	8.5	8.5	8.5	8.5	(1)
10-11 Savings carried Forward	3.0	3.0	3.0	3.0	(2)
Pay and Price Restraint	12.0	22.5	34.0	46.0	(3)
Staffing efficiencies	0.0	2.0	3.0	5.0	(4)
Employment Relations and European Division	0.5	0.5	0.5	0.5	(5)
Further Education	4.0	4.0	4.0	4.0	(6)
Employment Service	2.0	4.0	4.0	4.0	(7)
Skills and Industry	2.5	5.0	5.0	5.0	(8)
Higher Education	7.5	22.5	46.0	68.0	(9)
Total Reduction	40.0	72.0	108.0	144.0	(10)

Notes

(1) This represents a general tightening of budgetary provision across spending areas through improving efficiency and squeezing discretionary spending areas. It will not impact directly on existing services but it will reduce the Department's flexibility in responding to new and as yet unforeseen demands over the period.

(2) In June 2010 HM Treasury imposed reductions of £128m across the NI Block. The Department's share of this reduction amounted to some £6m which has been removed from the 2010-11 budget. £3m of these are available to carry forward from 2011-12 onwards.

(3) In order to avoid reductions in service provision and jobs the Department will seek to contain costs by bearing down on annual pay and price uplifts across its own cost structures and its service providers. This will be effected initially in the Department by the Executive's freeze on annual cost of living increases for all of those Departmental staff earning over £21,000 for two years. External providers and arms length bodies will be expected to exercise similar disciplines in containing costs.

(4) In addition to pay restraint, the Department will seek to achieve a 10% improvement in staff efficiency over the period whilst maintaining service quality. This should release some £5m by end of year 4.

(5) This small saving will be effected through a number of small scale budgetary adjustments of the divisions overall budget providing, for example, for improved efficiency in the Labour Relations Agency and managing down discretionary spend.

(6) Maintaining capacity in the FE sector throughout the period will be critical to maintaining an acceptable response to the economic downturn. But given the overall financial position the FE sector cannot be fully protected from reductions in expenditure. It expected however that this modest reduction will be delivered through a further 3% improvement in efficiency by the sector. This is on the back of efficiencies of some 20% delivered over the last few years.

(7) The aim will be to maintain as far as possible existing capacity in the Employment Service and its provision for those out of work. But given the overall position some reductions are unavoidable. The reduction will be delivered through improved targeting of resources to measures which are deemed most effective in enhancing individuals' opportunities to return to work.

(8) Enhancing skills levels in the economy are essential if the recognised productivity gap in the local economy is to be addressed and NI plc is to be supported in attracting foreign investment and maintaining a competitive position in the global economy. But again, a reduction in this budget is unavoidable. This will be effected by reducing the support infrastructure associated with the current arrangements, withdrawing funding for adult apprenticeships and encouraging employers to bear a greater proportion of the costs associated with delivery of other current adult programmes. Support for young people including the training guarantees for 16-17 year olds will be maintained at current levels.

(9) Given the need for the Employment Service and training capacity to be maintained as far as possible, if these services are to cope with the increasing demands they will face as a result of the economic downturn, it is inevitable that in line with decisions elsewhere HE must bear a significant proportion of the necessary reductions in expenditure. By the end of the period it is estimated that funding to the sector will need to reduce by at least £68m. A significant proportion of this will be delivered by a 22% real terms operational efficiency with the balance being delivered either by reductions in capacity, or by better targeting of existing support for students and additional income from fees. Final decisions on these matters have yet to be taken.

(10) Achieving the required reductions of £40/72/108/144m over the four year period leaves unresolved the deficit in funding of some £40m in 11-12 and £31m in 12-13 identified in paragraph 17 above. This is an issue of very significant concern to the Department and it continues to examine how it might close this funding gap. As part of this process it will wish to examine the degree to which some of the inescapable additional demands giving rise to the deficit can be reduced and to assess the service implications of this. But the room to manoeuvre is extremely limited as a significant proportion of the costs are already in the system. Even if these could be pared back by some 50% there would remain an unfunded gap of some £15-20m in each of the years 2011-12 and 2012-13.

21. If the funding gap identified above remains unresolved there will be a number of adverse impacts on services currently financed or delivered by the Department.

- provision to support people back to work will be spread more thinly over increasing numbers of unemployed people. Although we will have no choice but to implement the migration of people currently on Incapacity Benefit to job related programmes, very few individuals would progress to a work focussed interview and no additional provision would be available in the Steps to Work programme for them. Clients would be left waiting for excessive periods and little done to improve their employability;

- unlike in the rest of the UK we will not be able to bring forward the trigger point for intervention from 18 to 12 months for the over 25 age group, with real risks of this group becoming long term unemployed;
- generally our resources would have to be restricted to individuals who are required to participate in employment programmes as a condition of their benefits, leaving voluntary clients unsupported;
- funding for the 300 additional post graduate places financed in the last Programme for Government would be withdrawn in mid stream;
- funding to support knowledge transfer and innovation activity in the HE sector would be withdrawn and activity would cease. Further reductions in block funding to the sector would have to be contemplated threatening widening participation initiatives; and
- similarly no resources would be available to sustain activities in the FE sector currently financed by Funding for Innovation.

Capital Expenditure

22. The capital expenditure allocation will enable DEL to:

- fund the contractually committed elements in respect of the PFI contracts at Belfast Metropolitan College and South Eastern Regional College;
- fund the ongoing development works at the Springvale E3 campus of Belfast Metropolitan College;
- provide support to the FE sector in respect of Health and Safety and Minor works; and
- fund the development of teaching and research infrastructure at both the universities and the two university colleges.

Equality & Good Relations

23. Virtually all of the Department's budget allocation underpins sustainable development and increases economic activity. Despite the difficulties the budget as a whole will impact positively on well-being and on poverty within the region and foster good relations among the community. Preliminary equality impact assessments of individual measures have been completed. A high level impact assessment of the savings proposals is currently being finalised and will be published on the Department's website as soon as possible.

Committee for CAL - response to CBI report

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To: Shane McAteer
Clerk, Committee for Finance and Personnel

From: Lucia Wilson
Committee Clerk

Date: 21 January 2011

Subject: CBI Report: Time for Action

At its meeting of 20 January 2011 the Committee for Culture, Arts and Leisure considered correspondence from the Department for Culture, Arts and Leisure regarding the 'CBI Report: Time for Action'.

The Committee agreed to forward you the paper in response to your correspondence from 22 November 2010.

Lucia Wilson

Clerk
Committee for Culture, Arts and Leisure

Committee for CAL - response to CBI report

Department of
Culture, Arts
and Leisure
www.dcalni.gov.uk

FROM: DEBORAH BROWN

DATE: 10 January 2010

TO: EMMA PATTON
ASSISTANT COMMITTEE CLERK

COR/507/2010 - CBI REPORT: TIME FOR ACTION

The Committee has asked for comments on this report in relation to DCAL's own work. I have, therefore, limited my reply to matters which are directly relevant to the Department and which are not dealt with at a NICS wide level. For ease of reference, I have used the subject headings of the report itself.

1. **Cost of public services**

As part of its own work on Budget 2010, DCAL is reviewing its priorities so that reducing budgets are directed at key service areas. It has also reduced its administration costs by 5% year on year over the current CSR period. Internally, it has already merged two branches to save costs and it is carrying out an organisational review to determine whether any further savings are available.

2. **Efficiencies and value for money**

All NICS departments already use shared service organisations for so-called back office functions (chiefly, financial transaction processing, information technology, human resources and records management). DCAL is also considering whether a similar model might also be applied to its arm's length bodies (ALBs). It has already made some progress in this area with internal audit provision.
The Department and its ALBs conduct their procurement through the Central Procurement Directorate and other Centres of Excellence. This is designed to

ensure that purchasing activity follows best practice and maximises value for money.

3. **Structural reform**

The Budget Review Group, a sub committee of the Executive, has embarked on an exercise which will looks at arm's length bodies, their functions and whether they are still needed or can be afforded in today's environment. This exercise will, of course, cover DCAL's sponsored bodies.

4. **Bridging the funding gap**

The CBI has suggested bridging the funding gap – between the demand for services and the resources available to meet them - by considering the introduction/ increase in local charging and by a programme of asset sales. DCAL is already examining the potential for generating additional income through the introduction of or increase in charging for services, though it must be admitted that the scope for significant contributions from these areas is limited. The Department is also actively seeking out surplus assets both within its control and the control of its arm's length bodies with a view to disposal and income generation.

I hope you have found these comments useful.

DEBORAH BROWN
FINANCE DIRECTOR

A CONFIDENT, CREATIVE, INFORMED AND VIBRANT COMMUNITY

Committee for ETI - Priorities for sustainable growth

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To: Cathie White
Clerk to the Committee for the Office of the First Minister & deputy First Minister

Peter Hall
Clerk to the Committee for Employment and Learning

John Simmons
Clerk to the Committee for Education

Shane McAteer
Clerk to the Committee for Finance and Personnel

Roisin Kelly
Clerk to the Committee for Regional Development

From: Jim McManus
Clerk to the Committee for Enterprise, Trade and Investment

Date: 24 January 2011

Subject: NI Executive Economic Strategy – Priorities for Sustainable Growth:
Consultation Document

1. At its meeting on the 20 January, the Committee for Enterprise, Trade & Investment considered the Executive's consultation on Priorities for Sustainable Growth.

2. This is one part of formulating a new economic strategy for NI. The responses from this consultation will be considered with another consultation based on the outcome of the UK Government's review on rebalancing the NI economy.

3. The consultation focuses on 3 key issues:

1. Performance of the NI economy over the past 10 years and the impact of the recession.

2. Where the Executive wants the economy to be by the year 2020 and the overall strategic priorities for the Executive.

3. Key issues relating to the actions that need to be taken by NI Departments in order to deliver the priorities.

4. The Committee agreed to forward the consultation document[1] to other relevant committees for their views. I would be grateful for your respective committees' views by Friday, 12 February.

Please feel free to contact me if you have any questions.

[1] http://www.detini.gov.uk/northern_ireland_economic_strategy_-_initial_consultation_paper__priorities_for_sustainable_growth_and_prosperity.pdf

Audit Committee - Annex to submission

Audit Committee

Northern Ireland Audit Office – Proposed Estimate for 2011-12
Memorandum for The Audit Committee of the Northern Ireland Assembly

Introduction

1. The Office's most recent estimate, which was for 2010-11, was approved by the committee in March 2010 and set out a net resource requirement of £9.0million which, in itself, represented a decrease in real terms of 3% from the previous year.

2. As a result of the government's comprehensive spending review there is considerable pressure on all areas of government to generate savings and our Office is determined to play its part in making those savings.

3. Therefore in planning our estimate for 2011-12 we have thoroughly examined all areas of our expenditure to identify where further savings can be generated and also take advantage of the efficiencies that we have achieved in previous years.

4. The proposals set out below ensure that the Office identifies the maximum reduction in its estimate whilst still being able to maintain the same quality and extent of service to the Assembly that it has offered in recent years.

Proposed savings

5. Our proposed savings would:

- Make an adjustment to our estimate in 2010-11 of £600,000 thereby reducing our budget to £8.4 million for the current year and amounting to a 7% cut in our estimate immediately.
- In 2011-12 we would propose to reduce our budget by a further 4% in cash terms – therefore our estimate in 2011-12 would be more than 10% lower in cash terms than our original estimate in 2010-11.
- We would follow these reductions by further reductions (in cash terms) of 3% in 2012-13 and 1% in 2013-14.
- Overall by the third year of the plan our savings would amount to a reduction of 13.5% in our net resource requirement in cash terms and around 19% after allowing for inflation.

6. We are able to make these savings by a number of means:

- Over the last number of years we have benefitted from significant cumulative savings that have been generated from changes to the way we do our work. This means that we are now able to take advantage of those savings by reducing our estimate by a large amount immediately;
- We intend to reduce our outsourcing requirements significantly by ensuring the optimal use of our staff at peak times and continuing to build our in-house capability in key areas;

- There will be reduced recruitment during the period. Only essential vacant posts will be filled and we will suspend our graduate trainee accountant programme for a time to help reduce overall numbers; and
- We anticipate a two year pay freeze for staff during the period.

7. Our projected spending over the period of the plan will therefore be:

	2010-11 Estimate £m	2011-12 Forecast £m	2012-13 Estimate £m	2013-14 Estimate £m
Staff (permanent)	7.7	7.4	7.4	7.4
Staff (temporary)	0.5	0.2	0.1	0.0
Consultancy	0.3	0.2	0.1	0.1
Contracted out audit	1.4	1.3	1.3	1.3
Other costs	2.0	1.5*	1.8	1.5
Gross resource requirement	11.9	10.6	10.7	10.3
Income	(2.9)	(2.2)	(2.5)	(2.2)
Net resource requirement	9.0	8.4**	8.2	8.1
Supplementary estimate	(0.6)			
Revised estimate	8.4			

* Other costs include £300,000 in 2010-11 and in 2012-13 for our costs incurred in the National Fraud Initiative. This is only carried out biannually and leads to some fluctuation between years.

** The net resource requirement in 2011-12 includes £0.4m of resources transferred to us from the National Audit Office following the transfer of policing and justice audits. This funding transfers directly from the GB exchequer and puts no additional pressure on the NI block. In order to compare the net resource requirement of 2010-11 to later years, £0.4m should be deducted from the net resource requirements for each year from 2011-12 onwards.

Assembly Commission - Annex A

Assembly Commission Del Resources Budget Over The Csr Period

Expenditure Description	2010-11 Budget	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast
	£m	£m	£m	£m	£m
Members Costs (subject to IFRP)	£16.40	£17.40	£16.37	£16.37	£16.37
Party Allowance	£0.80	£0.80	£0.80	£0.80	£0.80
Secretariat Costs	£26.90	£25.45	£25.44	£25.33	£25.29
Non-Cash Costs	£4.30	£3.80	£3.59	£3.58	£3.57
Total Resources	£48.40	£47.45	£46.20	£46.08	£46.03
		£47.19	£45.98	£44.77	£43.56
GDP Deflator		1.9%	2.3%	2.6%	2.6%
2010-11 Budget in real terms		£49.32	£50.45	£51.76	£53.11

Expenditure Description	2010-11 Budget	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast
	£m	£m	£m	£m	£m
Total Real Cut £M					-£7.08
Total Real Cut %					-13.3%
Total Cash Cut £M					-£2.37
Total Cash Cut %					-4.9%

Chairpersons Liaison Group

Dolores Kelly MLA
Chairperson, Chairpersons' Liaison Group

Mr Daithi McKay

Chairperson, Finance and Personnel Committee

Northern Ireland Assembly

Parliament Buildings

COMMITTEE FOR
2 JAN 2011
F & P

25 January 2011

Dear Daithi,

At the recent meeting of Chairpersons' Liaison Group 18th January 2011, Jennifer McCann, who was Chairperson of the Finance and Personnel Committee at that time, raised the issue of the Executive Budget 2011 – 15.

The topic, one of the main issues currently facing the Assembly committees was discussed in some depth by the various committee chairpersons' present at the meeting. Ms McCann reiterated the timescale allowed for Assembly committees to respond to the Department for Finance & Personnel and the subsequent extension to this timescale. She also noted the extension to the timescale for committees to respond to the Finance and Personnel Committee and the changed date for the Take Note debate.

During the discussion it became clear that there was an element of common concern amongst the chairpersons' present on three main issues namely the tight timescales for committees to respond on the Budget, the delay in information and the lack of detail in the information coming from departments to Assembly committees.

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It was agreed that I should write on behalf of the Chairpersons' Liaison Group to you expressing these concerns. I trust you will find this letter useful in consideration by your Committee of the 2011 – 15 budget.

Yours sincerely

Dolores

Dolores Kelly

Chairperson, Chairpersons' Liaison Group

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Committee for Regional Development - letter to the Speaker

COMMITTEE FOR REGIONAL DEVELOPMENT

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Mr William Hay MLA
Speaker
Northern Ireland Assembly
Room 39
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BT4 3XX

1 February 2011

Timetable for consideration of the Draft Budget and Budget 2011-2015

Mr Speaker,

1. At the Committee meeting of 12 January 2011, the Committee for Regional Development decided to write to you on the issue of the timetable for consideration of the Draft Budget and Budget 2011-2015.

2. Members, in considering the Committee's options for scrutiny of the Department for Regional Development's detailed spending and savings delivery plans, and the equality impacts of its spending and savings proposals, were concerned with the timescale available to the Committee to consider and report on the Draft Budget proposals.

3. The Committee is of the view that, even with the extension of the deadline for receipt of responses to the public consultation, this year's timeframe did not allow the Regional Development Committee adequate time to make a fully informed response to the Finance and Personnel Committee for inclusion in its Coordinated Report on the Executive's Draft Budget. The Committee, wishing to play its part as fully as possible in the Assembly processes for scrutinising the Draft Budget, arranged a number of additional meetings and made an interim response to the Finance and Personnel Committee.

4. Indeed, Members were concerned, in the absence of detailed information published across all departments, that it could prove very difficult for anyone, be they stakeholders, members of the public, voluntary and community sector organisations, or business and trade union organisations, to make a detailed response to the public consultation by the closing date of 16 February 2011.

5. The Committee is firmly of the view that, in future budget processes, adequate time is needed to make an informed response by the Assembly committees, and that this time should reflect the important role of the committees in the Assembly process of developing the Draft Budget and finalising the Executive's Final Budget.

Yours sincerely,

Fred

Fred Cobain, MLA
Committee Chairperson

c.c. Chairperson of the Finance and Personnel Committee.

Committee for Education - Final response

Committee for Education Final Response (15 February 2011)

To the Committee for Finance and Personnel on its Scrutiny of the Department of Education Draft Budget 2011–15: Draft

Allocation and Savings Proposals Published on 13 January 2011

Pre Draft DE Budget Publication Scrutiny

1. The Chairperson of the Committee for Education wrote to the Minister of Education on 8 July 2010 highlighting the Committee's need for timely and detailed information on the future Education Budget in the context of Budget 2010 as follows:

'The Committee, at its meeting of 30 June, stressed the importance of Department of Education copy papers to DFP over summer recess and responses to future requests for information on the Education Budget (in the context of Budget 2010) arriving with the Committee in good time so they can be given the Committee's full consideration. I would also emphasise that it is essential for the Committee to receive full and detailed information on the impact of your options for savings/cuts.'

2. The Committee requested copies from the Department of Education (DE) of information on its savings proposals to be provided to DFP by 26 August 2010 and other detailed information through its letters on 1 & 7 July 2010 for its Committee meetings of 1 & 8 September 2010, which were dedicated sessions for scrutiny of DE draft Budget proposals. The Committee subsequently received briefing papers from DE on 25 August 2010 and 7 September 2010 on Budget 2010 – Spending proposals. The Chairperson of the Committee wrote to the Minister of Education on 2 September 2010 listing key issues raised by the Committee at its meeting of 1 September 2010 with senior Departmental officials on the DE initial Spending Proposals. These included:

'Resource Spending Proposals:

- Teachers pay and non teaching pay bill in the context of the Government's pay freeze and national pay agreements;
- Up-front redundancy costs to deliver savings;
- Cost of the extension of Free School Meals Eligibility criteria; and
- Public Private Partnership resource costs;

Capital Spending Proposals

- The approach to and relative merits of costs of different procurement options for funding major and minor works for schools – including the balance between major and minor works funding; and
- The Review of Middletown Centre for Autism building costs.'

3. The Committee continued its scrutiny of DE initial Spending Proposals at meetings on 13 October 2010 with the Association of School and College Leaders and the National Association of Head Teachers, on 17 November 2010 with representatives of E&LBs Chief Executives, and on 1 and 8 December 2010 with senior Departmental officials (examining ICT/C2K and School Transport policy in the Budget context). Departmental officials also provided briefing papers on 19 October 2010 on non-permanent teaching and non-teaching staff and actual retirees/leavers, and on 24 November 2010 provided an analysis of the Resources and Capital Spending Proposals for the Budget 2010 period.

4. Following the Executive's Draft Budget publication on 15 December 2010, the Committee Chairperson wrote to the Minister of Education on 17 December 2010 stressing the Committee's need for timely and detailed information on the Minister's forthcoming draft DE budget 2011 – 2015 as follows:

'With the Executive's agreed Draft Budget allocations now announced and with the public consultation on this closing on 9 February 2011, it is imperative that the Committee receives your revised Spending Proposals written to the Executive's Draft Budget education allocations as soon as possible please. You will appreciate that your Spending Proposals need to be at a detailed level to allow the Committee to properly scrutinise proposed allocations and formulate views to be put to you. It is important that the Committee receives the Saving Delivery Plan associated with your revised Spending Proposals. We also need clarity on your priorities reflected in your revised Spending Proposals and what the implications are of year-on-year reduced expenditure allocation proposals (where appropriate) – again at a sufficiently detailed level.'

5. The Committee met on 1 December 2010 to continue its scrutiny of the forthcoming draft DE Budget and questioned senior Departmental officials on whether or not the Department was undertaking options/scenario planning on draft Spending and Saving proposals, particularly to protect frontline school services. Some Members expressed grave concerns that the senior official responded that:

'Our Department like any other Department works under the direction and control of the Minister...' '..beyond the high level figures at block level that are available I have no figures on which to commission any work nor do I have any authority to commission any work on scenarios...'

The Committee received a further DE briefing paper on Education Workforce issues on 11 January 2011, which included a breakdown of the 15,635 education service non-permanent staff.

Post Draft DE Budget Publication Scrutiny

6. The Minister of Education's Draft Budget 2011 -15: Draft Allocations and Savings Proposals were published on the evening of the 13 January 2011 and the Minister wrote to the Committee on 14 January 2011 saying that she was 'keen to meet and engage with the Committee at the earliest opportunity to hear your view on my proposals.'

7. The Minister attended the Committee's meeting on 18 January 2011 and the Committee continued its scrutiny of the DE Draft Budget with senior Departmental officials at meetings on 25 and 26 January 2011, dedicated exclusively to scrutiny of the Draft Budget. Following the meeting with the Minister of Education, the Committee agreed to formally request from the Department as a matter of urgency, a range of information through questions in seven specific areas (noted below).

8. The Committee raised a number of key issues with the Minister and these were set out in a list attached to the Committee's letter to the Department dated 19 January, in the following terms:

(1) The Draft Resource Allocation section – paragraph 3.2 to 3.5 of pages 6-8

Paragraph 3.3 refers to 'inescapable cost pressures associated with pay increases, price inflation, meeting statutory and contractual commitments and addressing demographic impacts'. Table 2 refers to these 'Inescapable Pressures' which are the key components of the resource spending 'shortfall' or 'Gap' building to £303million in 2014-15. The Committee requests a detailed breakdown of these 'Inescapable Pressures' for each year of the 4 years of this Budget period and the basis/rationale or underlying assumptions for each element of this.

(2) The Executive's Invest to Save Fund– paragraph 3.6, page 8

Paragraph 3.6, refers to £10million available from the Executive's Invest to Save Fund for Education for each of the years 2011-12 and 2012-13 to pay for severance/redundancies and 'The Department will be seeking further provision for redundancies from the balance of the Executive's Invest to Save Fund'. The Committee requests the Department's forecast estimates/planning assumptions at this stage of the savings generated from reducing posts over each of the 4 years of this Budget period. The Committee needs to understand the 'shortfall' or 'gap' in spending requirements set out in Table 2, as this 'shortfall' determines the all-important savings proposals totals for each of the 4 years set out in Table 4.

(3) End Year Flexibility – paragraph 3.7 & 3.8, page 8

The Committee's position on End Year Flexibility is that schools should not lose the £56million. However, the Committee requests what the likely pattern of draw down of this money would have been over the 4 year budget period – from previous annual draw downs – and what is the distribution of this money between primary, post-primary and the various school sectors. The Committee wishes to understand the problem this presents for schools and requests information on the options to mitigate the impact of loss being considered by the Department eg. phasing out options. The Committee would also ask for assurance that all schools affected by this EYF issue should be treated fairly under measures taken to mitigate the impact of the loss.

(4) Draft Capital Allocation – paragraphs 3.9 to 3.12, pages 8-10

Paragraph 3.12 refers to '44% and 35% of the draft Budget allocations in 2011-12 and 2012-13 is required to meet financial commitments (or inescapable pressures)'. The Committee asks does this mean existing contractual commitments and whether the remaining % is for some 'moderate' investment in minor works and maintenance particularly to meet statutory requirements. The Committee requests clarity on this, as the Minister is proposing to reclassify £41million in 2011/12 from capital to resource – this would leave £86.4million capital resource in 2011/12, and with £56 million committed, this reduces to £30million. The Committee asks what risk does this present in terms of planned and unplanned statutory work which could arise in schools in 2011/12.

(5) Extension of Free School Meal Entitlement (FSME) – paragraph 5.2, page 14

Section 5 provides the Minister's more specific priorities for protection in the Budget period, which includes the extension of eligibility of Free School Meals Entitlement and the reference to 'an additional £1million in 2011-12'. However, resource spending proposals given to the Committee in September 2010 gave an extension of FSME requirement of £21.8 in 2011-12 with some £31m costs per annum for the other 3 years of this Budget period. The Committee requests specific clarification on this – to include the specific spending proposals for the extension of FSME over the 4 year Budget period.

(6) Proposed Savings – Table 4, page 16

The Committee needs a lot more information on the impact of the proposed savings in this table and requests in particular:

- What will be the impact of £5million per annum out of the 'Home to School' budget?

- Can more effective procurement make these substantial savings in 'ICT in Schools' and what is the impact of these savings?
- What will be the re-organisation and impact of the very substantial savings in 'Professional Support for Schools'?
- How are savings going to be achieved in Arms' Length Bodies (ALBs) – in particular, the £15m in 2011-12 - and what will be the impact?

(7) Aggregated Schools Budget – paragraph 5.24, page 22

The Committee has major concerns with these saving proposals on the 'Aggregated Schools Budget' and the associated paragraph 5.24 commentary. This proposed saving amounts to £26.5m in Year 1 rising to £180m in Year 4, and in % terms this represents 18.5%, 45%, 49% and 58% of the total savings proposed by the Minister. The Minister has stressed in her recent letters to the Committee, etc that her key priority is 'to protect front line services (schools) as far as possible'. While noting the Minister's assessment that the Department of Education requires access to the additional 'possible revenue sources' [£800million] identified in the Executive's Draft Budget, some Members of the Committee asked how does this sit with these substantial direct Schools' Budget Savings proposals ? The final year proposed cut is nearly one-fifth of the Schools' Budget. Finally, paragraph 5.24 refers to putting 'in place plans across the Education Sector to reshape the school provision through rationalisation and restructuring...'. This Committee requests what are the specific plans, including details of planned actions and timescales.

9. The Committee Chairperson emphasised that it was vital that the Department's Draft Spending Plans, based on the draft DE budget document are provided to the Committee as soon as possible – the Committee wrote to the Department to this effect on 20 January 2011.

10. The Committee received a response from DE on the evening of 24 January 2011 addressing the above information requests and questions and this (together with other key DE Budget 2010 papers and the Hansard record of the Minister's session before Committee on 18 January 2011) formed the focus of the Committee's discussion with senior Departmental officials at the Committee's meetings of the 25 and 26 January 2011 (this response and other key DE papers and the Hansard record have been placed on the Committee's website available at http://archive.niassembly.gov.uk/education/2007mandate/educationbudget_07.htm).

11. The key points and concerns raised by the Committee, or some Members of the Committee, during these discussions are as follows:

The Absence of Draft DE Spending Proposals

(a) The DE response stated that Department's Draft Budget document highlights the 'main spending proposals', but when the Chairperson asked senior officials to identify these, they referred members to the Minister's additional spending proposals which are included in the Department's Draft Budget proposals:

- extension to Free School Meals Entitlement (FSME) of £1 million in 2011-12:
- £3 million in 2011-12 for the Early Years (0-6) Strategy.

Some Members concluded that it was essential to receive a breakdown of the Minister's Draft Spending Proposals for the £1.9 billion draft Education Budget now and could not accept the Department's view that 'to provide something at this stage could, in fact, be misleading for Committee Members'. The Department's view was expressed in the context that:

'At this stage it is not possible to reflect the out-workings of these changes [spending and savings changes] and update the Budget Distribution table as:

i. Work is currently on-going to disaggregate some of the draft Budget proposals across the various bodies;

ii. The £41million capital to resource reclassification is still subject to Executive approval; and

iii. My Minister is determined to increase the amount of funding available for education.' [DE letter to Committee of 24 January 2011]

Also, some Members questioned the wisdom of not setting out draft Spending Proposal Plans on the grounds that the 'Minister is determined to increase the amount of funding available for education' and said that a 'further £800 million is yet to be allocated'. These Members, while they would very much welcome additional money for education, pointed out that the Executive's Draft Budget referred to 'other possible revenue sources' and 'If any...have merit..., they will be factored into the final Budget allocations.' Other Members stressed the need for the Executive to work together to secure additional funding for departments.

Invest to Save

(b) The Committee received no information from DE on forecast estimates or planning assumptions at this stage of savings generated by reducing posts over the 4 years of the Budget period. Although some £25 million is available in 2010/11 for a Voluntary Severance Programme, no definitive take-up figures or savings generated estimate was given – there was a suggestion that a £10 million take-up might represent 200 post reductions. Some Members were very concerned about the lack of information in this area as staff costs account for 80% of the education budget. The DE papers cited this as 'clearly a critical area of work' and some Members questioned the wisdom of not considering targeting potential savings from the 11,200 non-teaching non-permanent staff and the natural wastage from retirees and leavers, bearing in mind the total education service workforce is some 60,000 staff. Again, no information was available from DE officials on any consideration of this. Officials indicated that only when areas for savings had been confirmed could the potential for savings through reductions in non-permanent staff be assessed. The current Voluntary Severance Programme is focussed on 'central management and administration and also professional development and support services'. Some Members saw the need to consider this area as a matter of urgency as clearly extensive job cuts would be necessary to deliver the magnitude of the savings proposed by the Minister in Table 4 of her Draft Budget, and in particular, with the proximity of the significant proposed savings commencing 1 April 2011. Other Members welcomed the protection of frontline services and jobs, particularly in Year 1 of the Draft DE Budget and called for additional funds from the possible additional £800 million for Years 2-4.

End Year Flexibility

(c) The Committee welcomed the Finance and Education Ministers' guarantee on 21 January 2011 to put in place arrangements to ensure that schools have access to the £56.7 million surplus which they have accumulated, and both past and future savings will be honoured. Members agreed that they would wish to see precisely what these arrangements will be and that schools receive the necessary communication on this as soon as possible. Members also expressed concern at the number and level of school deficits (some 200 schools and £10.7 million total deficit), particularly with the draft DE Budget proposal to significantly reduce the Aggregated Schools Budget.

Draft Capital Allocation

(d) The Committee expressed concern at the overall level of the proposed capital available to DE for allocations over the 4 years budget period, particularly with the substantial maintenance backlog (estimated at £300 million) and minor works backlog (estimated at £100 million). Some Members questioned and had concerns with the Minister's proposal to reclassify £41 million in 2011/12 from capital to resource, for example, this would reduce the uncommitted element in 2011/12 to £30 million and run the risk of not meeting statutory and Health and Safety requirements. While again other Members agreed with the reasoning of the Minister in proposing the move to protect jobs and frontline services. Also, at an earlier meeting, some Members questioned DE officials about whether more active consideration should be given to moving school capital projects forward by way of PPP or similar mechanisms.

Extension of Free School Meals Entitlement (FSME)

(e) Some Committee Members questioned and expressed concern with the DE initial Spending Proposals on the extension of FSME which was estimated in total to cost £21.8 million in 2011/12 and some £31 million per annum for the other 3 years of the Budget period. The Committee requested clarification on this and received, in the 24 January 2011 DE paper, significantly reduced spending proposals of £4, £4.6, £4.7 and £4.8 million for the Budget period, based on a significantly reduced estimate of 10,000 additional take-up and the figures include £0.4 million extension of primary school uniform grant. The Committee noted no additional funding has been identified to address the 'knock-on' increase on the Aggregated Schools Budget through the Age Weighted Pupil Unit (AWPU). However, some Members remained concerned that this extension of FSME has not been taken forward by the other parts of the United Kingdom and should demand exceed the 10,000 forecast, costs would increase – questioning if this extension is affordable in the context of the draft DE Budget allocations and whether the extension to Key Stage 2 pupils in September 2011 should be cancelled - while other Members welcomed the extension of free school meals as a valuable asset to low income families.

Proposed Savings Areas

(f) On the proposed savings listed in Table 4 of the Draft DE Budget, some Members had serious concerns that a lot more information is needed on the means to achieve such savings and the impact of these savings – particularly the substantial savings proposals and the impact, directly or indirectly, on front line services in schools. For example, there is very little information on how substantial savings in Arm's Length Bodies (£60 million over the 4 years) and Professional Support for schools (£105 million over the 4 years) will be delivered, particularly as significant savings are proposed for 2011/12 with no evidence of plans, consultations, or timescales. Some Members pointed to the difficulty in identifying implications of the Budget due to the complicated nature of the education structure with numerous Arms Length Bodies and over 1200 schools managing budget lines.

Some Members questioned and had concerns with the level of spending remaining for SEN capacity building, as the SEN and Inclusions Strategy is not finalised, while others agreed that such a budget line should remain open. Some Members questioned whether the proposed savings in Teacher Substitution Costs are achievable; and whether the savings proposed on Primary Principal Transfer Interviews can be taken forward as consultation on this proposal has not commenced.

Aggregated Schools Budget (ASB) Proposed Savings

(g) The Committee has major concerns with the ASB savings proposal and the means of achieving these very substantial savings - as very briefly outlined in paragraph 5.24 of the Draft DE Budget document. These proposed savings represent 18.5%, 45%, 49%, and 58% of the total savings proposed by the Minister – rising to £180 million in Year 4, nearly one-fifth of the total ASB. The Committee remains very concerned with the level of these direct Schools' Budget Savings Proposals and some Members questioned how this sits with the Minister's key priority in her Draft Budget of protecting front line services (schools) as far as possible. As for putting 'in place plans across the Education Sector to reshape the schools provisions through rationalisation and restructuring' (paragraph 5.24) to deliver these substantial savings, the Committee was informed that 'there are no detailed plans or timescales in place for this work' and with the 'complexity of the issues involved ... it will take some time to deliver results'. With the lack of consideration of planning assumptions, estimates or any information on potential job savings through severance/redundancy across the education workforce at this stage, a number of Committee Members remained very concerned with these ASB proposed cuts. Some Members pointed to Years 2-4 of the ASB as an area which needs support from the potential additional revenue sources [£800million] identified in the Executive's Draft Budget.

12. The Committee highlights below, what it sees as the key points and concerns raised by Stakeholders during the Committee for Education's Stakeholder Event on the Draft Education Budget on 9 February 2011 and recommends that the proposals should be proactively followed-up and considered by the Department of Education as potential measures to assist management of the forthcoming education budget constraints:

(a) The Association of Chief Executives of Education and Library Boards raised four key areas where it considered cost reductions could assist the protection of frontline services:

Local Management of Schools (LMS) – Freeze present surpluses that exist for schools; seek to manage the costs of the teaching cohort by setting the Pupil/Teacher Ratio (PTR) and funding costs for teachers from centre.

"At a time of austerity we do not feel that the continued operation of LMS in its present form is the most appropriate way forward, and what we would be suggesting as an Association would be that we would seek to freeze the present surpluses that exist for schools for the benefit of the schools at a point in time into the future; but as in the interim as we move forward from here that we would seek to actually manage the cost of teaching cohort especially within schools from the centre, and in terms reverting back to a former process of setting the PTR and the number of recognised teachers in schools at the centre, and funding the actual costs of the teachers from the centre."

Special Education – Need to reassess and reduce the bureaucracy associated with SEN, particularly the statementing process:

"On average it costs, to get a Statement for a child, £2500";

"If a child requires visual aids, they require visual aids – you don't need educational psychologists and other practitioners to tell you that, yet you have to go through a 28 week period, spend £2500 perhaps, to make available a resource of £500. That just does not stack up in the current climate. So we believe the bureaucracy needs to be reviewed and in particular, perhaps look at a statement as being a procedure where you go through only whenever there is disagreement between the parents and an E&LB".

Capital – Major backlogs on maintenance and minor works, so Boards propose to limit this investment in schools recognised as approved for new builds, with the exception of the requirement to cover Health & Safety needs; but can't wait indefinitely as schools must be fit for purpose. Other capital requirements within schools – buses, ICT, etc.

"When we look at the capital element of the Draft Budget, it becomes clear we simply require access to more capital resources in order to modernise our service. There are other issues that need consideration – the consequential effect of major work delays on maintenance and minor works backlog. We have major backlogs in terms of maintenance and minor works, and Boards intend to limit the amount of investment in maintenance and minor works to schools who have been recognised to be put onto a new building programme – we believe this to be a good use of our funds. The exception is we cover Health & Safety needs within those schools, but if there's not going to be capital investment, these schools can't wait indefinitely."

Reorganisation of services – Boards in favour of a single authority and avoiding compulsory redundancies.

"Boards spend in terms of central administration around £25million together"

"We did issue recently a call for voluntary severance amongst the Boards, 450 staff across the five Boards said they were interested, that doesn't say they will all go, but you can see that within the sector if we can manage going forward in a planned way it is possible through voluntary redundancy to actually change and transform services without the need for compulsory redundancy. We welcome the £25million the Department has made available to Boards and we are surely in the situation where we are likely to spend the vast majority of that in terms of reorganisation and voluntary severance."

"[under the current Voluntary Severance Programme] I think we are looking of somewhere between 150-200 posts possibly being suppressed across the five Boards"

"Boards are on record of being in favour of a single authority, however we understand that in achieving that there are legitimate interests of the various stakeholders that need to be protected in legislation, and we know where the current bill sits and we hope for a political consensus to emerge at some stage around that issue"

(b) Council for Catholic Maintained Schools (CCMS)

'Capital budget should be re-structured to explicitly support the new priorities and to deliver a more economic school estate through a revision of the Sustainable Schools policy' (Briefing Paper).

'urgent need to review the LMS budget formula' and 'more effectively encourage collaboration and promoting the principles of accountable autonomy.' (Briefing Paper)

"I think what we need to do is change the formula which is used to fund schools because we have imbalances as things stand, but if we've got priorities LMS funding ought to be promoting those priorities, and we would certainly see the Entitlement Framework as one of those priorities, but the means to promote it need to be a little bit more challenging to schools to make sure the wider range of choice is made available to young people, so that the kinds of courses that are going to be needed to develop our economy are in place, and to do that in the current arrangements we have to have a degree of collaboration."

……

'Budget settlement must be robustly challenged and a strong case made for a significant increase and a managed transition to new arrangements' (Briefing Paper)

'We welcome some things in this Budget, and its difficult to take anything positive from it, but we do see that there is an attempt to rebalance the Budget and re-prioritise spending, particularly towards the Early Years in protecting the extended schools, in extending the range for free school meal entitlement. All of these things are addressing the more disadvantaged, more impoverished communities in our society and we think that that is a very important first step, but we see it only, very much, as a first step, and have said to achieve anything of significance there we need to be working with other partners'

(c) Northern Ireland Council for Integrated Education (NICIE)

'NICIE calls for an independent commission which will seek ways of implementing the recommendations of the Bain Report and DE Sustainable schools policy' (Briefing Paper).

'We call for the immediate implementation of ESA or a similar single authority'. (Briefing Paper)

'NICIE welcomes the commitment to protecting Free School Meals and to Early Years in the proposed education budget.' (Briefing Paper)

'Their [Integrated Schools] children travel some distance to avail of an integrated education and are dependent on school transport to do so. Were this to be withdrawn, then it would impact on parental choice and would further underpin the present unequal situation ... [regarding] segregated choice'. (Briefing Paper)

'The implementation of Area Based Planning will enable an agreed rationalisation of the schools estate and mitigated against further segregation through sectoral rationalisation.' (Briefing Paper)

(d) Comhairle na Gaelscolaíochta (CnaG)

'Comhairle na Gaelscolaíochta has major concerns in relation to DE plans to reduce the ASB. A commitment to protect frontline services and staff will be meaningless in the face of the proposed cuts to the ASB' (Briefing Paper)

"The Irish Medium Sector have been able to fund some capital projects that haven't been funded by the Department but by the Irish Medium Trust, which have been able to be given effect to much more quickly and much more cheaply than going through the normal building handbook used by the Department. Obviously the standard might not be the exact same, nevertheless the school buildings are adequate for purposes, they're high standard of school accommodation and they have a relatively long shelf life."

'Comhairle na Gaelscolaíochta believes that significant savings can be made through the establishment of ESA' (Briefing Paper)

'Comhairle na Gaelscolaíochta supports the proposal to use capital budget to support the delivery of education' (Briefing Paper)

(e) Governing Bodies Association NI (GBA)

"The GBA support the case for an increased budget allocation for the Department of Education"

(f) Northern Ireland Voluntary Grammar Schools' Bursars Association (NIVGSBA)

'We have significant concerns if the proposal is to restrict the provision of funding to parents who wish to send their child to a particular school which is not in their immediate locality' (Briefing Paper)

"Redundancy costs are critical and should be defined"

'We have very serious reservations in regard to the establishment of the Education and Skills Authority (ESA) as we believe it will not achieve the savings claimed.' (Briefing Paper)

(g) Association of School and College Leaders (ASCL NI)

Learning Environment for children – 'If we are to continue to use older [school] facilities then a special maintenance fund must be set aside to allow essential work to keep these classrooms fit for purpose in the medium term. The procedures for accessing funding and getting work done should also be streamlined' (Briefing Paper)

Managing contraction of staffing – 'Redundancy arrangements can place the burden on school budgets to fund severance/redundancy payments and long term actuarially reduced shortfalls. Measures need to be agreed to help school leaders mange the contraction of their staff through a careful costing of severance payments against budget savings and a clear decision making process by Compensating Authorities to support schools as Deciding Authorities' (Briefing Paper)

Entitlement Framework – "The pressure and the targets for entitlement and compliance for 2013 have now become economically unviable and are unrealistic. We would propose that the pressure for all schools to deliver 24/27 be relaxed, and that in the context of Area Learning Communities funding be targets on incentives to allow collaboration to deliver a wide range of courses, with schools specialising in courses they already have" (Frank Cassidy – Past President)

'Collaboration between viable existing schools with their respective curricular orientations is a more realistic option' (Briefing Paper)

Substitute teacher cover arrangements – 'The association would welcome an agreed, system wide arrangement for cover to allow for accurate financial planning and consistency of working practices in schools' (Briefing Paper)

"What we propose is an agreed system-wide arrangement for cover to allow for accurate financial planning and consistency of working practices in schools"

"I have concerns when I hear proposals about eroding the voluntary principle which have been a very efficient financial delivery model in schools in Northern Ireland by centralising teaching costs."

(h) Irish Congress of Trade Unions (ICTU)

"The Draft Budget lacks clarity in how the strategic priorities in education can be achieved against the backdrop of a number of things – there's an absence of a workforce planning for schools for both teaching and non-teaching staff."

"We're hearing some calls today for an ending to local management in schools, and we in the NAHT would be very opposed to that. We believe it's a form of local democracy – it extends to schools powers to make their own decisions. We've heard very early today about maybe a centrally imposed Pupil/Teacher Ratio. Such centralism we'd be absolutely opposed to, schools have been making their own decisions about Pupil/Teacher Ratios over the years..."

'There is a 'real' need for a clearly envisaged future and strong demand for a single body that can plan and organise the changes required for an education system for the future.' (Briefing Paper)

(i) Northern Ireland Council for Voluntary Action (NICVA)

"[For example] Young Enterprise (NI) is a voluntary organises which receives £650,000 of funding and it delivers business education programmes to 46,000 students in primary and post—primary schools across Northern Ireland. It succeeded all its targets and delivered a programme last year to 90,000 students, but where voluntary organisation quite often find themselves, at the end of March they don't actually know where they stand. These sort of organisations don't carry a lot of reserves and would therefore find it very difficult to take the risk as to what happens next, so they sit in quite often precarious positions even though they provide good added services to the education system."

15 February 2011

Committee for Regional Development

Committee for Regional Development:
Feedback from Stakeholder Engagement Event

The social impact of the Department's spending and savings delivery plans

1. There was a significant amount of discussion on the social impacts of the Department's spending and savings delivery plans. Contributions were received from organisations including the Consumer Council, the Community Transport Association (CTA), Disability Action, the Inclusive Mobility Transport Advisory Committee (IMTAC), Shopmobility, and Translink.

2. There was agreement among many of the stakeholders at the Committee's event that the proposals in the Department's spending and savings delivery plans would have a disproportionately negative impact on older people, people with disabilities, and people reliant on public transport, especially in rural areas.

3. The Committee heard from IMTAC that restrictions in the door-to-door service to core hours will limit the ability of older people and people with disabilities to go out in the evening and at weekends, an impact also identified by Disability Action. IMTAC stated that the combination of measures in the draft budget proposals will limit Shopmobility schemes; reduce support for rural and group travel schemes; reduce subsidy for rural public transport; reduce the number of Rural Community Transport Partnerships; and reduce the level of subsidy to Translink. The cumulative impact of these proposals will be to reduce the supports available to many vulnerable people, and in IMTAC's view this will cause social exclusion, isolate many people in their homes and reverse the dramatic progress Northern Ireland has made in the past 15-20 years for disabled people, young people, older people and those who have no access to a car.

4. The CTA was also of the view that reductions in the rural transport fund and transport programme for people with disabilities will have significant impact on communities by 2015, with increased problems in terms of rural isolation, exclusion and access for the most vulnerable in

society. Reductions in the Rural Community Transport Network would mean that 25%-30% of people in rural areas will not be able to access transport solutions, CTA said.

5. CTA also stressed the need to consider the linkages between community transport provision and reductions to Translink's budget. The impact of potential reductions in rural routes and service frequencies, together with the possibility of increasing fares, will place further pressures on community transport to deliver the alternative access solution.

6. The impact on those older people, people with disabilities, people with mobility difficulties and their families, arising from the proposed reductions in support for Shopmobility schemes was also discussed. Shopmobility highlighted its success in generating much of its own funding, and emphasised that the trips taken as a result of Shopmobility schemes put money back into the economy. This local economic benefit would be lost, as well as the obvious benefits to the vulnerable members of society who make use of the schemes, should the proposals go ahead as they currently stand.

7. IMTAC stated that millions of pounds have been spend in the past on providing accessible public transport infrastructure, but this will be lost if people cannot get to the public transport network to use the accessible buses and trains. IMTAC called for a creative re-examination of alternative approaches based on evidence of usage patterns, rather than an across the board approach. The CTA was of the view that transport should receive priority if further monies became available during the budget period. It also highlighted the need to look for joined-up solutions, to share costs and savings across departments including health and education.

8. Translink made a number of points on the social impacts of the spending and savings proposals. It stressed that it wanted to minimise any negative impacts in terms of services and jobs. In contributions, Translink stressed it was cognisant of its social and sustainability objectives, and the need to provide for the travel requirements of older people, people with disabilities and those living in rural communities – at an individual level and also at a community level.

9. Translink stated that it was trying to protect the geographical coverage of the network as far as possible, and indicated that connectivity and integration were important considerations. As it makes changes, it has to ensure that people still have access and connections to the main network. However, Translink explained that it was duty bound to examine the poorest performing parts of the network and that, ultimately, is down to passenger numbers, services that are unnecessary or those that can be covered through a combination of other services. It also stated that it would be looking at parts of the network where it thought services could be improved or enhanced to grow passenger numbers.

10. NILGA welcomes proposals to secure a better deal for the supply of street lighting energy but was very concerned to note that one of the contingencies, if this doesn't happen, is dimming or removal of street lights or introducing shorter burning hours. There is a paradox in this proposal in terms of DRD's commitment to contribution to the health and well being of the community. Better street lighting helps improve road safety, as well as reducing crime and the fear of crime. It also helps to create happy and healthier communities by promoting social inclusion and sustainable transport patterns by encouraging people to walk or cycle.

The economic impact of the Department's spending and savings delivery plans

11. Again, there was wide ranging discussion on the economic impacts of the Department's spending and savings proposals. The Confederation of British Industry (CBI), the Quarry

Products Association Northern Ireland (QPANI), the Federation of Small Businesses (FSB), the Northern Ireland Local Government Association (NILGA) and the Freight Transport Association (FTA) all made contributions on this aspect of the Draft Budget proposals.

12. CBI welcomed the broad approach taken and the investment commitment set out in the Draft Budget. Continuing to invest in the strategic road network and public transport are high priorities for the CBI, and it supports the schemes to upgrade the A5 and A8. QPANI also welcomed the commitment to capital spending on the A5 and A8. However, it was of the opinion that if the contribution from the Republic of Ireland government was not forthcoming following the general election, that the planned capital allocations in DRD's budget should be reallocated to strategic programmes and schemes across Northern Ireland that will positively maximise the impact on jobs.

13. CBI expressed its disappointment that other key roads, which it saw as priority schemes, particularly the A6 Randalstown-Castledawson and the York Street flyover, were not to proceed.

14. CBI welcomed the commitments to proceed with investment in transport, including Rapid Transit, but sought clarification on the need for another train maintenance facility. Translink provided clarification on this issue, stating that the need for a new train maintenance facility is a reflection of the substantial increase in the capacity of the railways as the new trains are brought in. Maintenance is required to optimise that additional rail capacity and to physically maintain the trains.

15. The FTA highlighted the importance of freight to the economy. It stated that freight deliveries must be cost efficient as margins are low and times are hard for business. The freight industry needs to work smarter to make best use of its existing assets, and with high fuel costs, a good infrastructure is a key requirement for the FTA's members to meet their goals but also to encourage inward investment to Northern Ireland.

16. By way of example, the FTA identified that Belfast Harbour handles 60% of seaborne trade. Congestion on the roads serving that hub needs to be addressed and fixed quickly. In its view, proposals for Belfast on the move and rapid transit would reduce lane space and would force traffic out onto the Westlink. In its view, the York Street flyover and the Westlink junction were priorities for action to improve inward investment, improve journey times, reduce congestion and to improve air quality in that area. Briefly, the FTA welcomed the work proposed for the A8, highlighted the very heavy daily traffic on the A6/ M22, the need to dual the M1/A1 at Sprucefield to accommodate the 42,000 vehicles travelling daily into Belfast, and questioned the daily vehicle numbers (13,500) on the A5 relative to the cost of the scheme proposed for that route.

17. On the issue of the savings delivery plans, QPANI welcomes a more focused approach on minor maintenance activities and would suggest that many maintenance activities should be outsourced to the private sector. QPANI also welcomed the rationalisation of Roads Service depots and section offices and would urge Roads Service to continue to identify opportunities for savings that can be delivered to front line services.

18. FSB expressed its disappointment that options, such as privatisation, were not considered. In its view, this limited the discussion and the scope for going forward, not least because in its absence there would have to be a myriad of ways of raising revenue throughout the economy. Its concern was that these other revenue raising options would effectively add stealth charges to the cost of living and doing business in Northern Ireland, whilst ignoring one of the key ways that the gap in funding could have been closed. FSB also encouraged more innovative thinking about how our existing infrastructure is used, such as using technology for reversing the

direction of roads at certain times of the day so as to make better use of the existing infrastructure.

19. The CBI stated that the savings identified in the Department's consultation document have been set out in detail. In its view, a number of these will clearly impact on service provision but from a broad strategic economic perspective, it did not believe that any of them would undermine economic recovery.

20. It did, however, express its surprise that in a key area such as delivering savings, it could see no evidence of administrative savings being identified or prioritised by the Department or of how DRD will improve its productivity and manage its pay bill over the budget period. Neither could it see proposals for what, in its view, would be ambitious reforms such as process reengineering or outsourcing. It was disappointed at proposals to transfer £6m from capital to revenue funding and challenged this move asking why administrative savings were not looked for instead.

21. FSB questioned how planned increases in parking charges would fit with the Department for Social Development's plans for town centre regeneration. From the FSB point of view, the two do not appear to mesh cohesively. On a related point, NILGA was of the view that on-street car parking charges could potentially increase illegal parking in towns which would exacerbate town centre congestion. This would put people off shopping in towns and would encourage the use of out-of-town shopping outlets where parking is free. NILGA stated that local businesses need as much help as they can get if they are going to survive the current economic difficulties. In contrast, CBI was of the view that proposals to raise revenue from increased car parking charges were proportionate and sensible.

22. Opinion was somewhat varied on the issue of raising revenue from Belfast Harbour. FSB had concerns over the taking of a dividend from the port in terms of the cost of doing business and its impact on both importing and exporting costs. QPANI welcomed the proposed release of £15 million for two years from Belfast Harbour, and CBI welcomed this approach to revenue raising as proportionate and sensible.

23. Investment in water and sewerage services also arose during a number of contributions to the Committee's draft budget event. For the CBI, it was vital that we continue to invest in water and sewerage services at a high level, and it was concerned that allocations in years two and three of the budget were below those recommended in the PC10 final determination. Concerns in relation to the allocations below those set out in PC10 were also identified by the Consumer Council. QPANI also underlined the need for continued investment in the water and sewerage network in order to comply with European quality standards and to ensure that the network can cope with severe winter weather. In its contribution, CBI expressed the view that deferring water and sewerage charges was making funding more difficult, not just for transport and water and sewerage infrastructure, but also for the broader package. QPANI also called for the reintroduction of water charges to pay for our water and sewerage services network.

24. For the FSB, infrastructure is one of the keys to businesses leading the economic recovery, not just the infrastructure itself but the perception of the quality and reliability of the infrastructure. In its view, recent problems with water sent a very poor signal to investors and damaged consumer confidence.

25. NILGA also expressed concerns that the planned reduction in subsidy to the Rathlin Ferry Service would increase costs for islanders and have a negative impact on tourism in the area.

The environmental impact of the Department's spending and savings delivery plans

26. In response to a comment from the Chairperson that the Committee's concern was to take cars off the roads, and that there were no incentives in the budget to do this, Translink stated that the solution lay in integrated travel solutions that are attractive, sustainable and good value, but that sustainability was key.

27. The Consumer Council shared the view that there was little in the budget to create a modal shift from car to public transport, and in many ways it goes against what consumer research demonstrated consumers wanted from public transport, which was value for money, more frequent services and a wider network.

28. The Consumer Council also stressed that in many areas of Northern Ireland the choice to use public transport as a more sustainable travel option was not available. Its contribution reflected that ambitious plans and strategies are in place to support public transport, cycling and walking but these are often lost when it comes to the delivery. By way of example, it was stated that the Regional Transportation Strategy (RTS) in 2002 suggested a spending ratio for roads to public transport (including walking and cycling) of 65% and 35%, and that this has never been achieved. In addition, there is a very strong sustainability message throughout the revised RDS but it will be very difficult to achieve this and the modal shift, against the backdrop of this budget. The funding profile for rapid transit, and other reductions in investment in integrated transport, means that the traffic management improvements identified in the Belfast on the move initiative may not be optimised.

29. The Consumer Council identified that the Enterprise service is also likely to be affected as there will be speed restrictions on the line, again providing more encouragement to move away from public transport and into the car.

30. QPANI recognised and supported the need to reduce carbon emissions but argued that it is not roads that create carbon emissions, but the vehicles using then. It does not believe that Northern Ireland has the population to support and finance a profitable and efficient train network but was of the view that a well funded, bus-based park and ride, integrated public transport network fuelled on low carbon fuels was the solution to sustainable transport. QPANI expressed its support for rapid transit for Belfast and government incentivises to encourage the use of low carbon fuels. QPANI also stressed that it had made representations to Roads Service on the need to look to lower carbon products, and that some progress had been achieved with more sustainable bitumen products and processes. On balance, QPANI did not think that sustainability would be achieved because of constraints on the budget, but that a balance needed to be struck. The economy needed to be prioritised because the only way we can be in a position to offer better services in the future is by increasing the tax take from the economy and growing the private sector.

31. The CBI view was that sustainability clearly covers economic, social and environmental. CBI welcomed the investment in the rapid transit system and believes it will help achieve the modal shift in transport. It was CBI's view that the focus of public transport should be on the high traffic volume routes, and on building on the investment made in recent years in the metro service to improve connectivity.

32. Addressing congestion through investment in roads projects was also identified by the CBI and the M22 at Castledawson was identified as a priority. The FTA also identified the junction at Dee Street, Belfast, as an example of where relatively small changes in the roundabout could ease congestion, and thus address air quality and particulates levels.

33. In its contribution, Sustrans stated that congestion only accounts for one third of transport costs, and that it is important to factor in the longer term environmental and health benefits of more active travel patterns. It pointed out that a cost benefits analysis shows that money spent on infrastructure for active travel delivers gains in excess of those delivered by building roads. Sustrans asked that the Draft Budget re-examines the safety measures that benefit children, the impact on people that do not have access to a car, and more environmentally sustainable modes of travel. It points out that in this version of the budget road safety, traffic calming, pedestrian and cycling measures are, in its view, virtually eliminated, and suggests that there is a need to get the balance back whereby we incorporate active travel into the budget and look to the benefits that arise from active travel.

Funding for structural maintenance

34. The Committee's views on the importance of securing adequate funding for structural maintenance are well known and rehearsed. Indeed, the Committee has expressed its support for funding for structural maintenance in monitoring rounds, and in debates on budget bills and draft budgets since the beginning of this mandate. However, Members wish to take this opportunity to rehearse the contribution to economic competitiveness, value for money and road safety arguments for providing adequate funding for structural maintenance.

35. In terms of stakeholder comments, QPANI highlighted the importance of investment in structural maintenance, given the current condition of the roads network and the additional damage that has been done over the past two years with the severe winter weather. It welcomes the allocation of £94m in the first year for structural maintenance, and points out that this allocation will sustain 1,200 jobs in the construction industry. However QPANI considers this allocation to be a way short of what the Snaith Report established was required on an annual basis, which estimates that £112m per annum was the amount needed. Over the four years of the budget period, there will be a shortfall of £168m against the funding recommended in that report, which will further add to the backlog in investment in this vital area. QPANI also pointed out that the £94m allocation in year one will not have the same purchasing power as in other years because of increasing fuel and bitumen costs, and the impact of the loss of the aggregates levy.

36. NILGA stressed the longer term value for money implications of failing to deliver adequate structural maintenance as filling pot holes is costly compared to a planned preventative maintenance programme.

Issues for local government

37. Representatives from NILGA highlighted the following points as being of particular relevance for local government. NILGA was concerned about the negative impact reductions in maintenance activities will have on local government and the possible impact on rate payers. Reduction in maintenance gully emptying budgets could exacerbate the problem of localised flooding after heavy downpours. It was also concerned that hidden costs were being passed to councils. DRD proposed reduced frequency of grass cutting, weed killing and litter picking. These services are currently augmented by local councils however, the reductions in these activities by DRD are likely to lead to councils having to pay for this, at considerable cost. The issue of salting footpaths was also mentioned. NILGA stated that concerns remained over resources, liabilities, and indemnities however options for a more acceptable long-term solution are currently being explored.

38. Finally, I would like to thank the many stakeholder groups and organisations who responded to the Committee's request for briefing in such a short timeframe. The Committee would be

happy to receive written submissions on the impact of the Draft Budget, as the budget process moves forward. The Committee would also like to recognise the departmental officials, for their helpful and informative briefings to the Committee during what I know is a busy time for any department. As I have said above, the Committee hopes to continue working with the Department over the course of the development of a final Budget to secure the best possible public transport, road network and water and sewerage services for households, communities and businesses across Northern Ireland.

Appendix 5

Memoranda and Correspondence from the Department of Finance and Personnel

Draft Briefing Paper on new Economic Strategy

The Executive agreed that the ETI Minister, Arlene Foster, would chair the Executive sub-committee established to develop a new Economic Strategy for Northern Ireland. Minister Wilson attended the first meeting of the Executive Sub-Committee on the Economy convened on 20 May 2010. Other Ministers in attendance included Arlene Foster MLA (Chair) Robin Newton MLA, Caitríona Ruane MLA, Conor Murphy MLA and Sir Reg Empey MLA.

The focus of this meeting was on the development of an economic strategy for Northern Ireland, and the two substantive items on the agenda were:

1. A presentation on the Economic Priorities for Northern Ireland; and

2. A paper on developing an Economic Strategy for Northern Ireland.

At the meeting it was agreed that a co-ordinated Economic Strategy for Northern Ireland should be developed. Ministers agreed that the new Economic Strategy can not be developed by any department in isolation. The role of the Executive Sub-committee will be to ensure buy-in and co-ordinated action on the economy across all departments.

The next meeting has been scheduled for 6 July 2010. At this meeting Ministers will discuss and agree a list of strategic themes, which will be used to provide the framework for developing the strategy.

Some areas which may form the basis of strategic themes were discussed at the 20 May meeting. These included:

1. Connections to the global economy (e.g. promoting inward investment and exports);

2 Business growth (including both a sectoral focus, and the role of the social economy);

3. Innovation and R&D;

4. Skilled workforce;

5. Balanced sub-regional growth; and

6. Developing economic infrastructure + NI's tourism product.

Ministers also discussed the consultation process for the new Economic Strategy, and agreed to a public call for evidence. Departmental officials have been asked to reach agreement on the structure, content and timing of the public call for evidence.

In terms of an overall timescale, the Economic Strategy must be significantly developed by the end of 2010, and in time to inform the Programme for Government, with final publication by March 2011.

The key input that DFP will bring to this process is ensuring that the new Economic Strategy is based firmly on an objective assessment of relevant evidence and the appropriateness of suggested interventions in the current financial context. DFP has also offered to contribute to a "Context Section" covering the global, European, national, north south and local fiscal context that will form the backdrop to this work.

Strategic Policy Division
June 2010

The NI Economy - Executive Sub Committee presentation

The Northern Ireland Economy

Executive Sub Committee

20 May 2010

Overview

1 CURRENT POSITION
- Recession
- Economic Prosperity
- Jobs
- Wealth

2 ECONOMIC PRIORITIES
- Programme for Govt
- Productivity
- Employment
- Education & Skills

3 ROADMAP / STRATEGY
- Future Priorities
- PfG Progress
- IREP
- Executive Sub Group
- Economic Strategy

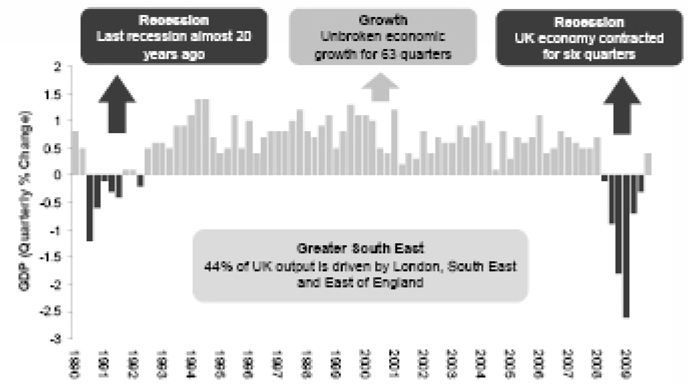
Supporting material available in Annex

1

CURRENT POSITION

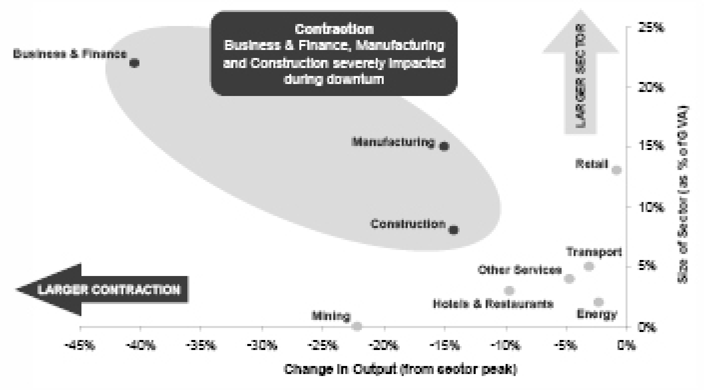
Recession

The UK economy has faced its longest recession since records began…



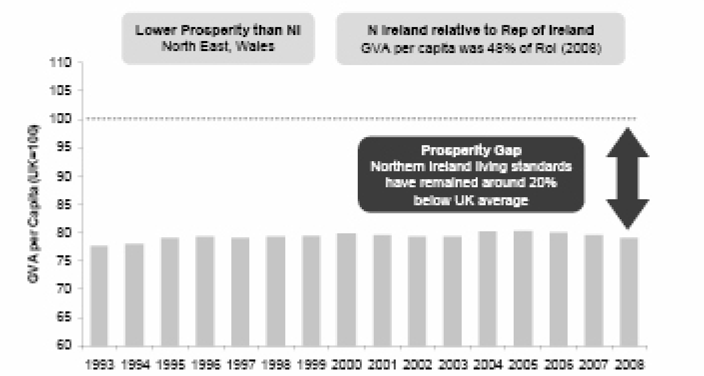
Recession

…and the Northern Ireland economy has also been badly impacted…



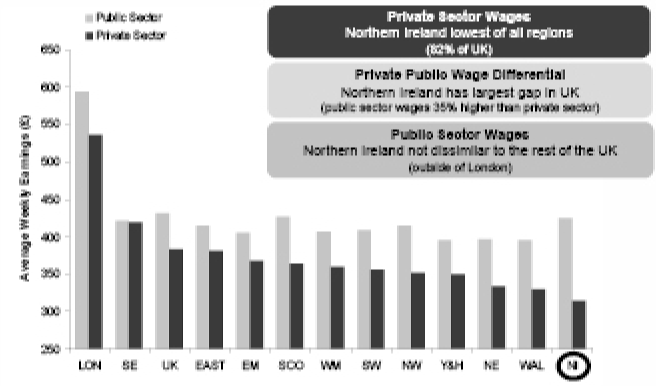
Prosperity

…but low prosperity has been a long term problem…



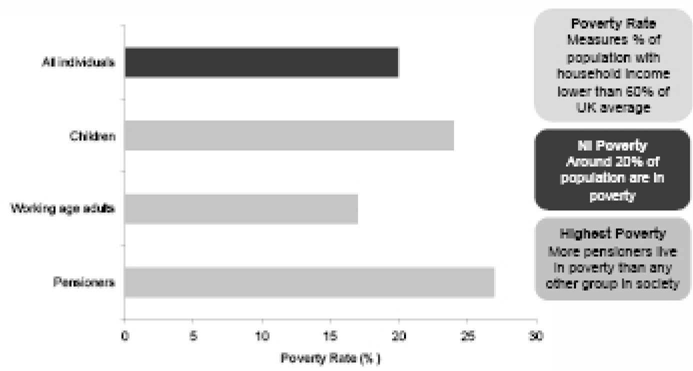
Prosperity

…which means lower wages…



Prosperity

…and significant poverty levels



Prosperity

Low prosperity is due to jobs and wealth creation

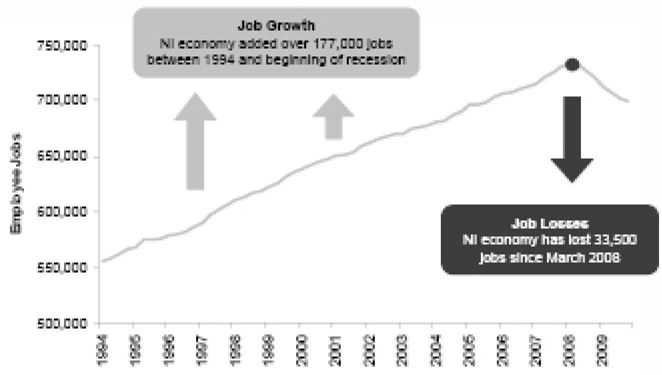
MAIN REASONS FOR LOWER PROSPERITY

JOBS
Not enough people in employment and too many economically inactive

WEALTH
Not enough high value added employment in the private sector

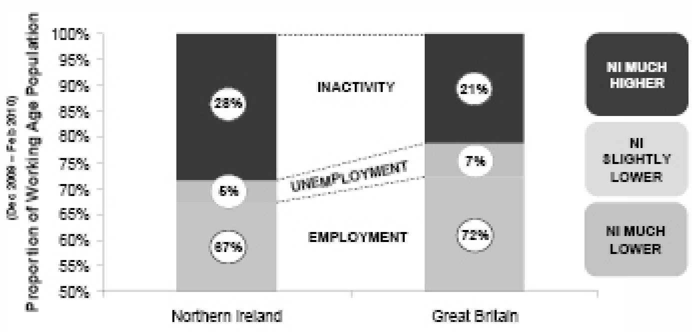
Jobs

Northern Ireland was successful at job creation until the downturn…



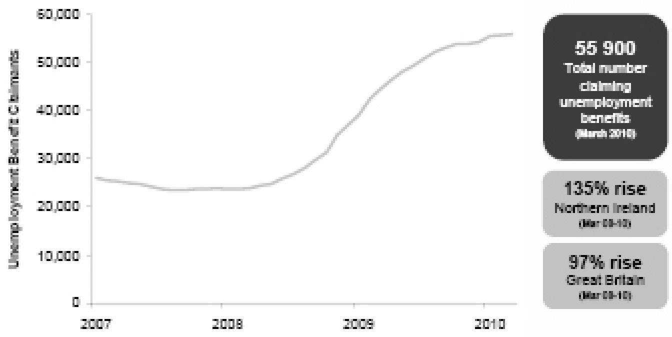
Jobs

…but employment remains low and inactivity high…



Jobs

…and the economy has seen a rise in claimants…



Jobs

…with many coming from the construction sector and lower skilled occupations…

33 920
Total claimant increase since November 2007
(for those who's occupation is known)

28% — From specific construction occupations

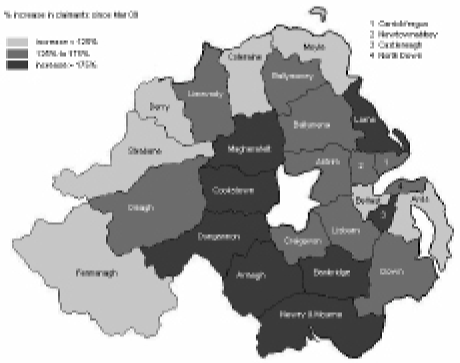
72% — Other occupations (including those that service construction)

BY SKILL LEVEL	Increase	Proportion
Level 1 – Basic general education	9 285	27%
Level 2 – Good general education	13 820	41%
Level 3 – Post compulsory education	9 485	28%
Level 4 – Degree level education	1 330	4%
TOTAL CLAIMANTS INCREASE	**33 920**	**100%**

Low Skills
Large majority of increase in claimants from occupations with lower level skills

Jobs

…and largest rises in councils with relatively low unemployment at start of recession



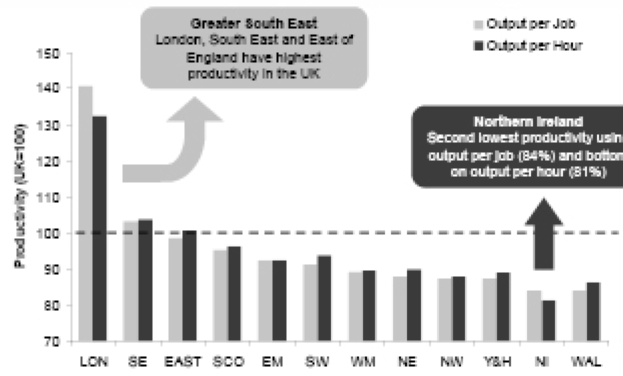
Northern Ireland
All areas of Northern Ireland experienced large increase in claimants

Significantly impacted
Magherafelt, Dungannon, Cookstown, Newry & Mourne and Banbridge all increased by more than 200%

Claimant Rate
Areas with low increases still have highest rates of unemployment (e.g. Derry, Strabane, Belfast)

Wealth

Northern Ireland's productivity is one of the lowest in the UK…



15

Wealth

…with low productivity in key sectors…

Productivity (UK=100)	2006
Agriculture	79
Extraction	95
Manufacturing	92
Utilities	120
Construction	92
Distribution & Retail	92
Hotels & Restaurants	89
Transport & Communications	81
Financial Services	69
Business Services	80
Public Administration	110
Education	100
Health	88
Utilities	79

Manufacturing
Productivity below UK average

Financial & Business Services
Productivity is significantly below the UK average

16

Wealth

…an over reliance on the public sector…

	PUBLIC OUTPUT (as % of total output)	PUBLIC EXPENDITURE (as % of total output)	PUBLIC JOBS (as % of total jobs)	PUBLIC JOBS (as % of total population)
NI	26%	63%	36%	14%
GB	18%	39%	28%	12%

HIGH SPENDING
Public sector directly (output) and indirectly (expenditure) supporting wealth creation

HIGH EMPLOYMENT
Large public sector although this reduces when take into account total population

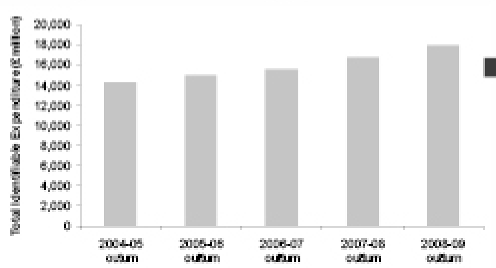
17

Wealth

…which is facing significant budget pressures in the coming years…

Spend vs UK
NI spend 23% higher than UK average per head

Fiscal Deficit
DFP estimate deficit to be £6.7 billion in 2006/07



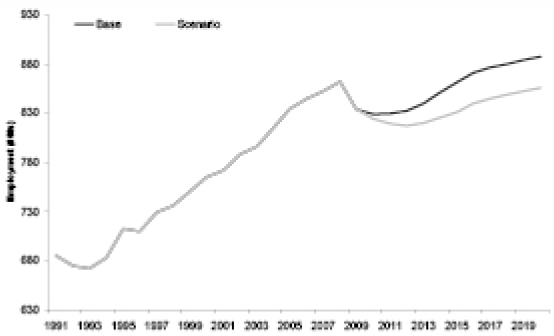
Future PE
Significant budgetary pressures

Reduction
Estimated PE fall of up to £1 billion over three years
(ERNI)

18

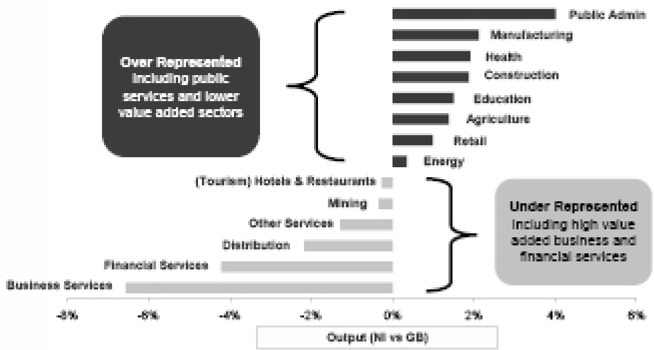
Wealth

…and could lead to further and significant loss of jobs… (worst case scenario below)



Wealth

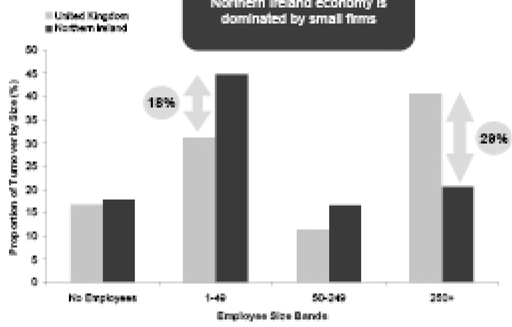
…and an economy which is under represented in high value added activities…



Wealth

…and lacks sufficient large firms to invest in high value activities…

Small Firms
Northern Ireland economy is dominated by small firms



Large Firms
Northern Ireland lacks critical mass for R&D, exports and investment

Wealth

…with Northern Ireland performing poorly on the drivers of productivity

INNOVATION	**BERD:** Half the level of the UK average (as % of GVA)
	Innovation: Below UK average on innovative activity
ENTERPRISE	**Exports:** Below other comparable UK regions (as % of GVA)
	Start ups: Lowest in the UK (as % of total business stock)
SKILLS	**Qualifications:** High proportion of workforce with no qualifications
	Training: Low levels of on-the-job training
INFRASTRUCTURE	**Investment:** Relatively low spend on economic infrastructure (relative to social infrastructure)

2

ECONOMIC PRIORITIES

PfG

The economy is at the centre of the PfG…

Economy
Growing a dynamic, innovative economy is central to achieving all goals in the Programme for Government

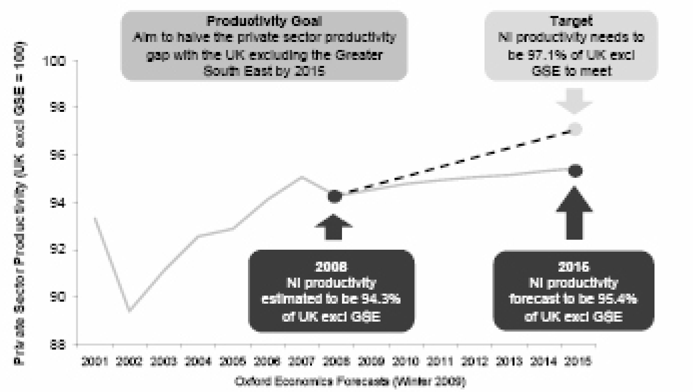
PRODUCTIVITY

EMPLOYMENT

Recession
These priorities remain key to driving economic growth

Productivity

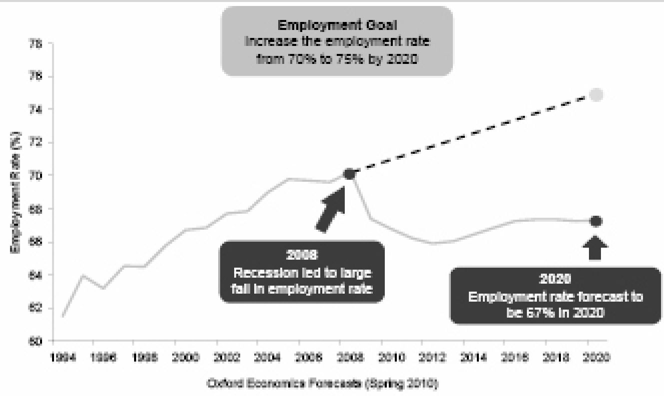
…which includes a productivity goal…



25

Employment

…and an employment goal



26

3

ROADMAP / STRATEGY

Priorities

Productivity and employment remain the right economic priorities…

Independent Review of Economic Policy (DETI and Invest NI)

"it is vital that economic development policy in NI is characterised as being flexible and focused – able to make short term interventions to assist employment, but equally remains focused on growing the more productive and wealth creating private sector which is at the heart of the PfG "

Progress

…and some progress has already been made…

Innovation	Invest NI leveraged £195m of innovation expenditure since April 2008, strong HE/FE R&D performance and MATRIX initiative
Enterprise	Invest NI supported 426 companies to become exporters for the first time and secured £272m in annual wages and salaries since April 2008
Infrastructure	Improved telecoms from Project Kelvin and £1.358bn planned investment in productive / transport pillars during 2008-11 through ISNI
Regional Development	Progressed around £500m of strategic road network including upgrade of M1 / Westlink, widening of M2 and further work to A1 and A4
Employment	More than 53,000 people moved from welfare to work since April 2008 and over 3,100 new FDI jobs promoted with salaries above the NI PSM
Skills	Over 90,000 additional people in the labour market with HE and degree level qualifications over the past decade
Education	A greater proportion of pupils leaving school with a good standard of education (5 or more GCSEs at A*-C including English and Maths)
Business Support (INI)	Invest NI introduced Short Term Aid Scheme and Accelerated Support Fund to help businesses during downturn
Business Support (DEL)	DEL offer Rapid Response initiative, 100% funding for Management and Leadership programmes and joint DEL / INI Assured Skills project

29

IREP

…but it is clear more needs to be done to meet the Programme for Government goals

30

IREP

IREP highlighted the need for improved co-ordination of economic policy…

Independent Review of Economic Policy

"leadership on the economy stems from the very top of government… we believe a further important step should be taken"

→ **The Review Panel recommend that the FM and dFM and the Executive establish a sub-committee to prioritise action on the economy**

"we believe that there are too many separate economic strategies for a small region such as NI"

"our view is that an overarching economic strategy… should be able to sufficiently capture the critical issues"

→ **The Review Panel recommend that the Executive sub-committee should agree an economic strategy, building on the findings of IREP, as a matter of urgency**

Sub Group

…therefore this sub-group has been established…

EXECUTIVE SUB COMMITTEE

- Department of Enterprise, Trade and Investment
- Department of Finance and Personnel
- Department for Regional Development
- Other departments as necessary
- Department for Employment and Learning
- Office of the First Minister and Deputy First Minister
- Department of Education

Strategy

...and will build on existing strategies to develop a new approach to the economy

33

ANNEX: SUPPORTING MATERIAL

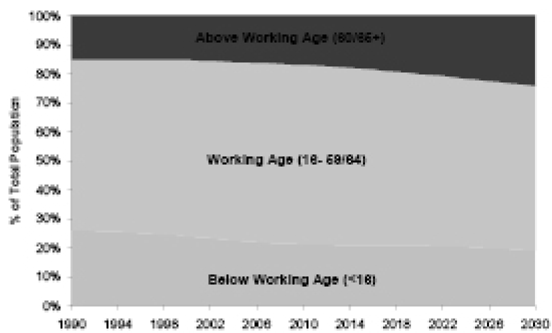
34

Annex

Contents Page

Annex

Demography



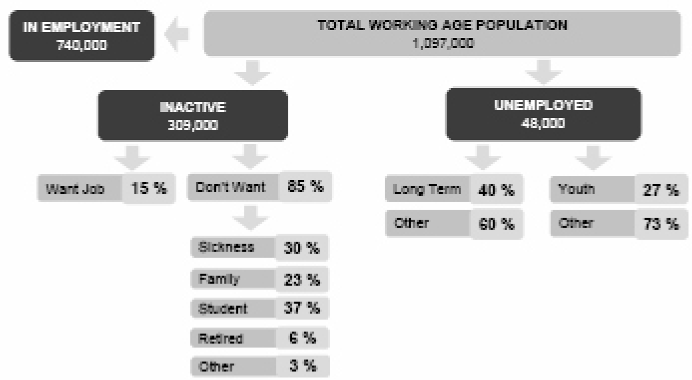
Ageing Population Estimated 24% of population aged 60/65+ in 2030

Older Workforce Almost one-half of working age population aged 40+ in 2030

Fewer Young People Estimated 19% of population aged under 16 in 2030

Annex

Overview of Labour Market



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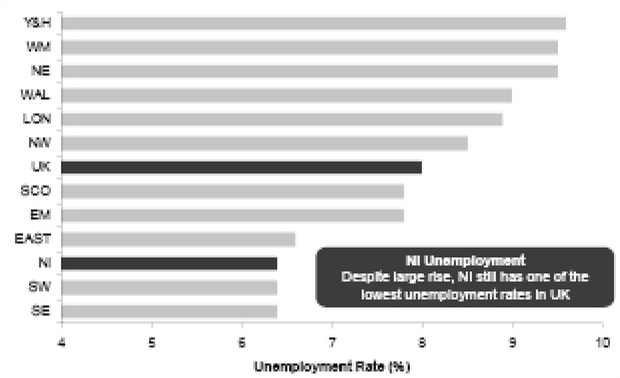
UK Regional Unemployment



Annex

Jobs Lost during Recession

Sector	Job Losses	Proportion of Total	Mean FT Earnings	Relative to NI ave
Pure Construction				
Specialised construction activities	-6,200	20%	£23,107	- 9%
Construction of buildings	-4,030	13%	£25,163	- 1%
Civil engineering	-1,510	5%	£24,614	- 3%
Top 5 Other Industries				
Employment activities	-3,670	12%	£17,778	- 30%
Wholesale trade (excl motor vehicles and motorcycles)	-2,990	9%	£26,885	+ 6%
Manufacture of other non-metallic mineral products	-1,640	5%	£24,680	- 3%
Food and beverage services	-1,580	5%	£15,070	- 41%
Manufacture of fabricated metal products (excl machinery & equip)	-1,290	4%	£28,319	+ 11%
Total	**-31,670**	**100%**	**£25,470**	**n/a**

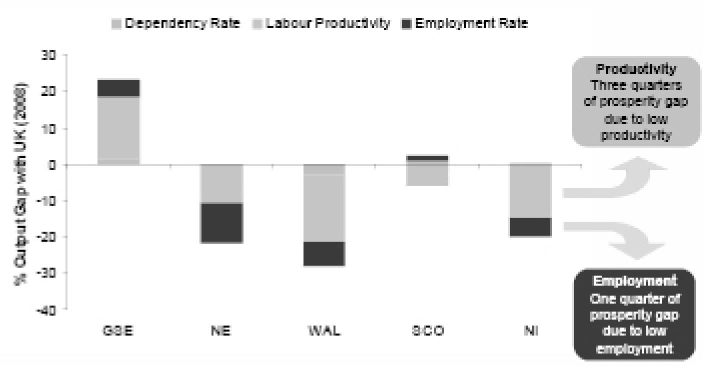
Construction Accounts for 38% of total job losses in NI

Other Sectors Largest job losses have tended to be in lower wage sectors

39

Annex

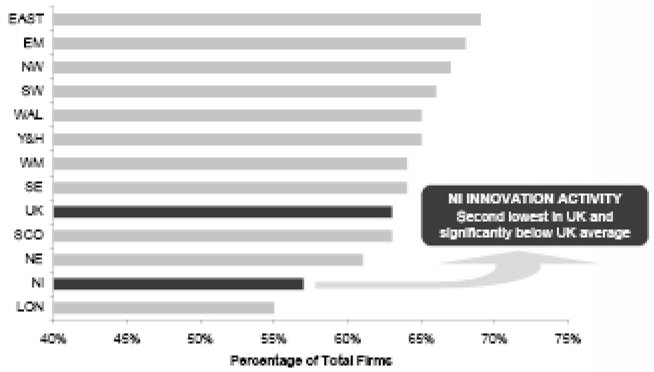
Explaining the Economic Prosperity Gap



40

Annex

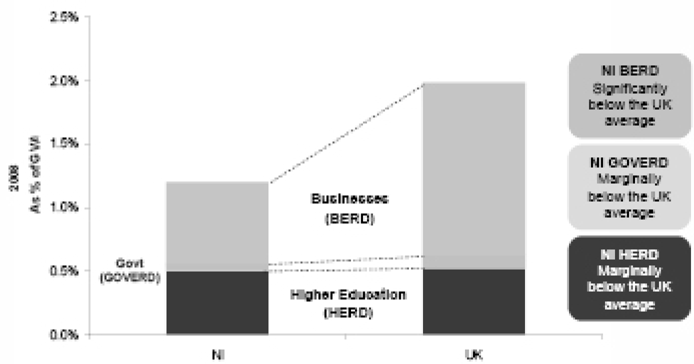
Innovation Activity



41

Annex

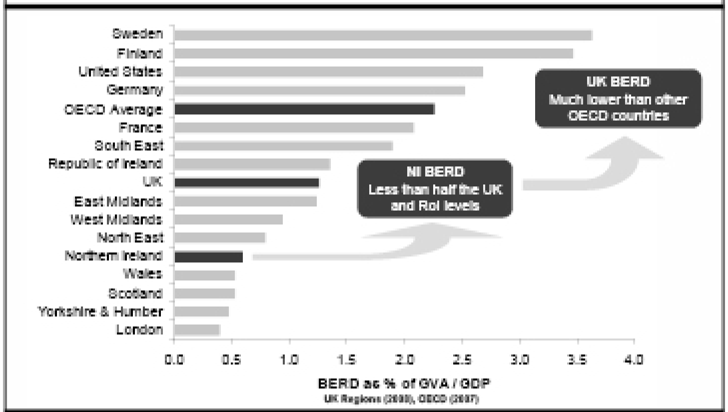
Breakdown of R&D Expenditure



42

Annex

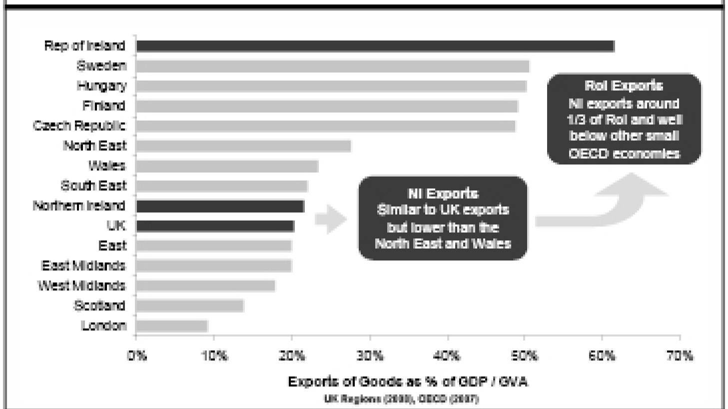
Business Expenditure on R&D



43

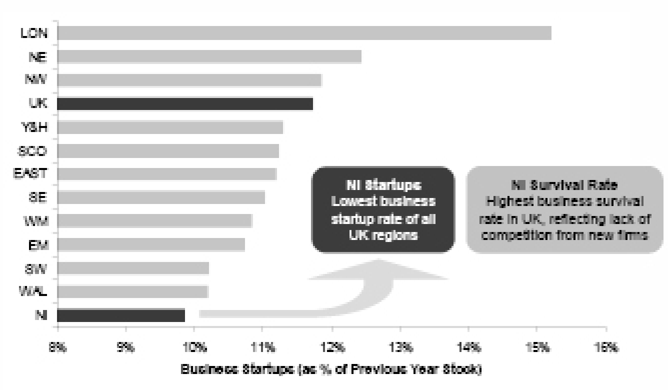
Annex

Export of Goods

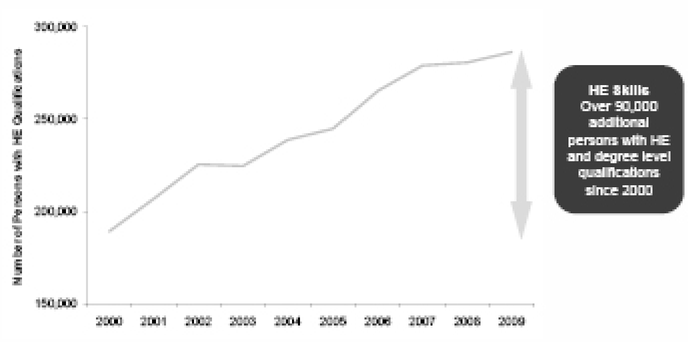


44

Business Startups



Higher Education Qualifications



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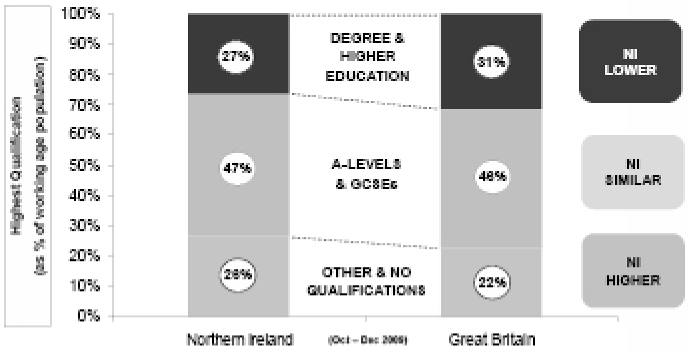
Qualifications of Working Age Population



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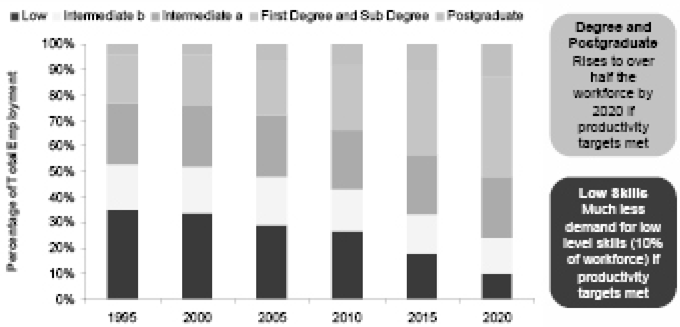
Improving Productivity and Demand for Skills



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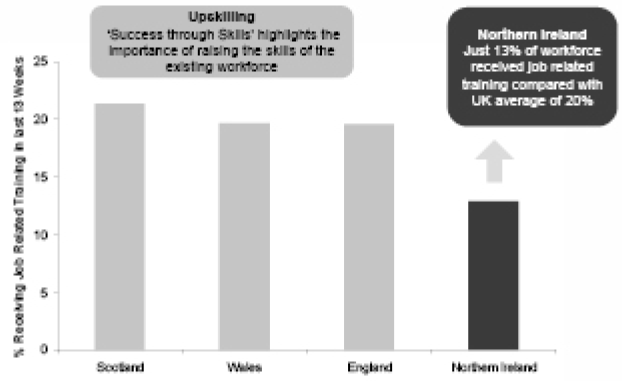
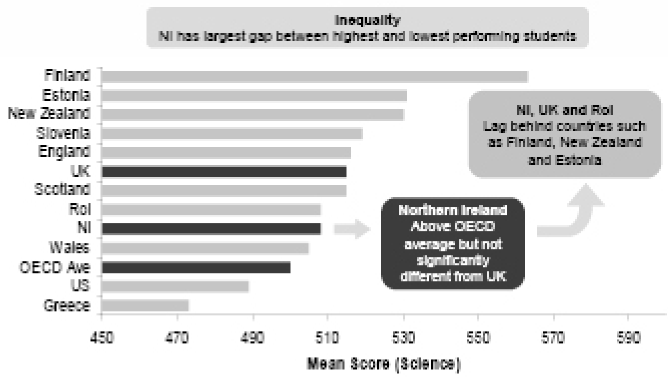
On The Job Training



49

Annex

Literacy: Science

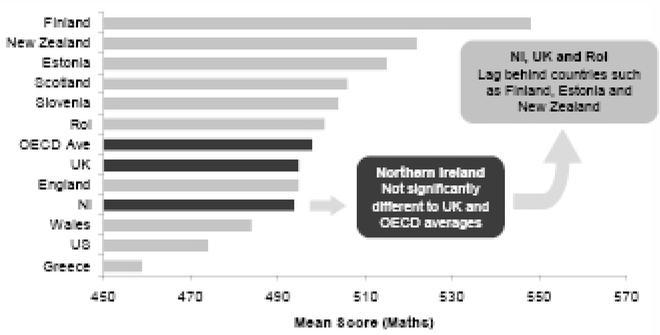


50

Annex

Literacy: Maths

Inequality
Large attainment gap between highest and lowest performers in NI

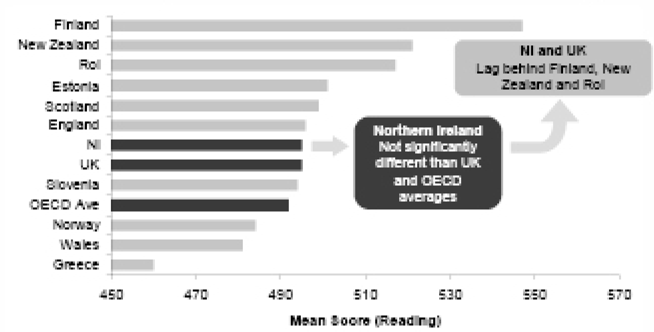


51

Annex

Literacy: Reading

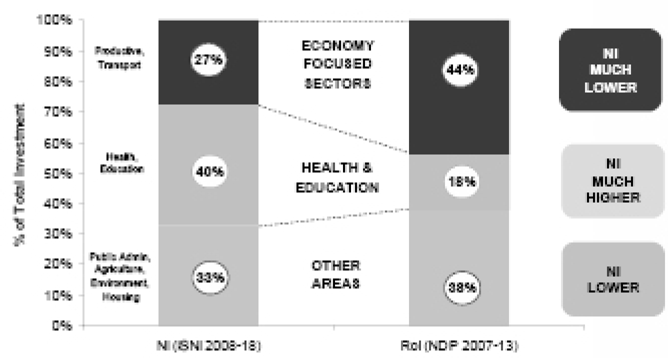
Inequality
NI has large gap between highest and lowest performing students



52

Annex

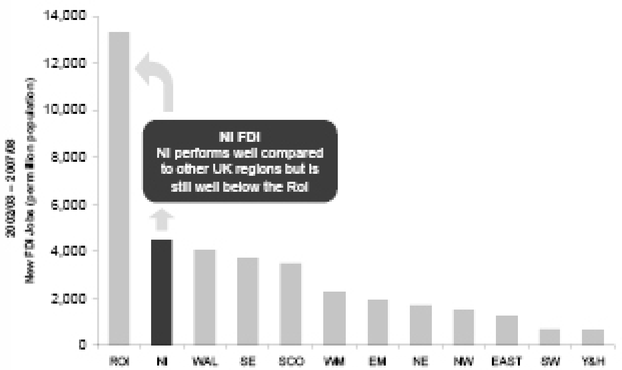
Infrastructure Investment



53

Annex

Jobs Created in New FDI Firms



54

Annex

Quality of FDI Jobs

2002/03 – 2007/08	No of Projects	% Jobs Above NI Private Sector Median		
		New	Safeguarded	Total
Manufacturing	90	67	86	81
Food & Drink	19	33	33	33
Electrical & Electronics	17	93	99	98
General Manufacturing	13	33	79	71
Transport	12	64	0	92
Life Sciences	5	27	0	27
Services	83	46	100	47
ICT	41	93	81	92
Contact Centres	35	33	100	36
Total	173	50	87	65

Manufacturing
Relatively higher wage jobs although mainly through safeguarding

Services
Low wage new jobs, particularly in contact centres

Relatively Low Wages in New FDI Jobs
Salaries are relatively high in safeguarded jobs but much lower in new FDI jobs

Annex

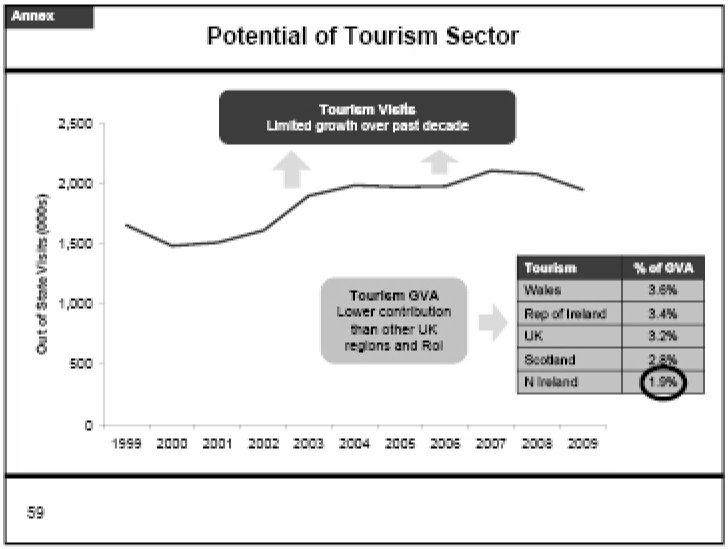
State Aids Limits

% of Project GGE	BELFAST			REST OF NI		
	Large Firms	Medium Firms	Small Firms	Large Firms	Medium Firms	Small Firms
2007-10	30%	40%	50%	30%	40%	50%
2011-13	10%	20%	30%	15%	25%	35%

Falling Aid Limits
Less ability to support SFA projects in firms from January 2011

Post-2013 Limits
Uncertain state aid limits post-2013, with the potential these could be reduced further

Innovation and R&D
EU threshold for R&D projects is much higher and less likely to be reduced in the future



NI Executive Budget 2010
Guidance for Departments

Public Spending Directorate
DFP

June 2010

Section 1 – Overview and Timetable

Introduction

1.1 This purpose of this guidance is to provide details of the background and approach to the NI Executive Budget 2010 process. It outlines:

a) the Public Expenditure context

b) the processes that will contribute to it;

c) the inputs required from departments; and,

d) the timetable for the key stages in the process.

1.2 In the context of the continued uncertainty in respect of the UK public expenditure environment and the expectation of a real terms reduction in available resources, the Budget 2010 process will involve the development of the spending plans for NI departments covering the four year period 2011-12 to 2014-15. In parallel, work will need to be taken forward by departments to develop plans to deliver additional resource releasing savings over this period in order to fund the allocations made in the Budget 2010 process.

1.3 It is important to stress at the outset that a number of the planning assumptions set out in this guidance may be subject to change by the Finance Minister and the Executive, as well as in response to changing circumstances. However, in order for departments to be able to provide meaningful Budget 2010 returns, it is essential that there is some form of point of reference on which spending proposals can be based.

1.4 Throughout the Budget 2010 process, departments will have due regard to the objectives as outlined below including statutory duties concerning equality of opportunity and good relations as set out in Section 75 of the Northern Ireland Act 1998; they will also give full consideration to opportunities to address social need experienced by the most deprived people and areas, focusing particularly on opportunities to tackle the problems of unemployment and/or increase employability.

1.5 Departments are also reminded of the importance of early and regular engagement with key stakeholders during all stages of the Budget 2010 process, particularly with Assembly committees. Departments should engage with stakeholders when identifying and prioritising both spending proposals and savings plans.

Public Expenditure Context

1.4 The 2007 UK Comprehensive Spending Review was formally launched 27 months before the outcome was announced in October 2007. In contrast, the 2010 Spending Review will have to be completed in less than 6 months whilst the change in Government has resulted in additional uncertainty in respect of the expected outcome for the NI Executive. The emergency UK Budget on 22 June 2010 is expected to provide an updated position in respect of projected level of UK public spending over the next four years, although the NI Executive Departmental Expenditure Limit (DEL) will only be confirmed at the conclusion of the 2010 Spending Review in the autumn.

Current Expenditure

1.5 In respect of current expenditure, the expectation at this time is that the NI Executive DEL will remain constant in cash terms over the next four years (i.e. a real terms reduction) but from a reduced baseline position reflecting the NI Executive's share (£127 million) of the reduction in UK public spending announced on 24 May 2010. In addition, there is scope for HM Treasury to make further baseline adjustments.

1.6 The planning assumption is that there will not be significant additional amounts of resources available for allocation from internally generated sources of funding, whilst the overcommitment is expected to remain at zero for the Budget 2010 period, reflecting the improved spending performance of NI departments over the Budget 2008-11 period. This means that NI departments will need to deliver additional savings in order to generate the resources required to address the cost pressures and policy initiatives that departments are now being asked to submit- see Section 2.

1.7 It is essential therefore, that there is a strong focus on delivering savings, whilst minimising the impact on the delivery of priority frontline services. Therefore the intention is for Savings Delivery Plans to be published by departments alongside the draft Budget document, or as soon as possible thereafter, to facilitate public consultation and to ensure that the provision of priority services can be maintained. Further guidance will be issued on this matter to departments shortly.

1.8 The current expenditure baseline position for NI departments in Budget 2010 will be the Revised 2010-11 Spending Plans agreed by the Executive in April 2010 adjusted for time limited allocations, the savings projected to be made from Invest to Save Projects over the period 2011-12 to 2014-15 as well as the additional savings required as part of Budget 2010.

Capital Investment

1.9 In line with normal practice, there is no baseline position in respect of capital investment, reflecting the discrete and finite nature of most capital projects. In addition, the position in respect of the expected level of available resources to fund capital projects over the Budget 2010 period is more uncertain than for current expenditure. Although there is expected to be a significant reduction in the NI Executive capital investment DEL, there are a broad range of potential outcomes. Furthermore, although there are signs of recovery in the local property market, it is expected that departmental capital receipts will be lower than previously (indicatively) planned for over the early part of the Budget 2010 period.

1.12 Therefore, the level of resources available capital investment is expected to be less than the indicative plans for capital investment over the period 2010-11 to 2014-15 included in the second iteration of the Investment Strategy for Northern Ireland (ISNI) 2008-18. The slippage of projects from the current Budget period will increase the demand for resources whilst there should, in principle, be significant offsetting savings from lower than expected construction and land costs.

1.13 The capital allocations to NI departments for the years 2011-12 to 2014-15 will be set as part of the Budget 2010 process, informed by the work, led by the Strategic Investment Board (SIB), to develop the third iteration of the ISNI. Priority will be given to capital projects which are already substantially commenced as well as those where contractual commitments are in place for specific amounts of funding.

Departmental Baselines

1.14 Detailed baseline prints will be issued to departments shortly. As departments are not expected to be currently in a position to provide details of where they intend to make additional savings over the coming four years, the baseline prints will include a separate Unit of Service (UoS) with a negative figure for the amount of savings required of each department. As the Budget 2010 process progresses and departments identify the business areas where savings are to be made, the amount attributed to this UoS should move to zero. Although the full amount of the savings required will be attributed to Other Resource Near Cash in the first instance, departments will be able to transfer part of the savings into Administration Near Cash, in line with their Savings Delivery Plans.

1.15 The deadline for submitting Budget 2010 spending proposals is 30 July 2010. In addition, departments will be expected to have provided full details of the areas where they intend to make savings by 26 August 2010 which is also the deadline for departments to complete a Technical Exercise in respect of proposed transactions to move resources in the opening baseline position between both UoS and UoB. This represents a greater degree of flexibility for departments than would normally be the case to allow departments to more fully align funding with business requirements.

Ministerial Priorities

1.16 The broad strategic priorities for the Budget 2010 process are expected to be in line with those set out in the Programme for Government with "growing the economy" remaining the Executive's top priority. In addition, and subject to further Executive consideration, it is expected that the same basic structure in respect of Public Service Agreements will remain in place. However, there will be revisions to the specification of performance targets reflecting the departmental allocations made as part of the Budget 2010 process. In order to enhance this linkage, each spending proposal will be expected to include details of the impact of the bid being successful (against the counterfactual position) for specific quantifiable performance targets, in addition to the linkage to overall PSA's

Department of Justice

1.17 The Executive has yet to conclude on the approach as to how the Department of Justice (DoJ) and the Public Prosecution Service (PPS) should be incorporated into the Budget 2010 process. For example, in light of the financial package agreed with the Government as part of the devolution of policing and justice powers to the NI Assembly one option would be for DoJ and PPS to be ring-fenced as part of Budget 2010. However, until this decision is made by the Executive, in terms of preparatory work, both DoJ and PPS are advised to develop Savings Delivery Plans and Spending Proposals on the same basis as that for the other main departments.

Minor Departments

1.18 In line with previous arrangements, the NI Assembly and the NI Audit Office will be provided with the level of funding required by each organisation (both current expenditure and capital investment) in order to carry out their respective functions, as agreed by the Assembly Commission and the Public Accounts Committee respectively. In accordance with the overall framework for Budget 2010, the approach for the Assembly Ombudsman/Commissioner for Complaints, Food Standards Agency and NI Authority for Utility Regulation will be the subject of further specific discussion with DFP to ensure that it is fit for purpose, in light of the scale of funding to these organisations.

Consultation

1.20 One of the main themes from the Review of the NI Executive Budget 2008-11 process was the need for earlier and more detailed engagement by departments with their Assembly committees and other stakeholders as part of each Budget process. Although the unavoidable delays in initiating the Budget 2010 process means that there will be less scope to take this forward as part of the current process than will be the case in future years, it remains essential that Assembly committees are provided with as much information that is both appropriate and practical. However, it is also recognised that there can be significant differences in the form of engagement between individual departments and their respective Assembly committees whilst decisions on how to manage this relationship ultimately lie with individual departments.

1.21 In addition to the regular updates that departments should already be providing to Assembly committees in respect of their financial position for 2010-11 and future years, it is important that committees are also provided with the opportunity to provide advice and comment in respect of the Budget 2010 process. In particular, departments will be expected to consult with Assembly committees, as well as other key stakeholders, in respect of the spending proposals for Budget 2010. This should include a clear rationale for the departmental prioritisation of spending proposals whilst also highlighting the broader financial context.

1.22 However, the need to take forward the Budget 2010 process in a timely manner remains paramount and departments should not delay in providing returns to DFP by 30 July 2010, in order to consult with their Assembly committee. The pro-forma for each spending proposals will now include details of the groups that the department has consulted with in developing the bid for additional funding. Assembly committees should also be kept fully informed of any changes to their spending proposals during the course of the Budget 2010 process.

1.23 It is intended that supporting documentation such as prioritised spending proposals and Savings Delivery Plans will be published at the same time, or as soon as possible after, the draft Budget document is published in the autumn. Supporting documentation should be published on departmental websites and sent to Assembly committees. Although the draft Budget document will include high level detail in respect of the budget allocations to NI departments it is also important that Assembly committees are provided with details of which spending proposals are being supported and how much funding is being provided.

1.24 The main form of consultation on the draft Budget proposals will be through the Assembly committees and departments should seek to provide timely responses to any queries or requests for additional information. It is also important that there is recognition of the financial constraints facing the Executive and departments should highlight the consequences that additional funding for one particular area may require the funding for another to be reduced accordingly. Departments will also wish to consult with stakeholder groups with a specific interest in the allocation of resources between business areas within the department. Whilst it may not be possible to fully incorporate the views expressed during the draft Budget consultation process into the final revised spending plans for NI departments, it is important to provide feedback to stakeholder groups and in particular Assembly committees following the conclusion of the Budget 2010 process.

Timetable

1.25 Table 1 below sets out the broad timetable for the Budget 2010 process. It is important to note that there remain some significant uncertainties, particularly in respect of the timing of the outcome of the 2010 Spending Review. Therefore, there may be significant changes in timescales as the process progresses. In addition, the delay initiating the process means that the timescale are very challenging. This reflects the importance of departments and public bodies having final spending plans in place sufficiently advance of the 2011-12 financial year to allow plans for delivery to be put in place.

Table 1: Timetable for Budget 2010 Process

Activity	Timing
Departments to begin work on plans to deliver savings- following DFP Ministers note to Executive of 12 April	April
Guidance issued to departments in respect of Budget 2010	Early June
Guidance issued to departments in respect of Savings Delivery Plans	June
Pre-Consultation exercise with key stakeholders including Committee for Finance & Personnel	June- early August
Receipt of departmental returns – Departments proposed spending plans including linkages to PSA's.	30 July 2010
Ministerial bi-laterals	August – early Sept.
Departments to provide details on savings and Technical Exercise	26 August
Draft proposals to Executive for consideration1	September
2010 Spending Review outcome announced by HMT	October
Draft Budget published alongside draft PfG and ISNI	October
Public Consultation Process on the draft document	October to December
Revised proposals to Finance Minister for consideration	Early December
Revised proposals to the Executive for consideration	Mid December
Final Budget document published	Late December

Note:
1 Based on the anticipated 2010 Spending Review outcome for the Executive.

1.26 The next significant milestone in the process will be the submission of departmental returns for Budget 2010, which should be sent to DFP by 30 July 2010 and recorded on RBM by 5pm on this date. Details of where departmental savings are proposed to be made should be recorded on the RBM by 26 August 2010 as well as details of proposed movements of funding between UoS and UoB.

Section 2 - Departmental Returns

Introduction

2.1 The departmental returns for Budget 2010 should set out, in one document, the departments proposed current expenditure and capital investment spending plans for the years 2011-12 to 2014-15, comprised of a set of spending proposals with supporting evidence. In particular, the benefits that would be achieved as a result of the spending proposal being implemented should be clearly stated with a clear linkage to Public Service Agreement outputs/outcomes where appropriate.

2.2 In making recommendations to Ministers on the allocation of available resources, current expenditure spending proposals will be assessed in terms of alignment with ministerial priorities, impact on PSA indicators as well as the extent to which the proposal relates to an unavoidable pressure (pre-commitment or statutory/legal requirement). In addition, a positive impact on equality, good relations, poverty, social inclusion or sustainable development would also increase the chances that a proposal will be recommended to Ministers. Therefore it is important that sufficient quality and quantity of evidence is provided, with the onus on the sponsor business area.

2.3 In light of the cross-departmental approach to the development of PSAs the preference is that the lead department for each PSA puts forward a joint proposal on behalf of the relevant delivery partner departments. This avoids the risk of two departments bidding for the same funding or not at all. There should be clear identification of when a spending proposal is linked to others so that they can be considered collectively where appropriate.

2.4 Whilst the return will reflect the department's views, it is essential that there is early and substantive engagement with the relevant DFP Supply Team – particularly in view of the tight overall resource position and the desire to avoid nugatory work for departments in terms of preparing spending proposals. Supply will therefore continue to engage with departments to discuss the approach and proposed contents of returns.

2.5 The departmental resource baselines to be used for the Budget 2010 process will shortly be provided. Only the baseline data provided by CED should be used by departments as the starting points for their returns. For the avoidance of doubt, spending proposals are only required where a department requires additional resources to those set out in the baselines. In line with the normal practice, there is no baseline position in respect of capital investment.

Contents of the Return

2.6 The structure for the departmental return is set out below:

- Summary, including overview table of spending proposals in rank order set out separately for current expenditure and capital investment;
- Set of Current Expenditure and Capital Investment Spending Proposals;
- Supporting evidence for each spending proposal in respect of:

Current Expenditure Proposals

- Description of spending proposal and the degree of alignment with Executive priorities,
- Impact(s) on PSA Key Performance Indicator(s),
- Linkage capital project,
- Extent to which bid is unavoidable (pre-commitment, statutory and/or legal obligation, price inflation), and
- Summary of Equality, Good Relations, Anti Poverty, Social Inclusion and Sustainable Development impact.

Capital Investment Proposals

- Description of spending proposal and the degree of alignment with Executive priorities,
- Linkage with capital spend in Budget 2008-11 period,
- Linkage with indicative plans for 2011-15 in ISNI 2008-18

- Extent to which contractual commitment is in place for the projects; and
- Summary of any wider economic benefits as well as Equality, Good Relations, Anti Poverty, Social Inclusion and Sustainable Development impact.
- Other Issues.

2.7 The following paragraphs specify the requirements of each section. It is important that all sections are covered in departmental returns.

Summary

2.8 The departmental submission should begin with a short textual summary of the department's proposals, followed by a table setting out the overall budgeting implications of the proposals. A pro forma for this is attached at Annex A with a separate table to be completed for current expenditure and capital investment spending proposals. At this stage the PSA/Objective linkage is in respect of the 23 PSA's in the Programme for Government (PfG) 2008-11 document. For example, a spending proposal linked to the PSA objective of Tackle the skills barriers to employment and employability, should include the value 3.1 in the PSA/objective column reflecting that this is the first objective in PSA 3.

Spending Proposals and Supporting Evidence- Current Expenditure

2.9 For each current expenditure spending proposal the departmental submission should complete Annex B which sets out details of each proposal and supporting evidence:

a) Summary of Spending Proposal- setting out the main points of the proposal and in particular how it links with the over-arching Executive priorities. The Responsible Officer for the proposal will be contacted for clarification on the information provided in the return. Links to other proposals and the date the HLIA/EQIA was completed should also be specified, as well as the groups consulted with in developing the proposal;

b) Resource Requirements- should be set out relative to the position in 2010-11 although this may not be appropriate for new policies/programmes. The additional funding required is split between administration and Other Resource near Cash, whilst departments should also indicate if this includes depreciation and impairments. In terms of the evidence that the level of resources proposed is the minimum necessary Departmental returns should refer to best practice levels of marginal/average costs in supporting the case. In light of the more constrained fiscal position it is also important to identify whether a reduced form of the bid might be possible (i.e. is it all or nothing);

c) Public Service Impact- key part of each spending proposal will be the projected impact on public services as reflected in the linkage with the PSA Key Performance Indicators (KPI's). Although the expectation is that most spending proposals will be in respect of the existing KPI's within PfG 2008-11, departments will also be able to put forward proposals as regards new performance targets.

The baseline position will be the expected level of performance in 2010-11 for each KPI affected by the spending proposal. In respect of the value added from the bid being successful, the forecast values for the KPI over the next four years should be set under the two scenarios of the bid being successful and not being met. Although, the provision of KPI data will strengthen the case for a spending proposal to be funded, it is recognised that such information may not be available in all cases. Therefore supplementary information on wider benefits can be provided, although such impacts should be clear and unambiguous i.e. references to for example;

improved staff morale, avoidance of industrial action and/or avoidance of public criticism etc should not be used;

d) Extent to which proposal is unavoidable- it is recognised that in some cases there will be significant costs associated with simply maintaining existing services (MES) with little or no enhancement in respect of the delivery of public services. It is essential that sufficient evidence is presented that the proposal is definitely unavoidable and that the quantum of cost involved is the minimum necessary; and,

e) Equality, Good Relations, Poverty/Social Inclusion and Sustainable Development Impact- it is important that specific positive impacts in respect of Equality & Good Relations, as well as Social Inclusion and Sustainable Development are considered as part of the broader assessment of each proposal.

Spending Proposals and Supporting Evidence- Capital Investment

2.10 The ISNI 2008-18 included indicative capital investment spending plans for the period 2011-12 to 2014-15. In addition, information has recently being requested from department at official level in respect of the latest cost profiles for these projects and any additional pressures, focusing on contractually committed spend. However, not all departments were in a position to provide the information as requested whilst it is important that there is a clear understanding of the capital funding requirement identified by departments. Therefore, departments are required to submit spending proposals in respect of all their capital investment requirements over the Budget 2010 period.

2.11 For each capital investment spending proposal the departmental submission should complete Annex C which sets out details of each proposal and supporting evidence. Although, departments should combine smaller scale minor works capital projects as a single proposal, it is essential that there is sufficient disaggregation to provide the Executive with a clear understanding of the proposal.

a) Summary of Spending Proposal- setting out the main points of the proposal and in particular how it links with the over-arching Executive priorities. The Responsible Officer for the proposal will be contacted for clarification on the information provided in the return. Links to other proposals and the date the EQIA/HLIA was completed should also be specified, as well as the expected procurement method;

b) Capital Requirements- should be set out in respect of the full amount required for each financial year as well as the associated additional resource requirements specifically associated with the project, which should not be bid for separately as a current expenditure proposal. In terms of the evidence that the level of resources proposed is the minimum necessary Departmental returns should provide evidence that they have sought to reduce the level of funding required compared to early projections, for example those in the ISNI 2008-18. In light of the more constrained fiscal position it is also important to identify whether a reduced form of the bid might be possible (i.e. is it all or nothing) or whether it would be possible to defer the project until after 2014-15;

c) Linkage with Budget 2008-11- departments should set out details of the extent to which expenditure has already commenced in the current Budget 08-11 period and thus, that rejecting the proposal might result in wasted expenditure. This should not include details for ongoing minor works but specific larger scale projects which have expenditure tails into the Budget 2010 period;

d) Linkage with ISNI 2008-18- departments should set out details of the annual expenditure plans for the project that were included as indicative plans in the ISNI 2008-11 as well as any details of changes to the expenditure profile. In particular, the expectation is that the current capital funding requirements should be lower than when ISNI 2008-18 was published in January 2008;

e) Slippage from current Budget 2008-11 Period- in addition to projects which began in the current Budget period but with tails into the Budget 2010 period (as captured in (c)), there will also be projects that were expected to start in the period 2008-09 to 2010-11 but have slipped to future years. It is important to provide details of only the amount of expenditure that has slipped from the current Budget 2008-11 period, as opposed to the total cost of the project. In order to provide assurance that previously delayed projects will progress in line with the revised timescales, departments should provide details of why there was slippage in the project as well as the steps that have been taken to ensure that it does not occur again.

f) Contractual Commitments- it is recognised that departments may have already signed contracts in respect of projects with expenditure in both the current and Budget 2010 periods. However, the nature of commitments can vary significantly with the key factor being whether a contract has been signed for a specific amount of funding or whether a contract implies a commitment to a minimum level of capital expenditure by a department. In order to provide assurance that a contract is in place, the date that the contract was signed and the date that final DFP approval was secured, should also be specified.

h) Economic, Equality, Good Relations, Poverty/Social Inclusion and Sustainable Development Impact- it is important that specific positive impacts in respect of Equality and Good Relations, as well as Social Inclusion and Sustainable Development should be considered as part of the broader assessment of each proposal. In the context of the key role played by public infrastructure in facilitating economic growth, departments should set out the impact on long term economic growth. In addition, there are also shorter terms economic benefits from expenditure on capital projects as a stimulus for the construction sector, which should also be set out.

Table A1- Summary of Current Expenditure Departmental Spending Proposals – in rank order of priority

Rank	Spending Proposal	PSA	Resource (£000's)
2011-12	2012-13	2013-14	2014-15
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

Table A2- Summary of Capital Investment Departmental Spending Proposals – in rank order of priority

Rank	Spending Proposal	PSA	Capital (£000's)
2011-12	2012-13	2013-14	2014-15
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

1. Summary of Spending Proposal

Title:

Responsible Officer:

Spending Area & UoB: PSA/Objective

Link to other bids:

Date EQIA/HLIA assessment completed:

Bid Consultees:

Set out short summary of the main details of the spending proposal including alignment with Ministerial Priorities

2. Resource Requirements (£000's)

	Baseline	Budget 2010 Resource Requirements (additional amount)		
2010-11	2011-12	2012-13	2013-14	2014-15
Resource				
Admin				

Supporting evidence that level of resource requirement is the minimum necessary – include if includes depreciation and impairment

Could reduced scale of bid be delivered? Yes/No

3. Public Service Impact on PSA Key Performance Indicators (KPI's)

PSA	Baseline		Projected Value	
2010-11	2011-12	2012-13	2013-14	2014-15
PSA KPI 1		No bid		

PSA	Baseline		Projected Value	
2010-11	2011-12	2012-13	2013-14	2014-15
		Bid		
PSA KPI 2		No bid		
		Bid		
PSA KPI 3		No bid		
		Bid		

How will spending proposal impact on PSA Key Performance Indicators and bring wider benefits to the public?

4. Extent to which costs are unavoidable

Unavoidable due to:	Yes/No	Details of why pressure cannot be avoided and or funded from within existing baselines?
Executive Pre-commitment		
Legal/Statutory Obligation		
Price Inflation		
Maintain parity of provision with rest of UK		
Other 1-		
Other 2-		

5. Positive Equality and Sustainable Development Impact

Will the spending proposal have a positive impact in terms of:	Yes/No	Detail
Equality		
Good Relations		
Poverty/Social Inclusion		
Sustainable Development		

1. Summary of Capital Spending Proposal

Title:

Responsible Officer:

Spending Area & UoB: ISNI Sub-Pillar

Link to other bids:

Date EQIA/HLIA completed:

Procurement Method: Conventional/PFI On-Balance Sheet/ PFI Off-Balance Sheet

Set out short summary of the main details of the capital investment proposal including alignment with Ministerial Priorities as well as the rationale for its relative ranking against the other capital projects submitted by department.

2. Capital Requirements (£000's)

Budget 2010 Capital Funding Requirements

2011-12	2012-13	2013-14	2014-15
Capital			
Assoc Resource			

Supporting evidence that level of capital funding is the minimum necessary and reflects the fall in construction prices.

Could the project be deferred until after 2014-15?	Yes/No
Could reduced scale of bid be delivered?	Yes/No

3. Linkage with Budget 2008-11Period

Has expenditure been incurred on the project in the current Budget period?		Yes/No
If yes, what has been the level of expenditure		
(£000's)	2009-10	2010-11

Provide details of the implications of the project not being funded as part of Budget 2010.

4. Linkage with ISNI 2008-18

Was the project included in the indicative plans for the period 2011-12 to 2014-15 as part of ISNI 2008-18?			Yes/No	
If yes, what were the indicative levels of spend attributed to the project for 2011-15				
(£000's)	2011-12	2012-13	2013-14	2014-15

Provide details the reasons for any changes to expenditure profile.

5. Slippage from Current Budget 2008-11 Period

Has expenditure on the project slipped from the current Budget 2008-11 period?	Yes/No
If yes, what amount of expenditure is expected to move to the Budget 2010 period (£000's)	

Provide details of why project slipped and measures taken to ensure that there is no further slippage.

6. Contractual Commitments

Is a contractual commitment in place for the project?				Yes/No
If yes, what is the level of the contractual commitment for the Budget 2010 period (£000's)				
2011-12	2012-13	2013-14	2014-15	2011-15

Date contract signed:

Date Final Business Case approved by DFP

7. Wider Economic/Social Impacts

Will the spending proposal have a positive impact in terms of: Yes/No Detail
Short-term benefit to the local construction sector.
Longer term economic growth
Equality
Good Relations
Poverty/Social Inclusion
Sustainable Development

NI Executive Budget 2010
Savings Delivery Plans - Guidance

Introduction

The purpose of this guidance is to set out the information that should be included in the Savings Delivery Plans of NI departments, to be produced as part of the NI Executive's Budget 2010 process.

The need to reduce the level of UK public sector borrowing over the four year period 2011-12 to 2014-15 will result in significant constraints in the resources available to the Executive in Budget 2010. On 12 April 2010 the Finance Minister wrote to the Executive indicating that the expected public expenditure environment meant that NI departments would need to deliver significant additional savings in the coming years. Therefore, work should already be well progressed in departments to identify measures to deliver savings. The next stage of the process is to formally develop plans for delivery.

Although savings should be sought from reductions in administration and improvements in efficiency in the first instance, the scale of the savings that are expected to be required over the Budget 2010 period means that other options may need to be considered. However, the overriding principle is that savings should be cash releasing and not result in a diminution in the provision of priority frontline public services.

Primary responsibility for the planning and delivery of savings lies with individual NI departments, subject to the normal engagement on public expenditure matters with DFP officials. However, it is important that there is also substantive and meaningful input from Assembly committees and the wider public at an early stage in the development of draft plans. In addition, departments will be expected to make draft Savings Delivery Plans publicly available at the same time as, or shortly after (at most 2 weeks) the draft Budget document is published for consultation in the autumn.

Furthermore, departments should have due regard to the recommendations set out in the report recently published by the Committee for Finance and Personnel on the Preliminary Inquiry into Public Sector Efficiency which examined the achievement of efficiency savings by NI departments in the current Budget 2008-11 period. In particular, there is a material concern that savings have been achieved though crude cuts in services. In this context, it is critical that a clear justification is set out for any savings measure which has the potential to impact on the quality of services provided to the public. Savings should cover the Budget 2010 period and not involve a net present cost to the Executive over the longer term.

Content of Savings Delivery Plans

Each NI department should produce a single Savings Delivery Plan comprised of two main sections:

1) A summary of the measures that make up the department's savings programme and the overall net cashable savings to be delivered over the Budget 2010 period; and

2) A detailed delivery plan for each savings measure which includes a forecast of the expected savings, an account of the actions to be undertaken to realise those savings, a timetable for their implementation and proposals for managing key risks and interdependencies.

(1) Summary of main Savings Measures

The delivery plan should start with a brief (maximum 2 page) summary of the departments savings programme for the years which sets out:

- a short review of the departments performance in achieving efficiency savings in the current Budget 2008-11 period;
- a short description of the department's Budget 2010 savings programme and its role in releasing resources to meet the aggregate target for NI departments; and
- an indication of alternative savings measures that would be taken forward if the measures set out in the draft plan are not implemented.

This section should be based around a summary table (see Annex A) that sets out:

- a breakdown of the main measures that make up the departments savings programme;
- the spending area (Unit of Service) where the savings will be made;
- the level of net cashable savings to be delivered from each savings measure over the Budget 2010 period; and
- the classification of each savings measure.

In respect of the classification of each measure there are a wide range of activities which departments can adopt in delivering savings. In order to allow comparisons between departments each measure should be classified on the basis of the following:

- Procurement: getting better value from purchases of goods and services by the public sector;
- Productive time: freeing up more time for frontline service delivery;
- Corporate services: reducing running costs in human resources, IT support and finance across the public sector;
- Transactions: streamlining government's interactions with citizens and businesses;
- Administration/policy, funding and regulation: rationalising central machinery engaged in policy-making, allocating funding to delivery bodies, regulating and inspecting service quality and developing guidance and support initiatives;
- Maximizing revenue: where it is appropriate to charge for the provision of a public service;
- External Factors: where the impact of factors outside the control of the department results in additional savings;

- Redundant programmes: all spending programmes should be regularly reviewed to ensure that the original rationale for provision remains or that the outcome for the public cannot be better achieved by another programme;
- Lower priority programme: scaling back or cessation of spending on programmes which contribute least to the delivery of overall departmental priorities ; and
- Other: as in the current programme, there may be savings that do not fit neatly into any of the above categories.

In aggregating the total savings delivered by their savings programmes, Departments should be careful not to double count savings across savings measures. Where baseline expenditure for different savings measures overlap, departments should explain how they corrected for any double counting of savings and, where appropriate, include a line in the summary table, which strips this out before arriving at the total savings figures.

(2) Delivery plan for each Savings Measure- see Annex B for pro-forma

The body of this section should be comprised of a set of detailed delivery plans for each savings measure, which sets out:

i) Title of savings measure

ii) a forecast of the savings generated in each year of the Budget 2010 period;

iii) a summary of the evidence supporting the scope for realising these savings;

iv) implications for the delivery of frontline public services;

v) a description of the actions required to realise those savings and a timetable for their implementation;

vi) details of any costs associated with implementation of measure and how they are to be funded;

vii) an account of how the department proposes to manage the key risks to implementation, as well as any interdependencies within or across departments; and

viii) an assessment of the expected impact of the savings measures in respect of equality and good relations as well as sustainable development.

Departments should ensure that the standard of analysis used to underpin the conclusions they draw in these delivery plans is sufficient to withstand external scrutiny.

i) Title of Savings Measure

It is expected that Savings Delivery Plans will be subject to change as they are being developed and implemented. In order to avoid confusion, the date of the last update of the plan should be specified. In addition, the date(s) when the department consulted with its respective Assembly committee on the content of the plan should also be recorded.

ii) Forecast of savings

The delivery plan for each savings measure should set out the savings to be generated in each of the Budget 2010 years. Departments should ensure that the figures set out in the Savings Delivery Plan are fully consistent with the information recorded on the RBM database. The savings must be made either in Admin or other resource.

iii) Summary of Savings Measure

This should include a brief summary of the background to the savings measure. In addition, there should also be an account of the evidence underpinning the department's estimate of the scope for realising savings and in particular why a greater level of savings is not achievable. Departments should provide an account of the evidence for their estimate of the net cashable savings to be generated by the proposed savings measure based on, for example, data on unit costs relative to public or private sector benchmarks, performance variation across delivery units, the gains from collaboration or process integration or the scope for scaling back activity in a particular area. The underpinning evidence should be subject to rigorous scrutiny within the department and by DFP, supported by expert analysis where possible.

iv) Impact on Frontline Services

The Savings Delivery Plan should also specify whether the savings measure is expected to have an impact on the delivery of a frontline service to the public, and in particular if there will be a disproportionate impact on a specific sector of the community. This does not include measures where the same outcome for the public can be achieved through a different method of delivery, at a lower cost. Where there is a reduction in the standard of service to the public, departments should provide details of the frontline service affected and a clear rationale for the approach taken. For example, the measure may be justified on the basis that the original rationale for the programme no longer holds or that the programme has been shown to be ineffective in achieving its stated objectives, or that the programme is simply considered to be the lowest priority service provided by the department.

v) Actions and implementation timetable

The section on actions and implementation timetable should provide a summary of the key actions the department proposes to undertake in order to realise the savings identified. The description of proposed actions should be accompanied by a timetable for their implementation, which sets out the critical decisions and actions to be taken in order to meet the profile of savings identified for this measure and specifies the critical outcomes expected at each stage of implementation against which progress can be assured.

vi) Implementation Costs

Where departments have identified up-front or transitional costs associated with realising savings in this area, they should explain the nature of these costs and how they will be met from within the department's DEL. Although it is planned to have Invest to Save funding available to support departments in the delivery of savings, plans should not be developed on the basis that central transitional or challenge funding will automatically be provided to meet such costs.

(vii) Risks and Interdependencies

The section should provide an account of the key risks to the delivery of the projected level of savings. At least three risks should be included for each savings measure with an assessment of the likelihood of it occurring and the scale of the potential impact on the amount of savings and the delivery of public services (both on a scale of 1 to 5 – with 1 being the highest and 5 the least).

Departments should also include an account of the key links and interdependencies between this measure and the department's other savings measures, as well as other department's savings programmes. This section should include an explanation of how those interdependencies are being managed and how any issues around double-counting have been resolved. Measures that merely shift costs onto other government departments will not be considered. Where departments are proposing savings that involve some cost shifting, these will only been considered if they are agreed in partnership with the affected departments / public bodies and if cost shifts are properly monitored and taken into account by all parties.

(viii) Equality, Good Relations and Sustainable Development

The final section should include a summary assessment of the expected impact of the savings measure in respect of Equality, Good Relations and Sustainable Development.

Public Spending Directorate
DFP
June 2010

Department:

Title of Savings Measure	Spending Area	Savings 2011-14 (£000's)	Type of Savings*

* Select from this list (defined in the guidance): Procurement; Productive time; Corporate services; Transactions; Administration/policy, funding and regulation; Maximizing revenue; External factors; Redundant programmes; Lower priority programmes; and Other.

1. Title of Savings Measure

Department	
Savings Measure	
Spending Area & UoB	
Senior Responsible Officer	
Date of Latest Version of Delivery Plan	
Date Assembly committee consulted on Delivery Plan	

2. Forecast of Savings Accruing from Savings Measure (£000's)

	2011-12	2012-13	2013-14	2014-15
Admin				
Resource				
Total				

3. Summary of Savings Measure.

Provide summary details of the savings measure including supporting evidence for the forecast level of savings.

4. Impact on Frontline Services of Savings Measure.

Will the savings measure have an impact on the standard of public services provided to the public? Yes/No

If yes, provide a clear justification as well as any mitigating actions.

5. Timetable for Actions to Deliver Savings.

Action Target Date Outcome

6. Summary of Implementation Costs for Savings Measure.

Please provide details of any implementation costs and how they will be funded.

7. Key risks and interdependencies to implementation of Savings Measure and details of contingencies.

Key risks Probability of risk occurring (1-5)* Impact of risk (1-5)* Contingent Action

Potential Impact on other departments and public bodies. Mitigating Action

* 1 is the highest and 5 the least

8. Summary of assessment of potential impact in respect of Equality, Good Relations and Sustainable Development as well as details of any mitigating actions.

Impact Mitigating Action

Budgetary Issues

DFP Response to Queries from the Committee for Finance & Personnel

2 August 2010

Budget 2010

1. Paragraph 1.2 of the guidance from DFP to departments states that "the Budget 2010 process will involve the development of the spending plans for NI departments covering the four year period 2011-12 to 2014-15".

- Does this mean that departmental budgets will be set for 4 years or are there plans for the Executive and Assembly to carry out interim reviews of these budgets, with potential reallocations during this 4 year period?

The Budget 2010 process will set the initial spending plans for NI departments for the period 2011-12 to 2014-15. DFP will then monitor the financial position on an ongoing basis to determine whether there are any changes in circumstances or emerging pressures that are sufficiently material to require a formal review of the initial plans, as was the case with the Review of 2010-11 Spending Plans. In addition, the spending plans will be reviewed during the course of each year as part of the normal In-Year Monitoring process.

2. The outcome of the Spending Review and the precise detail of the Barnett consequentials will not become available until 22 October.

- What impact will this have on the publication of the draft Budget?
- According to the Budget timetable, the Minister will consider the revised proposals in early December. Exactly how long do you envisage the public consultation period will be? How will this consultation be conducted?

The draft Budget 2010 document will not be published for consultation until after the outcome of the 2010 Spending Review has been announced on 20 October 2010. The amount of time between the two events will depend on the extent to which the actual 2010 Spending Review settlement for the Executive differs from the assumptions that will have been used beforehand and thus, the need for changes to be made to the Executive's draft spending plans.

The precise period of time available for public consultation on the Executive's draft Budget proposals will not be confirmed until there is greater clarity in respect of the timing for the publication of the document. It is intended that consultation on draft Budget 2010 will be mainly through the Committee for Finance and Personnel although the wider public will also be provided with an opportunity to submit views.

3. Paragraph 1.24 of the guidance on Budget 2010, which DFP issued recently to departments, states that "the main form of consultation on the draft budget will be through Assembly committees", but the limitations in this regard are highlighted in paragraphs 1.20 and 1.22. Also, the timetable for the Budget 2010 process has an end date of "late December", yet the Budget 2008-11 was not agreed in the Assembly until 29 January 2008 and, more recently, the Revised 2010-11 Spending Plans were not agreed by the Assembly until 20 April 2010.

- What flexibility can DFP offer on the end date of "late December" for completing the Budget 2010 process, in order to provide sufficient time for engagement with Assembly committees and the wider public?

The target endpoint for the Budget 2010 process reflects the importance of NI departments having formal spending plans in place sufficiently in advance of the start of the 2011-12 financial year. This is because of the time required for departments to cascade departmental spending plans down to individual public bodies in order to effectively manage the delivery of public services.

This requirement is balanced against the importance of providing adequate time for engagement with Assembly committees and the wider public with the position reviewed on an ongoing basis.

4. Whilst the final settlement of Barnett consequentials will not be clear until October, in light of the Emergency Budget announcement on 22 June, is it possible now for DFP to estimate the quantum of savings to be achieved by NI departments over the next four years? If so, what is the estimated total quantum of additional savings required per annum? Do departments have an approximate percentage figure to work to in preparing their Savings Delivery Plans?

Although the UK Budget 2010 (June) document provided details of the Governments forecasts for total current expenditure and capital investment budgets of UK departments over the period 2011-12 to 2014-15 there remains significant uncertainty in respect of the specific implications for the NI Executive.

In addition, the level of savings required of NI departments also depends on the decisions taken by the Executive in respect of the amount of funding required to address inescapable cost pressures and fund improvements in the delivery of public services. There are further issues in respect of the Executive's approach to the funding of water & sewerage services and the Regional Rate.

The Executive has not formally agreed the amount of savings to be delivered by NI departments over the Budget period. Departments have been advised on a provisional basis to plan on the basis of the working assumption of delivering total savings of £430/770/1,170/1,560 million savings over the period 2011-12 to 2014-15. It is important to note that most of the resources released from these savings will be returned to departments as part of the Budget 2010 process in order to address cost pressures and fund improvements in public services.

5. Will the additional savings represent a reduction in DEL baselines during 2011-15 (as opposed to a recycling of existing resources)? What would DFP see as the preferred approach to achieving the additional savings across departments?

The majority of the savings made by departments over the period 2011-12 to 2014-15 will be recycled to address cost pressures and fund improvements in public services. The net impact on spending plans of individual departments, when compared with the revised plans for 2010-11, will depend on the decisions taken by the Executive in respect of the allocation of the available resources.

Primary responsibility for the planning and delivery of savings lies with individual departments. From the DFP perspective savings should be first made from reductions in bureaucracy and improvements in efficiency. There may also be a need to consolidate the provision of the lowest priority services.

6. The guidance from DFP to departments on Savings Delivery Plans asks for the impact on frontline services to be specified by departments. Does DFP intend to assess the savings plans of departments and how will it exercise a challenge function in this regard?

DFP will work with departments in the development of Savings Delivery Plans as part of the normal engagement on public expenditure matters. This will include challenge of some of the proposed savings measures as well as putting forward suggestions as to how the plans might be improved. DFP will also encourage departments to engage with their Assembly committees and the groups expected to be most effected by specific savings measures.

However, ultimate responsibility for the planning and delivery of savings lies with individual departments.

7. Paragraph 3.4 of the Department's pre-consultation briefing paper states that there has effectively been a 14.4% real terms reduction in the department's baseline over the last 6 years, as no additional budgetary cover was provided for pay or prices increases during this time.

- Has any impact from the recent Equal Pay settlement been factored into this figure?
- What is the anticipated impact on the department's baseline of this settlement moving forward through the 2011-2015 budget period?

This item was discussed fully during the evidence session on 30 June 2010.

8. The Committee is aware of the difficulties faced by LPS during the 2008-11 budget period, as a result of a raft of rating reform measures having been introduced after the baseline for the Agency had been put in place. What steps is the Department taking to put firm baselines in place for its agencies and business areas, to prevent similar difficulties to those experienced by LPS from arising during this upcoming budget period?

This item was discussed fully during the evidence session on 30 June 2010.

9. Paragraph 7.10 of the briefing paper suggests the possible cessation of low priority services may be required to deliver further savings for the Department. Can you outline which of the Department's services are defined as "low priority"? What will the impact be on DFP's customers if any of these services were no longer to be provided?

This item was discussed fully during the evidence session on 30 June 2010. The Department is continuing to develop its savings options for delivery during the Budget 2010 period. A draft Savings Delivery Plan will be put to the Minister and, following his clearance, the draft plan will be forwarded to the Committee.

2009-10 PROVISIONAL OUTTURN

10. The Provisional Outturn figures for 2009-10 show a welcome reduction in underspend across departments to an average of 0.7% in current expenditure. To what extent is this reduction due to improved financial management and to what extent is it due to the reduced availability of resources?

It is hard to determine to what extent lower levels of underspend are due to improved financial management as opposed to the reduced availability of resources.

However, the monitoring guidelines in place restrict departments ability to recycle reduced requirements to meet other pressures and to move money between spending areas therefore lower levels of underspend would imply that departments are either spending allocations for the reason originally granted or identifying and surrendering easements before the year end.

This combined with the majority of departments staying within controls for individual expenditure categories, such as near cash, non cash etc, and the improvement in forecasting over recent years would imply that the lower levels of underspend are primarily due to improved financial management as opposed to the reduced availability of resources.

11. In the Provisional Outturn figures for 2009-10 DFP has recorded a 3.4% underspend in current expenditure against an average across all departments of only 0.7%. The paper on its provisional outturn has sought to explain a large part of the underspend by stating that:

"Just under half of the resource underspend relates to non cash costs, including depreciation and cost of capital charges, which are inherently difficult to forecast particularly in light of the impact of changes in the market values of land and buildings."

- Is it not the case that all departments faced this difficulty in forecasting the cost of capital charges, including departments with much larger asset bases than DFP?

All departments will have faced varying difficulties in forecasting the cost of capital charges. During 2009/10 DFP completed a detailed exercise to forecast the movement in the value of fixed assets as a result of forecast changes in market conditions. However, there remains inherent uncertainty in forecasting market changes and the impact of these on non cash costs.

- Does DFP not need to be leading by example in terms robust financial forecasting and management and what assurances can be given in this regard in terms of the current year?

Yes. Steps were taken during 2009/10 to improve financial forecasting and management, including improvements to make month end reporting more comprehensive and to review a range of financial data. Going forward the Department will continue to take steps to improve financial management, including increased use of Account NI for reporting purposes and further training for key budget managers across the department.

12. The DFP paper on its provisional outturn points out that "the HMT Clear Line of Sight project means that, from 1 April 2010, cost of capital charges on departmental fixed assets, and relevant net assets and liabilities will no longer apply in resource accounts and budgets and this will represent a significant reduction in the level of uncertainty associated with the forecasting of non cash costs."

- Why did Treasury make this change in the resource accounting rules and will this, in effect, result in a technical saving in departmental resource accounts?
- Will this change have any implications in terms of the accounting treatment or attractiveness of the PFI/PPP procurement option?

There is a cost to government from holding assets. In economic terms this is the opportunity cost of not undertaking an alternative investment. In financial terms, it could be the interest government incurs on borrowing to finance investment. To ensure the full cost of services is reflected in resource accounts and budgets, this opportunity cost has in recent years been devolved to departments as a cost of capital charge, which scores as a current cost in departments budgets.

The Treasury carried out a wide-ranging consultation about the effectiveness of the cost of capital charge with internal and external stakeholders in 2007. There was clear consensus in favour of change, in recognition of the fact that, although the cost of capital charge was an important step when first introduced, other incentives, such as retaining the proceeds of assets sales, have now become more significant in promoting improved asset management.

The removal of the cost of capital charge also supports the Treasury approach, under Clear Line of Sight, of removing the concept of near-cash and non-cash in budgets thereby simplifying the budgetary control system and the relationship between budgets, Estimates and accounts.

This change will mean that there is no longer a cost of capital charge in relation to PPP projects regarded as on-balance sheet for budgeting purposes. However, the removal of the cost of capital charge is likely to have very little impact as the majority of PPP projects will be off-balance sheet for budgeting purposes when assessed under the new European System of Accounts based PPP guidance which was introduced in 2009-10.

Draft Spending and Savings Plans 2011

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

24 August 2010

Dear Shane

DRAFT SPENDING AND SAVINGS PLANS 2011-15

The paper attached contains details of our Budget 2010 current expenditure proposals and capital investment proposals as submitted to Central Finance Group.

It also provides an analysis of the types of savings which the department is considering as part of Budget 2010. These savings proposals are due to be developed in more detail in a Savings Delivery Plan in the autumn, as part of the Budget 2010 process.

Yours sincerely,

Norman

Norman Irwin

Department of Finance and Personnel Budget 2010: Departmental Spending and Savings Proposals Briefing for Committee for Finance and Personnel

Introduction

1. The purpose of this paper is to outline the Department of Finance and Personnel's (DFP's) own departmental Budget 2010 spending proposals. In preparing our proposals we have taken account of the guidance which has been provided by Central Finance Group.

2. Clearly, Budget 2010 takes place in a very difficult fiscal environment which presents us with the challenge of making resource savings over the Budget period, while seeking to secure additional resources to take forward business critical services which are, at present, inadequately funded across the forthcoming Budget 2010 period, covering the financial years from 2011/12 to 2014/15.

Opening Baselines and Savings

3. The department's starting baseline for this exercise is the opening 2010/11 resource DEL position of £182.9m. There have then been a number of technical adjustments to the opening baseline which have resulted in a revised opening baseline of £177.9m in each of the Budget years. As part of the Budget 2010 process Central Finance Group require us to show indicative resource savings of £7.8m/£14.1m/£21.2m/£28.2m over the 2011-15 period. Taking account of the adjustments, our final opening baselines over the Budget 2010 years are consequently £170.1m/£163.8m/£156.7m/£149.7m. These changes are set out in Figure 1 below. However, it is important to note that no allowance is made for inflation over the 4 year period, so those pressures will have to be contained in addition to the savings which are eventually required under Budget 2010.

Figure 1: Opening Resource DEL Baselines (£m)[1]

	2011/12	2012/13	2013/14	2014/15
Starting Baseline (2010/11):	182.9	182.9	182.9	182.9
Shared Services	-5.0	-5.0	-5.0	-5.0
Savings	-7.8	-14.1	-21.2	-28.2
Revised Starting Baseline:	170.1	163.8	156.7	149.7

4. It is also important to highlight that, in order to reflect changes to the department's organisational structure, including the formation of Enterprise Shared Services, and to better align budgets with business needs, the department's budget structure has been amended in readiness for this Budget exercise. This has resulted in a simplification of Units of Service and the department's new budget structure is outlined at Appendix 1.

Resource Savings Proposals

5. The resource savings to be delivered over the period are substantial and, in line with the Budget guidance, we are focusing on delivering savings while minimising the impact on the delivery of frontline services. However, it is nonetheless clear that to deliver savings of £28.2m by 2014/15 will have an inevitable impact on the ability of the department to deliver the services it provides both to the public and to the NI public sector.

6. The department approached Budget 2010 having already made considerable reductions to its budget baselines. Indeed, we have not received any allocations to address the costs of inflation over the period 2005-11. Inflation (based on retail price indices) is expected to have amounted to average increases in the costs of goods and services of 2.4% per annum in the period 2005-11. This represents a significant cost which we have had to absorb, effectively amounting to a real-terms reduction to our baselines of 14.4% over the period. We have similarly had to contain

the cost of pay inflation over the same period, representing an average of 3.9% per annum in the period 2005-10.

7. As part of Budget 2004, the department delivered resource-releasing savings of £1m/£5.7m/£11.7m over the period 2005-08 through a range of measures including reductions in staffing levels (beginning with vacant posts) and a number of procurement gains. Similarly, in Budget 2007, the department was required to deliver another tranche of resource-releasing measures of £15.8m by 2010/11 (£6.1m/£11.3m/£15.8m over the period 2008-11). These savings were generated by taking a number of steps including reviews of staffing levels and general administration expenditure, as well as optimising income streams. The recent review of 2010/11 spending plans required us to go still further, reducing our resource baselines by another £4.1m, for which it has been necessary to take more stringent steps to curtail expenditure across all business areas.

8. The savings proposed in this Budget would see our baselines reduced by a further £28.2m by the end of the Budget period, representing total savings on annual budgets of £59.8m or 41% on 2004/05 baselines excluding EU Peace programmes. Throughout all of these measures, the department has already taken steps to significantly reduce external consultancy expenditure with a reduction of over 75% in 2009-10 when compared to the previous year. Savings have also been made in respect of air fares, mileage and hospitality. We have reduced the number of Senior Civil Servants in the department by 10% over the last year and we continue to keep this under review.

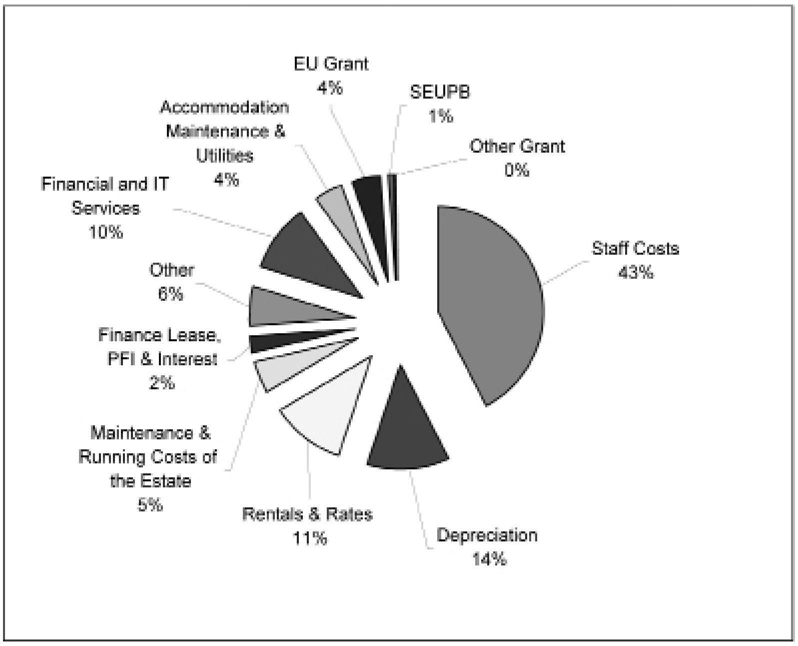
9. Of the department's 2010/11 opening gross expenditure baseline, some £90m (37%) is inescapable or contractually committed in the short to medium term, representing a significant constraint in seeking to identify further savings.

10. Depreciation costs are inescapable and these amounted to approximately £34m in 2009/10. It is unlikely that there will be significant cost reductions in this area over the Budget 2010 period, unless there is a further and substantial fall in the market value of land and buildings and ICT, or the office estate footprint can be reduced and results in a net decrease in the value of the estate. The office estate also incurs other inescapable costs in respect of rent and rates. In 2009/10 these costs accounted for some £32m of our expenditure. While steps are being taken to reduce the office estate footprint, the extent to which progress can be made in this area is closely linked to the available funding, as well as to the staffing levels and business needs of NICS departments.

11. Over the Budget 2007 period (2008-11) DFP has become responsible for the provision of an increased number of essential shared services to NICS departments and a number of smaller public bodies. This has resulted in an increase in the level of the department's contractual commitments in respect of Account NI, HR Connect, Records NI, Network NI, Data Accommodation and IT Assist contractual commitments. Current expenditure contractual commitments due in 2010/11, as reported in the department's 2009/10 Resource Accounts are £24.5m, with contractual and lease commitments due in the period 2011-15 of £122m.

12. In considering the savings required as part of this exercise, the department's options are therefore increasingly limited and increasingly difficult. Savings will have to be delivered out of the department's remaining budgets which are in large part staff costs. The breakdown of the department's 2009/10 outturn shown below in Figure 2 illustrates the composition of the department's budget.

Figure 2: Analysis of DFP 2009/10 Resource Expenditure[2]



13. In this context, we have been thoroughly reviewing the department's expenditure in a process which has been led by the Departmental Board in order to determine how we could deliver the required savings while seeking to safeguard frontline services and essential service delivery. Given that staff costs represent some 43% of our expenditure, it is inevitable that a substantive proportion of savings will relate to reductions in staff numbers.

14. On the basis of this work we are working to deliver a range of measures which would be necessary to enable us to deliver total annual indicative savings of £28.2m by 2014/15 (£7.8m/£14.1m/£21.2m/£28.2m in each of the budget years). The measures we are considering represent difficult and increasingly painful decisions which, in addition to optimising the use of resources, reducing corporate services costs, maximising revenue and getting better value for money from contracts, would also require us to reprioritise programmes and services and, unavoidably, to reduce staff numbers over the period.

15. The savings being considered can be summarised in the following categories:

- Procurement – The department continually seeks to get the best value for money for taxpayers from all of its expenditure, including procurement. In 2008/09, 96% of our procurement was influenced by the Central Procurement Directorate (CPD), our Centre of Procurement Expertise (CoPE), and we would expect a similar percentage of expenditure to have gone through our CoPE in 2009/10 when the underlying data has been reviewed and finalised. Our business areas have been reviewing contracts in which there may be an upcoming opportunity to renew or renegotiate in order to determine whether further gains could be made in this area. We expect to identify a number of such contracts across a range of services in which we expect procurement savings to be achievable. These are expected to include accommodation rental and maintenance contracts, IT-related contracts and a number of smaller contracts involved in supporting the policy and service delivery work of business areas.
- Maximising Revenue – There is some scope to realise additional receipts over the period, including through widening our customer base, the provision of expert services such as legal advice and in respect of corporate services functions.
- Corporate Services – A significant proportion of DFP's business is concerned with providing corporate services for all Northern Ireland Executive departments and their

associated agencies and a number of public bodies. Recent reform of Civil Service corporate services such as finance, HR management and IT provision has seen these services centralised and managed and delivered through the recently-formed organisation, Enterprise Shared Services, which resides in DFP. These new NICS-wide functions have recently completed their implementation phase and are now in the stages of stabilisation. In this context, we have sought to identify the degree to which savings could be generated from these activities as they begin to bed down and produce economies of scale over the coming financial years. In doing so, we have also been mindful of Enterprise Shared Services' obligations to its customers.

- Administration, Policy, Funding and Regulation – Many of DFP's core functions relate to policy, funding and regulation functions which provide essential services to the NI Executive, all NI departments and the wider public across a range of areas such as public spending, procurement, corporate management of the civil service and building standards. Together they work for value for money and better outcomes for citizens. Costs in these areas are almost exclusively staff-related and it is inevitable that savings delivered in respect of administration and policy functions would result in staff reductions. Moreover, these measures would effectively represent a significant reduction in the capacity of the department to develop and review policy as well as provide advice and guidance to customers and stakeholders.
- Lower Priority Programmes – It has also been necessary to review the relative priority of all of our services and initiatives. The department has not identified any redundant programmes and all of our work is undertaken in support of our statutory requirements, Executive commitments and broader policy and service delivery responsibilities. However, in the context of having to deliver a significant quantum of savings in this Budget, it is necessary to draw a distinction between (a) those critical functions which must be maintained at their existing level or improved, and (b) those functions which serve important objectives but which regrettably would have to be withdrawn in order for the department to live within its means. DFP would not be able to deliver such savings unilaterally as many of the services which may have to be reduced or withdrawn would require agreement from many of our stakeholders and customers including all NI departments.
- Other – The department has a small number of arms-length and independent bodies which will be asked to find proportionate savings over the Budget 2010 period. It will be up to these bodies to determine how their savings will be delivered. In the case of SEUPB, we will be consulting with our counterparts in the Department of Finance in the South.

16. Given that a significant proportion of our savings would require reductions in staff numbers, it is important to highlight that our ability to redeploy staff is contingent on the capacity of other NI departments to absorb surplus staff.

17. Finally, it is important to emphasise that the department's savings proposals are still being refined. A Savings Delivery Plan is being prepared on the basis of our current proposals and is expected to be made available in the autumn. However, the department's proposed savings will be based on a number of assumptions, including that our resource and capital spending proposals (which are outlined below) are accepted. Our plans can only be finalised when the Executive decides the outcome of Budget 2010. at which time the actual savings required and any additional allocations will become known.

Current Expenditure Proposals

18. Against the backdrop of the constraints posed by this Budget, the department has taken a rigorous approach to prioritising its spending needs. We are therefore only putting forward our most essential spending requirements for consideration in this Budget. Our current expenditure proposals, totalling some £13.1m/£11.5m/£11.8m/£11.9m, are outlined in Figure 3 below:

Figure 3: DFP Current Expenditure Proposals (£m)

	2011/12	2012/13	2013/14	2014/15
To support the Wider Public Sector:				
Census 2011	2.1	-	-	-
Land and Property Services	5.5	5.5	5.5	5.5
NICS Accommodation	2.0	2.0	2.0	2.0
NI Direct	3.0	3.5	3.8	3.9
Running Costs:				
Supply Team (DoJ)	0.5	0.5	0.5	0.5
Total Spending Proposals	13.1	11.5	11.8	11.9

19. These spending proposals do not take account of any anticipated inflation over the budget period. Listed in order of priority, they reflect the following essential requirements which cannot be funded from within existing baselines:

i. Census 2011 (£2.1m/ - / - / -) Other Resource – The next Census will take place on 27 March, 2011. Most of the funding required to deliver the Census was secured in Budget 2006 and Budget 2007. However, there is a shortfall in 2010-11, which was the subject of a bid for £4m in June monitoring, and in 2011-12 (year 1 of the Budget 2010 period) for which it essential to secure additional resources. The Census is being conducted on a UK-wide basis and it is obligatory for Northern Ireland to participate and produce and analyse data to the same standards as other regions of the UK. Where there are opportunities to make savings and efficiencies in relation to the Northern Ireland work on the Census, we have sought to do so. Indeed, NISRA has made resources available from other aspects of its business in order to contribute to this work. This bid of £2.1m reflects NISRA's additional requirements in respect of the Census for 2011/12. The total estimated costs of the 2011 Census in the main years from 2008-09 to 2011-12 are in the region of £20m.

ii. Land and Property Services (LPS) (£5.5m/£5.5m/£5.5m/£5.5m) Other Resource – Additional funding of £5.5m per annum is required to maintain Land and Property Services' ability to deliver its current business obligations. The last Budget settlement did not afford LPS with the resources necessary to deliver its core services, particularly in respect of rating reform. In addition, the economic downturn has put pressure on the recovery action and LPS is now dealing with record levels of non-payment which translates into increasing volumes of court cases and enforcement action. It has also resulted in a reduction in income streams in respect of land registration. As a result the department has relied heavily on in-year monitoring rounds to make up the shortfall in the agency's core budget. It is critical therefore that we secure the necessary resources to fund the agency's core business across the Budget 2010 period.

Land and Property Services carries out important services to the public as well as securing rates income for the Northern Ireland block. If LPS's baseline shortfall is not addressed, it will be necessary for the department to review the rates collection targets in the course of preparing our input to the Programme for Government, at a potential cost to the Northern Ireland block.

The requirement of £5.5m reflects the resources which are required after LPS has taken a range of steps to reduce its running costs.

iii. NICS Accommodation (£2m/£2m/£2m/£2m) Admin – This proposal reflects the essential costs associated with running the NI government office estate and providing modern, fit for purpose office accommodation for NI departments. Our accommodation baselines were significantly reduced as part of the last Budget amid plans for a significant proportion of our office accommodation to be delivered through the Workplace 2010 PFI programme. As a result of that programme being terminated, the department has had to fund the ongoing costs of the estate by taking a number of painful steps. Because large proportions of our accommodation budget relate to inescapable rent, rates, fuel and depreciation costs, we have consequently had to reduce maintenance expenditure to unsatisfactory levels in order to live within our means. In this context it is now necessary to increase maintenance spend over the Budget period, particularly on some of the major buildings in poorer condition e.g. Dundonald House (DARD, DoJ), Rathgael House (DE and DFP), Marlborough House (DOE, DFP, DRD), and Hydebank (DRD, DARD).

If funds are not made available, maintenance expenditure would be limited to meet minimum statutory requirements such as health and safety requirements. It should be noted that this proposal is dependent on securing additional capital funding for accommodation in order to take forward capital works (see capital investment proposals below). If the additional capital is not secured, resource requirements in respect of accommodation will increase: (a) as it will be necessary to increase maintenance expenditure substantially in order to prevent a rapid deterioration of the office estate; and (b) as the savings anticipated from release of existing leases will not be made if the costs of fitting out new, higher density accommodation cannot be met.

iv. NI Direct (£3.0m/£3.5m/£3.8m/£3.9m) Admin – This bid reflects the costs associated with taking forward the NI Direct project over the Budget period. NI Direct is a direct response to the Executive's commitment to improve the quality and cost effectiveness of citizens' access to government services. On behalf of all government departments, this proposal is to fund an improved switchboard service, an enhanced directory, a comprehensive theme-based website of contact information for all citizen-facing services, an informational and enquiry handling service (delivered through the 101 number) to provide authoritative 'one and done' resolution to basic questions and enquiries, as well as a wide-ranging rationalisation of government telephone numbers. In all, to make it easier for the citizen to access Government services.

Should this funding not be secured, current service delivery would have to be scaled back and the proposed NI Direct service enhancements could not be taken forward.

v. Supply Team – Devolution of Justice (£0.5m/£0.5m/£0.5m/£0.5m) Admin – This proposal is to fund the staff and other running costs required to strengthen the capacity of Central Finance Group (CFG) to deal with the new public spending issues arising from the devolution of justice and policing powers to the Executive from 12 April 2010. The transfer of powers resulted in an increase in the Executive's budget of some £1.3bn per annum. A higher level of engagement is expected to be required with the two new departments (Department of Justice and Public Prosecution Service), particularly in the early years. If the funding is not made available, it will reduce the capacity of CFG to maintain effective support to the Finance Minister in respect of these newly-devolved areas of public spending.

Reclassification of Current Budgets

20. Although no formal opportunity has yet been offered to action reclassifications as part of Budget 2010, the department has a number of reclassification issues which it will be necessary

to address. In particular, the department has discussed with Central Finance Group the potential of treating the Northern Ireland Statistics and Research Agency's expenditure as other resource, as is the case in respect of its counterpart in GB. Currently, only the Census element of NISRA's budget is classified as other resource. A reclassification of the remaining admin budgets would correctly reflect NISRA's function as a frontline service and ensure consistency of treatment within the agency.

21. Other, smaller-scale, reclassifications are also expected to be necessary as part of the budget exercise and we will provide details to Central Finance Group as part of our advice on other technical adjustments which will need to be actioned in the Draft Budget.

Capital Investment Proposals

22. The second Investment Strategy for Northern Ireland (ISNI) provisionally allocated £17.1m/£15.9m/£16.9m/£16.9m to the department over the four years of Budget 2010. However it is expected that the level of capital funds available for investment will be lower in light of constraints on capital investment across the public sector. As a result, our capital baselines have been reduced to zero in each year and we have been asked to submit fresh proposals for our proposed capital investment.

23. The department needs to undertake some investment over this period, not least in respect of accommodation and shared services provided to and on behalf of other NI departments. Indeed, our ability to live within our means in respect of current expenditure in these and other areas is predicated on being able to make essential investment to maintain and enhance services. We have taken the same rigorous approach with capital as we have done with resource. We have consequently identified nine capital investment priorities, totalling some £28.2m/£26.6m/£29.4m/£28.7m across the period in order (a) to maintain existing services and (b) to enhance those services. Our capital requirements are outlined in order of priority in Figure 4 below:

Figure 4: DFP Capital Investment Proposals (£m)

	2011/12	2012/13	2013/14	2014/15
Indicative ISNI 2 Allocations	17.1	15.9	16.9	16.9
To Maintain Existing Services				
ESS: HR Connect Milestone	2.4	-	-	-
ESS: Records NI	2.0	-	-	-
Accommodation Services	3.0	3.0	3.0	3.0
Lands and Property Services	3.0	3.0	3.0	3.0
ESS: Systems Maintenance	6.0	6.0	6.0	6.0
Central Energy Efficiency Fund	1.0	1.0	1.0	1.0
ICT Line of Business	1.2	1.8	0.8	0.6
Total to Maintain Existing Services:	18.6	14.8	13.8	13.6
To Enhance Services				
NI Direct	0.6	0.6	0.1	0.1
Accommodation Services	9.0	11.2	15.5	15.0
Total To Enhance Services:	9.6	11.8	15.6	15.1
Total Investment Proposals:	28.2	26.6	29.4	28.7

24. Simply to maintain our existing levels of service will require substantial investment of £18.6m/£14.8m/£13.8m/£13.6m across a range of business areas. As a result of our efforts to refine and reduce requirements to the minimum, these capital requirements are now less than the existing ISNI allocation for most of the Budget 2010 years. The capital investment required to maintain existing services is as follows:

i. Enterprise Shared Services: HR Connect Milestone (£2.4m/ - / - / -) – This proposal reflects an inescapable contractual commitment of £2.4m capital. HR Connect provides HR and Payroll services to NICS Departments and a number of other public sector bodies. The contract requires a total capital investment of £37.8m over the implementation phase, paid for through 35 milestones. Following some delays in the contractor completing work on the programme, the final two milestones are now expected to be completed in 2011/12 and this proposal represents the full associated capital requirement.

ii. Enterprise Shared Services: Records NI (£2m/ - / - / -) – The department has a contractual commitment to refresh the Records NI infrastructure in 2011/12 at a cost of £2m. This investment will ensure that the records of all NI departments are maintained on an up-to-date and resilient system. If the department does not secure the requisite capital budget, it would be necessary to seek to renegotiate the timing of the proposed refresh. Any deferral would result in the risks that the system may no longer be adequately fit for purpose and that we could incur penalties from the contractor as a result of changing the agreed refresh schedule.

iii. Accommodation Services: Maintain Existing Services only (£3m/£3m/£3m/£3m) – The department needs to make investment over the four years of the budget to facilitate lease consolidation work which will not only reduce the overall footprint and operational costs associated with the NI government office estate but also transfer staff into more acceptable working environments. These accommodation changes will be to the benefit of all of the departments involved. The figures shown also include costs of many major capital maintenance items identified in recent surveys as well as ongoing requirements for replacement of carpets and furniture. The resource savings facilitated by this spend have been assumed in our current expenditure proposals and, should this capital proposal not be met, our resource requirements will consequently increase beyond the levels set out in this paper.

iv. LPS (£3m/£3m/£3m/£3m) – Maintain existing services.

The Agency has undergone significant change during the Budget 2008-11 period, particularly in response to the extensive programme of rating reforms including the need to administer new rate reliefs. In order to maintain existing services for its customers it needs to undertake this minimum level of investment in its line of business ICT systems. If this capital is not made available, support of revenue and benefits, valuation, mapping and registration services will be diminished over the period.

v. Enterprise Shared Services: Systems Maintenance (£6m/£6m/£6m/£6m) – ESS has an ongoing need to maintain and develop the systems which support the essential accounting, human resources and ICT services provided to NICS departments and a number of other public bodies. This proposal is to maintain the IT infrastructure necessary to support common desktop services to approximately 18,500 users across the NICS. It will also ensure that all of ESS's services remain responsive to customers' needs, particularly given the level of change which is likely to be required as a result of policy and legislative changes over the period.

vi. Central Energy Efficiency Fund (£1m/£1m/£1m/£1m) – The department proposes to continue to provide a Central Energy Efficiency Fund (CEEF), investing a modest £1m to support a range of energy efficiency projects. Set up in 1992, the CEEF supports energy efficiency projects within buildings occupied by the public sector in Northern Ireland.

vii. ICT Line of Business Investment (£1.2m/£1.8m/£0.8m/£0.6m) – This proposal is to fund specific investment in ICT in the NI Statistics and Research Agency (NISRA), Central Procurement Division (CPD) and NI Direct so that current levels of service can be maintained. NISRA needs to continue the development of an output system for the dissemination of 2011 Census results, which started in 2010-11. CPD needs to invest in ICT to enable all NI departments to continue to obtain better value for money from purchases of goods and services.

This proposal also includes the maintenance of NI Direct's existing service levels in respect of enabling citizen access to government services. This capital investment represents a basic technical refresh in order to avoid the deterioration of switchboard and directory services provided to the citizen and all NI departments.

25. However, we hope to be able to invest in more than maintaining our existing levels of service. Further investment of £9.6m/£11.8m/£15.6m/£15.1m would enable the department to make significant improvements to services by enhancing the experience of the citizen accessing Government services and to enhance accommodation provision for Northern Ireland's government departments. These requirements comprise, in rank order:

viii. NI Direct: Enhancements (£0.6m/£0.6m/£0.1m/£0.1m) – This investment would enable NI Direct to provide more transactional services for citizens and develop more online forms which will make it easier for people to do their business online, if they chose to do so. This capital expenditure will put in place central enabling ICT infrastructure to facilitate departments in delivering transactional services in a more cost effective way.

ix. Accommodation Services: Enhance Existing Services (£9.0m/£11.2m/£15.5m/£15.0m) – Despite the termination of the Workplace 2010 PFI programme, the department remains committed to the principles of modern, fit for purpose office accommodation. This will be addressed by:

- Reducing the footprint of the office estate;
- Reducing the space requirements of departments by increasing workstation densities across the estate;
- Exiting or upgrading the poorest accommodation; and
- Seeking to upgrade the poorest accommodation.

This investment proposal would allow significant such work to be undertaken on behalf of a number of departments e.g. refurbishment of the Department of Education's accommodation at Rathgael House, consolidation of the Department for Social Development's accommodation in Belfast city centre, and commencement of work on the Stormont Estate (and Dundonald House in particular) that would ultimately result in improved accommodation for DARD, DHSSPS, DoJ and DFP.

EU Programmes

26. We also expect a number of adjustments to be made to our EU baselines as part of this exercise. These are expected to include additional allocations in respect of the Peace III and Interreg IVA programmes along with associated match funding.

Assessment of Impact

27. In preparing our proposals in respect of savings, current expenditure and capital investment, we have assessed the impact of each in relation to our equality obligations. No material impact has currently been identified. We have also considered whether the department's proposals have any wider social and economic impacts. Our proposals promote a number of positive impacts in relation to sustainability (through our proposed investment in the NI government office estate and the Central Energy Efficiency Fund), poverty/social inclusion (through our ongoing implementation of rates relief schemes) and the local construction industry (also through our proposed investment in the office estate).

Programme for Government

28. Alongside the Budget 2010 process, we will be giving careful attention to the upcoming Programme for Government which will outline the Executive's strategic priorities over the 2011-15 period. This provides us with an opportunity to review and refresh the department's priorities and targets. Clearly, in preparing our Budget 2010 position, this work has already begun and, in the context of substantial reductions to our budgets, it will be necessary to take a more focused approach to setting our priorities over the forthcoming period. We will be liaising with colleagues in the Office of the First and deputy First Minister's Office as we develop our proposals. It is expected that a draft Programme for Government will be published alongside the draft Budget.

Draft Budget

29. The Draft Budget is expected to be published in October, 2010 following consideration of all departments' proposals by the NI Executive. The DFP departmental proposals outlined in this paper will be kept under review and will be subject to further refinement in the run up to the Draft Budget.

Enclosures

Appendix 1: DFP Budget Structure (Excluding AME)

Appendix 1: DFP Budget Structure (Excluding AME)

Objective A (Department of Finance and Personnel)

A01 Finance and Personnel Policy and Other Services

A02 NICS Shared Services

A03 NI Statistics and Research Agency

A04 Land and Property Services

A05 EU Programmes

A06 Special EU Programmes Body

A07 NICS Accommodation Services

Objective B (Principal Civil Service Pension Scheme NI)

B01 Pensions

[1] Totals may differ due to roundings.

[2] Based on 2009/10 DFP Operating Cost Statement.

Review of 2008-11 Budget Process Action Plan

Introduction

The primary objective of the Budget process is to support the delivery of the Programme for Government (PfG) through the allocation of the resources available to the Executive over subsequent years to enable the efficient delivery of the best possible services to the people of Northern Ireland (NI). The provision of advice and support to the Finance Minister on the development of the Budget is the responsibility of the Public Spending Directorate (PSD) within the Department of Finance and Personnel (DFP).

The Budget 2008-11 set out the expenditure plans for NI departments over the period 2008-09 to 2010-11 in line with the PfG. The final version of the document was agreed by the Executive and approved by the Assembly in January 2008.

The Budget process initiated by the incoming Executive (in May 2007) had been commenced, and indeed substantially progressed, during the previous period of Direct Rule. The Executive therefore agreed in March 2008 that there should be a review to evaluate the Budget 2008-11 logistical arrangements, with a view to making recommendations to improve and enhance future Budget processes, to ensure the future approach is fit for purpose in the devolved context.

Recommendations

The Review was completed in March 2010, with the final report setting out 14 recommendations, detailed in Table 1. The intention is that these recommendations will be taken forward, where possible, in the 2010 Budget Process. Where this is not possible the recommendations will be taken forward in the next Budget process. The purpose of this Action Plan is to put in place a framework to ensure that the recommendations are implemented in a planned and timely manner.

Alongside each recommendation in Table 1 are the actions which need to occur in order for the recommendation to be incorporated into the future process. A provisional timescale has also been provided to ensure that recommendations are taken forward as soon as possible.

It should be noted DFP does not have sole responsibility and control over all of these actions to be undertaken. There are a broad range of organisations involved in the Budget process including:

- External Stakeholders – such as Trade Unions, Business Bodies, Community and Voluntary Sector, Section 75 groups, and research organisations, which are mainly involved in consultation of the Budget.
- Departments - Departmental Finance Divisions which act as the main interface between departments and DFP in the Budget process.

- Assembly Committees – who provide the important scrutiny role, with the DFP Committee coordinating the views of Assembly Committees in response to the draft Budget and reporting on them.
- Public Spending Directorate – including Central Expenditure Division, which is responsible for the logistical arrangements of the Budget and the Supply Divisions who interact with departments in terms of the overall process.

As a result Table 1 also identifies the key groups with responsibility for implementing actions. In order to provide an update on the implementation status of the recommendations, an assessment of current progress is also provided in relation to the actions.

Table 1 – Review of 2008-11 Budget Process – Action Plan

Recommendations	Actions	Timescale	Responsibility	Progress - May 2010
(1) An exercise should be conducted at the start of the next Budget process to seek to determine the level of public expenditure underpinning actions to deliver each Public Service Agreement in the Programme for Government (PfG)	NI Departments to provide details of the Public Service Agreement associated with each spending Unit of Business	Jun-10	PSD – to provide guidance NI Departments – to identify links with PfG	Exercise commissioned on 28 April 2010 with returns due from departments by 19 May 2010.
(2) The Programme for Government should be developed to a timetable slightly in advance of the Budget.	PSD to advise OFMDFM of this recommendation from the Review of the Budget 2008-11 Process.	Jun-10	PSD – to advise OFMDFM OFMDFM – to bring forward proposals to the Executive	
	OFMDFM and DFP to work together to develop a complementary timetable for the next version of the PfG and Budget.	Before the next PfG process.		
(3) A clear timetable setting	PSD to provide draft timetable	Jun-10	PSD – to produce the	

Recommendations	Actions	Timescale	Responsibility	Progress - May 2010
out the key milestones should be made publicly available at the start of each Budget process.	to Executive prior to summer recess, and to publish on the website once agreed by the Executive		draft timetable and publish on PfG / Budget website Executive – to agree draft timetable and agree to its publication	
(4) There should be early and more structured engagement between departments and Assembly Committees setting out the key issues and pressures facing NI departments	Guidance issued to departments at start of each Budget process should include advice to departments in respect of the recommended form of engagement with Assembly committees.	Jun-10/ Apr- 11	PSD – to provide guidance to departments recommending early engagement with stakeholders NI Departments – to undertake early engagement	Unavoidable delays in initiating Budget 2010 process means that there is less scope for early engagement between departments and Assembly committees than will be the case in future years.
	Ongoing regular monitoring of the level of engagement between NI departments and Assembly committee's- to be a regular item for discussion at Finance Director meetings	June/September/December/January		
(5) There should be earlier engagement with key stakeholder groups by departments as	Guidance issued to departments at start of each Budget process should include advice to departments in	Jun-10/ Apr- 11	PSD – to provide guidance to departments recommending early engagement with	Unavoidable delays in initiating Budget 2010 process means that there is less scope for

Recommendations	Actions	Timescale	Responsibility	Progress - May 2010
part of the Budget process.	respect of the recommended form of engagement with key stakeholder groups.		stakeholders, and to undertake pre consultation with key external stakeholders NI Departments – to undertake early engagement with key stakeholder groups	early engagement between departments and key stakeholder groups than will be the case in future years.
	Pre-consultation exercise should be conducted with key stakeholder groups before the start of each Budget process.	Jun-10/ Apr- 11		
	Each spending proposal to include details of the stakeholder groups that have been consulted with.	Jun-10/ Apr- 11		
(6) DFP and the Strategic Investment Board (SIB) will work collaboratively in developing capital investment allocations in the Budget process.	PSD and SIB to hold regular meetings in order to ensure that information is being shared in respect of the formal allocations in the Budget process and the longer term priorities in the Investment Strategy.	Ongoing	PSD – to work alongside SIB regarding the Budget years of the Investment Strategy SIB – work alongside PSD	Joint PSD/SIB seminar held in April to agree an approach to preparatory work for Budget 2010 and third version of the ISNI. Further meetings with SIB conducted since.
(7) Every departmental spending proposal should clearly state the impact on the	The pro-forma to be completed for each spending proposal as part of the	Jun-10/ Apr- 11	PSD – to include this in the Proforma NI Departments	Budget 2010 guidance to be issued to departments by the end of May 2010

Recommendations	Actions	Timescale	Responsibility	Progress - May 2010
respective PSA target, if successful and should be accompanied by an EQIA and/or equality screening pro-forma .	Budget process should include a section for departments to detail the quantified impact on a specific PSA target of the bid being successful.		– to complete the Proforma	
	Departments to complete pro-forma including specific quantifiable details of the impact on specific PSA targets of the bid being successful. Departments to complete equality screening pro-forma and EQIA for each bid	Jul-10		Departmental submissions to Budget 2010 to be provided to DFP by July 2010.
(8) The Draft Budget document should include an easy to read summary at the start of the document	Draft Budget document to include easy to read summary setting out the key issues and the draft spending plans of the Executive for consultation	Autumn 2010	PSD	
(9) The full list of prioritised spending proposals submitted by departments as part of the draft Budget process should be published alongside draft	Guidance issued to departments as part of Budget 2010 process will indicate that a summary of the spending proposals submitted by	Jun-10	PSD & NI Departments	

Recommendations	Actions	Timescale	Responsibility	Progress - May 2010
Budget document including details of which proposals will be funded from the draft Budget allocations.	departments will be published.			
	Summary table of spending proposals to be published alongside Budget documents	Autumn 2010		
(10) Departments should publish Equality Impact Assessments for each spending proposal. DFP should publish the draft EQIA at a strategic level as part of the draft Budget consultation.	Guidance issued to departments as part of Budget 2010 process will indicate that departments should publish Equality Impact Assessments for each spending proposal.	Jun-10	PSD	
	NI departments to publish Equality Impact Assessments alongside publication of the draft Budget document	Autumn 2010	NI Departments PSD/DFP	
(11) Supporting documentation including, for example, draft PSA and Efficiency Delivery Plans should be published as soon as possible after the draft Budget and PfG to provide a greater understanding of what will be achieved with	Guidance issued to departments as part of Budget 2010 process will indicate that departments should publish supporting documents such as Efficiency Delivery Plans.	Jun-10	PSD	
	NI departments to publish supporting documents as	Autumn 2010	NI Departments	

Recommendations	Actions	Timescale	Responsibility	Progress - May 2010
the Budget allocations	soon as possible after the publication of the draft Budget document			
(12) Assembly Committees should have the lead role in the consultation on the Executive's draft Budget proposals, with responses to the Executive co-ordinated by the Committee for Finance and Personnel.	DFP Minister to write to Committee for Finance & Personnel setting out proposed approach to Budget 2010 process.	Jun-10	PSD	
	Committee for Finance & Personnel to co-ordinate the responses from Assembly committees to the draft Budget 2010 document.	October to December 2010	Committee for Finance and Personnel	
(13) In responding to the draft Budget, any proposal to increase spending on a particular service by a Committee should be accompanied by an equally detailed proposal as to how this could be funded	Committee for Finance and Personnel to scrutinise responses from Assembly committee's to draft Budget 2010 to ensure that all proposals are fully costed and funded.	October to December 2010	Committee for Finance and Personnel	
(14) The Final Budget Statement and debate should be combined with the Main Estimates process	To be taken forward as part of the Review of the Financial Process in Northern Ireland	Review Completed- March 2011	PSD	Terms of reference for Review submitted for consideration to the Finance Minister on 26 April 2010.

Risks

There are several risks to the achievement of the Action Plan and the implementation of the recommendations detailed in Table 1, including:

- The Budget process in Northern Ireland is dependent on the timing of the national Spending Review Process, delays in process can affect the timescale of the process in Northern Ireland, which may effect the implementation of some of these recommendations.
- The local process is politically led, and there are many reasons why a budget process may be delayed or may affect the delivery of these recommendations due to exceptional circumstances.
- Although each budget process involves the same stages, there are often unique, one-off challenges. There is therefore not a 'one-size-fits-all' process which can be initiated automatically each time and rigidly adhered to.
- There are several groups outside of the influence of PSD (or even DFP) whose participation is required in order to implement the recommendations fully. Therefore there is a risk that other groups do not participate as indicated in the action plan.
- While PSD can advise or provide guidance it is ultimately the responsibility of departments to determine the nature of the engagement with Assembly Committees and stakeholders.
- There is a potential for 'consultation fatigue' if several departments are engaging with the same key external stakeholders.
- The potential outcome of future reviews, such as the Finance and Personnel Committee review and the Financial Process Review may alter or supplement the recommendations.

Follow up to Session on DFP Spending and Savings Plan 2011

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
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Stormont

Our Ref: CFP47/10 21 September 2010

Dear Shane,

FOLLOW UP TO EVIDENCE SESSION ON DFP SPENDING AND SAVINGS PLAN 2011-15

At the Committee session on the DFP Spending and Savings Plan 2011-15 held on 8 September, members of the Committee requested information on the following:

- Clarification of the current level of debt arrears within LPS.
- An explanation surrounding the LPS bid for £5m in the June Monitoring Round.
- Consideration of streamlining economic policy units across NICS.

Further information on each of these issues is provided below.

Debt Arrears in Land and Property Services (LPS)

On 31 March 2010 the level of ratepayer debt was £157m, an increase of £21m on the figure at 31 March 2009. All outstanding debts are being pursued by LPS, but it is not meaningful to provide in-year figures of debt, given that many ratepayers pay by instalments during the rating year and certain categories of ratepayers (for instance Landlords and Agents) and in-year bills have different due dates. Since 1 April 2010, £36m of the £157m year end debt has been collected or discharged.

The recovery of ratepayer debt is LPS's single highest priority, whilst recognising the difficult economic situation which is impacting ratepayers' ability to pay. This is particularly affecting the non-domestic sector, with two thirds of the prior year debt at 31 March 2010 being on non-domestic rate accounts. LPS seeks to reach mutually agreeable payment arrangements with ratepayers, but on a daily basis has to decide whether to commence bankruptcy proceedings against businesses and individuals.

Collection performance against 2010 rate bills is solid, with many ratepayers paying earlier than last year. Rates collected at 29 August 2010 were £561m, compared with £507m at the same time last year.

To support its focus on debt recovery work, LPS has moved a number of staff from other business streams to progress the work.

DFP aims to provide more detail on work to date and progress on rate collection activity to the Committee in advance of the evidence session scheduled for 13 October 2010.

LPS £5m June Monitoring Bid

The Department put forward a bid for £5m other resource for LPS at June Monitoring. The funding is necessary to address the underlying deficit in the budget available to the agency to support essential rating and valuation services, including the administration of new reliefs which were agreed by the Executive after the budget was set as part of 'Budget 2008 - 2011'. The agency has had to rely on securing in year funding in both 2008/09 and 2009/10 to address the funding deficit.

The agency was successful in securing the £5m other resource, as part of the June Monitoring round on the basis that LPS would bring in an additional £10m of rates revenue – ie a net gain to the benefit of the Executive of £5m.

This additional funding will allow LPS to continue their work to increase the number of eligible properties on the valuation list thereby increasing the in-year collection target. It will also be used to address known backlogs of work in rate collection activity.

Streamlining of Economic Policy Units

Within DFP the resources required for the provision of economic advice are kept under constant review, in line with needs and the totality of the resources available. Staffing in this area within the Department will be reduced by four posts in 2010-11.

There is currently no separate consideration being given to streamlining the economic policy units across the NICS. All departments currently have economists to advise on economic issues and any possible rationalisation of such services across the NICS would form part of any wider consideration of the reduction in the number of departments.

Yours sincerely,

Norman

Norman Irwin

Industrial Derating

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
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BT4 3XX 24 September 2010

Dear Shane,

Industrial Derating – Extension of 30% Capping for the Forthcoming Spending Review Period

As the Committee will be aware, in April 2007 the Economic Research Institute (ERINI) completed an independent study into the effectiveness and impact of the direct rule policy to phase out industrial derating.

When ERINI was commissioned to do the work in 2006, under Direct Rule, liability for manufacturers was scheduled to increase to 50% in 2008/9, 75% in 2009/10 and 2010/11 and reach 100% from 2011/12. Informed by this study, the then Finance Minister, Peter Robinson, announced his intention to hold manufacturing rates at 30% (70% relief) for the CSR period through to 31 March 2011.

At a meeting on 14 November 2007 the Committee endorsed this proposal, which was contained in the draft budget. There was then strong cross party support to maintain that position, indeed for the level of relief to be permanently fixed at 70%. This correspondence advises on the issue of industrial derating for the next spending review period (2011/12 to 2014/15).

EU Matters

The Committee is aware of the State Aid issues associated with the policy. Industrial derating would almost certainly contravene EU State Aid rules if introduced today, instead of 1929, but is allowed to continue by virtue of the fact that it is pre-accession aid (predating the UK's entry into the Common Market in 1973). However, reverting to zero rates, or adopting a lower percentage liability (under 30%) revising the scheme so that it is targeted at specific sectors or freezing the level forever at 30% would run the risk of contravening State Aid rules.

In terms of finding new or alternative ways of providing direct financial assistance to manufacturing in Northern Ireland, the Executive is seriously constrained by EU State aid rules. So although industrial derating is far from an ideal policy instrument it is one of the few measures that can be used to help support manufacturing here.

Legislative Implications

New powers were taken through the Rates (Amendment) Act (Northern Ireland) 2009, approved by the Executive, so that subordinate legislation could either extend the period for the existing 70% relief, or vary the percentage. Without new subordinate legislation being brought forward (made under the enabling powers in the 2009 Act) the existing provision, providing 30% liability, would expire and rates would be fully chargeable on occupied industrial property at 100% from 1 April 2011.

Financial Implications

The present cost of industrial derating (at 70% relief) for 2010/11, in terms of regional rates revenue foregone, is estimated to be a maximum of £31.1m. Retaining the status quo over the next four years, that is holding manufacturing rates liability at 30% liability, would raise around £9m less regional rates revenue in each year than if liability were to be increased to 50%, as was suggested by ERINI back in 2007.

In not rating manufacturing at the same rate as other business sectors a maximum of around £31m - £32m regional rates revenue would be foregone annually over the next four years (with 30% liability), though it is recognised that such a figure makes a somewhat unrealistic assumption that all of our manufacturing firms can afford to pay full rates and would survive such an immediate imposition. The collectable figure is likely to be considerably less but, to be candid, it is 'anybody's guess' what this might be given the uncertain economic outlook.

In addition, there is the annual cost of the derating grant provided by DOE, which compensates district councils for the loss of district rate revenue and is in the region of £25m.

Way Ahead

Given that economic development is a top priority of the Executive, along with previous strong cross party support for the retention of industrial rates liability at 30%, the Minister considers that the Executive must demonstrate its continued support for the manufacturing sector. Notwithstanding the severe pressure on public finances, it is the Minister's view that with the current economic outlook, this measure is needed even more than it was back in 2007.

NI Budget estimates are currently being prepared predicated on continuing with 70% relief for manufacturing firms. In light of the previous strong level of cross party support the budget assumes that the current level of relief will continue for the next spending review period. The Minister intends to make reference to retaining industrial rates liability at 30% for the spending review period in the budget document, which will be published for consultation later in the year. A separate consultation on the issue is not considered necessary, in view of the extensive analysis and impact assessment undertaken in recent years.

A draft paper has been issued to the Executive on this matter, and should be tabled for consideration on 7 October. The Minister would like to know at least the preliminary views of the DFP Committee, prior to the Executive paper being finalised and formally discussed on that date.

It would therefore be much appreciated if the Committee could consider this letter by Wednesday 6 October. Further briefing can, as always, be provided by officials if considered necessary.

Yours sincerely,

Norman

Norman Irwin

Report on Public Sector Efficiencies

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
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Stormont 27 September 2010

Dear Shane

Response to Report on the Preliminary Inquiry into Public Sector Efficiencies

I refer to your correspondence of 17 September 2010 which sought clarification on when the response to the above report would be available and an explanation for the delay in providing that response.

The Departmental Response to the above report is enclosed. The Department acknowledges the delay in responding, which was primarily due to an initial misunderstanding on the convention referred to and the need to incorporate inputs from a wide variety of different areas right across the Department.

Yours sincerely,

Norman Irwin

ANNEX A

1 Background to the Efficiency Drive

The Committee is mindful that the public sector in Northern Ireland has been working to achieve cumulative efficiencies of between 2% to 3% over each of the last six years. Moreover, the pressure on departments to deliver "more with less" continues to mount in 2010-11, with additional savings of £123m forming part of the £367m in in-year budgetary pressures confirmed in April, with a further £128m to be imposed on the Northern Ireland Block as announced in May. The Committee does not underestimate the challenge that this presents to the Executive, both in terms of the current year and, more especially, as regards the, as yet to be quantified, additional budgetary reductions in the period 2011-14. The proposals arising from this preliminary inquiry are, therefore, intended as a positive contribution to the deliberation on how to meet this challenge. (Paragraph 33)

DFP comment:

- DFP welcomes the Committee's contribution to the process of delivering budgetary reductions. The public expenditure context represents a significant challenge for the Executive as they seek to maintain and enhance public services and any contributions that aid that task are to be encouraged. As part of Savings Delivery Plan guidance, issued to Finance Directors, departments were advised that they should have due regard to the recommendations of this report.

2 Budgetary Savings or Efficiency Gains?

The Committee recognises that the scale and immediacy of the current public expenditure pressures facing the Executive means that straightforward budgetary savings are required in 2010-11. However, the Committee believes that these can and should be achieved without having an adverse impact on essential public services and strategic policy priorities. This necessitates a thorough-going reassessment of spending programmes to identify those which have achieved or are no longer fulfilling their intended purpose and those which are lowest priority and therefore offer scope for allocative savings. (Paragraph 35)

DFP comment:

- DFP notes the Committee's recommendation. While the primary responsibility for the planning and delivery of savings lies with individual departments DFP has, however, advised departments that it is important that there is substantive and meaningful input from Assembly Committees and the wider public at an early stage in the development of the draft plans. Departments will also be expected to make draft Savings Delivery Plans publicly available at the same time, or shortly after, the draft Budget is published for consultation.

3 The Committee also contends that, in addressing the immediate public expenditure pressures for 2010-11 through budgetary savings, the Executive should not lose sight of the benefits of achieving real public sector efficiency gains in the medium to long term, as this will assist in minimising and managing any further public expenditure pressures in the years ahead. (Paragraph 36)

DFP comment:

- DFP notes the Committee's comment and would highlight, as an example of such an approach, the Invest to Save allocations that already contribute directly to the aspirations of the Committee's recommendation.

4 The Committee is concerned that there is no clear audit trail to give assurance that the 3% cumulative savings deducted from departments in the Budget for 2008-11 have been allocated to key frontline services and Programme for Government priorities. Arising from the recent Review of 2010-11 Spending Plans for Departments, the Committee highlighted similar concerns around the lack of information on how departments will manage the additional in-year budgetary pressures to safeguard essential services and strategic policy priorities. The Committee therefore calls on the Department of Finance and Personnel and the wider Executive to make the necessary arrangements to ensure that, in future, the requisite information and transparency is provided to enable the Assembly and the wider public to track how such savings are applied. (Paragraph 40)

DFP comment:

- In Budget 2008-11 the funding that was realised from the efficiency savings was used to help fund the successful departmental bids. Whilst the efficiency savings cannot be directly linked to specific bids, DFP can assure the Committee that the savings were used to fund Executive priorities. Going forward, the public expenditure context has necessitated that departments deliver savings that are intended to both maintain the Northern Ireland Executive's fiscal balance and to cover the inescapable pressures that the Executive are facing. All funding that is available from the savings that departments offer up will be decided upon by the Executive and as such will be in line with their priorities.

5 The Need for a Strategic Approach

The Committee recommends that the Executive develops a co-ordinated strategy for targeting, identifying and realising further efficiencies, which protects essential frontline services and strategic policy priorities and avoids the imposition of pro rata budgetary cuts across all departments. Whilst the Committee believes that this further efficiency drive should include measures to improve the efficiency of front-line services as well as back-office operations, it calls for robust safeguards to ensure that that there is no consequential diminution in the level and quality of service provision in priority areas. (Paragraph 47)

DFP comment:

- While the approach to dealing with reductions in the level of resources available is a key strategic issue, and one of the key challenges in the Budget process, the specific issue of how efficiencies are to be delivered in each department remains an issue for the relevant Minister. However, DFP will be mindful of the Committee's views in taking work forward on the Budget process.

6 The Committee believes that the 2008-11 Programme for Government and Public Service Agreement framework is cumbersome and overly complex in terms of the need to prioritise at a time of exceptional budgetary constraint. As such, the Committee calls on the Executive to urgently review its Programme for Government, which is due to expire in the current financial year, and set out clearly the services and policies to receive highest priority during the upcoming period of further budgetary savings and efficiencies. (Paragraph 51)

DFP comment:

- This recommendation is for OFMDFM and the Executive and, as such, is outside the remit of the Department.

7 The Committee recommends that, as part of its central monitoring of the efficiency programme, the Department of Finance and Personnel should provide continual assurance to the Executive and Assembly that: (a) the short-term focus on savings is not adversely affecting the achievement of key long-term objectives at a departmental and Executive level; and (b) efficiencies being claimed at a departmental level are not having a negative effect on the efficiency of the wider public sector. (Paragraph 55)

DFP comment:

- DFP notes the Committee's recommendation, however, as previously indicated, the detail and impact of specific efficiency measures in departments are a matter for the relevant Minister. While DFP will, following conclusion of the Budget process, consider monitoring and reporting arrangements, we will also look to the relevant Assembly Committees to play an important role in considering the issues raised. The requirements for the Budget 2011-15 process, and in particular the Savings Delivery guidance, has superseded Efficiency Delivery reporting.

8 The Committee recommends that, in its central personnel role, the Department of Finance and Personnel should ensure that the skills exist and are marshalled within departments, and their arms-length bodies, to effectively examine systems and processes for the purpose of identifying valid efficiencies; and, more generally, that a culture of efficient delivery is embedded into the routine responsibilities of public sector managers. The Committee also believes that assurances are required in terms of the capability of departmental boards and the governing bodies of public bodies to lead and oversee the efficiency drive. (Paragraph 60)

DFP comment:

- Leadership and management skills, with a particular emphasis on financial management, have been identified as priority areas in both the Senior Civil Service Development Strategy 2008-2011 and the NICS Corporate Learning and Development Strategy 2010-2013.

Within the context of these strategies annual training priorities are established on a corporate NICS basis. Leadership and management, as well as financial skills, feature in the priorities identified for 2010/11, and these skills are addressed through a range of programmes delivered by the Centre for Applied Learning (CAL). In recognition of the importance now allocated to financial skills, particularly in the current financial climate, CAL has been working closely with the finance Head of Profession to develop a full suite of courses designed to address key skills gaps for specialists and general service grades. Working with both internal NICS and external finance professionals, course materials have been updated for important programmes such as:

- • Practical Skills for Budgeting
- • Financial Management Overview
- • An Overview of Governance and Sponsorship of Arms-Length Bodies
- • Practical Risk Management
- • Corporate Governance
- • International Financial Reporting Standards

Course material for the Fraud Awareness course is currently being updated and a new course on the Northern Ireland Guide to Expenditure and Evaluation has been developed. A new course entitled Overview of the Budgets and Estimates Process will be launched in September 2010.

This review of learning and development material has ensured that CAL's generic courses meet the needs of finance professionals and non-finance professions across all grades in the NICS. CAL continues to work with departments to provide more tailored finance training as necessary and has been pursuing a Practitioner Based Training model whereby in-house subject experts quality assure and/or deliver training in whole or in part. This is working well in the finance area as subject experts bring relevance, currency of examples and clarity to the topic. It also reduces the cost and increases the efficiency of training.

Staff are also sign-posted to financial management learning resources and information available externally. The relevance and content of all training programmes are kept under continuous review as part of course evaluation and the annual training commissioning process.

9 Planning, Delivering and Monitoring Efficiencies

The Committee would encourage the Northern Ireland Audit Office to urgently review the performance of departments to date in achieving efficiency gains, including both in terms of the reliability of the identified efficiencies and the progress which has been reported against departmental efficiency delivery plans. The Committee considers that the findings and lessons from such a review could be valuable in informing any further efficiency drive following the next UK Spending Review. (Paragraph 74)

DFP comment:

- This recommendation is for the NIAO and, as such, is outside the remit of the Department.

10 The Committee recommends that, pending any Northern Ireland Audit Office review of the efficiency programme in Northern Ireland, the Department of Finance and Personnel should examine the findings and recommendations from the work of both the National Audit Office and the Westminster Public Accounts Committee in relation to the efficiency programme in Whitehall and ensure that all applicable lessons and action points have been addressed by Northern Ireland departments. (Paragraph 75)

DFP comment:

- DFP notes the Committee's recommendation. While specific action flowing from the Reports mentioned is a matter for departments, DFP will ensure that the attention of departments is drawn to the Reports.

11 The Committee recommends that, in fulfilling its central monitoring role, the Department of Finance and Personnel should ensure that a clear definition of valid efficiencies is applied consistently both in its guidance to departments and by departments in their efficiency delivery plans. It is the view of the Committee that a lack of consistency and transparency in this area risks both confusion within the public sector and controversy in the political and public domain in terms of the rationale and outworking of the efficiency programme. (Paragraph 79)

DFP comment:

- DFP notes the Committee's recommendation, however, the requirements for the Budget 2011-15 process, and in particular the Savings Delivery Guidance, has superseded Efficiency Delivery reporting.

12 The Committee calls on the Department to facilitate a process whereby a single Efficiency Delivery Plan for each department is published in a central location to allow effective monitoring of efficiency delivery plans both centrally by the Department of Finance and Personnel and by the Assembly's statutory committees. In addition, the Department of Finance and Personnel and the relevant statutory committee should subsequently be informed by departments of any amendments made to their efficiency delivery plans. (Paragraph 85)

DFP comment:

- DFP notes the Committee's recommendation, however, the requirements for the Budget 2011-15 process, and in particular the Savings Delivery guidance, has superseded Efficiency Delivery reporting. In respect of the Savings Delivery plans, it is important for departments to retain ownership and responsibility for the development and publication of these plans and the implementation of this recommendation would weaken this ownership. Departments have been asked to make draft Savings Delivery Plans publicly available at the same time as, or shortly after, the draft Budget is published. These plans should then be updated when finalised.

13 The Committee recommends that both the Department of Finance and Personnel centrally and each Assembly Statutory Committee encourage departments to provide clear quantitative and qualitative evidence on the inputs and outputs associated with the specific services which they provide, for the purpose of ensuring more effective validation and measurement of efficiency gains. (Paragraph 93)

DFP comment:

- DFP notes the Committee's recommendation and has consistently encouraged departments to publish information that provides transparency on the budget for their department.

14 The Committee calls on the Department of Finance and Personnel centrally to determine whether it is appropriate for increased income from charging to be included in departments' efficiency delivery plans, given that it is not included in the Efficient Government Programmes in Whitehall or Scotland. The Committee believes that, if budgetary savings and other measures are to be included in efficiency delivery plans, then these should be distinguished from proper efficiencies. (Paragraph 104)

DFP comment:

- DFP notes the Committee's recommendation. Although savings should be sought from reductions in administration and improvements in efficiency in the first instance, the scale of the savings that are expected to be required over the Budget 2010 period means that other options may need to be considered.

15 The Committee is concerned to find evidence that Full-Time Equivalent staff numbers in the Northern Ireland Civil Service had increased notably by April 2009, following the achievement of the Fit for Purpose reductions in April 2008. Moreover, the Committee sees scope for closer monitoring of efficiencies achieved in accommodation expenditure and calls on the Department to provide a detailed breakdown of accommodation efficiencies achieved since April 2008, including clear evidence to verify the further reductions in Full-Time Equivalent posts being projected by departments. (Paragraph 108)

DFP comment:

- During the 2008/2009 financial year, the NICS recruited additional staff to support the introduction of the new Employment and Support Allowance and to deal with increased benefit uptake which accompanied the onset of the recession. Although the number of staff in post increased during this period, a considerable number of funded vacancies were suppressed.

The Northern Ireland Statistics and Research Agency is currently working on the 2010 NICS Personnel Statistics Report, but it is likely that this will show that the number of permanent and casual staff in post, based on Full-Time Equivalents (FTE), will have reduced between April 2009 and April 2010. The overall number of funded FTE posts in the eleven NICS departments (excluding the Department of Justice which was created in April 2010) covering both staff in post and funded vacancies has reduced by about 160 FTE posts between April 2008 and April 2009, and has reduced further between April 2009 and April 2010 by just under 1000 FTE posts. Since April 2010 the number of staff in post and funded vacancies in the 11 departments has continued to fall, in part due to the introduction in February 2010 of an embargo on recruitment and promotion within the general service grades. It has been decided that the embargo will remain place until April 2011, at which point it will be reviewed.

During the Budget 2007 period (April 2008 - March 2011) it is anticipated the total number of FTE posts in the eleven Departments, covering both staff in post and funded vacancies, will fall by approximately 2000 FTE posts.

- In relation to accommodation, the department's Efficiency Delivery Plan includes efficiency targets for accommodation of £0.3m/£2m/£4.7m over the period 2008/11. During 2008/09 an efficiency saving of approximately £0.6m was achieved in salaries and wages – with £0.15m due to a decrease in staff numbers of 10 with a further £0.45m from a reduction in overtime. Efficiency savings realised in 2008/09, in excess of the £0.3m target, were used to offset increased costs in other areas of accommodation expenditure.

In 2009/10 a net saving of £1.1m was achieved in rental expenditure with 8 buildings vacated during the year and 1 building added to the estate portfolio. This has, in part, been achieved by increasing the number of workstations in existing buildings, and has resulted in a net space reduction of 8,174sqm by the end of 2009/10. In addition, a saving of approximately £1.2m was achieved in fuel costs in 2009/10 (the large variations in electricity rates available in that particular year, due to the economic downturn, resulted in favourable rates being obtained in tendered electricity supplies). Efficiency savings realised in 2009/10, in excess of the £2m target, were used to offset increased costs in other areas of accommodation expenditure.

16 The Committee has concerns that, as baselines for efficiency targets from 2008–2011 were set in the Budget in January 2008, departments could claim to be achieving efficiencies by living within these baselines, even if they receive additional funds for these programmes in subsequent quarterly monitoring rounds. The Committee calls on the Department of Finance and Personnel to examine this issue to determine whether this has happened to date and how this anomaly might be addressed going forward. (Paragraph 112)

DFP comment:

- DFP notes the Committee's recommendation, however, the requirements for the Budget 2011-15 process and in particular the Savings Delivery guidance, has superseded Efficiency Delivery reporting. In reference to Budget 2008-11, the efficiency savings were removed from departmental baselines and any further changes to spending areas were requested by Ministers and endorsed by the Executive.

17 Given the concerns expressed in the evidence around the potential for departments to circumvent limits on administration expenditure, the Committee calls on the Department of Finance and Personnel to provide a detailed analysis of administration spend by departments in 2008-09 and 2009-10, including the extent to which targets have been achieved at both departmental and block level. (Paragraph 116)

DFP comment:

- DFP notes the Committee's calls for administration expenditure analysis and the information required is set out below. However, it is important to note that technical changes such as the transfer of functions between departments, the introduction of International Financial Reporting Standards and the NICS equal pay claim will have the effect of changing the levels of control. In particular the transfer of shared services to DFP has the effect of skewing the DFP expenditure.

Administration Costs Analysis for DFP Committee

2008-09

Department	Budget 2008-11 Administration Costs Limit	2008-09 Provisional Outturn
DARD	46.4	43.8
DCAL	6.6	6.2
DE	19.1	21.6
DEL	26.8	24.2
DETI	17.8	15.7
DFP	142.8	165.4
DHSSPS	42.3	40.3
DOE	61.4	56.6
DRD	98.6	88.9
DSD	27.4	26.6
OFMDFM	18.3	16.3
Total	507.5	506.7

2009-10

Department	Budget 2008-11 Administration Costs Limit	2009-10 Provisional Outturn
DARD	45.9	41.7
DCAL	6.5	6.5
DE	18.7	18.6
DEL	26.4	24.1
DETI	17.4	15.6
DFP	135.5	163.8
DHSSPS	41.3	32.8
DOE	59.5	56.4
DRD	96.3	87.6
DSD	26.7	26.1
OFMDFM	17.9	16.6
Total	492.1	489.7

18 The Committee wishes to highlight, as a case in point, the tardiness on the part of the Department of Finance and Personnel in updating and reporting progress on its Efficiency Delivery Plan and seeks an assurance from the Department that this matter will be given higher priority going forward. (Paragraph 119)

DFP comment:

- 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.

19 The Committee recommends that all Assembly statutory committees give increased attention to examining the efficiency delivery plans of their respective departments, including progress to date. In undertaking this scrutiny the committees may wish to draw on the practical advice received from the expert witnesses to this Inquiry. In this regard, the committees may also wish to seek evidence on how departmental boards and governing bodies of arms-length bodies are applying the good practice efficiency checklist published recently by the Northern Ireland Audit Office. (Paragraph 126)

DFP comment:

- This recommendation is for the Assembly Statutory Committees and, as such, is outside the remit of the Department.

20 The Committee has concerns with the central reporting of progress by departments in achieving efficiency targets, both with the time lag in receiving co-ordinated progress reports from the Department of Finance and Personnel and as regards the reliability of the risk levels attached by departments to efficiency achievement. Also, the Committee is alarmed to note from the most recent progress report that almost 50% of planned savings for 2010-11 are considered to be "on track with significant risk" or "not on track". This is especially worrying given the additional savings that have subsequently been announced for 2010-11. The Committee considers that the Department of Finance and Personnel's central monitoring of departmental efficiency delivery plans needs to be more robust and that the outcomes should be reported to Assembly statutory committees, via the Committee for Finance and Personnel, on a more timely basis. (Paragraph 139)

DFP comment:

- DFP notes the Committee's recommendation and will work with departments to ensure the relevant information is both robust, and provided on a more timely basis.

21 Improving Public Sector Efficiency in the Future

The Committee recognises that scope exists for achieving additional efficiencies in the Northern Ireland public sector by further reducing bureaucracy, eliminating the duplication of services and improving Human Resources management practices. The Committee believes that this will require strong leadership at both the political and managerial levels of government, together with combining the strategic "top down" and "bottom up" approaches to effecting organisational and cultural change across all public bodies. (Paragraph 148)

DFP comment:

- DFP notes the Committee's recommendation. CAL provides a core spine of management training to leaders and managers at every grade from Executive Officer II level through to Grade 6/7 level. This management training is accredited by the Institute of Leadership and Management, which is the largest management awarding body in the United Kingdom. Underpinning themes for the accredited programmes include managing change in difficult times, planning to work efficiently, innovation and analysing evidence so that decision making is based on robust analysis.

In relation to strengthening leadership within managerial levels of government DFP has developed accredited programmes in Public Sector Policy Making and Strategic Leadership aimed at grade 6 and 7 levels. The Policy Programme is accepted service wide as the core programmes for Grades 6/7. Furthermore, in relation to the elimination of duplication, the Enterprise Shared Services is considering options and preparing a paper for the Departmental Board on other potential candidates for shared services in order to address duplication issues.

22 The Committee continues to see shared services as offering significant potential for realising true efficiencies in the medium to long term. However, it notes with concern that, in the recent report on performance against Public Service Agreements and departmental business targets for 2009-10, the Department of Finance and Personnel has attached an amber status to the benefits realisation plans for HRConnect, Account NI, and Records NI. Whilst welcoming the continued focus on the benefits realisation targets within the Department of Finance and Personnel business plan for 2010-11, as the reform programme moves forward, the Committee will wish to receive regular updates on the performance of the shared services, including substantiation of reported efficiencies. (Paragraph 158)

DFP comment:

- The recommendation is noted. Shared Services continue to be a key theme of transformation for the NICS. Enterprise Shared Services is currently considering options and preparing a paper for the DFP Departmental Board on other potential candidates for Shared Services in order to address any areas of duplication.

The need to keep the Committee up to date on the performance of shared services is also noted. Officials from Enterprise Shared Services will continue to attend sessions to update the Committee in this area as they have to date and to provide papers and respond to correspondence as required. Further sessions on the shared services are arranged for October 2010.

23 The Committee sees scope for more strategic co-ordination of the public procurement function to realise additional efficiencies, including in terms of e-procurement and collaborative purchasing between the different levels of government. The Committee reiterates its previous call for a new target to be set for achieving further efficiencies from public procurement, to include a monetary value and baseline for such savings, with an associated implementation plan which links to individual departmental efficiency delivery plans. (Paragraph 162)

DFP comment:

- Work on this recommendation is being progressed by Central Procurement Directorate in response to the Committee for Finance and Personnel's Inquiry into Public Procurement in Northern Ireland.

The Committee's Report, published in February 2010, made a number of recommendations in relation to achieving efficiencies. In response to the Report, the Procurement Board approved an action plan identifying key targets and timescales for action.

The original timescale for confirming proposals on efficiency was September 2011 but, given the need to generate additional savings to meet new budget targets, and in light of the Committee's views, it is intended to accelerate work so that proposals can be developed in advance of the new financial year.

24 Given the potential to realise further efficiency savings from accommodation expenditure, the Committee welcomes moves by the Department of Finance and Personnel to develop a policy on remote working, which is likely to entail measures such as the use of local satellite offices and shared desking, and to facilitate this through improvements to the Northern Ireland Civil Service information technology and telecommunications systems. The Committee is mindful that the concept of remote working has been under consideration for some time and urges the Department to establish policy promptly in this area, including in terms of implementation targets, in the context of finalising the development of the Northern Ireland Civil Service Accommodation Plan 2010-11 to 2012-13. (Paragraph 167)

DFP comment:

- The NICS has recognised the benefits, in business terms, of enabling staff to achieve and maintain a better balance between work and home and has developed a home-working policy. While greater flexibility to balance their work-life commitments is likely to be the main driver from the individual's perspective, other benefits from the business perspective may include increased productivity, improved staff commitment, reduced absenteeism and a more diverse, flexible workforce. Planning is now under-way to implement the policy.

25 Given the importance of good practice asset management and capital realisation to wider public sector efficiency, the Committee recommends that surplus government properties, together with the annual costs involved, should be fully disclosed in a more user friendly and meaningful way. In this regard, the Committee believes that a comprehensive, mandatory central asset register for all public bodies – as recommended in the report of the Capital Realisation Taskforce in December 2007 – should be established without further delay. The Committee also recommends that, in its central finance role, the Department of Finance and Personnel should ensure that an exercise to identify surplus property is a regular feature of annual budget processes within departments and that a mechanism is used to independently assess the outcomes of such exercises. (Paragraph 173)

DFP comment:

- DFP welcomes the introduction of the ePIMS system that will record and manage all property information and agree that this will assist departments and the Executive in the responsible management and disposal of assets. Responsibility for asset management lies with OFMDFM/SIB and, as part of CART, they are currently working on the implementation of ePIMs. DFP has, however, drawn their attention to the recommendations contained in this report.

26 Whilst the Committee is disappointed at the low level of uptake of the Performance and Efficiency Delivery Unit services by departments to date, it acknowledges that this issue can only be addressed through agreement amongst Executive Ministers. The Committee therefore calls on the Department of Finance and Personnel to put forward options to the Executive for ensuring that the Performance and Efficiency Delivery Unit functions are exercised effectively across all departments. This might include maintaining the Performance and Efficiency Delivery Unit in its existing form, with each Executive Minister committing to utilise its services on a more proactive basis. However, other options for consideration might include, for example: establishing the Unit as an independent body in statute; relocating the Unit elsewhere outside the Department of Finance and Personnel; or retaining the business function within the Department of Finance and Personnel by merging the work of the Performance and Efficiency Delivery Unit with the Business Consultancy Service to provide amore comprehensive service to departments. (Paragraph 187)

DFP comment:

- The Department notes, and indeed shares, the concerns of the Committee. However recent developments, in particular following the June Monitoring round, have indicated an increased demand and take up for the resource available from PEDU. DFP will continue to keep this issue under review.

27 Overall, the Committee is supportive of the Invest to Save initiative and considers that it is another useful tool for incentivising departments to make efficiency savings. While at this stage the Committee would, in principle, be supportive of a continuation of this initiative in future budgetary cycles, it will wish to consider the outcome of any scrutiny by the relevant Assembly statutory committees of the implementation of the programme during 2010-11 to assess its effectiveness. (Paragraph 193)

DFP comment:

- DFP welcomes the Committee's comments.

28 Other Related Challenges

The Committee considers that the efficiency drive will need to be accompanied by an equally important focus on effectiveness in public service delivery. This will necessitate a range of business improvement measures across the public sector, including the consistent application of best practice in governance, management and budgeting, aimed at optimising the allocation and use of resources and raising the performance and effectiveness of public services. The Committee also notes calls for the Executive to consider revenue-raising measures to support public services. While the scope of this preliminary inquiry did not enable a detailed examination of these accompanying measures, the Committee believes that such issues will take on greater significance in this time of exceptional budgetary constraint. (Paragraph 215)

DFP comment:

- DFP notes the committee's comments and would confirm that the issue of scope for additional revenue raising measures is a key workstream within the Budget 2011-15 process.
- See also the response to Recommendation 8 above.

LPS Rating Progress - Committee Briefing

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont 28 September 2010

Dear Shane

LPS RATING PROGRESS

This letter provides the Committee with an update on LPS progress on rating matters, supplementing the information I provided in my letter of 21 September in follow up to an evidence session on DFP Spending and Savings Plan 2011 - 15.

Progress on in-year collection

In year rate collection performance is strong, with £561 million collected to 29 August 2010, compared to £507 million at the same point last year. The solid cash progress is reflected in progress against LPS' Key Target to collect or discharge 95.5% of in year rates, based on 30 April 2010 assessments. Progress at 29 August 2010 was 56.4%, against a profiled target of 52.2% and 2009-10 performance year to date of 51.6%.

Much of the increase is due to earlier payment by ratepayers, particularly public bodies. Our current estimates are that year end collection will be slightly ahead of the targeted £980 million. The majority of the additional amount is due to in-year assessments raised being higher than forecast, as LPS valuation staff have continued to reduce work stocks.

Many ratepayers continue to have difficulty paying. LPS seeks to assist in such cases by agreeing extended payment arrangements wherever appropriate. £11.5 million of in year arrears are currently the subject of formal payment arrangements. Alongside the agreement of payment arrangements, legal proceedings continue in the normal way.

Progress on recovery of prior year debt

As at 29 August 2010, the end of year debt figure of £157 million had been reduced to £121 million. Work continues to recover all outstanding debts but the effects of the general economic situation are very clear in its impact on ratepayers' ability to pay.

Many of the accounts still with prior year debt are within the remaining backlogs of work that accumulated during the period of rating reforms and related IT replacements. This year, supported by the vastly improved robustness of financial data in the rating system following the work in the financial review project, LPS is better able to target its actions and is working through the backlogs of complicated cases. The age and complexity of some of the cases makes this resource-intensive work, but LPS is making progress on a number of fronts.

The Agency is, for instance, focussing on the largest 250 prior year debts, and had by 29 August reduced the amount in these accounts from £22 million to £14 million. Many of the remaining large accounts have payment arrangements agreed, are liquidated organisations pending write off, or are complex cases. The largest single remaining debt, for instance, involves a complex point of law to determine if it is an industrial premises or not – if it is, there is no debt outstanding because of the 70% industrial derating grant.

A key strand of work is the implementation of a Central Investigation Team in LPS, to use a wide range of data sources to track the necessary information on ratepayers, properties, and effective dates of occupation. This team is being expanded from the Occupancy Management Team that worked successfully with District Councils and others to conduct vacancy inspection exercises in 2008 and 2009, raising bills valued at more than £35 million. The expanded team will take forward difficult cases, leaving rating staff to focus on raising bills and clearing the more straight forward cases.

A number of the older will require write off as irrecoverable. Through the Penny Product arrangements, it is at this stage that District Councils take their portion of the loss. LPS is therefore working to clear the Certificates of Revision (CRs) which have been raised by valuers but not billed. Many of these have been awaiting sufficient information on the ratepayer and date of occupation to allow billing. The Central Investigation Team is proving its worth already, and the rise in in-year assessments referenced in the 'in-year collection' section of this letter is in large part due to progress in clearing CRs. This also increases a Council's Penny Product, therefore allowing the possibility of increasing write off amounts in-year without negatively affecting a Council.

The increased in-year assessments also, however, raise the possibility of the rates not being collected before 31 March 2011 and therefore contributing to the end of year debt figure. LPS therefore continues to work carefully to balance the reduction of work stocks throughout the rating process.

To support the work summarised above, LPS has moved staff from other LPS activities, recognising that the removal of these remaining backlogs from the rating process is the highest single LPS priority. The Agency will continue carefully to manage the balance that will need to continue to be struck between this work and LPS' other statutory and business priorities.

Report by Institute of Revenues, Rating and Valuation (IRRV)

LPS commissioned IRRV, the relevant professional body, to review ratepayer debt and provide advice on any additional actions that should be taken to tackle the rising level of debt.

The IRRV team has concluded its work, and held a workshop with LPS Management Board and senior managers on 3 September. The IRRV report is attached as Annex A. Many of the elements in the report were already known to LPS and were being tackled; the work of the IRRV team has provided a sharp focus on the work, and they have also contributed by providing a wide knowledge of rating matters

The report recognises the central reason for the rising arrears as having been the profound series of rating reforms implemented since 2004, coupled with the more recent effects of the recession. It highlights a number of other contributory factors, including:

- Data quality issues;
- The LPS merger;
- The lack until recently of robust and detailed financial information;
- Resourcing challenges including the lack of a dedicated career structure for Revenues & Benefits staff and overall staffing constraints; and
- Some limitations in the court process.

The team highlighted a number of areas needing specific attention, including accounts with Stop All Bills markers, closed accounts, statute barred debt, and IT functionality constraints around non-domestic vacant rating accounts. Work is already in hand in all of these areas, and LPS expects many of them to be fully resolved by April 2011. Further problems highlighted, including delays in payments by public bodies, have already been addressed and resolved.

The report notes that the knock-on effects of these issues was significant 'fire fighting', as LPS worked to stabilise the system and processes; and states that the IRRV team believes that it will take at least three years fully to recover the situation.

The LPS Management Board will ensure full and early resolution of the remaining issues around the operation of the rating system. The workshop with the IRRV team on 3 September worked through the report's recommendations and agreed necessary work beyond the recovery work described in the previous section of this letter. Actions that LPS will address include:

- Working with Central Procurement Directorate to enable the use of the private sector in certain key challenges for LPS, in particular tracing ratepayers who have moved, and collecting rates owed on closed accounts. LPS is already working on a number of projects, but moving beyond this phase will require formal procurement action. In parallel, work continues on the LPS Service Delivery Model to ensure that LPS makes full use of the broad scope of its activities and its close relations with District Councils and others to access relevant information.
- Formalising relations between LPS and the Courts and Tribunals Service, in particular with the Enforcement of Judgements Office (EJO), to build on the operational liaison already in place and ensure that EJO is able effectively and robustly to deal with LPS cases.

In parallel, LPS is continuing discussions with Rating Policy Division around changes to rating legislation to support the operational effectiveness of the rating system. Many of the areas are contentious, including for instance the legal requirement for ratepayers to provide more information to LPS, and greater powers to force sale of property.

I hope that the Committee will find this information useful.

Yours sincerely

Norman.

Norman Irwin

PAC Report on Statement of Rate Levy and Collection 2006-07, and Penny Product Matters

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

28 September 2010

Dear Shane

PAC Report on Statement of Rate Levy and Collection 2006-07, and Penny Product Matters

Further to your letter dated 22 January 2009 asking for continuing reports on Land & Property Services' (LPS) progress against the agreed recommendations of this PAC report, I attach a summary of progress against those recommendations which fall to LPS to implement.

The Committee has also requested updates on refinements to penny product processes. It seems appropriate to incorporate these updates with the update on PAC recommendations, given the close connection between the two matters and so I summarise current work in this covering letter.

Progress on PAC recommendations

You will see from the report that LPS has taken forward work against all of the PAC recommendations which fall to it to implement. In the last six months, this has included:

- Completing cash accounts and shadow accrual accounts for 2009-10;
- Significant further work on occupancy and vacancy management, including the development of a Central Investigation Team and the use of increasing sources of data; and
- Agreeing Key Performance Indicators under the Memorandum of Understanding with Belfast City Council.

Penny product matters

Since April, LPS has issued provisional year end figures (subject to audit) for 2009-10, and a first in-year forecast for 2010-11.

LPS continues to work closely with Councils on financial and penny product matters, including:

- Meeting with a number of Councils to discuss issues of concern, particularly when councils are predicted to face a clawback situation, and agreeing joint actions to address the position;
- Agreeing further refinements to the EPP process for 2011-12, attempting to move further towards predictions rather than extrapolations; and
- The impacts of the move to accrual accounting for the Rate Levy Account.

Further detail on all of these matters is included in the attached report on the PAC recommendations.

I hope that this provides the information that the Committee requires. The Committee will note that LPS has completed implementation of the agreed actions against many of the PAC recommendations, and that others are part of ongoing business-as-usual. The Committee has also established a pattern of calling LPS to provide evidence on its progress on a biannual basis. The Committee may therefore wish to consider whether it continues to require this additional quarterly report on progress against the PAC recommendations.

Yours sincerely

Norman Irwin

UPDATE FOR THE FINANCE & PERSONNEL COMMITTEE ON PROGRESS AGAINST THE ACCEPTED RECOMMENDATIONS OF THE PAC REPORT ON THE 2006-07 STATEMENT OF RATE LEVY AND COLLECTION – SEPTEMBER 2010

Pac Ref	Recommendation	DFP Response	Action Taken To September 2010
10.	The Committee strongly recommends that DFP ensures that all major systems problems that have led to a lack of proper audit trail are fully resolved. The Committee acknowledges that these audit trail deficiencies remain inherent within the 2007-08 accounts but expects DFP to ensure that the 2008-09 accounts are properly supported by the books and records so that the C&AG can provide the Assembly with an unqualified opinion on the accounts.	DFP agrees that all accounts should be supported by sufficient books and records to ensure a proper audit trail. LPS will make concerted efforts to address these deficiencies and to ensure that the 2008 - 09 accounts are properly supported by the books and records.	The Audit of the 2008-09 account has been completed. In his report the C&AG noted improvements on the issues recorded in the 2006-07 and 2007-08 reports, recognised that LPS was unable to address all of these issues prior to the preparation of the 2008-09 statement, but acknowledged that work continues on : ¦ ensuring that residual system issues are addressed; ¦ cleansing IT system data; ¦ improving rate collection; ¦ investigating remaining vacancy inspection data; and ¦ ensuring the

Pac Ref	Recommendation	DFP Response	Action Taken To September 2010
			completeness and accuracy of the Valuation Lists The 2009-10 account has been submitted to NIAO and the audit has begun.
11.	The Committee expects DFP to prepare accurate and timely accounts, initially on a cash basis. The Committee recommends that DFP puts in place arrangements for the preparation of a modern style annual report, as soon as possible that includes accruals based financial information. DFP should liaise closely with the Audit Office in devising the accounting policies and disclosures for these accounts.	DFP prepares its annual Resource Accounts in line with the Government's Financial Reporting Manual. However, DFP accepts this recommendation in relation to the Statement of Rate Levy and Collection and has initiated work to enable it to be produced on an accruals basis, in line with recommended practice. LPS will lead on this but will involve DFP's Central Finance Group and the Northern Ireland Audit Office. In the meantime, LPS will also consider the extent to which a full annual report can be prepared.	NIAO comments on the 2008-09 shadow accruals account and annual report have been recently received and taken into account in the preparation of the 2009-10 shadow account. This is scheduled for issue to NIAO by the end of September 2010 for review. The first fully audited accruals account will be that for the 2010-11 year.
12.	The Committee recommends that all software systems should be designed to reduce the amount of manual data input and limit the extensive use of supervisory test checking that has for so long been the resource intensive practice employed in the public sector. Information should only be input once with all aspects of the system updated electronically. IT systems must have strong validation controls that prevent or, at the very least, substantially reduce human error. In this particular case, DFP should amend the system accordingly and robustly negotiate the cost of doing so with the contractor given the Committee's view that such system failings should have been obvious to the contractor when designing the software.	DFP accepts the recommendation that the system validation controls require improvement to reduce human error. LPS is in the process of reviewing all its system input screens, data input parameters, and access permissions to identify controls to mitigate keying in errors. DFP will ensure that all commercial negotiations with the contractor are undertaken within a robust framework and in line with good procurement practice.	Revised system validation controls went live in July 2009. Further account adjustment improvements and controls have been implemented as at March 2010. Work continues against a prioritised plan of data cleansing of data within the rating IT system, and a Data Quality Oversight Board has been established to manage the programme of work. This includes continuing refinements to system functionality as well as to the data. Robust management of the contract with the IT supplier continues, with engagement with Central Procurement Directorate as appropriate. CPD also provided a review of the procurement elements of the Financial Review Business Case.

Pac Ref	Recommendation	DFP Response	Action Taken To September 2010
13.	The Committee is particularly concerned that the new system contained a major system weakness in cash procedures which increased the risk of fraud. The Committee recommends that all outstanding system problems are resolved as a matter of urgency and that this Committee is provided with a timetable for their resolution. The Committee expects DFP's audit committee to closely monitor and challenge progress made and obtain sufficient evidence that there are no other significant system weaknesses.	DFP recognises and accepts the Committee's concerns and can confirm that all outstanding systems problems will be addressed as part of a financial review which LPS is carrying out. The timetable for and progress of this project will be monitored by both DFP's audit and risk committee and board.	The Financial Review is progressing well and is being managed as a formal project. Key milestones for the project already completed are: Implementation of General Ledger vacancy accounts. Implementation of an in-house reporting solution which addresses financial and management information requirements. Implementation of a series of financial data input controls. These controls have been supplemented with a series of account adjustment improvements. Production of shadow 2008-09 and 2009-10 accruals accounts. Implementation of a new chart of accounts to facilitate accruals accounting, production of penny product information and management information requirements. Remaining elements of the project are the upgrade of the financial software within the rate collection IT system, and implementation of archiving arrangements. These will be completed, and the Financial Review project formally closed, by 31 March 2011.
15.	The Committee recommends that meaningful and challenging performance targets are set for staff morale and that the implementation of the action plan is monitored by DFP's audit committee.	DFP conducts an annual staff survey, the results of which are circulated to all staff and are considered by the departmental board. Action plans are agreed as part of the departmental and agency business planning exercises. LPS developed an action plan to address the main concerns expressed by its staff following the 2007 DFP staff survey. Specific targets in the action plan to address staff morale include local management involvement in	LPS received the results from the 2008 survey in late March 2009, and the results of a further Staff Attitude Survey undertaken for the PEDU review in May 2009. Actions to address the findings of the two surveys were contained within LPS' action plan in response to the PEDU review. The results of the 2009 Staff Attitude Survey were finalised in May 2010. Work to address the key findings is being managed within the LPS

Pac Ref	Recommendation	DFP Response	Action Taken To September 2010
		setting business targets, senior management visiting offices regularly to actively listen and share information with staff, creating an LPS culture through cross directorate working and communicating integration success stories through team briefing and staff conferences. Implementation of this plan is regularly monitored by LPS management, and progress is communicated to all LPS staff.	Transformation Programme workstreams, in particular through an LPS Change Forum.
16.	The Committee also recommends that a further survey of the Agency's staff is conducted in Autumn 2009.	DFP accepts this recommendation and, a further survey of LPS staff will be carried out in 2009 as part of DFP's policy to regularly survey its staff.	As referenced in 15 above, this has been completed and action is being taken on the results.
17.	The Committee recommends that DFP radically improves the quality of its customer care to its ratepayers, including its handling of phone calls and introduces strong, measurable performance criteria in this area, which should be monitored closely. The Committee wants DFP to report back on what performance targets it has put in place to measure customer service and its timeframe for achieving them. These performance measures should be reported and commented upon in the Annual Report.	DFP accepts the recommendation regarding improving the quality of customer care to ratepayers. LPS has adopted the NICS Customer Service Principles and has a Customer Services Charter that details a range of published performance measures. The LPS business plan for 2009 – 10 will contain specific targets on improving the quality of its customer care to ratepayers. Performance against these targets will be monitored regularly by LPS and with outcomes reported in the LPS annual report and accounts. LPS will continue to work with Northern Ireland Direct (formerly the Northern Ireland Citizen Interaction Centre) to improve the quality of telephone call handling and to set in place robust performance measures.	LPS continues to work closely with NI Direct to ensure that call handling is of a high standard. The 2010 Turn of Year period proceeded fully to plan, with very low call abandonment rates during April (of 3%). LPS achieved its corporate target to increase its Customer Satisfaction Index score from 76% to 78% in 2009-10; the result was 78.2%. Performance against this and other customer service targets for 2009-10 was reported in the LPS Annual Report. Customer service continues to be a key focus for LPS, with corporate targets for 2010-11 including improvements in the management of correspondence, and providing a wide range of access routes to LPS services.
18.	The Committee recommends that demanding targets are set for a reduction in the level of incorrectly recorded vacant	DFP accepts that targets should be set to achieve reductions in the levels of incorrectly recorded vacant	LPS aims to ensure that all properties are correctly recorded as occupied or vacant in a timely manner,

Pac Ref	Recommendation	DFP Response	Action Taken To September 2010
	properties, over each Council area, and for increasing the amount of rateable assessments for so called vacant properties.	properties in each council area. LPS will work closely with local councils to validate and monitor the status of properties recorded on the rating database.	whilst recognising the challenges of this given that properties go in and out of occupation on a daily basis. The second phase of the vacancy inspection exercise in conjunction with Councils continues, with a particular focus on Non-Domestic properties, through the use of data sharing and the provision of targeted support by a number of councils. The two exercises together have resulted in the issue of bills totalling more than £36 million. A data sharing protocol between LPS and Belfast City Council has been signed. LPS also uses a growing range of other data sources, including utility data, and has a number of projects running looking at data sources and their relevance to LPS' work. The Occupancy Management work is now being incorporated into a Central Investigation Team in LPS which will handle cases where it proves difficult to track down the information required for billing, drawing on a range of data sources, and using field inspections where necessary. The Team will also lead on the implementation of Rating of Empty Homes on 1 October 2011. Changes have been made to all relevant LPS IT systems to embed Pointer address data as their primary source of address information, to facilitate data matching. LPS also continues to work with other public sector data holders, to broaden the use of Pointer. New arrangements for vacancy and occupancy

Pac Ref	Recommendation	DFP Response	Action Taken To September 2010
			management were implemented on 01 April 2010, which include the requirement to make a written declaration of a property being vacant.
19.	The Committee recommends that co-operation is needed with Councils to maximise district and regional rate revenues and recommends that the Department conducts a research study in conjunction with Councils with a view to having an agreed strategy on assessing and billing all eligible properties in a timely manner.	DFP accepts this recommendation. LPS has established a strategic steering group, including representatives from local authorities, to develop and maintain a high level of collaborative working, data sharing and the identification of improvement opportunities for business processes and outcomes.	The LPS – Local Authority Strategic Steering Group (LPS/LA SSG) continues to meet on a quarterly basis. The Group provides an extremely valuable forum for engagement between LPS and Councils. A Memorandum of Understanding between Belfast City Council and LPS has been signed by the LPS and Council CEOs. It has been shared with the Strategic Steering Group, which is currently considering how best to roll the model out to all Councils whilst recognising the administrative challenges of managing 26 agreements. Key Performance Indicators have been agreed between Belfast City Council and LPS and are being benchmarked against comparative figures for a number of English Collection Authorities. The April meeting of the Strategic Steering Group considered results of the consideration of a move to three-year financial forecasting for Councils and agreed that the priority remained bringing further robustness to the annual forecasting, through the ongoing refining of the penny product process.
20.	The accuracy of penny product information is essential to the effective financial planning of Council services. While the Committee recognises that forecasting is not an exact science, the	DFP accepts the recommendation. LPS has been working closely with councils and has revised the Estimated Penny Product process for 2009-10. LPS is providing councils with the	A quarterly APP update for 2010-11 was released to Councils in late July 2010, and provisional end of year figures (subject to audit) for 2009-10 were released to Councils in May 2010.

Pac Ref	Recommendation	DFP Response	Action Taken To September 2010
	Committee is of the view that DFP has not invested sufficient energy into developing systems for calculating the actual penny product and into estimating subsequent year(s) penny product. The Committee recommends that DFP places more resources into the system and develops a more robust budgetary model to estimate future Council revenue.	first in-year APP for 08 (09) from the rating system, to alert them about gains or shortfalls as they occur. These in year APP's will replace the revised EPPs and will be provided quarterly throughout 09(10). This will provide better information for councils to review their financial plans and any implications from their penny product settlement.	Councils continue to welcome these updates, which allow them to make adjustments as they consider necessary, and close liaison continues between LPS and many councils, particularly those forecast to be in a claw back position. LPS and Finance Officers are currently working on further refinements to the Estimated Penny Product process, attempting to factor in possible future developments and losses. This will lead to further robustness of the process and estimates for 2011-12.
21.	The collection of arrears is a core business activity of the Agency. The collection of rate revenue is an important source of funding for central government and a vital one for Councils. The Committee recommends that sufficient resources should always be allocated to the collection of arrears and that these should be ring-fenced. Collection of arrears should never be deferred.	DFP accepts that sufficient resources should always be allocated to the collection of arrears. DFP agrees that the collection of ratepayer arrears is and continues to be a priority area for the Department. The organisational structure of LPS is being reviewed to ensure the collection of arrears is recognised as a core business function.	The collection of arrears remained a priority for LPS during 2009-10, with significant increases in court processes issued (16%) and court decrees awarded (10%) compared with 2008-09. The delivery of a debt analysis tool under the Financial Review in late January 2010 has provided the ability to analyse and investigate arrears further. An action plan for 2010-11 has been developed and is being implemented; this provides for focused action on the remaining backlogs of work that accumulated during the period of rating reforms and IT replacement work.
22.	The Committee recommends that DFP introduces robust measurable performance criteria for the management and collection of rate arrears. This should include a target level of overall arrears, and more detailed targets for each Council area.	DFP agrees with the need to have robust, measurable performance criteria for the management and collection of rate arrears. Plans are in place to continue to improve overall collection levels to achieve the 98 percent target.	Key Targets for LPS during 2009-10 were: ¦ To collect or discharge 98% of the collectable rate assessed at April 2009, by 31 March 2010 – 94.7% was achieved; and ¦ To secure or action through the court process 75% of 31 March 2009 debt by 31 March 2010 – 70.3% was achieved. The general economic situation remains a

Pac Ref	Recommendation	DFP Response	Action Taken To September 2010
			factor in the ability to collect monies due. Rate collection and debt recovery is an extremely high priority for LPS in 2010-11. Key 2010-11 targets are: ¦ To collect 95.5% of the net collectable rates assessed at April 2010, by 31 March 2011; and ¦ To collect, discharge or secure through the court process 75% of 31 March 2010 debt by 31 March 2011. Progress against the targets is reported to the LPS Management Board each month. Rate collection progress is reported to councils on a quarterly basis through the forecast of Actual Penny Product.
24.	The Department has referred to some of the measures it is taking to stabilise the Agency's rate collection business. The Committee recommends that these should be put to the Committee in the form of a comprehensive action plan which sets out what is needed to resolve the key problem issues. In particular, the action plan must deal with the following: a. governance and the control environment; b. leadership and management skills; c. communication with stakeholders; and d. the IT systems. DFP's Audit Committee must closely monitor the progress made against this action plan.	DFP accepts the Committee's recommendation. DFP can confirm that there is a detailed recovery plan which sets out the key milestones which must be achieved to ensure that the critical success factors for high collection levels (timely billing, timely response to communications, and prompt and effective action in pursuit of non-payment of bills) are met. These milestones will also be reflected in the LPS Business Plan and progress towards their achievement will be included in the LPS annual report. The DFP audit and risk committee will also receive reports from LPS during 2009 – 10 on the agency's performance against this plan.	The Rate Collection Consolidation Plan for 2009-10 has been implemented, with substantial progress made on all aspects of the rate collection process, including ¦ Organisational structures ¦ A comprehensive training plan, including management training ¦ Improved communications with key stakeholders, including through the Strategic Steering Group with Local Authorities ¦ Data cleansing, purging and refreshing ¦ Process improvement work ¦ System controls and improvements Progress against the plan was reported monthly to the LPS Management Board. Plans and targets for 2010-11 are in place and monitored on a monthly basis. They include the following areas: ¦ Achieve 95% financial accuracy of benefit awards ¦ Reduce Stage 2 complaints by 10% ¦ 90% of supplementary rate

Pac Ref	Recommendation	DFP Response	Action Taken To September 2010
			demands are backdated by less than 12 months ¦ Improve staff confidence in the rate collection IT system ¦ Improve staff engagement and staff attitude results as reported through staff surveys
27.	The Committee recommends that DFP introduces as soon as possible measurable performance criteria for the assessment and collection of rates. These should include: a. rates assessments, including a target for improving the completeness of the register of rateable properties and inaccuracies in the number of properties treated as vacant; b. billing; c. collection, including the cost of collection per £1 of rates; d. stakeholder satisfaction; ratepayers, District Councils and staff; e. irrecoverable rates; and f. accuracy of penny product estimates. The standard for these performance criteria should be set at a level that is comparable to the best results achieved in other collection authorities and take account of the needs of key stakeholders.	DFP accepts this recommendation. LPS will include measurable performance criteria as specified above in its business plan for 2009 -10 and will monitor and report on performance against these criteria.	LPS' 2009-10 balanced scorecards included targets in all of these areas, including: ¦ Completion and implementation of a vacancy strategy to ensure accuracy of the records of vacant properties (and to prepare for the implementation of Rating of Empty Homes, work which is closely linked to the control of vacancies); ¦ In year and arrears collection targets and an overall cash collection target; ¦ Cost of collection per £ of rate collected; ¦ Agreement of an MOU between LPS and Councils, including monitoring of progress against it; ¦ Regular estimates and full explanation of penny product figures. The key performance indicators that have been developed under the Memorandum of Understanding between LPS and Belfast City Council will enable benchmarking of performance and processes with other collection authorities. The KPIs include: ¦ Level of assessments raised and collected ¦ Level of debt ¦ Losses through vacancies ¦ Cost of collection per £ of rates collected ¦ Backdating of rate bills ¦ Time taken to issue bills for new properties ¦ Deviation of APP from EPP

From the Office of the
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Mrs Jennifer McCann
Chairperson
Finance and Personnel Committee
Stormont

29 September 2010

Dear Jennifer

At the 28 September Assembly debate on the September Monitoring outcome, you asked for an update on the latest position with respect to the Executive's End of Year Flexibility (EYF) stock.

I can inform you that the remaining current expenditure EYF stock, excluding the Department of Justice (DOJ), now stands at £316.4 million. The remaining capital expenditure EYF stock, excluding DOJ, is now zero.

If the DOJ is included, the position becomes current EYF stock £428.4 million and capital EYF stock £72.8 million.

Yours sincerely

SAMMY WILSON MP MLA

Enterprise Shared Services - IT Assist, Network NI and Records NI

From: Norman Irwin

Date: 4 October 2010

Summary

Business Area: Enterprise Shared Services IT Assist

Issue: This paper outlines the progress and future direction of IT Assist, Records NI and Network NI, three of the component parts of Enterprise Shared Services

Restrictions: None.

Action Required: The Committee to note progress on these services

Background

1. The programme to create a Northern Ireland Civil Service Shared Service Centre for ICT was officially established in October 2006, as a key strand of the wider NICS Modernisation and Reform programme, which included complementary initiatives such as HR-Connect, the Centre for Applied Learning, Account NI, Records NI and Network NI.

2. The IT Assist Migration programme completed in March 2009 and was described as a "success story" in its final Gate Review, which was completed in June 2009. Since then the main focus has been on stabilisation and consolidation. This has included migrating all NI departments to a single (NIGOV) infrastructure which, in addition to facilitating an overall improvement in services and a gradual reduction in incidents and problems, has created an environment that enables NICS staff to work remotely or from any NICS location, thereby creating a much more flexible and dynamic approach to working.

3. IT Assist operates against the following organisational vision:

"IT Assist provides a cost effective means of delivering ICT infrastructure and common services to all Departments within NICS, operating to industry best practices and providing improved levels of service availability and resilience to meet the needs of all stakeholders".

4. The organisation provides services set out in a Service Catalogue to a standard specified in a Service Level Agreement. Both documents were agreed with, and signed off by, the IT Assist Governance structure.

5. In September 2009, IT Assist became the first organisation to go into Enterprise Shared Services, the new DFP Shared Services Organisation, and was later joined by Account NI, HR Connect and CAL. As part of this move, IT Assist has now assumed full responsibility for Network NI and Records NI. The organisation is headed up by Barry Lowry, who reports directly to Paul Wickens, the Chief Executive of Enterprise Shared Services.

Key Issues

Benefits Realisation

6. The Benefits Realisation Report for the ICT Shared Service Programme stated that the success of the programme could be assessed through the measurement of three strategic benefits, i.e. user satisfaction, stakeholder satisfaction and financial. The Post Project Evaluation report for the programme was completed in the summer and recorded that all targets had been achieved. User satisfaction had increased to a figure in excess of 85% against a 50% baseline figure;

senior stakeholder satisfaction with the governance of the service had increased from a 64% baseline to 70%+; and the services were being delivered more efficiently with some £14.9m having been freed up to invest in new services or improvements to the existing service, retained in the departments for investment in frontline services or returned to DFP Supply as cash-releasing savings. This achievement significantly exceeds the OBC prediction (£10m).

Finances

7. As stated above, IT Assist was set up with a specific objective of reducing NICS costs and has been successful to date in achieving this. Moreover, the IT Assist average cost per person per year (£1200) compares very favourably with other equivalent public service arrangements, including the Cabinet Office FLEX contract (£1700 per person per year average cost). Whilst IT Assist must continue to seek opportunities to provide its services at less cost, there is a limitation on how much further it can go without loss of service quality, security or resilience.

Next Steps

8. Providing core services to 18,500 users requires an infrastructure of considerable size and complexity. Even replacing a desktop or laptop computer every six years required more than 3,000 to be replaced annually. Plans are already being developed for the next comprehensive spending review period, which include some major (and inescapable) technology refresh projects, such as the replacement of the entire NICS telephony system, a Records NI hardware and software upgrade, and a resilient messaging hardware and software upgrade.

Enterprise Shared Services
Mission Statement

"To make a positive difference to the delivery of public services through being customer-focused, high performing and innovative"

Glossary of Terms

Term	Quadrant	Business Definition
ESS		Enterprise Shared Services
ESSSB		Enterprise Shared Services Strategy Board
Stakeholder/s		Individuals or groups with a vested interest in the organisation; whether they deliver or receive ESS services and whether they are key/primary/secondary stakeholders.
SLAs	C1 action b	Service Level Agreements
MoU	C1 action e	Memorandum of Understanding
Advocacy	C2 ad C2.1	Customers recommending ESS Services
Gartner	IP3 target a.	Gartner is an Information Technology, Research and Advisory Company which has developed an Internal Services Company Model to demonstrate and improve the viability of internal providers.

Results	Customers
R1: To deliver quality vfm services that meet agreed stakeholder requirements. R2: To fully comply with security, governance and financial management requirements. R3: To provide demonstrably best in class services.	C1: To deliver services compliant with agreed policies which consistently meet or exceed the standards required and facilitate future customer requirements. C2: To manage and respond to customer engagements in a way which meets or exceeds customer expectations and increases customer satisfaction and advocacy.

Internal Processes	Organisation and People
IP1: To establish agreed funding model and charging mechanism to support stakeholder requirements. IP2: To develop aligned and integrated processes to deliver and improve ESS business. IP3: To ensure fit for purpose governance including accurate and timely management information.	OP1: To develop and maintain a strategic capacity and capability to deliver ESS business. OP2: To ensure ESS is a good place to work.

Results

Objective	Measures	Targets	Actions	Owner
R1: To deliver quality vfm services that meet agreed stakeholder requirements.	R.1.1 Stakeholder Satisfaction.	a. DFP - To deliver the ESS Business Plan as agreed with the ESSSB by 31 March 2011.	1. ESSSB agree business plan targets. 2. Monitor Progress, manage and report KPIs at Service Line.	JC, BL, PC
		b. ESSSB - Delivery of agreed KPIs for each Shared Service Area (which will include: Customer Satisfaction, Delivered Value and Service Level Measures) by 31 March 2011.	3. Sign off Annual Report.	PW
		c. All written responses to DFP within required deadlines.	1. Quarterly review.	MC
	R.1.2 Benefits Realisation (ESS and Reform).	a. To establish ESS baselines by 31 July 2010. b. To achieve identified benefits targets for ESS. c. To report on benefits realisation for NICS reform as required.	1. Develop a Benefits Plan for the ESS. 2. Capture baseline and actual data and establish reporting requirements. 3. Provide support to Depts on NICS reform benefits. 4. Develop and implement an action plan following ESS	MC

Results

Objective	Measures	Targets	Actions	Owner
			benefits realisation review report.	
	R.1.3 eHR Programme Closure.	a. Deliver project by 31 March 2011.	1. Implement project.	PC
R2: To fully comply with security, governance and financial management requirements.	R2.1 Audit Assurance.	a. To achieve at least satisfactory assurance or better.	1. Implement a governance structure. 2. Implement ESS Audit & Risk Committee. 3. Report on Audit Assurances.	PW PW JC, BL, PC
	R2.2 Security Accreditation.	a. To achieve Security Accreditation by 31 March 2011.	1. Complete Agreed Actions including: - Risk management. - Business Continuity Plans. - Audit Compliance. - Accreditation.	JC PC BL

Results

Objective	Measures	Targets	Actions	Owner
	R2.3 Compliance with Security Policy Framework.	a. Full Compliance by March 2011.	1. Premises. 2. Data Protection. 3. Document, physical and personal security. 4. Asset security.	JC, BL, PC MC
	R2.4 Meet financial targets.	a. To live within departmental financial budget tolerances by 31 March 2011.	1. Budget Management at ESS and Service Line in line with agreed processes.	PW, JC, BL, PC, MC
R3: To provide demonstrably best in class services.	R3.1 Evidence of a commitment to excellence.	a. Maintain existing accreditations.	1. Benchmarking. 2. External accreditation. 3. Standards recognition.	JC, BL, PC
		b. To carry out a DFP Quality Programme Assessment and produce Improvement Plan by 31 March 2011.	1. Complete self-assessment to establish baselines and initial areas for improvement as part of the Programme to deliver change within the ESS.	MC

Customers

Objective	Measures	Targets	Actions	Owner
C1: To deliver services compliant with agreed policies which consistently meet or exceed the	C1.1 Service Board Satisfaction.	a. All SLAs achieved by 31 March 2011	1. Understanding customer business. 2. Agree, implement and monitor ESS SLAs.	JC, BL, PC

Customers

Objective	Measures	Targets	Actions	Owner
standards required and facilitate future customer requirements.			3. Establish Service Improvement plans. 4. Challenge and influence policy to enable positive change. 5. MoU (include provision for Heads of Shared Service Areas to be part of the policy making process). 6. Establish governance arrangements for input to NICS policy.	
C2: To manage and respond to customer engagements in a way which meets or exceeds customer expectations and increases customer satisfaction and advocacy.	C2.1 Customer Satisfaction and Advocacy.	a. Customer experience baseline established by 30 September 2010. b. Improvement plans agreed by 31 October 2010. c. First tranche of improvement plans delivered by 31 March 2011.	1. Agree customer experience strategy. 2. Conduct customer experience mapping workshops. 3. Agree baseline survey requirements with NISRA. 4. Establish baseline and agree targeted improvement plans (which need to align with existing service improvement plans). 5. Development and implementation of Communications Strategy. 6. Accept speaking and case study invitations. 7. Identify and attract viable customers from the wider public sector.	Olive Maybin MC JC, BL, PC

Internal Processes

Objective	Measures	Targets	Actions	Owner
IP1: To establish agreed funding model and charging mechanism to support stakeholder requirements.	IP1.1 Agreed funding and charging model.	a. To have a model in place and an agreed implementation plan by 30 April 2011.	1. Look at options and agree funding and charging model. 2. Establish processes to manage the model. 3. Develop a mechanism for finance and management reporting.	Louisa McKenna
IP2: To develop aligned and integrated	IP2.1 New or rationalised	a. To have an Improvement Plan in	1. To undertake a Quality Programme	MC

Internal Processes

Objective	Measures	Targets	Actions	Owner
processes to deliver and improve ESS business.	processes established.	place by 31 March 2011.	self assessment. 2. Define and agree the specific actions needed to deliver change within the ESS in an Improvement Plan.	
IP3: To ensure fit for purpose governance including accurate and timely management information.	IP3.1 Effective Governance.	a. Establish Governance arrangements that operate efficiently by 31 March 2011.	1. Independent Review against best practice. 2. Board Self-Assessment. 3. Agree management information requirements.	MC

Organisation and People

Objective	Measures	Targets	Actions	Owner
OP1: To develop and maintain a strategic capacity and capability to deliver ESS business.	OP1.1 Effective Service Delivery.	a. Staff and Suppliers in place with the capacity, knowledge, skills ad experience to meet business needs. b. Organisation to have no more than 10% vacancies. c. 80% of agreed priority training needs met.	1. Workforce Planning. 2. Identification of Training and Development Needs. 3. Training & Development Plan in place. 4. Compliance with Performance Management Framework. 5. Operate within DFP Budgetary Framework. 6. Business Continuity Planning. 7. Suppliers' performance regularly reviewed to ensure delivery against ESS standards and process requirements.	JC, BL, PC
	OP1.2 Improved Absence Rate.	a. Not exceeding DFP sickness absence target as agreed by Minister by 31 March 2011.	1. Follow DFP Sick Absence Management Policies.	JC, BL, PC, MC
			2. Monitor ESS sick absence levels.	JC, BL, PC,MC
OP2: To ensure the ESS is a good place to work.	OP2.1 Staff Satisfaction.	a. To establish a baseline for staff views on whether ESS is a good place to work. b. Establish a baseline for leadership indicators as part of the DFP Quality Programme	1. Complete Quality Improvement self assessment.	MC
			2. Establish baselines and initial areas for implementation as part of the Quality Programme Improvement Plan.	MC

Organisation and People

Objective	Measures	Targets	Actions	Owner
		Asessment by 31 December 2010.	3. Implement Improvement Plan.	JC, BL, PC, MC

Access to EYF

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Mr Shane McAteer
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Our Ref: CFP68/10
8 October 2010

Dear Shane

Access to EYF

During the course of the Committee for Finance and Personnel evidence session on 6 October 2010 Ms. McCann asked for further clarification on access to EYF.

This query was first raised during the September Monitoring Statement on 28 September 2010. The Minister for Finance and Personnel responded, detailing the Northern Ireland Executive's EYF stock of £428.4 million current expenditure and £72.8 million capital investment, including DOJ. EYF stock excluding DOJ is £316.4 million current expenditure with no capital investment EYF stock.

Access to EYF over the Budget 2008-11 period was agreed as part of the CSR2007 settlement. This provided access to current expenditure EYF of £125 million in 2008-09, £35 million in 2009-10 and £30 million in 2010-11. Agreed access to capital investment EYF was £100 million in 2008-09, £100 million in 2009-10 and £50 million in 2010-11.

In addition to this the Executive was permitted to draw down additional capital investment EYF of £42.7 million in 2010-11 in order to offset the impact of the reduction in the Department of Health's capital budget announced in the Chancellor's 2008 Pre Budget Report.

The Stage 2 Devolution package agreed access to EYF for underspends on the policing and justice budget.

Negotiations with the Treasury regarding future access to EYF are ongoing.

Yours sincerely,

Norman Irwin

Enterprise Shared Services: Account NI, HRConnect and CAL

From: Norman Irwin
Date: 11 October 2010

Summary

Business Area: Enterprise Shared Services: Finance Services Division (Account NI) and HR Services Division (HRConnect and the Centre for Applied Learning - CAL)
Issue: This paper provides an update on the performance of Account NI, HRConnect and CAL
Restrictions: None
Action Required: To note in advance of the session on 20 October

Background

Account NI

1. The key objective of Account NI is to improve the quality of financial management in the NICS through:

- improved business processes based on best practice and modern technology; consistency of financial services and technology platform, with flexibility and scalability;
- a reporting Centre of Excellence;
- ongoing innovation.

2. Account NI delivers transactional processing services, on a centralised basis, from Goodwood House in Belfast and is managed and staffed by civil servants. The underlying solution technology is provided as a managed service by BT. Account NI has been operational since 3 December 2007, when the first two departments migrated onto the system. The transfer of the remaining Departments took place in a series of waves which completed in July 2009. The 'Contract Performance Point' (the point at which Account NI and BT agreed that the solution and services were working in compliance with the contract) was achieved in October 2009.

HRConnect and CAL

3. HRConnect provides a range of HR and payroll services to NICS Departments and a number of other public sector bodies under a contract between DFP and Fujitsu Services Limited.

Implementation and performance of the HRConnect services have been discussed by the Committee on a number of occasions, most recently in January 2010. This paper provides an update on progress since that point.

4. CAL provides training to NICS Departments and a range of NDPBs.

5. HRConnect Service Management Division and CAL have been brought together under a single HR Services Director. This has enabled some reorganisation and a focus on joined up service delivery and better value for money.

Progress

ACCOUNT NI

6. Account NI has been in full operational mode since November 2009, with all services operating effectively. In total, £4 billion has been paid to NICS suppliers since go-live, performance against the 10 day prompt payment target has improved in recent months, and a faster closing of accounts is now being achieved.

HRConnect and CAL

7. The Committee may be aware of commercial issues arising from earlier delays, which were running in parallel to work on the programme. An Amendment Agreement was concluded in March 2010 which addressed these long standing issues and paved the way for a number of service improvements. A number of new Service Level Agreements were also introduced to refocus and better reflect the service as designed and delivered. These cover areas such as the delivery of reports and management information, and the processing of data changes.

8. The quality of the service has continued to improve in a number of key areas, for example:

- payroll accuracy is consistently achieving the 99.9% minimum level - this equates to around 32 inaccurate payments out of 32,000 each month;
- overall, the majority of service levels are being met each month with 52 out of 55 are consistently achieved - abatements have been applied where appropriate but have been below 1% of the total service charge in all but one month this year;
- complaints have fallen to their lowest level since the launch of the payroll service with the number of complaints received in each of the last two months being around 70 - this indicates that less than 0.18% of transactions give rise to a complaint and reflects an overall improvement in addressing employee issues.

9. In addition to maintaining a high level of service delivery in recent months, HRConnect have also successfully delivered three retrospective pay awards, implemented the Equal Pay changes to pay scales, and commenced payment of the associated lump sum payments.

10. A number of programme deliverables and action plans remain to be completed and excellent progress is being made with this work. It remains on track to be fully implemented by the final milestone date and subsequent gateway review in the second half of 2011.

11. The HR Services Director is engaging with the HR community to raise awareness, build confidence in and embed the use of HRConnect services. This will be underpinned by a range of interventions, including a Service Improvement Plan.

12. There is a high level of satisfaction with the quality of training delivered by CAL. Between April and August 2010, CAL has delivered training to 3,843 staff and 93.2% have rated the standard of training as good or very good.

Key Issues

Account NI

13. The key issue has been prompt payment performance which has been impacted by funding, resources, the process of migration and other supplier and Departmental dependencies. A paper on this issue has been provided to the Committee for the session examining NICS performance on Prompt Payment.

14. One of the challenges has been to get buy-in from Departments to the concepts of self service, commonality and shared ownership against a legacy of the autonomy and control offered by Departmental systems. This is essential if Account NI is to deliver a high level of service and ultimately allow Departments to focus on decision making and financial management.

HRConnect

15. A current issue for HRConnect is the provision of HR management information to HR Directors and Finance Directors. The required information is held on the system and the issues relate to how it is extracted and presented. Work is ongoing to complete the required reports and alternative options are being examined for those which are more complex. On the finance side, detailed information is being provided and the focus is on improving usability and understanding of what is already available.

16. The key strategic issues facing CAL are the continuing reduction in demand for training and the future funding model. A programme of customer engagement has identified a number of new training opportunities and this will help to mitigate that issue in the short term. The indications from departments are that they will be reducing their funding commitment for the next 3 year budget period. A re-organisation and reduction to the CAL staffing model will go some way towards addressing the short-term issues. However, the sustainability of CAL is ultimately reliant on the income received for providing training services. Work is ongoing to address the short term funding issue, which will inform the wider review on funding and charging for ESS services and the overall future direction for CAL.

Next Steps

Account NI

17. The Driver & Vehicle Agency is currently migrating to Account NI and discussions are underway with the Department of Justice. A number of potential system improvements are under evaluation, including the increased use of automation and provision of better quality management information.

18. Account NI is now uniquely placed to identify operational activities across Departments. This provides an opportunity to identify areas of best practice and to promote them consistently across all Departments in order to secure the maximum benefits from implementation of a shared service approach.

HRConnect and CAL

19. Going forward, the priorities for HR Services Division are to:

- deliver a programme of change to introduce specific improvements and to support the HR community;
- complete the remaining programme deliverables;
- increase the focus on customer engagement, to address their needs and ensure the services are focused on the right areas
- establish a funding and charging model which will protect the sustainability of CAL and meet the needs of its customers; and
- explore opportunities to grow the service.

Prompt Payment of Invoices - Performance of the NICS

From: Norman Irwin
Date: 11 October 2010

Summary

Business Area: Enterprise Shared Services and Central Finance Group
Issue: Performance of NICS in payment of suppliers
Restrictions: None
Action Required: The Committee to note the current position

Background

1. The 10 day target was announced on 20 November 2008, by the then Minister, Nigel Dodds in order to help local businesses through difficult economic times. The prompt payment initiative was aimed particularly at small and medium sized enterprises (SMEs).

2. Account NI measures performance for all Departments on Account NI. Departments are currently paying 82% of all invoices within the 10 Day target, with individual Departments achieving up to 91%. These figures include a high proportion of payments to large firms, multi-nationals and utility companies.

3. Performance for NICS Departments has been generally above the wider public sector in Northern Ireland, but not as high as those published by some GB Departments. The statistics quoted by other public sector bodies are, however, not necessarily based on the same criteria or accruals based operating model deployed by Account NI. One key difference, for example, is that Account NI calculates from the date an invoice is first received 'by Government' whether the invoice is subsequently assessed as incorrectly rendered or invalid in some way.

4. Account NI was established to improve financial management in the NICS. This involved a 'step change' in the design and delivery of financial services, including procurement, cash management and reporting. In terms of payment procedures, this included a drive towards purchase order processing, capturing system accruals and availing of supplier payment terms - normally 30 days in line with the Late Payment of Commercial Debts (Interest) Act 1998.

5. The application of payment terms has been suspended since the 10 day target was introduced and consequently Account NI issues all payments within a working day of the completion of the checking and approval processes.

Key Issues

6. The Account NI system was designed to underpin good financial management in the NICS. The 10 Day target introduced a focus in contention with the rationale for Account NI, its operating model and associated funding. Relevant also is that checking and approval processes are integral to accountability and cannot be sacrificed in the interests of expediency.

7. The 10 day target was introduced mid-way through the roll out of Account NI and has thus presented a major challenge on a practical level. Over the same period suppliers, Departments and Account NI have been faced with an environment under transition. This has resulted in difficulties around provision of consistent messages and challenges associated with embedding the new systems and procedures.

8. A significant problem for SMEs, at whom the initiative was aimed, has been the flow down of funds from prime contractors. Recent research has shown that, in the second quarter of 2010, companies in Northern Ireland were paying their bills, on average, 20 days late (ie, 50 days); obviously this is something over which Account NI has no control. DFP has taken steps to address this issue; for example all new construction works tendered by Central Procurement Directorate after 1 March 2010 require the main contractor to comply with a revised 'Code of Practice' which includes a 'Fair Payment' Charter.

9. Focusing on prompt payment requires a higher level of resource and will continue to be a challenge for Account NI and Departments. Additional staff costs are being incurred by Account NI in an attempt to improve performance but this may not be sustainable in the current budgetary climate.

10. The 10 Day prompt payment target cannot be achieved by Account NI alone. Suppliers and Departments have a role in ensuring that proper processes are followed, that transactions are of a high quality, and are actioned on a timely basis.

Next Steps

11. A good deal of effort is going into defining and communicating the respective responsibilities across the supplier, department and Account NI spectrum. Account NI will continue to focus on driving up performance where it is viable to do so while maintaining the integrity of checking and approval processes and promoting best practice in financial management.

NIAO Improving Public Sector Efficiency Checklist

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Clerk
Committee for Finance and Personnel
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13 October 2010

Dear Shane

Northern Ireland Audit Office
"Improving Public Sector Efficiency: Good Practice Checklist for Public Bodies" – Departmental View

In advance of the evidence session with the Committee on 20th October on the above, the Department has completed the checklist and provided it as the basis for discussion at the session.

The Departmental Board considers that the checklist sets out key questions which can be used to assess an organisation's development and to challenge existing arrangements, a key requirement in the face of continuing financial constraints.

Yours sincerely,

Norman Irwin

NIAO Improving Public Sector Efficiency Checklist

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
Adopting a priority-based approach to budgeting and spending				
Managing resources in a tight financial climate	1. Does the organisation have a clear purpose and objectives setting out, for each main service, the desired outcomes, quality and level of services to be provided for users?	Yes	DFP has a 3 year Corporate Plan which sets out its Vision and Key Objectives. Our annual Operational Plan, which takes the form of a Balanced Scorecard, is published at the start of each year and sets out the actions that will be taken during the year,	No

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			includes a range of targets in all areas of the department, to help ensure the priorities of the Executive, made under PfG are delivered. Below this lies third tier Business Plans for each of DFP's Business Areas. The department makes use of the feedback gained from customer surveys in developing its Operational Plan.	
	2. What are the most important external factors affecting each service? How has the organisation engaged with users, local communities, partners and other stakeholders to ensure it understands these properly?	Yes	Under the leadership of the PSG sub-group for Citizen Facing Reform, Citizen Service leaders for NI Direct have been appointed and there is on-going liaison with the Consumer Council and NICVA. The Department has also conducted Customer Surveys and has utilised the Customer Service Excellence Model. LPS engages with its stakeholders regularly, to ensure maximum value is derived from the resources expended. For example it meets with the Stakeholder Engagement Group.	Ongoing
	3. Do the organisations service priorities take full account of predicated levels of funding and future financial pressures – and help to manage them successfully?	Yes	The budget is set before the start of each year and opportunities for revision exist in the form of four separate monitoring rounds. All business areas forecast and profile their expenditure and receipts at each of these stages and report performance against the forecast on a monthly basis. The focus on savings and efficiencies continues and significant work is undertaken to identify and prioritise measures,	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			including Departmental Board workshops, bi-laterals between the Permanent Secretary and Business Area Directors and Chief Executives, and consultation with Assembly Committees. The DFP Quality Programme is a self-assessment tool, which is currently being applied across all business areas in DFP. The tool allows business areas to conduct a review of their own activities and results, which in turn should lead to more efficient and effective service provision.	
	4. For the most important services that the organisation provides, does the strategy explicitly reflect: ▪ A clear analysis and understanding of current spending ▪ A cost benefit review of the service to determine strategic priorities for investment and disinvestment? ▪ A clear understanding of current and future demand for key services from the citizen's perspective? ▪ How services users' needs may change	Yes	Every business area in the department has its own Balanced Scorecard (business plan) in which it clearly sets out its objectives, measures and targets for the year ahead. As part of the 2010-11 Spending Review and Budget 2010 process, business areas reviewed their priorities to determine what is affordable in the current economic climate. Monthly financial reports are provided to the Departmental Board who analyse and align spending with key priorities. Business Case and Economic Appraisal procedures have been issued to all Business Areas and are published on the Departmental intranet. Advice and guidance is provided to Business Areas for business cases over £250k, and test drilling of	No

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			business cases is conducted by the Departmental Economist. Both the ESS Strategy Board and the NI Direct Sponsor Group include customer representation to ensure that customer service needs are addressed.	
Supporting innovation and learning	5. Does the organisation have a systematic approach to learning innovation and learning?	Yes	The department's Corporate Improvement Plan 2008-11 sets out the departments approach to innovation and learning. The DFP Quality Programme involves all staff and provides them with the opportunity to put forward ideas for possible solutions to make their job/Branch/Business Area better. The performance management system is in place, i.e. each member of staff has a personal development plan which is linked to their individual performance objectives. Training and Development Strategy in place.	No
	6. Does the organisation's leaders support effective learning and innovation by: ▪ Encouraging transparency, openness and a constructive approach about performance, without covering up or ignoring failures? ▪ Forming networks outside the organisation to share information and learn from others? ▪ Showing responsiveness to outside ideas and opinions, including	Yes	The department monitors performance against its Balanced Scorecard (business plan) regularly. This internal control increases transparency and openness. The department publishes annual reports and accounts for the department and for its agencies. The department develops and maintains a network of organisations to share information, ideas and to benchmark against. For example, Land and Property Services liaise with the	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
	seeking to learn from service users, front-line staff and suppliers of services?		IRRV to identify best practice. Other business areas (e.g. Departmental Solicitors Office and IT Assist) have taken part in a benchmarking review with comparative services across the UK. The Departmental CLEAR values – Customer, Leadership, Ethical, Accountable, Results – have been issued to all staff. Each of the Values have separately been highlighted in Staff Briefs. Customer Journey Mapping has been used by some Business Areas to bring about improvements in the way in which services are delivered. Stakeholder groups have been established for Enterprise Shared Services, NI Direct and other customer facing Business Areas.	
Taking a strategic approach to efficiency and improvement	7. Does the organisation have a clearly articulated strategic approach to delivering efficiency, innovation and improvement, with plans that: ▪ Are closely linked to its wider objectives for service improvement and organisation development? ▪ Aim for long term gains and service improvement, reform alongside short term savings? ▪ Consider key elements of efficiency within the organisation and across partnerships, such as staff costs, procurement, asset management, ICT and	Yes	DFP provides services to all other NICS Departments, including through partnerships. The focus on savings and efficiencies continues and significant work is undertaken to identify and prioritise measures, including Departmental Board workshops, bi-laterals between the Permanent Secretary and Business Area Directors and Chief Executives, and consultation with Assembly Committees. Key elements of savings are being considered in development of the department's 2011-15 draft savings delivery plan, for example: Further embed shared services;	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
	business process redesign?		Procurement savings; Review of staffing levels; and Further process rationalisation and redesign. All Directorates within the Department are developing savings plans as part of the Budget 2010 process which will deliver short term savings whilst achieving long term benefits. The department is aiming to conduct self-assessments using the DFP Quality Programme across all areas of business before the end of March 2011. The expected outcomes are improvement to service delivery, streamlining of internal processes and cost efficiencies.	
	8. Does the organisation have a clear idea of the efficiency and productivity outcomes that it wishes to achieve and how it could engage with partner agencies (including the independent and third sectors) to achieve these?	Yes	The department is developing a savings delivery plan for 2011-15. Options include potential procurement savings and the department will continue to engage with third parties, such as its private sector partners to realise these.. Benchmarking of corporate services such as Legal, ICT, HR services undertaken by DSO, IT Assist and HRConnect PEDU Review 'Benchmarking Retained Functions across NICS Departments' is ongoing. A review of support functions within DFP is in progress in order to identify scope for further potential efficiencies.	Ongoing
Ensuring ownership of the efficiency	9. Have the organisation's leaders helped shape the strategy efficiency, innovation	Yes	The department will implement the DFP Quality Programme as a tool to improve quality	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
	and improvement strategy and how will they ensure it works: ▪ Has the strategy been approved at board or council level or equivalent? ▪ Has responsibility for promoting and monitoring efficiency and improvement, including reporting progress, been allocated to a specific individual(s)? ▪ How often is performance against the strategy reviewed?		and performance across the department in 2010-11. Departmental Board endorsed the Quality Programme implementation policy in June 2010 and are leading their respective business areas to ensure uniformity of approach. Monitoring progress of the implementation of identified improvements will be the responsibility of each business area, but progress will also be measured centrally by the DFP Quality Programme Manager in the Corporate Improvement Centre – this will be reported to Departmental Board 6 monthly. The department's Budget 2010 savings delivery plan will be subject to Departmental Board and Ministerial approval. Responsibility for the realisation of savings will rest with each business area. Progress will be monitored by Finance Division and reported on a 6 monthly basis.	
	10. Do the services and individuals who must deliver the efficiency plans know what is required of them and by when?	Yes	Business Areas have been fully engaged in the development of savings measures. Savings measures will be assigned to named individuals within business areas. Improvement objectives included in Personal Performance Agreements (PPA) of staff. The PPA for all individuals is linked to the business area's objectives. Continual improvement is a normal part of management in the department.	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
Regularly reviewing services	11. Does the organisation require all services to regularly undertake a review of service delivery and performance?	Yes	As part of the annual business planning process, all business areas carry out a review of the service they deliver with a view to improving performance and efficiency. The Department encourages its Directorates to set service delivery and performance targets. These are primarily reviewed through the engagement of clients/customers and frequently the measurement tool may take the form of a questionnaire or 'mystery shopper exercise'. The Corporate Improvement Centre drives review of service delivery using results of Customer and Staff Surveys (these were conducted annually over the past 3 years, but will be bi-annual from 2009). The DFP Quality Programme, which can measure performance against EFQM, IIP and Customer Service Excellence best practice indicators, will be applied across all business areas on a 2 year cycle. Where appropriate, some specific targeted customer surveys have been undertaken to drive improvement in particular business areas.	Ongoing
	12. Do service reviews report on how services are structured, delivering against key priorities, legislative requirements and the cost and quality of service delivered?	Yes	Each directorate has its own Balanced Scorecard and performance against targets is reported to their management group. Performance of key targets is reported to the Departmental Board on a	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			quarterly basis. Business areas, where appropriate, have SLA's and KPIs. Monthly financial reports are provided to the Departmental Board who analyse and align spending with key priorities. Monthly financial reports are also provided to each business area.	
	13. Do the reviews seek to identify opportunities to improve core business processes by improving the flow of service for users and by removing unnecessary activity?	Yes	Continual improvement is an important part of all reviews. Where an independent review of a service's processes is required Business Consultancy Service, the NICS wide consultants are commissioned and a systems thinking approach is applied, drawing upon the 'lean' toolset. An example is the customer journey mapping undertaken by Properties Division to identify and improve key interfaces and touch-points with their customers.	No
	14. Do the reviews consider alternative methods for delivering services, such as outsourcing or joint working arrangements?	Yes	DFP delivers services through a range of methods, including in house provision and partnerships with private sector providers. The Department keeps the options for service delivery under review. The delivery of services is kept under review as part of the business and budget planning process.	No
	15. Are those who carry out service reviews sufficiently objective e.g. independent from those who deliver the service?	No	The reviews are carried out by the staff who know the business requirements best. Where an independent service review is required the	No

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			Directorate has access to the departmental Corporate Improvement Centre and our Business Consultancy Service (BCS) internal consultants. Challenge by Departmental Board and by Independent Board Members. An Independent Board Member has been closely involved in the LPS transformation project. Bi-laterals with the Permanent Secretary. The Corporate Improvement Centre leads the implementation of the Quality Programme across the department and brings an independent challenge function.	
	16. Is there systematic follow-up to make sure the findings of service reviews are addressed and, where appropriate, actions?	Yes	Where appropriate, actions are included in the Balanced Scorecard and lower-level action plans, which are reported against regularly. BCS consultants will offer their clients the service of supporting the organisation to implement the changes. Where it is appropriate to adopt a systems thinking approach to improve service delivery the findings are implemented at the redesign stage of the process.	No
Engaging with staff and workforce planning	17. Does the organisation have a workforce strategy, which sets out plans to ensure staff are deployed according to its strategic priorities?	Yes	Workforce planning is a regular item on the Departmental Board's agenda, for example: Identification of surpluses and vacancies. Use of HRConnect procedures for notification of vacancies and creation of new posts. Cessation of temporary promotions,	No

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			use of Casual/Agency staff. Staffing levels aligned to budget allocations and priorities. Business Areas receive a monthly update from the HR Business Partner which includes workforce planning data. Workforce planning forms a substantial part of the HR Business Partner role.	
	18. How does the organisation involve staff in identifying potential areas for efficiency savings? ▪ Are front-line staff involved in reviewing services? ▪ Are there wider incentives (such as internal award events or recognition in staff communications) to encourage staff to propose efficiency ideas and suggestions for innovative approaches to service delivery/improvement?	No	Staff views are welcomed as part of the development of each business area Balanced Scorecard, and as part of the development of savings delivery plans. Introduction of email box for suggestions on efficiency/improvements (myidea@dfpni.gov.uk). Use of Staff Brief. Staff engagement is a key element of the DFP Quality Programme and the Corporate Improvement Centre ensures that the cross-diagonal slice of grades, people with different working patterns etc are represented when conducting self-assessments and developing improvement plans. Where Directorates involve Business Consultancy Service consultants, the methodology applied will always involve those staff who are directly involved in the delivery of a service. They will be included in improving and redesigning a service.	No
	19. Do directorate business plans and individual staff objectives specifically include objectives linked to the	Yes	All individual PPA's must include a link to the business area objectives. All of the plans must	No

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
	efficiency, innovation and improvement strategy?		include an improvement target.	
	20. Does the organisation have a sufficiently flexible approach to its workforce costs to reduce overall expenditure on salaries? Do all business plans have a linked workforce plan which sets out associated costs and timescales? Is the organisation consulting with workforce representatives to agree arrangements for more flexible use of its people?	Yes	Budget baselines determine what is affordable. Business areas liaise with Departmental HR in respect to its workforce planning and liaise with the TU. Identification of surpluses is delegated to Business Areas and is centrally managed by Departmental HR and Corporate HR. The draft savings delivery plan identifies the workforce implications of each potential measure.	Ongoing
Engaging with service users	21. Has the organisation communicated its efficiency, innovation and improvement strategy to service users? How do you know users understand and support it?	Yes	Business areas which have developed SLAs with customers regularly have review meetings with users. DFP Quality Programme on Intranet and through Senior Managers Forum and Staff Brief. A communications strategy, information and training sessions are built into the Quallity Programme process and this is applied as each business area comes on board. Feedback is provided to the Corporate Improvement Centre on progress and any issues arising. Papers on the development of the Department's savings delivery plan have been made available to TUS and published on the website and communicated to staff in Staff Brief.	Ongoing
	22. How does the organisation involve service users and customer feedback and	Yes	Customer Surveys are carried out and actions arising from feedback are	No

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
	suggestions in identifying potential areas for redesigning services and delivering efficiencies? Does it do this with its partners to maximise efficiency?		included in the Balanced Scorecard. Customer Journey mapping has been used by some business areas to engage with the customer, where they have had issues with a particular process or point of interaction. This has resulted in improvements to internal processes that have impacted positively on service delivery to the customer. Stakeholder groups in ESS and NI Direct provide the forum for service users to provide feedback and identify areas for service improvements and efficiencies.	
	23. Can you demonstrate that feedback and suggestions from users and customers have been taken into account in pursuing efficiency and productivity improvements?	No	ESS is undertaking a baseline survey to provide comprehensive feedback from customers, which will be used to prioritise improvements. LPS are achieving efficiencies by introducing e-registration computerisation. Advice from the Consumer Council and NICVA has been incorporated into NI Direct processes, including telephone number rationalisation.	Ongoing
Looking ahead	24. Are there areas where spending is needed now to deliver significant recurrent savings in the longer term? Has the organisation considered how can this be funded?	Yes	As part of Budget 2010 the department is seeking capital investment for accommodation services to enable it to reduce lease costs in future years. LPS investment in rate arrears activity and LPS investment in ICT – bid in Budget 2010 for cohesive and integrated systems.	Ongoing
	25. What are implications of an ageing workforce for the	Yes	Work has commenced with NISRA regarding	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
	staffing of your front-line services? How does the efficiency strategy reflect this factor?		workforce profiling which includes age profiles available from HRConnect for DFP and NISRA are also supplying workforce planning models including retirements, leavers etc over the next four years. This information is being used by DHR and the business areas in terms of succession planning and to assess the impact of potential savings measures over the Budget 2011-15 period	
	26. Is the current capital investment programme sustainable in the current economic climate? How has the organisation set investment priorities against the likelihood of future capital spending reductions?	Yes	The department has reviewed its capital investment plans as part of Budget 2010 and has prioritised the proposals. We are prepared for reductions in a tight public spending round.	Ongoing
Improving information on productivity, service quality and performance				
Understanding the costs of providing services	27. Does the organisation identify and analyse the input costs for all major services? For each service: ▪ Is there trend information and an indication of cost pressures? ▪ Does the organisation have a clear understanding of how costs change in response to changing levels of activity: ▪ Can the organisation report what are the unit costs of delivering the service and how this is changing?	Yes	Each business area monitors performance against forecast The costs associated with each line of business are known and the impact of baseline changes on activities are monitored. Charging policy introduced in areas such as Legal Advice re Employment Litigation and Commercial transactions and the in-house Business Consultancy Service. Charging review underway to provide business areas with visibility of overheads on a consistent basis.	Ongoing
Understanding the quality and level of services provided	28. Does the organisation identify and analyse the level and quality of all major services in terms of outcomes for citizens?	Yes	The department will implement the DFP Quality Programme as a tool to improve quality and performance across	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			the department in 2010-11. The DFP Quality Programme, measures performance against EFQM, IIP and Customer Service Excellence best practice indicators and includes gathering evidence in relation to service delivery to the citizen.	
	29. For each service: ▪ Is there clear information on the level of service provided in respect of purpose and outcomes? ▪ Does the organisation provide reports on the quality of service delivered? ▪ Can the organisation report how quality and levels of service have changed over time? ▪ Can the organisation demonstrate the links between cost, activity and quality? Do performance monitoring reports show these links?	Yes	The purpose and objectives are included in the Department's PSA targets, Corporate and Annual business plans and in Directorate Plans. SLA's are in place for outward facing services. Quarterly performance reports are provided to the Departmental Board and progress against targeted outcomes are monitored. Monthly financial reports are provided to the Departmental Board. Trend information from Customer Surveys (3 years). Customer Service Standards are published. Customer Complaints Registers.	No
Reporting efficiency savings	30. Are there robust measures of success for efficiency that reflect purpose and outcomes?	Yes	The annual business plan is set in tandem with the budget to reflect what can be achieved within budget baselines. Budget baselines have been reduced to reflect target savings to be delivered. Performance against business plan targets and budgets are reported to and monitored by the Departmental Board.	Ongoing
	31. Has the organisation set baselines for the cost, quality and level of service of each	Yes	The focus on savings and efficiencies continues and significant work is	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
	main service? Are the baselines robust?		undertaken to identify and prioritise measures, including Departmental Board workshops, bi-laterals between the Permanent Secretary and Business Area Directors and Chief Executives, and consultation with Assembly Committees. Business Plan alongside budget reflects cost, quality and level of each main service. Continuous focus culminating recently in development of Budget 2010 expenditure and savings proposals. The department will implement the DFP Quality Programme as a tool to improve quality and performance across the department in 2010-11 - baseline scores (for each business area) using the recognised RADAR methodology will be established by March 2011. Baselines are set at the start of a 3 year budget period and only adjusted through the in-year monitoring process.	
	32. In reporting efficiency savings, does the organisation: ▪ Report on a consistent basis over time and between projects? ▪ Use tools to measure gains that are consistent and reliable? ▪ Make like-for-like comparisons with baseline data: ▪ Show how efficiency savings are affecting its baselines for cost, quality and level of	Yes	A key requirement for each project is a benefits realisation plan, against which the delivery of benefits including projected savings can be measured and reported. These plans will include comparisons with baseline data and will also look at quality and service delivery impacts	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
	service, to show the full impact of changes?			
	33. Does the organisation regularly report progress against its efficiency approach to: staff; those charged with governance; partners; services users; and other stakeholders?	Yes	Progress on the development of the department's savings delivery plan is regularly reported to the Departmental Board, including Independent Board Members. Progress on projects is reported to key stakeholders including project boards.	Ongoing
	34. Is the organisation able to demonstrate what efficiency gains have been achieved from individual projects and how these gains have improved the services delivered?	Yes	Individual projects are subject to proven methodologies such as Gateway Reviews and PRINCE and benefits realisation plans are required to demonstrate the benefits including delivery of efficiencies.	Ongoing
Improving collaboration and joint working to deliver efficient and user-focussed services				
Making best use of collaboration and joint working arrangements	35. Has the organisation assessed opportunities for efficiencies and better outcomes through better collaborative working as part of its strategic approach to efficiencies? For example, pooling of resources, removing duplication, shared services or radical redesign of service delivery?	Yes	The department has established the Enterprise Shared Services (ESS) organisation as a strategic approach to delivering efficiencies across the NICS. This has necessitated major structural changes in service delivery and is regarded as an exemplar by other central government organisations. The Corporate Improvement Centre have undertaken a number of organisational and structural reviews across the Department – these reviews have identified areas for improvement in relation to joint working , pooling or downsizing of resources and structural redesign. PEDU Review 'Benchmarking Retained Functions across NICS	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			Departments' is ongoing. A review of support functions within DFP is in progress in order to identify scope for further potential efficiencies.	
	36. Does the organisation know its own areas of good practice and share this across its sector, and wider, as appropriate?	Yes	The department carries out some benchmarking activities to compare against other organisations, learn and improve. Areas of good practice will be identified through application of the Quality Programme, which will help to embed benchmarking activities.	Ongoing
	37. Do all service reviews assess the potential for collaboration to deliver better services across the whole system in a more cost-effective way?	Yes	ESS and the Agencies collaborate with like organisations and counter-parts in GB, to keep up to date with best practice and innovative methodologies. An element of the Quality Programme has a focus on "Partners and other resources", which will allow business areas to assess the potential for collaboration and suggest improvements.	Ongoing
	38. For each main service, has the organisation worked with key local partners to identify potential for better outcomes and efficiency through collaboration?	Yes	DFP is working with the private sector in a range of partnerships which maximise the efficiency of the organisation. Eg Fujitsu, BT, Accenture, Steria.	Ongoing
	39. Is the work that goes into partnerships delivering clear improvements in the accessibility, quality and efficiency of public services? How can this be demonstrated?	Yes	There is a benefits realisation plan for DFP, in which the benefits of key ESS projects are reported. The ESS baseline survey of customers will focus on indicators which measure the key aspects of customer experience, including access, reliability and service	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			management and this will enable measurement of improvement going forward.	
	40. Has the organisation faced any difficulties or resistance in establishing partnership working arrangements? Do partnerships need additional support to make any necessary changes? What role should leaders play in providing this support?	Yes	Initial resistance from Trades Unions, staff in relation to outsourcing of HRConnect. In order to continue benefiting from benchmarking activity, management will play a leading role in realising the benefits and demonstrating those benefits to staff. Joint working relationships with other departments and private sector companies to establish the ESS has been positive.	No
Using benchmarking to identify potential efficiencies	41. Does the organisation have a clear strategy for benchmarking each of its main services?	Yes	Some business areas have found this particularly useful, for example IT Assist who have established that their cost per user of £1,200 compares very favourable to the GB Public Sector Flex contract (circa £1,700 for a similar service) and an estimated average government cost in GB of £2,362. DSO benchmarking of legal services, LPS benchmarking against GB services, HRConnect benchmarking.. See 36 above.	Ongoing
	42. For each main service is the organisation clear about: ▪ The type of benchmark information required? ▪ The potential benefits from sharing benchmark information?	Yes	The department fully understands the benchmarking process and the benefits it can drive. DFP is aware of the public sector corporate service benchmarking indicators produced by the Audit Agencies and is exploring the potential to utilise these indicators to	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			improve service delivery and deliver efficiencies See 36 above.	
	43. Is the organisation able to monitor and benchmark all front-line services?	Yes	See 36 above. LPS benchmarks against GB organisations for its frontline services such as mapping, valuation, rate collection and registration.	Ongoing
	44. Is the organisation finding any barriers in providing and obtaining benchmarking information? What will it do to overcome any barriers?	No	The other organisations equally see the benefits of benchmarking and are open to sharing information. DFP Quality Programme – see 36 above.	No
Using continuous improvement methods	45. Has the organisation adopted continuous improvement methods to review systems and practices for delivering services? What scope is there for extending this review work?	Yes	The department will implement the DFP Quality Programme as a tool to improve quality and performance across the department in 2010-11 Thereafter the DFP Quality Programme, which can measure performance against EFQM, IIP and Customer Service Excellence best practice indicators will be applied across all business areas on a 2 year cycle.	Ongoing
	46. Does the organisation know what models of continuous improvement are being used in other similar public sector bodies? How can it learn from this activity?	Yes	By networking and benchmarking, the department is aware of what models of continuous improvement are being used in other organisations (the Home Office and Cabinet Office have been particularly helpful). The Department is aware of various improvement methodologies and employs some of these to good effect, e.g Balanced Scorecard for Business Planning and Customer Service Excellence model and Customer Journey	Ongoing

Good practice area	Key points to consider	Considered (Yes/No?)	Comments to support or explain your assessment	Required actions
			Mapping to improve customer experience.	

DFP Draft Spending and Savings Plans

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont 13 October 2010

Dear Shane,

Re: DFP Draft Spending and Savings Plans 2011-15

Further to your letter on 10 September 2010, in which you outlined a number of questions on the department's Budget 2010 position, please find attached the department's response.

As you acknowledged in your letter, the position continues to be developed and can only be firmed up after the Executive has agreed the Budget 2010 outcome. A separate paper outlining the departments approach to its identification of savings options has been provided to the Committee to inform discussions at its meeting on 20 October 2010. That paper will address some of the issues raised in your letter and we have therefore cross-referred to that paper in this response.

Yours sincerely,

Norman

Norman Irwin

General

1. The Central Finance Group guidance to all departments on the Budget 2010 process requests that the pro forma for each spending proposal should "now include details of the groups that the department has consulted with in developing the bid for additional funding".

- Which groups did DFP consult in developing its bids?
- Which Groups does DFP intend to consult during the Budget 2010 process, and how this consultation will be undertaken?

The department has consulted with the Committee for Finance and Personnel and Trade Union Side in developing its spending proposals. Papers on the department's spending proposals and the development of its savings options have been put on the department's website and staff have been notified of this in the department's Staff Brief. Business areas have been asked, as part of their ongoing engagement with their key stakeholders, to continue to keep stakeholders abreast of the financial environment in which they are operating.

As part of the wider consultation on the Executive's Draft Budget 2010, we will continue to consult with the Committee and Trade Union Side as well as publishing further papers on the departmental website. Business areas will also continue to keep stakeholders informed.

2. The DFP paper indicates that the final position will not be known until the UK Government's Budget 2010/Spending Review Statement in October. Does the Department anticipate any significant changes to their proposals?

The department does not anticipate any significant changes to its spending proposals. The department's savings options will remain indicative until the Executive agrees its final Budget 2010 outcome.

Savings

Actions Taken Already

3. The briefing paper notes that a number of actions have already been undertaken to date to achieve savings within DFP, including: reductions in external consultancy expenditure; air fares, mileage and hospitality; and staff at Senior Civil Service level. What further options exist for savings in these areas?

The steps the department has already taken to reduce such expenditure are significant. Expenditure on external consultancy reduced by 75% from 2008/09 to 2009/10 and we expect further reductions in the 2010/11 year and onwards. Savings have also been made in respect of hospitality (which decreased by some 56% from 2008/09 to 2009/10) and on air fares and mileage. The department currently has 43 Senior Civil Service (SCS) posts, having reduced its SCS numbers by 5 posts since March 2009 (a decrease of more than 9%). We continue to drive down expenditure in these areas as far as possible, however further such savings will not be enough to materially offset the likely quantum of savings which the department may need to deliver.

Staffing

4. Paragraph 13 states staff reductions will be inevitable given that those costs account for 43% of the Department's expenditure. What will this mean in practice? What does the Department estimate that the scale of these reductions might be?

Given that staff costs represent a significant proportion of the department's expenditure, the proposals being developed by each business area will invariably involve reductions to staff numbers across the department. In planning for reductions we are seeking to minimise the impact on staffing levels. However, at this stage, we are still in the process of developing and refining our savings options and we are unable to provide a precise indication of the scale of staff reductions that would be necessary. A paper outlining the savings options which the department is considering has been provided to the Committee separately.

5. Given that the other departments will also be required to make savings and will face constrained budgets moving forward what is the Department's estimation of the ability of other NI departments to absorb surplus staff? Does DFP anticipate that redundancies may be necessary?

The precise quantum of proposed reductions to budgets across departments has not yet been determined. Work on the Draft Budget continues to progress and any proposals will be subject to the agreement of Ministers. As the NICS-wide position crystallises, it will be important to manage workforce planning very carefully in the coming months. There is a range of steps that can be taken to manage any NICS-wide anticipated reduction in the number of posts, such as an embargo on recruitment and promotion, ending temporary promotions, redeployments, and using natural wastage, and these will all be implemented as appropriate before any consideration is given to redundancies.

Lower Priority Programmes

6. The briefing paper states that some services that serve important objectives may have to be withdrawn in order for DFP to live within its means; however, this would require agreement from stakeholders including NI departments.

- What types of services could be affected and what quantum of savings is involved?
- What discussions has DFP had with any of its stakeholders in this regard?

We have been reviewing all of the department's services as part of the Budget 2010 process. An indication of the kinds of services which could be affected and the potential quantum of savings involved has been provided in a separate paper to the Committee. The department is presently in the process of further refining its potential savings delivery options in anticipation of producing a draft Savings Delivery Plan which will outline our proposed measures for achieving the savings required by the department over the four years of the Budget. Business areas have been asked, as part of their ongoing engagement with their key stakeholders, to continue to keep stakeholders abreast of the financial environment in which they are operating.

Procurement

7. Procurement has been identified as an area in which savings can be made.

- What is the quantum of targeted savings from procurement?

The precise quantum of savings expected to be delivered from procurement is still being firmed up. The position will continue to be refined until our draft Savings Delivery Plan is published after the publication of the Executive's Draft Budget. Some indications of the procurement options we are considering have been highlighted in a separate paper provided to the Committee.

- How can the Committee be assured that this will not signal a return to simply awarding contracts on the basis of lowest price, rather than on the most economically advantageous tender (MEAT) which may prove more expensive in the short-term but will carry with it better economic and social outcomes?

The department continually seeks to get the best value for money for taxpayers from all of our expenditure, including procurement. In 2008/09, 96% of our procurement was influenced by the Central Procurement Directorate (CPD), our Centre of Procurement Expertise (CoPE), and we expect a similar percentage of expenditure to have gone through our CoPE in 2009/10 when the underlying data has been reviewed and finalised.

Maximising Revenue

8. The briefing paper suggests that there is some scope to realise additional receipts over the Budget 2010 period.

- How much additional revenue is being projected?

The precise quantum of savings expected to be delivered from maximising additional receipts over the Budget 2010 period is still in the process of being developed. The position will continue to be refined until our draft Savings Delivery Plan is published after the publication of the Executive's Draft Budget. Some indications of the additional revenue options we are considering have been highlighted in the paper provided this week to the Committee.

- Has consideration been given to the potential impact of increased charging on other NICS departments, which are also seeking to make additional savings?

Should it be necessary, as a consequence of the Budget 2010 outcome, to consider increasing charges to other NI departments, we will consult with the relevant departments before implementation.

9. What is the current level of rate arrears in LPS? What impact will the anticipated budgetary constraints have on the ability of LPS to fulfil its rate collection function?

Land and Property Services has recently provided a paper to the Committee providing an update on the position. The department has identified an essential resource bid in respect of Land and Property Services. If the bid is not met, the department would be in the unsatisfactory position of having to secure additional funds through in-year monitoring rounds. LPS would therefore not be able to satisfactorily plan and there would be a detrimental impact on rate collection levels.

Corporate Services

10. The Committee has previously been told that the focus of the Enterprise Shared Services has been providing an effective service rather than focusing on efficiencies. Should the ESS now turn its attention to making savings?

All areas of the department, including Enterprise Shared Services, are developing savings delivery options as part of our Budget 2010 efforts.

11. The paper indicates that officials have sought "to identify the degree to which savings could be generated from these activities as they begin to bed down and produce economies of scale

over the coming financial years". What economies of scale are envisaged and within what timescale will they be delivered?

The precise quantum of savings expected to be delivered from Enterprise Shared Services over the Budget period is still being developed. As with our other savings delivery options, the position will continue to be refined until our draft Savings Delivery Plan is published after the publication of the Executive's Draft Budget. An indication of potential savings options within Enterprise Shared Services has been provided in a separate paper to the Committee.

Administration, Policy, Funding and Regulation

12. The briefing paper states that the need to make savings in core functions including policy, funding and regulation will inevitably result in staff reductions, which will impact on DFP's capacity to develop and review policy and provide advice and guidance.

- Are there any policies or policy reviews that the department had planned to take forward that may now be at risk?
- What will be the impact of this moving forward?

As part of the process of developing savings options, all of the department's services have been reviewed. No decision can yet be taken on which policy areas or services are likely to be subject to savings measures however, at this stage, we have not identified any planned policies or policy reviews which would be withdrawn as part of the process of developing savings options. Indeed, it may be necessary to introduce new policies to reflect reduced resourcing levels. The more likely impact is that the department would be less well able to provide ongoing advice and guidance to our customers and stakeholders.

Impact on Frontline Services

13. The guidance issued by CFG required details of the assessment of impact on the standard of public services and any mitigating actions to be provided. Has this been completed in respect of DFP's savings proposals and can the Committee be provided with details?

We provided CFG with an initial high-level outline assessment of the possible impact of the indicative savings options which we were asked to identify. However, we are currently further developing and refining our savings delivery options and we are not yet in a position to provide an assessment of the likely impact on services.

Current Expenditure Proposals

LPS

14. The impact of rating reforms has been cited as the primary reason for LPS receiving £5m p.a. via monitoring rounds.

- Given that the majority of rating reforms will have been introduced by the start of this budget period, why is it still necessary for LPS to receive such a significant sum on an annual basis?
- What will be the impact of the bids being unsuccessful?

This question was answered during the 8th September 2010 evidence session. The bids are essential to supporting rate collection and debt recovery by LPS on behalf of the NI block and District Councils. If the bid is not met, the department would be in the unsatisfactory position of having to secure additional funds through in-year monitoring rounds. LPS would therefore not be able to satisfactorily plan and there would be a detrimental impact on rate collection levels.

15. The Committee will have noted media reports over the summer that 60 staff from the Planning Service have been redeployed to LPS. Members may wish to explore how this cost is being absorbed and what additional pressure this redeployment has placed on the budget for LPS.

This question was addressed during the 8th September 2010 evidence session.

Census

16. The Department received £2m in the June monitoring round in respect of the Census 2011, against a bid of £4m, with a further bid of £1.9m being submitted in the September monitoring round. For 2010-11, DFP's current expenditure proposals include a bid for £2.1m for Census 2011. Will this be sufficient in the event that no further money is made available through the 2009-10 monitoring rounds?

Projected Census expenditure in 2010/11 currently amounts to some £9.2m, against which we have secured a budget of £7.3m (including an allocation of £2m in 2010/11 June monitoring). The department will continue to seek to secure the additional resources in order to meet the Census 2011 funding requirements in the current financial year at December monitoring. In addition, NISRA is examining all aspects of expenditure to ensure that those required are the minimum needed to take forward a census which is fit for purpose. We are preparing contingency plans for containing expenditure in the event that additional resources cannot be secured this year.

In 2011/12, the department continues to require additional resources of £2.1m.

17. Additionally, the Committee was previously advised that failure to deliver the Census in line with obligations could result in penalties. What type of penalties could be imposed?

An EU Regulation is in force relating to the 2011 round of censuses. The Regulation requires that small area data on a range of socio-economic matters be forwarded to the European Union. In the case of the UK, such data can only be provided from a census. Failure to provide the information lays a member state open to infraction proceedings which could involve financial penalties which might continue until such time as the information is made available. The NI Assembly has now approved the 2010 Census Order and Census Regulations which provide the legislative basis for the 2011 Census on 27 March next year.

NI Direct

18. What is the potential risk to service delivery if the funding bid is not met and the implications for a single telephone number for the general public (Paragraph 19(iv)).

The Executive will decide on the resource allocations to be made to departments as part of Budget 2010 in line with its strategic priorities. In that context, should our spending proposal in respect of NI Direct be unsuccessful, the services could not be provided as currently envisaged.

Expenditure Priorities and Performance

19. With regard to the most essential spending requirements outlined in the briefing paper:

- how DFP would rank these bids in order of priority;
- what performance indicators have been set for each proposal; and
- how these relate to existing/future PfG priorities?

The department's resource spending proposals were outlined in order of priority in the paper provided to inform discussion at the Committee's meeting on 8th September 2010. Performance indicators are still in the process of being developed and will depend on whether the bids are met and, if so, whether they are met in full or in part. The department's resource spending proposals reflect the department's prioritised resource needs over the Budget 2010 period, reflecting existing service delivery needs. The Executive will decide on any resource allocations to the department in line with its strategic priorities in the Programme for Government. The department continues to review its resource spending proposals as the Programme for Government is developed.

Capital Investment Proposals

Accommodation

20. What risk there is to the adequate maintenance or replacement of the 15% of DFP-owned property identified as "very poor" in the Draft NICS Accommodation Plan 2010/11 – 2013/14, which was considered by the Committee previously.

We have already vacated 12% of the 'grade 5' accommodation identified in the plan (as being 'very poor') and we have plans to vacate a further 8% over the next few years.

The 'maintain existing services' capital bid would not address any 'grade 5' accommodation. It is targeted at upgrading existing accommodation to allow staff from buildings where leases will expire to be accommodated in new or existing space at higher densities. This bid is therefore a pre-requisite to enable the potential resource savings projected over the budget period to be achieved.

The 'enhanced' capital bid (over the 4 years) is then required to initiate and complete work at Rathgael House (upgrading approximately 7% of the 'grade 5' accommodation) and to undertake pre-project works on a much larger-scale project to address the remainder of the 'grade 5' accommodation, mainly located on the Stormont Estate.

Enterprise Shared Services: HR Connect Milestone

21. Does the final £2.4 million payment include any penalties incurred by the contractor due to a delay in completing the work on the programme?

No. The penalties incurred by the contractor due to the delay in completing key contract stages have been addressed though reduced resource payments to the contractor for ongoing service delivery.

Enterprise Shared Services: Records NI

22. Had the £2million required to refresh the Records NI infrastructure been anticipated? Would the potential penalty which would be incurred should the refresh schedule be changed amount to greater than £2million?

It was always anticipated that there would be a need to update the Records NI infrastructure in order to maintain a sufficiently resilient system. While any need to renegotiate the timing of the proposed refresh could present a risk that penalties could be introduced by the contractor, it is not a certainty that penalties would be incurred. The more substantial risk is that, without the appropriate investment, the Records NI system could fail.

Enterprise Shared Services: Systems Maintenance

23. Had the costs of £6 million per annum for the next four years in respect of systems maintenance been anticipated? Can the Department provide an assurance on satisfaction with the current level of service provision by Enterprise Shared Services?

The need for ongoing systems maintenance in Enterprise Shared Services (ESS) was always anticipated in relation to the systems supporting the essential accounting, human resources, and ICT services provided to NICS departments and a number of other public bodies. The success of this spending proposal is a key factor in ensuring that ESS's services remain responsive to customers' needs over the Budget 2010 period.

Investment Priorities and Impacts

24. With respect to capital investment:

- how would DFP rank its various proposals in order of priority, in light of the significant reduction in departmental capital budget being anticipated over the Budget period;
- how do the investment proposals relate to the strategic priorities of the Executive; and
- what are the implications should any of the proposals be unsuccessful.

Our capital investment proposals were outlined in order of priority in the paper provided to inform discussion at the Committee's meeting on 8th September 2010. The department's capital spending proposals reflect the department's prioritised resource needs over the Budget 2010 period, reflecting investment to deliver both existing levels of services and to make enhancements. The Executive will decide on the capital investment budgets to be allocated to the department in line with its strategic priorities in the Programme for Government. The department continues to review its capital spending proposals as the Programme for Government is developed.

Other Issues

Assessment of Impact

25. The briefing paper confirms that the impact of the proposals in respect of savings, current expenditure and capital investment has been assessed in line with equality obligations, and that no material impact has currently been identified. Does the Department intend to publish the outcome of the equality screening undertaken in respect of each spending proposal, in line with the recommendation included in the Committee's Second Report on the Budget Scrutiny Inquiry?

A high-level assessment of the impact of our spending proposals and savings options on equality, good relations, poverty/social inclusion and sustainable development will be made available on the department's website after the publication of the Executive's Draft Budget.

Programme for Government

26. What options are being considered as part of the ongoing work to update DFP's priorities and targets in light of a reduced budget? When will the Committee be consulted on the Department's firm proposals for input to the next PfG?

OFMDFM is taking the lead in developing the new Programme for Government 2011-15 which is being taken forward in conjunction with the Draft Budget 2010. At this stage OFMDFM is developing the key cross-cutting strategic priorities for the consideration of Ministers. Although there has been some discussion of the number and structure of the PSAs, including the requirement for SMART targets, departments have not yet been asked to provide input on their specific targets. DFP will be able to make progress on its own specific PSA targets once the strategic direction of the Programme for Government is decided and when there is more clarity on the likely budget allocations, which will of course inform what can be achieved.

Equal Pay

27. At its meeting on 30 June, the Committee heard that the cost of the Equal Pay settlement would be in the region of £3m pa for DFP, and that this increased pressure would be reflected in the development of the expenditure proposals for Budget 2010. What consideration has the Minister/Department has given to this issue, given that it is not been reflected in the Department's paper?

As part of our ongoing liaison with CFG about the likely costs of pay and prices inflation over the Budget 2010 period, we have flagged the recurrent costs of funding the Equal Pay settlement.

Prompt Payment Quarter 2 (2010 11) Statistics

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

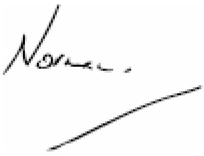
14 October 2010

Dear Shane,

Prompt Payment Statistics

I attach for the information of members the up to date position on the payment of invoices within the 10 target for all of the NICS.

Yours sincerely,



Norman Irwin

Prompt Payment Statistics - July - September 2010 (10 Working Days)

Department	Period Name	No of Invoices Paid	Total Amount	No of Invoices Paid Within 10 Working Days	Amount Paid Within 10 Working Days	No of Invoices Not Paid Within 10 Working Days	% of Invoices Paid Within 10 Working Days
DFP	JUL	4,607	£ 8,205,353	3,476	£ 5,756,256	1,131	75%
	AUG	4,071	£ 6,813,577	3,610	£ 5,796,245	461	89%
	SEP	3,758	£ 8,213,462	3,222	£ 6,653,825	536	86%
OFMdFM	JUL	548	£ 1,021,343	387	£ 700,938	161	71%
	AUG	407	£ 981,271	325	£ 883,932	82	80%
	SEP	436	£ 1,204,864	358	£ 1,174,258	78	82%
DEL	JUL	765	£ 701,275	539	£ 569,407	226	70%
	AUG	879	£ 829,986	691	£ 489,777	188	79%
	SEP	732	£ 910,281	622	£ 273,890	110	85%
DETI	JUL	439	£ 950,233	245	£ 422,579	194	56%
	AUG	454	£ 3,273,573	388	£ 887,165	66	85%
	SEP	367	£ 733,798	335	£ 686,497	32	91%
DHSSPS	JUL	698	£ 2,445,328	354	£ 667,140	344	51%
	AUG	653	£ 2,526,961	431	£ 1,475,445	222	66%
	SEP	711	£ 1,319,802	482	£ 636,692	229	68%
DSD	JUL	2,167	£ 4,659,861	1,412	£ 3,391,661	755	65%
	AUG	1,859	£ 4,381,099	1,466	£ 3,888,105	393	79%
	SEP	1,740	£ 3,103,430	1,486	£ 2,073,421	254	85%
DARD	JUL	2,990	£ 3,077,915	1,972	£ 2,253,521	1,018	66%
	AUG	2,436	£ 3,257,346	1,858	£ 2,707,326	578	76%
	SEP	2,555	£ 2,392,053	2,096	£ 1,894,549	459	82%
AFBI	JUL	1,403	£ 1,082,657	977	£ 812,785	426	70%
	AUG	1,166	£ 1,011,422	955	£ 807,807	211	82%
	SEP	1,232	£ 4,559,964	1,094	£ 993,865	138	89%
DCAL	JUL	392	£ 249,219	305	£ 181,260	87	78%
	AUG	432	£ 974,518	382	£ 918,808	50	88%
	SEP	349	£ 464,993	300	£ 387,559	49	86%
DE	JUL	480	£ 437,681	372	£ 376,635	108	78%
	AUG	398	£ 1,614,645	331	£ 878,488	67	83%
	SEP	362	£ 392,599	321	£ 362,301	41	89%
DOE	JUL	2,064	£ 3,325,969	1,515	£ 1,897,681	549	73%
	AUG	1,475	£ 1,614,276	1,099	£ 1,034,878	376	75%
	SEP	2,016	£ 2,757,018	1,317	£ 1,709,679	699	65%
DRD	JUL	3,727	£ 20,737,292	2,317	£ 16,856,488	1,410	62%
	AUG	3,307	£ 20,413,147	2,619	£ 17,655,660	688	79%
	SEP	3,130	£ 20,494,294	2,605	£ 17,328,315	525	83%
SUMMARY	JUL	**20,280**	£ **46,894,124**	**13,871**	£ 33,886,352	**6,409**	**68%**
	AUG	**17,537**	£ **47,691,822**	**14,155**	£ **37,423,636**	**3,382**	**81%**
	SEP	**17,388**	£ **46,636,560**	**14,238**	£ **34,174,851**	**3,150**	**82%**

Note: The above figures are based on payments made on or within 14 calendar days after the date an invoice is received by Government. They are based on all supplier invoices that have been paid, including those having been on hold due to their details not matching the relevant Purchase Order and those identified as being 'in dispute'. Grant and staff payments are excluded.

Follow up to Public Sector Efficiency Session

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
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Parliament Buildings Our Ref – CFP60/10
Stormont

18 October 2010

Dear Shane

Further Response to Report on the Preliminary Inquiry into Public Sector Efficiencies

I refer to your correspondence of 7 October 2010 which sought a response to any issue on the list that was not discussed during the evidence session held on 6 October.

Please find enclosed a response from the Department. This also includes, at Annex B, further information on the Department's response to the 28 Key Conclusions and Recommendations contained within the report.

Yours sincerely,

Norman Irwin

Annex A

Issues raised on 6 October

General Issues

1. It is normal practice for Departments, when responding to Committee reports, to indicate which recommendations have been accepted, those that have not been accepted and the

rationale behind these decisions. The DFP response to the Committee's Report on its Preliminary Inquiry into Public Sector Efficiencies merely tells us that recommendations have been noted.

- Does the Department accept any of the recommendations within the report, and if so which recommendations have been accepted, which have not, and what is the rationale behind these decisions?

Response: Although this issue was discussed during the evidence session on 6 October please refer to Annex B for additional information.

2. Several times the DFP response states that the requirements for the Budget 2011-2015 process and Savings Delivery Plan Guidance has superseded Efficiency Delivery Plan Reports.

- Does this mean that DFP is no longer considering or monitoring Efficiency Delivery Reports from departments?
- What arrangements are in place to monitor departmental Savings Delivery Plans during 2011-2015?

Response: This issue of EDP monitoring was discussed during the evidence session on 6 October.

3. The Committee is very clear in its recommendations of the need for a clear definition of valid efficiencies to be applied consistently by departments in the development of efficiency delivery plans and DFP in monitoring these plans. DFP advise that efficiency delivery plans have been superseded by the Savings Delivery Guidance.

- Why is there no definition of a valid efficiency saving within the Savings Delivery Plan Guidance?
- While the Committee has not in principle disputed the validity of increasing charging for services, or indeed the exploration of revenue raising options, why are these still considered as options for 'savings' (see page 2 DFP Savings Delivery Plan Guidance) when they should be accounted for separately?

Response: The issues of efficiency definitions and pure efficiency savings as against wider budgetary savings were discussed during the evidence session on 6 October.

Background to Efficiency Drive

4. In response to Recommendation 1 DFP have informed the Committee that, as part of its Savings Delivery Guidance, departments have been advised to have due regard to the recommendations of this report.

- What mechanisms are in place to ensure that this is carried through?
- What evidence is there that Departments have taken the recommendations of this Report on board in the development of their Savings Delivery Plans to date?

Response: While the Department can promote awareness of the recommendations it cannot direct other Departments as to the approach employed in developing action to implement savings.

Response: The second issue, of the forthcoming Savings Delivery Plans, was discussed during the evidence session on 6 October.

Budgetary Savings or Efficiency Gains?

5. The Committee has recommended that departments should undertake a "thorough-going reassessment of spending programmes to identify those which have achieved or are no longer fulfilling their intended purpose and those which are lowest priority and therefore offer scope for allocative savings". DFP have advised that departments will be expected to seek substantive and meaningful input from Assembly Committees and the wider public (Recommendation 2).

- In light of the budgetary pressures in the coming years what advice has DFP given to Departments to assist them in their reassessment of their priorities?
- How are Departments being encouraged to ensure that their priorities and policies are achieving their desired outcomes, and what mechanisms for measuring outcomes are in place?
- What mechanisms will be put into the Budget 2011-2015 process to allow for evaluation of programmes and policies throughout this budgetary cycle?

Response: These issues were discussed during the evidence session on 6 October.

6. The Committee has encouraged DFP to not lose sight of the benefits of achieving real public sector efficiency gains in the medium to long term (Recommendation 3).

- What assessment has DFP made of the progress and effectiveness of the current Invest to Save initiatives included in the Review of Spending Plans 2010-11?
- Does DFP intend to extend the Invest to Save initiative into the next Spending Review Period (2011-2015)?
- What other initiatives does DFP intend to introduce to ensure that departments do not lose sight of the benefits of accruing efficiency savings?

Response: The Invest to Save initiative was discussed during the evidence session on 6 October.

7. The Committee continues to be concerned about the lack of transparency and information available in monitoring the delivery of efficiency savings (Recommendation 4).

- What information will be made available to enable the Assembly and wider public to be assured that departments are safeguarding essential services and strategic policy priorities when delivering their savings in 2011-2015?

Response: The interaction between efficiency monitoring and PfG monitoring was discussed during the evidence session on 6 October.

The Need for a Strategic Approach

8. In providing Savings Delivery Plan Guidance to departments as part of the 2011-2015 budgetary process what advice has been given to ensure that proposals advanced by one Department do not have a consequential adverse effect on another part of the system (Recommendation 5)?

Response: The need for DFP to detect individual savings measures, that could have financial consequences elsewhere in public sector, was discussed during the evidence session on 6 October.

9. How many senior managers, and at what grade, have undergone the financial skills training specified in response to Recommendation 8?

Response: Set out below are figures for the number of managers attending finance courses delivered by the Centre for Applied Learning during the the period 1 April 2009 to 30 September 2010 (with senior managers being Deputy Principal and above).

	SCS	G6	G7	DP	SO	Total
An Introduction to Risk Management	0	0	9	29	40	78
Financial Management - An Overview	0	1	4	14	27	46
International Financial Reporting Standards (IFRS)	0	0	3	12	14	29
Overview of Governance & Effective Sponsorship of Arm's Length Bodies	0	0	3	15	25	43
Practical Skills for Budgeting	1	1	7	28	50	87
Total	1	2	26	98	156	283

NB: Practical Risk Management has not yet been delivered, the first one will be on 18 November 2010. Figures have been included for a previous course - An Introduction to Risk Management. There is no course called Corporate Governance, however, there is a course called 'An Introduction to Corporate Governance in the Public Sector', the first of which will be delivered on 24 November 2010.

Planning, Delivering and Monitoring Efficiencies

10. How has DFP drawn the attention of departments to the findings and recommendations of the National Audit Office and the Westminster Public Accounts Committee in relation to the efficiency programme in Whitehall (Recommendation 10)?

Response: Accountability and Financial Management Division (AFMD) circulate all Westminster Committee of Public Accounts (PAC) and National Audit Office reports to departmental and executive agency accounting officers and to finance directors in the twelve NI departments. Where appropriate, AFMD will also highlight key recommendations within those reports – for example in relation to PAC's report 'The Efficiency Programme: A Second Review of Progress', whilst departments were asked to note all the Committee's recommendations, nine were seen as being particularly important, and as such, the 'key issues' raised within them were separately highlighted.

11. While it is important for individual departments to retain ownership and responsibility for the development and publication of their Savings Delivery Plans, what sanctions will be imposed on those departments which do not comply with this requirement (Recommendation 12)?

Response: Whilst DFP can ask, and encourage, departments to publish their Savings Delivery Plans it is not possible for us to impose any sanctions on departments if they fail to fulfil this requirement.

12. Can you advise when the NI Statistics and Research Agency (NISRA) 2010 NICS Personnel Statistics Report will be available (Recommendation 15)?

Response: The Northern Ireland Statistics and Research Agency proposes to publish the 2010 Personnel Statistics Report on 30 October 2010.

13. Departmental baselines can often change through the in-year monitoring round process. How does DFP intend to ensure continued transparency and monitoring of departmental baselines over the next budget period (2011-2015), taking account of in-year alterations (Recommendation 16)?

Response: Any in year transactions, above the agreed de minimis threshold, that impact on spending areas, are subject to Executive approval and are reported in the Assembly by way of a Ministerial Statement on the outcome of each monitoring round.

14. In response to Recommendation 18 DFP has indicated that it will give reporting on its Efficiency Delivery Plan higher priority in the future. On what basis does the Department intend to do this given that elsewhere in this document it is suggested that Efficiency Delivery Reports have now been superseded by the Savings Delivery Plans for the next Spending Review period?

Response: The Department will shortly provide a progress report on its 2008-11 Efficiency Delivery Plan, and it will further report on progress up to the 31 March 2011. From 2011 to 2015 the department will report on progress against its Savings Delivery Plan. The relevant time periods for EDPs and SDPs was discussed during the evidence session on 6 October.

15. How does DFP intend to ensure that information on the strategic monitoring of efficiency delivery plans and subsequently the savings delivery plans will be more robust and provided on a more timely basis (Recommendation 20)?

Response: DFP will continue to press departments for timely responses to their requests for updated information on performance against EDPs/SDPs. However, DFP are dependent upon departments for the information required and are unable to impose sanctions for late returns.

Improving Public Sector Efficiency in the Future

16. In response to Recommendations 21 & 22 DFP indicates that the Departmental Board will consider other potential candidates for Shared Services in order to address areas of duplication. In DFP's last report on its progress against business targets many of the Shared Services were awarded an 'amber' status, suggesting that delivery within required timescales was delayed.

- What are the potential areas for additional Shared Services?
- What assessment has been made of the effectiveness of the current services provided by Enterprise Shared Services (ESS)?
- Can you quantify the level of savings that have already accrued from the development of the Shared Services?

Response: Over the next six months, it is intended to establish a timeframe and a plan for the next wave of services to migrate to Enterprise Shared Services (ESS). This will then be agreed with the Minister and PSG. With regard to the general principle of taking on new services, the ESS position will be to look positively at any activity carried out in NI Departments (and potentially beyond) that could achieve savings through being delivered as a shared service.

Response: The effectiveness of the current services provided by the Shared Services is assessed through the measurement of Key Performance Indicators (KPIs) for each service, which includes measurement of customer satisfaction. These indicators are monitored by the ESS Executive Board and the second quarterly review in the current year showed that the vast majority are on track for achievement. Another method of measuring effectiveness is through the use of Benefits Realisation Plans.

Response: The level of savings accrued from the Shared Services includes the savings produced by the reduction in cost per user for IT services, which amounts to £14.9 million over the last two years. The Network NI project has resulted in a reduction in the cost per megabyte which has produced £7 million savings. HRConnect has achieved a reduction in current cash running costs when compared to 2005/06 expenditure uplifted to 2009/10 prices. HRConnect 05/06 budgets of £26.5 million uplifted to 2010/11 prices would reflect a budget position of £29.9 million. However, £14.3 million of the allocated £26.5 million is utilised by Departments to maintain their retained HR costs and ESS has no monitoring role in this expenditure. The creation in 2006 of the CAL shared service for training, has resulted in reduced running costs in respect of training provision for the NICS. The CAL costs in 2006 were recorded as £3 million which uplifted to 2010/11 rates would reflect expenditure figures of £3.3 million, however the current running costs at today's prices are £3.2 million.

17. Can you provide the Committee with a copy of the NICS remote/home-working policy; advise as to the timescale for the implementation of the policy; and, provide an estimate of the benefits which are expected to be accrued (Recommendation 24)?

Response: A copy of the NICS Homeworking Policy is enclosed. The potential benefits to be derived from the policy are set out at Section 1.2 of the policy document. From the staff perspective greater flexibility to balance work-life commitments is likely to be the main driver. The anticipated business benefits are:

- increased productivity attributable to higher levels of concentration achieved away from office distractions;
- improved staff commitment;
- reduced absenteeism;
- happier staff; and
- a more diverse, flexible workforce.

The extent to which these potential benefits will be realised will depend on uptake of the policy by business areas and by staff. The policy has been agreed with the Central Trade Union Side and is now being scoped and costed for implementation on HRConnect. This is subject to prioritisation within the overall HR change programme and until this process is complete a definitive date for implementation cannot be provided

18. Can you provide the Committee with an update on the current work of the Performance and Efficiency Delivery Unit, including which departments are currently availing of this service; and the resources currently available to PEDU (Recommendation 26)?

Response: DE, DHSSPS and DARD have agreed to utilise PEDU. The Unit is currently concluding some work on retained corporate functions within departments. The opening budget allocation for PEDU for 2010/11 is around £216k.

Other Related Challenges

19. In response to Recommendation 28 DFP has advised that "the issue of scope for additional revenue raising measures is a key workstream within the Budget 2011-2015 process". When will the Committee be apprised of, and given the opportunity to comment on, the options that are under consideration?

Response: This is an area that is being considered by the Budget Review Group as well as DFP. The outcome of the considerations will be included in the Draft Budget proposals brought to the Executive. The Committee will be informed of the draft budget position once this has been agreed by the Executive.

Annex B

Introduction

(a) The Committee has requested clarification on the Department's response to Report on the Preliminary Inquiry into Public Sector Efficiencies – seeking confirmation on which of the 28 recommendations have been accepted by the Department. Prior to this the Department would make a two general points on the response to the recommendations.

(b) In a number of cases recommendations are in areas where DFP has a clear role and interest, but the actual recommendation extents beyond that role. In those cases the Department is unable to accept recommendations that extend beyond its powers and its control – even though in most cases (as set out in the earlier response) the Department will undertake action that contributes towards the underlying objective of the recommendation.

(c) Within the report there are 28 "Key Conclusions & Recommendations". In a number of cases these do not contain a specific recommendation for the Department – rather then contain something more akin to a conclusion, observation or opinion.

Follow Up Response

1 Background to the Efficiency Drive

The Committee is mindful that the public sector in Northern Ireland has been working to achieve cumulative efficiencies of between 2% to 3% over each of the last six years. Moreover, the pressure on departments to deliver "more with less" continues to mount in 2010-11, with additional savings of £123m forming part of the £367m in in-year budgetary pressures confirmed in April, with a further £128m to be imposed on the Northern Ireland Block as announced in May. The Committee does not underestimate the challenge that this presents to the Executive, both in terms of the current year and, more especially, as regards the, as yet to be quantified, additional budgetary reductions in the period 2011-14. The proposals arising from this preliminary inquiry are, therefore, intended as a positive contribution to the deliberation on how to meet this challenge. (Paragraph 33)

Comment:

- No further comments are offered, beyond those in the initial response, for the reasons set out in paragraph c above.

2 Budgetary Savings or Efficiency Gains?

The Committee recognises that the scale and immediacy of the current public expenditure pressures facing the Executive means that straightforward budgetary savings are required in 2010-11. However, the Committee believes that these can and should be achieved without having an adverse impact on essential public services and strategic policy priorities. This necessitates a thorough-going reassessment of spending programmes to identify those which have achieved or are no longer fulfilling their intended purpose and those which are lowest priority and therefore offer scope for allocative savings. (Paragraph 35)

Comment:

- Although no specific recommendation is included above DFP accepts that all Departments will need to reassess existing spending programmes to ensure a focus on high priority services. The requirement to make draft Savings Delivery Plans publicly available should help ensure transparency around departmental decisions on where savings are to be found.

3 The Committee also contends that, in addressing the immediate public expenditure pressures for 2010-11 through budgetary savings, the Executive should not lose sight of the benefits of achieving real public sector efficiency gains in the medium to long term, as this will assist in minimising and managing any further public expenditure pressures in the years ahead. (Paragraph 36)

Comment:

- No further comments are offered, beyond those in the initial response, for the reasons set out in paragraph c above.

4 The Committee is concerned that there is no clear audit trail to give assurance that the 3% cumulative savings deducted from departments in the Budget for 2008-11 have been allocated to key frontline services and Programme for Government priorities. Arising from the recent Review of 2010-11 Spending Plans for Departments, the Committee highlighted similar concerns around the lack of information on how departments will manage the additional in-year budgetary pressures to safeguard essential services and strategic policy priorities. The Committee therefore calls on the Department of Finance and Personnel and the wider Executive to make the necessary arrangements to ensure that, in future, the requisite information and transparency is provided to enable the Assembly and the wider public to track how such savings are applied. (Paragraph 40)

Comment:

- While the Department understands the sentiments of this recommendation, unfortunately, it is not one that it is feasible to implement. There is currently no realistic means to link individual spending allocations to any one of the various sources of funds for Executive priorities, of which cash releasing efficiencies is but one.

In Budget 2008-11 the funding that was realised from the efficiency savings was used to help fund the successful departmental bids. Whilst the efficiency savings cannot be directly linked to specific bids, DFP can assure the Committee that the savings were used to fund Executive priorities. Going forward, the public expenditure context has necessitated that departments deliver savings that are intended to both maintain the Northern Ireland Executive's fiscal balance and to cover the inescapable pressures that the Executive are facing. All funding that is available from the savings that departments offer up will be decided upon by the Executive and as such will be in line with their priorities.

5 The Need for a Strategic Approach

The Committee recommends that the Executive develops a co-ordinated strategy for targeting, identifying and realising further efficiencies, which protects essential frontline services and strategic policy priorities and avoids the imposition of pro rata budgetary cuts across all departments. Whilst the Committee believes that this further efficiency drive should include measures to improve the efficiency of front-line services as well as back-office operations, it calls for robust safeguards to ensure that that there is no consequential diminution in the level and quality of service provision in priority areas. (Paragraph 47)

Comment:

- As indicated at paragraphs b and c above no further comments are offered beyond those in the initial response.

6 The Committee believes that the 2008-11 Programme for Government and Public Service Agreement framework is cumbersome and overly complex in terms of the need to prioritise at a time of exceptional budgetary constraint. As such, the Committee calls on the Executive to urgently review its Programme for Government, which is due to expire in the current financial year, and set out clearly the services and policies to receive highest priority during the upcoming period of further budgetary savings and efficiencies. (Paragraph 51)

Comment:

- No further comments are offered.

7 The Committee recommends that, as part of its central monitoring of the efficiency programme, the Department of Finance and Personnel should provide continual assurance to the Executive and Assembly that: (a) the short-term focus on savings is not adversely affecting the achievement of key long-term objectives at a departmental and Executive level; and (b) efficiencies being claimed at a departmental level are not having a negative effect on the efficiency of the wider public sector. (Paragraph 55)

Comment:

- In relation to Part A, as indicated at paragraph b above, no further comments are offered beyond those in the initial response.

In relation to Part B DFP accepts this recommendation and, for example, DFP will examine the measures proposed by Departments in their upcoming Savings Delivery Plans in order to detect any individual measures that deliver savings in one department only at the expense of another.

8 The Committee recommends that, in its central personnel role, the Department of Finance and Personnel should ensure that the skills exist and are marshalled within departments, and their arms-length bodies, to effectively examine systems and processes for the purpose of identifying valid efficiencies; and, more generally, that a culture of efficient delivery is embedded into the routine responsibilities of public sector managers. The Committee also believes that assurances are required in terms of the capability of departmental boards and the governing bodies of public bodies to lead and oversee the efficiency drive. (Paragraph 60)

Comment:

- The recommendation is partially accepted. DFP can promote the importance of and delivery of training in financial management skills in the NICS through the measures identified in the original response to the Committee, but it has no direct role in this regard in arm's length bodies.

9 Planning, Delivering and Monitoring Efficiencies

The Committee would encourage the Northern Ireland Audit Office to urgently review the performance of departments to date in achieving efficiency gains, including both in terms of the reliability of the identified efficiencies and the progress which has been reported against departmental efficiency delivery plans. The Committee considers that the findings and lessons from such a review could be valuable in informing any further efficiency drive following the next UK Spending Review. (Paragraph 74)

Comment:

- No further comments are offered.

10 The Committee recommends that, pending any Northern Ireland Audit Office review of the efficiency programme in Northern Ireland, the Department of Finance and Personnel should examine the findings and recommendations from the work of both the National Audit Office and the Westminster Public Accounts Committee in relation to the efficiency programme in Whitehall and ensure that all applicable lessons and action points have been addressed by Northern Ireland departments. (Paragraph 75)

Comment:

- As indicated at paragraph b above no further comments are offered beyond those in the initial response.

11 The Committee recommends that, in fulfilling its central monitoring role, the Department of Finance and Personnel should ensure that a clear definition of valid efficiencies is applied consistently both in its guidance to departments and by departments in their efficiency delivery plans. It is the view of the Committee that a lack of consistency and transparency in this area risks both confusion within the public sector and controversy in the political and public domain in terms of the rationale and outworking of the efficiency programme. (Paragraph 79)

Comment:

- DFP accepts this recommendation to the extent to which it is exercisable within the limitations of its role, in that the Department has provided guidance requiring clear classification of savings measures for the upcoming Budget period but cannot direct other Departments as to the approach employed in developing action to implement savings. However, it should be noted that the scale of the savings to be delivered by departments over the Budget 2010 period means that not all of this amount may be achieved solely through reductions in bureaucracy and improvements in efficiency.

12 The Committee calls on the Department to facilitate a process whereby a single Efficiency Delivery Plan for each department is published in a central location to allow effective monitoring of efficiency delivery plans both centrally by the Department of Finance and Personnel and by the Assembly's statutory committees. In addition, the Department of Finance and Personnel and the relevant statutory committee should subsequently be informed by departments of any amendments made to their efficiency delivery plans. (Paragraph 85)

Comment:

- In relation to the first part of this recommendation the Department accepts the recommendation with some reservations. In respect of the Savings Delivery plans, it is important for departments to retain ownership and responsibility for the development and publication of these plans and the full implementation of this recommendation would weaken this ownership. However, the Department will aim to provide, from a central website, a link to the Saving Delivery Plans produced by Departments. Whilst it is the intention to have a single Savings Delivery Plan for each department the extent of the savings required, and the likely wide range of measures to achieve those savings, mean that this plan will need to contain detailed delivery plans for a number of savings measures. However, departments have also been asked to include a summary of the measures that make up their savings programme. Departments have been asked to make draft Savings Delivery Plans publicly available at the same time as, or shortly after, the draft Budget is published. These plans should then be updated when finalised.

In relation to the second part of this recommendation DFP can commit to informing the Committee for Finance & Personnel of changes to its Savings Delivery Plan. DFP does not have the power to direct other Departments to follow suit although it has made all Departments aware of the Committee's report and its recommendations.

13 The Committee recommends that both the Department of Finance and Personnel centrally and each Assembly Statutory Committee encourage departments to provide clear quantitative and qualitative evidence on the inputs and outputs associated with the specific services which they provide, for the purpose of ensuring more effective validation and measurement of efficiency gains. (Paragraph 93)

Comment:

- DFP accepts the Committee's recommendation and has consistently encouraged departments to provide information that provides transparency on the budget for their department and the outputs and outcomes it secures.

14 The Committee calls on the Department of Finance and Personnel centrally to determine whether it is appropriate for increased income from charging to be included in departments' efficiency delivery plans, given that it is not included in the Efficient Government Programmes in Whitehall or Scotland. The Committee believes that, if budgetary savings and other measures are to be included in efficiency delivery plans, then these should be distinguished from proper efficiencies. (Paragraph 104)

Comment:

- DFP accepts that efficiencies/savings should be properly identified and would point to the new guidance on Savings Delivery Plans which requires greater transparency around the underlying nature of the each savings measure.

15 The Committee is concerned to find evidence that Full-Time Equivalent staff numbers in the Northern Ireland Civil Service had increased notably by April 2009, following the achievement of the Fit for Purpose reductions in April 2008. Moreover, the Committee sees scope for closer monitoring of efficiencies achieved in accommodation expenditure and calls on the Department to provide a detailed breakdown of accommodation efficiencies achieved since April 2008, including clear evidence to verify the further reductions in Full-Time Equivalent posts being projected by departments. (Paragraph 108)

Comment:

- The information requested on Accommodation Efficiencies and Staff reductions was provided to the Committee in the previous response. No further comments are offered for the reasons set out in paragraph c above.

16 The Committee has concerns that, as baselines for efficiency targets from 2008–2011 were set in the Budget in January 2008, departments could claim to be achieving efficiencies by living within these baselines, even if they receive additional funds for these programmes in subsequent quarterly monitoring rounds. The Committee calls on the Department of Finance and Personnel to examine this issue to determine whether this has happened to date and how this anomaly might be addressed going forward. (Paragraph 112)

Comment:

- No further comments are offered.

17 Given the concerns expressed in the evidence around the potential for departments to circumvent limits on administration expenditure, the Committee calls on the Department of Finance and Personnel to provide a detailed analysis of administration spend by departments in 2008-09 and 2009-10, including the extent to which targets have been achieved at both departmental and block level. (Paragraph 116)

Comment:

- The information requested was provided to the Committee in the previous response.

18 The Committee wishes to highlight, as a case in point, the tardiness on the part of the Department of Finance and Personnel in updating and reporting progress on its Efficiency Delivery Plan and seeks an assurance from the Department that this matter will be given higher priority going forward. (Paragraph 119)

Comment:

- In relation to the assurance sought, the department will give the reporting on progress on its Efficiency Delivery Plan higher priority in future, subject to the reducing administrative resources available. No further comments are offered for the reasons set out in paragraph c above.

19 The Committee recommends that all Assembly statutory committees give increased attention to examining the efficiency delivery plans of their respective departments, including progress to date. In undertaking this scrutiny the committees may wish to draw

on the practical advice received from the expert witnesses to this Inquiry. In this regard, the committees may also wish to seek evidence on how departmental boards and governing bodies of arms-length bodies are applying the good practice efficiency checklist published recently by the Northern Ireland Audit Office. (Paragraph 126)

Comment:

- No further comments are offered.

20 The Committee has concerns with the central reporting of progress by departments in achieving efficiency targets, both with the time lag in receiving co-ordinated progress reports from the Department of Finance and Personnel and as regards the reliability of the risk levels attached by departments to efficiency achievement. Also, the Committee is alarmed to note from the most recent progress report that almost 50% of planned savings for 2010-11 are considered to be "on track with significant risk" or "not on track". This is especially worrying given the additional savings that have subsequently been announced for 2010-11. The Committee considers that the Department of Finance and Personnel's central monitoring of departmental efficiency delivery plans needs to be more robust and that the outcomes should be reported to Assembly statutory committees, via the Committee for Finance and Personnel, on a more timely basis. (Paragraph 139)

Comment:

- No further comments are offered.

21 Improving Public Sector Efficiency in the Future

The Committee recognises that scope exists for achieving additional efficiencies in the Northern Ireland public sector by further reducing bureaucracy, eliminating the duplication of services and improving Human Resources management practices. The Committee believes that this will require strong leadership at both the political and managerial levels of government, together with combining the strategic "top down" and "bottom up" approaches to effecting organisational and cultural change across all public bodies. (Paragraph 148)

Comment:

- No further comments are offered for the reasons set out in paragraph c above.

22 The Committee continues to see shared services as offering significant potential for realising true efficiencies in the medium to long term. However, it notes with concern that, in the recent report

on performance against Public Service Agreements and departmental business targets for 2009-10, the Department of Finance and Personnel has attached an amber status to the benefits realisation plans for HRConnect, Account NI, and Records NI. Whilst welcoming the continued focus on the benefits realisation targets within the Department of Finance and Personnel business plan for 2010-11, as the reform programme moves forward, the Committee will wish to receive regular updates on the performance of the shared services, including substantiation of reported efficiencies. (Paragraph 158)

Comment:

- DFP accepts this recommendation.

23 The Committee sees scope for more strategic co-ordination of the public procurement function to realise additional efficiencies, including in terms of e-procurement and collaborative purchasing between the different levels of government. The Committee reiterates its previous call for a new target to be set for achieving further efficiencies from public procurement, to include a monetary value and baseline for such savings, with an associated implementation plan which links to individual departmental efficiency delivery plans. (Paragraph 162)

Comment:

- The Procurement Board is considering the Committee's recommendations and how they might be taken forward. However, it is important to note that VFM, which is a key principle of public procurement policy, is much broader than efficiencies, taking account of the gains achieved through improved deals, aggregation and collaboration, transactional gains and contract management gains.

In considering this recommendation the Procurement Board also has to consider a number of other recommendations made by the Committee concerning the achievement of best value for money and the need to increase access to public sector procurement for small businesses and the social economy. These recommendations could impact on Departments' procurement strategies and spending decisions, both of which will affect the level of efficiencies which they could expect to achieve.

24 Given the potential to realise further efficiency savings from accommodation expenditure, the Committee welcomes moves by the Department of Finance and Personnel to develop a policy on remote working, which is likely to entail measures such as the use of local satellite offices and shared desking, and to facilitate this through improvements to the Northern Ireland Civil Service information technology and telecommunications systems. The Committee is

mindful that the concept of remote working has been under consideration for some time and urges the Department to establish policy promptly in this area, including in terms of implementation targets, in the context of finalising the development of the Northern Ireland Civil Service Accommodation Plan 2010-11 to 2012-13. (Paragraph 167)

Comment:

- The follow up information sought by the Committee on the NICS Homeworking Policy has been enclosed. No further comments are offered for the reasons set out in paragraph c above.

25 Given the importance of good practice asset management and capital realisation to wider public sector efficiency, the Committee recommends that surplus government properties, together with the annual costs involved, should be fully disclosed in a more user friendly and meaningful way. In this regard, the Committee believes that a comprehensive, mandatory central asset register for all public bodies – as recommended in the report of the Capital Realisation Taskforce in December 2007 – should be established without further delay. The Committee also recommends that, in its central finance role, the Department of Finance and Personnel should ensure that an exercise to identify surplus property is a regular feature of annual budget processes within departments and that a mechanism is used to independently assess the outcomes of such exercises. (Paragraph 173)

Comment:

- No further comments are offered.

26 Whilst the Committee is disappointed at the low level of uptake of the Performance and Efficiency Delivery Unit services by departments to date, it acknowledges that this issue can only be addressed through agreement amongst Executive Ministers. The Committee therefore calls on the Department of Finance and Personnel to put forward options to the Executive for ensuring that the Performance and Efficiency Delivery Unit functions are exercised effectively across all departments. This might include maintaining the Performance and Efficiency Delivery Unit in its existing form, with each Executive Minister committing to utilise its services on a more proactive basis. However, other options for consideration might include, for example: establishing the Unit as an independent body in statute; relocating the Unit elsewhere outside the

Department of Finance and Personnel; or retaining the business function within the Department of Finance and Personnel by merging the work of the Performance and Efficiency Delivery Unit with the Business Consultancy Service to provide amore comprehensive service to departments. (Paragraph 187)

Comment:

- DFP accepts that action needed to be taken on promoting the take up of PEDU and would point to the initiative within June Monitoring which was aimed at progressing that objective.

27 Overall, the Committee is supportive of the Invest to Save initiative and considers that it is another useful tool for incentivising departments to make efficiency savings. While at this stage the Committee would, in principle, be supportive of a continuation of this initiative in future budgetary cycles, it will wish to consider the outcome of any scrutiny by the relevant Assembly statutory committees of the implementation of the programme during 2010-11 to assess its effectiveness. (Paragraph 193)

Comment:

- No further comments are offered.

28 Other Related Challenges

The Committee considers that the efficiency drive will need to be accompanied by an equally important focus on effectiveness in public service delivery. This will necessitate a range of business improvement measures across the public sector, including the consistent application of best practice in governance, management and budgeting, aimed at optimising the allocation and use of resources and raising the performance and effectiveness of public services. The Committee also notes calls for the Executive to consider revenue-raising measures to support public services. While the scope of this preliminary inquiry did not enable a detailed examination of these accompanying measures, the Committee believes that such issues will take on greater significance in this time of exceptional budgetary constraint. (Paragraph 215)

Follow up comment:

- No further comments are offered for the reasons set out in paragraph b above.

Annex C

NICS Homeworking Policy

Attached Separately

Research and Library Service
Briefing Paper

Paper 000/00 6 January 2011 NIAR 674-10

Colin Pidgeon

Draft Budget 2011-15

This paper presents a critical evaluation of the Northern Ireland Executive's draft Budget 2011-15. Some procedural questions are highlighted and a number of issues for further clarification are presented.

Key points

- The consultation period for the draft Budget is right at the low end of the time period suggested by good practice, and has taken place over the Christmas and New Year holiday period. This reduces the ability of the Assembly and its statutory committees, stakeholders and the general public to scrutinise the proposals and to hold the Executive to account. In effect, the Assembly has been somewhat marginalised and it is not clear that the timetable could not be extended;
- The draft Budget document does not provide full details in relation to spending/savings plans for each department. At the time of writing (6 January 2011) only four Executive departments (DCAL, DETI, DFP and DOJ) have published their own spending plans. This compounds the difficulties raised by the brevity of the consultation period as stakeholders are being consulted on partial information;
- The draft Budget makes allocations for a four-year period, with no suggestion of a formal mechanism for annual review;
- The draft Budget proposes that revenue raising options will be evaluated over the "coming weeks" but does not provide details on what those options might be, except for the introduction of a plastic bag levy and no timescale for this is provided;
- A number of other initiatives are introduced (such as Social Investment and Protection Funds) without any detail on how they are intended to operate;
- The draft Budget imposes spending reductions on the Assembly itself - and on the Comptroller and Auditor General - which are in excess of the reductions faced by Executive departments and comparable bodies in Scotland and Wales. And yet, these are the bodies which constitutionally/statutorily provide checks and balances to the Executive; and,

- The Department of Health, Social Services and Public Safety has been protected relative to other Northern Ireland departments. It has a lower proposed real-terms reduction than health in Wales, but a greater real-terms reduction than in Scotland.

1. Introduction

The Minister of Finance introduced the Northern Ireland Executive's draft Budget for 2011/12 to 2014/15 to the Assembly on 15 December 2010.

The purpose of this note is to draw out some of the key messages and to highlight some issues which require further clarification.

Timetable for consultation

The closing date for the consultation is 9 February 2011. This is an eight-and-a-half week period for members of the public, interested bodies and the Assembly's statutory committees to consider and respond to the draft budget.

Good practice suggests that 12 weeks should be the standard period for formal consultation, with a minimum period of eight weeks.[1] Whilst the consultation on the draft Budget satisfies that eight-week minimum, it should be noted that this period is over the Christmas and New Year holidays. Consequently, it is likely that Assembly committees will have only two meetings at which to consider draft Budget 2010.

Good practice on legislative budgeting suggests that:

Parliament should be allowed 2–4 months to scrutinize, debate, and propose alternative budgetary policies (within limits of cost), prior to adopting and promulgating the annual budget before the new fiscal year begins.[2]

The Executive's timeline does just about meet the lower end of the time scale suggested by the Office of First and Deputy First Minister's guidance but it falls short of that suggested by International Monetary Fund (IMF) guidance. It should also be noted that the draft Budget 2011-15 document does not contain detailed spending proposals below the level of departmental allocation. The document states that:

Ministers have been asked to publish a more detailed breakdown of proposed expenditure on their departmental websites. This should be accompanied by details of their savings delivery plans which will provide more information on the savings measures required to enable the department to live within their budget allocation. The savings delivery plans will include details of any implications for frontline services.[3]

It goes on to state that each department's consultation will run concurrently with the consultation on the overall budget. At the time of writing (6 January 2011) only four of the Executive's departments have published a consultation document on their websites. Therefore, both the public and the Assembly are being consulted on only part of the information, albeit with a promise that more will be forthcoming. The more time that elapses before this detailed information is published the less likely it is that the consultation will comply with good practice guidelines.

In the Executive's Review of Spending Plans 2010/11 a similar process was used for consultation whereby departments were to publish information on their websites. The following extract from a previous Assembly Research paper is relevant here because it appears there is a danger of similar criticisms being made again.

The approach to consultation on that occasion was criticised by The Methodist Church in Ireland's Council on Social Responsibility which in correspondence with the Committee for Finance and Personnel raised general dissatisfaction with the process:[4]

...the consultation was at best flawed and at worst opaque. The process falls far short of good practice for consultations. It is not clear how a response could be made or what the deadline is for such responses [...] DFP has asked each department to publish more detailed information on its website. However, sometimes this information is not easy to locate on the websites (e.g. DHSSPS website), or when it can be located, does not contain information about what the focus of the consultation actually is or how a response can be effected (e.g. DCAL website).

The submission went on to cite a judgement by Weatherup J, handed down on 11 September 2007: "it is common ground that, whether or not consultation of interested parties and the public is a legal requirement, if it is embarked upon it must be carried out properly," (emphasis added)

In his judgement, Weatherup J cited another judgement[5] in which the four requirements of consultation were stated:

To be proper, consultation must be undertaken at a time when proposals are still at a formative stage; it must include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response; adequate time must be given for this purpose; and the product of consultation must be conscientiously taken into account when the ultimate decision is taken.

The Methodist Church in Ireland's Council on Social Responsibility wrote that "viewed against these requirements the current consultation falls far short [...] Northern Ireland deserves better of the Executive with respect to consultation."

DFP officials were asked about the effectiveness of the consultation process on the Review of Spending Plans on 21 April 2010 in an evidence session with the Committee for Finance and Personnel. In response, an official commented:

In the responses to the draft proposals, concerns were expressed by the health and social care sector about perceived cuts. However, there were no suggestions as to, for example, if we were to take resources and allocate them to area B, which other areas should have their budgets reduced to meet the pressure. That was not explored. The other issue was pro rata cuts across Departments, as opposed to the targeted approach which the Executive decided to pursue and implement. There was no great deal of analysis or response on that.[6]

It may well be that consultees did not feel able to subject the proposals to detailed analysis simply because the information provided was in many cases insufficient for them to do so. Indeed, despite the descriptions of the documents that are available on departmental website as 'consultations' it was not clear exactly what the public was being consulted on - as noted above. It is difficult to frame a response when the question is not clearly defined."

It should be noted that at least some of the criticisms previously levelled at the approach to consultation are less valid in relation to the draft Budget. The DCAL and DFP documents do contain a closing date for comments, for example.

Legislative requirements in relation to the Budget

There is a requirement in section 64(1) of the Northern Ireland Act 1998[7] that a draft Budget must be laid before the Assembly prior to the commencement of the following financial year:

The Minister of Finance and Personnel shall, before the beginning of each financial year, lay before the Assembly a draft budget, that is to say, a programme of expenditure proposals for that year which has been agreed by the Executive Committee in accordance with paragraph 20 of Strand One of the Belfast Agreement.

Paragraph 20 of Strand One of the Belfast Agreement states:

The Executive Committee will seek to agree each year, and review as necessary, a programme incorporating an agreed budget linked to policies and programmes, subject to approval by the Assembly, after scrutiny in Assembly Committees, on a cross-community basis.[8]

It appears therefore (and this should not be construed as definitive legal advice) that the draft Budget document that was presented to the Assembly on 15 December does not discharge the Minister's duty under section 64(1) but that rather a further document that has been agreed following consultation is required. The effect of this may be to constrain any additional time available to the Executive if the Minister is to comply with his statutory obligation.

It is not immediately clear however why the Executive has chosen 9 February 2011 as the closing date for the consultation and why more time could not be given to the Assembly and other stakeholders. Considering that the draft Budget covers a four-year period, it is presumably even more important that the Assembly and other stakeholders are able to scrutinise the proposals fully than if it were a one-year plan.

An additional time constraint, however, is the coming Assembly election. The last sitting prior to the election is scheduled for 22 March 2011, so for the Minister to discharge his duty under section 64(1) a finalised Budget must be laid before the Assembly before that date.

It may be possible that there is another legislative mechanism through which more time could be sought.

For example, the Vote on Account mechanism allows the Assembly to approve a proportion of the current year's allocation to be used by departments for the following year. The Introduction to the Vote on Account 2010-11 explains:

The Vote on Account is normally calculated as a proportion (45 per cent) of the preceding year's total voted provision. Generally this should be sufficient to ensure that the provision made for each service is not exhausted before the Main Estimates can be approved in the summer, but not so high as to prejudge the Northern Ireland Assembly's consideration of the Main Estimates.[9]

The Vote on Account is usually taken at the same time as the Spring Supplementary Estimates are considered in February. It might be possible to increase the provision in the Vote on Account to a greater proportion than 45% to allow a longer consultation period. This is because the Budget itself does not confer authority on departments to spend money – that requires an Appropriation Act which accompanies the Main Estimates, usually around June.

Such an approach would not appear to solve the requirement on the Minister under section 64(1). The Committee may wish to seek legal advice on this matter.

A budget review mechanism?

The Executive has presented a four-year budget. There are some advantages in such an approach, not least that it provides certainty for departments and other stakeholders over the medium term. On the other hand, it could be argued that the approach also limits the flexibility of the incoming Executive (following the Assembly election in May) to address changing circumstances.

In its second report on the Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure, the Committee for Finance and Personnel recommended that:

Whilst it considers that the setting of a clear timetable to include key milestones at the start of each budget process is of vital importance, the Committee believes that clarity is required on the shape, frequency and duration of future budget cycles. In noting that the Budget 2010 process will develop departmental spending plans for the four-year period from 2011-12 to 2014-15, the Committee recommends that a regularised annual budgetary review process is established within this framework, with a pre-determined timetable, to enable the Executive and Assembly to make interim reappraisals of departmental allocations against progress in delivering PfG priorities and savings.[10]

The Budget document does not refer to any mechanism for an annual formalised review.

2. Departmental allocations – current expenditure

The allocations in the draft Budget for each Executive department's current expenditure are shown below in Table 1.

It should be noted that, unlike the Executive's allocation in the UK Government's recent Spending Review 2010, the figures are presented in cash terms. This means that the assumed impact of inflation for future years is ignored.

Table 1: draft allocations to Executive departments for current expenditure, in cash terms

£million

	2010-11	2011-12		2012-13		2013-14		2014-15	
Agriculture and Rural Development	224.9	224.9	0.0%	236.0	4.9%	222.6	-5.7%	219.0	-1.6%
Culture, Arts and Leisure	113.3	112.5	-0.7%	113.2	0.6%	110.0	-2.9%	103.0	-6.3%
Education	1,914.8	1,852.2	-3.3%	1,857.3	0.3%	1,861.6	0.2%	1,847.7	-0.7%
Employment and Learning	798.9	775.4	-2.9%	767.4	-1.0%	785.6	2.4%	813.8	3.6%
Enterprise, Trade and Investment	199.5	204.9	2.7%	211.6	3.2%	203.5	-3.8%	205.5	1.0%
Finance and Personnel	182.9	190.5	4.2%	187.1	-1.8%	179.9	-3.9%	180.9	0.6%
Health, Social Services and Public Safety	4,302.9	4,346.1	1.0%	4,427.7	1.8%	4,543.2	2.6%	4,629.2	1.9%
Environment	129.6	121.8	-6.0%	123.6	1.4%	121.0	-2.1%	121.5	0.4%
Justice	1,223.7	1,213.1	-0.9%	1,189.0	-2.0%	1,166.7	-1.9%	1,176.4	0.8%
Regional Development	517.3	500.3	-3.3%	487.2	-2.6%	459.6	-5.7%	454.0	-1.2%
Social Development	521.1	516.7	-0.8%	532.0	3.0%	543.0	2.1%	523.4	-3.6%
Office of the First Minister and Deputy First Minister	80.2	79.0	-1.4%	80.2	1.6%	77.0	-4.1%	73.7	-4.3%

Source: Draft Budget 2011-15

In Table 2 below, the draft allocations are shown in real terms through the application of HM Treasury deflators.[11] It shows that the total planned real-term decreases for departments' current expenditure from the 2010/11 base year to 2014/15 range from 2.6% (DHSSPS) to 20.6% (DRD).

It should be noted that there are difficulties associated with considering these allocations in real terms:

- It is the cash limits that departments will have to manage; and,
- Real-terms figures are subject to the uncertainty of the future rate of inflation. For example, at the time of the Spending Review 2010, the rate of inflation for 2011/12 was forecast at 1.9%. In November, this was revised up to 2.5% (the latest deflators have been used in the calculations presented in the tables in this paper). The effect of this to reduce the assumed spending power of the Executive in future years. For example, DARD's allocation of £224.9m for 2011/12 is 'worth' £219.4m at a projected rate of inflation of 2.5% for that year. But on the basis of the forecast rate at the time of the Spending Review 2010 it would have been 'worth' £220.3m. If, on the other hand, the rate of inflation is lower than forecast, the effect would be an increase in spending power in real terms.

Table 2: draft allocations to Executive departments for current expenditure, in real terms (10/11 prices)

£m	10/11	11/12 real	12/13 real	13/14 real	14/15 real	total real change 10/11 to 14/15 £m	total real 10/11 to 14/15 % change
DARD	224.9	219.4	225.3	206.9	198.2	-26.7	-11.9
DCAL	113.3	109.8	108.1	102.2	93.2	-20.1	-17.7
DED	1914.8	1807.0	1773.0	1730.4	1672.3	-242.5	-12.7
DEL	798.9	756.5	732.6	730.2	736.5	-62.4	-7.8
DETI	199.5	199.9	202.0	189.2	186.0	-13.5	-6.8
DFP	182.9	185.9	178.6	167.2	163.7	-19.2	-10.5
DHSSPS	4302.9	4242.0	4226.7	4223.0	4189.8	-113.1	-2.6
DOE	129.6	118.8	118.0	112.5	110.0	-19.6	-15.1
DOJ	1223.7	1183.5	1135.0	1084.5	1064.7	-159.0	-13.0
DRD	517.3	488.1	465.1	427.2	410.9	-106.4	-20.6
DSD	521.1	504.1	507.9	504.7	473.7	-47.4	-9.1
OFMDFM	80.2	77.1	76.6	71.6	66.7	-13.5	-16.8

Source: Assembly Research calculations based on Draft Budget 2011-15

3. Departmental allocations – capital expenditure

The allocations in the draft Budget for each Executive department's current expenditure are shown below in Table 3.

It should be noted that, unlike the Executive's allocation in the UK Government's recent Spending Review 2010, the figures are presented in cash terms. This means that the assumed impact of inflation for future years is ignored.

Table 3: draft allocations to Executive departments for capital expenditure, in cash terms, net of capital receipts

£million

	2010-11	2011-12	2012-13	2013-14	2014-15
Agriculture and Rural Development	-173.5	16.4	13.9	20.0	29.3
Culture, Arts and Leisure	59.9	11.8	21.9	22.2	85.8
Education	169.3	127.4	100.4	101.5	139.4
Employment and Learning	37.6	41.2	32.3	18.5	28.3
Enterprise, Trade and Investment	73.5	71.7	44.9	16.0	28.8
Finance and Personnel	15.2	16.5	12.1	10.6	28.4
Health, Social Services and Public Safety	201.7	214.8	278.8	184.9	163.3
Environment	182.4	6.1	5.9	4.0	7.6
Justice	80.0	78.3	84.5	51.8	82.0
Regional Development	556.2	438.3	425.3	540.9	558.8
Social Development	269.8	150.3	120.8	99.0	190.3
Office of the First Minister and Deputy First Minister	12.0	9.1	3.8	8.8	25.6

Source: Draft Budget 2011-15

In Table 4 below, the draft allocations are shown in real terms through the application of HM Treasury deflators.[12] It shows that the total planned real-term decreases for departments' capital expenditure from the 2010/11 base year to 2014/15 range from +93.1% (OFMDFM) to -96.2% (DOE).

As above, it should be noted that there are difficulties associated with considering these allocations in real terms:

- It is the cash limits that departments will have to manage; and,
- Real-terms figures are subject to the uncertainty of the future rate of inflation.

Table 4: draft allocations to Executive departments for capital expenditure, in real terms (10/11 prices), net of capital receipts

£m	10/11	11/12 real	12/13 real	13/14 real	14/15 real	total real change 10/11 to 14/15 £m	total real 10/11 to 14/15 % change#
DARD	-173.5	16.0	13.3	18.6	26.5	200.0	*
DCAL	59.9	11.5	20.9	20.6	77.7	17.8	29.6
DED	169.3	124.3	95.8	94.3	126.2	-43.1	-25.5
DEL	37.6	40.2	30.8	17.2	25.6	-12.0	-31.9
DETI	73.5	70.0	42.9	14.9	26.1	-47.4	-64.5
DFP	15.2	16.1	11.6	9.9	25.7	10.5	69.1
DHSSPS	201.7	209.6	266.1	171.9	147.8	-53.9	-26.7

£m	10/11	11/12 real	12/13 real	13/14 real	14/15 real	total real change 10/11 to 14/15 £m	total real 10/11 to 14/15 % change#
DOE	182.4	6.0	5.6	3.7	6.9	-175.5	-96.2
DOJ	80	76.4	61.6	48.1	74.2	-5.8	-7.2
DRD	556.2	427.6	406.0	502.8	505.8	-50.4	-9.1
DSD	269.6	146.6	115.1	92.0	172.2	-97.4	-36.1
OFMDFM	12	8.9	3.6	8.2	23.2	11.2	93.1

Source: Assembly Research calculations based on Draft Budget 2011-15

*Note – Calculation of a percentage change figure is meaningless where the base year (2010/11) is equal to or less than zero.

Note – Percentage changes in allocations are presented over the four-year period for illustrative purposes. These should be interpreted with caution: the percentage change over four years can mask year-on-year fluctuations. For example, the OFMDFM allocation drops considerably for 2011/12 and 2012/13 before increasing by large amounts for 2013/14 and 2014/15.

4. Key points and issues for further clarification

4.1 Revenue raising measures – key points

- Domestic regional rate to increase in line with inflation;
- Non-domestic regional rate increase in line with inflation (with manufacturing rates to apply at 30% liability until 31 March 2015);
- Introduction of domestic water charges deferred;
- Plastic bag levy to be introduced;
- Free prescriptions retained; and,
- Free public transport for over 60s retained.

4.2 Revenue raising measures – issues for further clarification

Plastic bag levy

In his statement to the Assembly the Minister announced that the Executive has "commissioned the Environment Minister to take forward the introduction of a plastic bags levy in Northern Ireland."[13] The draft Budget 2011-15 does not provide details of the revenue-raising potential of this measure, although the Minister did refer to a figure of £4m per annum in his statement.

No timescale for the introduction of the levy was outlined.

Other revenue-raising options

The draft Budget 2011-15 refers to "other possible revenue sources that Ministers have been tasked to evaluate over the coming weeks" and then suggests that if these options are viable they will be "factored into the final budget allocations."[14]Unfortunately the document itself does not provide any further detail on what these options might be.

In his statement, the Minister did refer to "reserves held by other bodies such as housing associations, which hold reserves of over £250 million, and the Harbour Commissioners, who hold reserves of nearly £60 million."[15] He also later noted that to realise revenue from the reserves of these bodies would require legislation and that "we have not yet built into the Budget the additional money that might be available."[16]

Again, no timescale was outlined for the introduction of such measures.

This raises a further issue about the consultation process. The public and the Assembly's committees are being asked to provide views on prospective taxation measures about which they do not have any detailed information.

4.3 Reinvestment and Reform Initiative (RRI) Borrowing – key points

- The draft Budget envisages full usage of the £200m RRI borrowing facility in each of the four years; and,
- An additional £175m will be borrowed in 2011/12 if the EU approves the proposed solution to the collapse of the Presbyterian Mutual Society (PMS).

4.4 Reinvestment and Reform Initiative (RRI) Borrowing – issues for further clarification

The UK Government's Spending Review 2010 increased the cost of the Northern Ireland Executive's borrowing. Previously, the Executive was able to borrow from the Public Works Loans Board (PWLB) at 0.5% above the rate of UK Government Gilts (i.e. the rate at which HM Treasury borrows). The Spending Review however announced that the premium on PWLB loans was to increase to 1%.[17] This means that the cost of borrowing has risen at a time when the Executive is planning to rely on it more. Actual drawdown of RRI borrowing in previous years is shown in the Table below:

Table 5: draw down of RRI borrowing 03/04 to 09/10[18]

Year	Borrowing drawn down
2003/04	£79.4m
2004/05	£168.7m
2005/06	£162.9m
2006/07	£214.6m
2007/08	£97.6m
2008/09	£16.6m (plus £243.4 m of borrowing power used to offset on balance sheet PFI projects)
2009/10	£185.3m (plus £60.7 m of borrowing power used to offset on balance sheet PFI projects)

RRI interest repayments are to rise from £44.9m in 2011/12 to £63.4m in 2014/15 in cash terms[19] – an increase over the budget period of 41.2%. It is assumed that these interest payments are only related to the borrowing associated with capital investment and do not include any repayments that may be due for borrowing related to the collapse of the PMS as the details for the proposed scheme are as yet not finalised.

In a letter to the Committee for Finance and Personnel on 10 December 2010, the Department for Finance and Personnel (DFP) confirmed that the PMS administrator will make both the principal and the interest repayments on the loan. It is therefore anticipated that there would be no net cost to the Northern Ireland block – although this presumably assumes that the administrator is indeed able to make the repayments on time and in full.

4.5 Civil service pay – key points

The draft Budget proposes a pay freeze for all NI Civil Servants earning more than £21K per annum; and,

Those earning less than £21K will receive an annual uplift of £250.

4.6 Civil service pay – issues for further clarification

The draft Budget document states:

...civil servants obtaining pre-existing contractual entitlements to scale progression with those employees earning less than £21,000 also receiving a further annual award of £250.[20]

This seems to imply that only pay scales will be frozen above the £21K level and that civil servants will continue to receive incremental pay progression on those existing scales. It is not, however, absolutely clear that this is indeed what the Executive has proposed: the document does not state whether all civil servants have pre-existing contractual entitlements or just some.

4.7 Protection for Health – key points

DHSSPS current expenditure allocation to rise by 7.58% in cash terms over the budget period; and,

This provides "protection for the 'health' element of the DHSSPS".[21]

4.8 Protection for Health - issues for further clarification

In his statement the Minister said:

...the health budget will, I think, increase by 7% over that period. That compares favourably with the situation in Wales, where there was a 2·5% real reduction, and in Scotland, where there was a 3·03% real reduction.[22]

However, a number of points should be noted in regard to this assertion:

- The Minister was comparing a cash increase in current expenditure over a four-year period in Northern Ireland with real-terms decreases over a one-year period in Scotland and Wales;
- There is a planned reduction in DHSSPS capital expenditure of 19% in cash terms over the four-year period (see Table 3) which translates to a 26.7% reduction in real terms over the period (see Table 4) and these figures should also be factored in when considering how the proposals affect health spending;
- The planned reduction in the health budget for Scotland in real terms from 2010/11 to 2011/12 is £11,181.9m to £11,148.0m or 0.303%;[23]

- The 0.303% real-terms reduction for health in Scotland for 2011/12 includes both current and capital expenditure so this is not a like-for-like comparison with a cash increase on the current side only; and,
- If the current and capital allocations for DHSSPS are considered together (see Tables 2 and 4 above) there is a real-terms reduction from 2010/11 to 2011/12 of 1.18% - which is greater than the reduction in Scotland. It should be noted, however, that if one compares total current spending over the four-year period with the previous four-year period, there is no change in real terms.[24]

4.9 Social Investment and Social Protections Funds – key points

- Social Investment Fund of £20m established for each year of the budget period;
- This £20m is split 75/25 current/capital in 2011/12 and 50/50 in the remaining three years; and,
- Social Protection Fund established with £20m current funding for 2011/12 and unfunded thereafter.

4.10 Social Investment and Social Protections Funds - issues for further clarification

The draft Budget document provides scant detail on what either of the new Funds is designed to achieve or how they will do so. It is therefore difficult for members of the public or other interested parties to judge whether the proposals are sound or not.

4.11 Administrative cost controls – key points

- The administrative cost control regime has been abolished; and,
- The administrative cost control total within departments' Resource Departmental Expenditure Limit (DEL) will still be monitored by DFP[25] but the need for formal approval to switch resources from Programme to Administration DEL is removed.[26]

4.12 Administrative cost controls - issues for further clarification

The following extract from the Treasury's guidance explains the concept of an administration budget concisely:

Administration Budgets cover the costs of all central government administration other than the costs of direct frontline service provision or support activities that are directly associated with frontline service delivery. In practice Administration Budgets include activities such as provision of policy advice, business support services, back-office administration of benefits, advice on and administration of grant programmes, technical or scientific support, and the work of the Government's Regional Offices.[27]

The draft Budget 2011-15 document argues that:

[Abolition of administrative cost controls] will give Ministers greater flexibility to effectively and efficiently manage the resources at their disposal, with a view to maximising the outcomes achieved with such resources.[28]

It could be considered, however, that a time of public expenditure restraint is not necessarily the most appropriate time for controls on expenditure on back office functions rather than service delivery to be removed. The Budget document does not provide any detail on how the Executive proposes to ensure that departments do not unnecessarily shift resources from the front line to the back line (or indeed, the other way around).

4.13 Current to Capital switch – key points

- £252.5m switched from current expenditure to capital investment over the four-year period; and,
- Capital investment to total £1,373.8m in 2014/15 in cash terms.

4.14 Current to Capital switch- issues for further clarification

The stated aim of the Executive in relation to switching from current to capital is to protect construction jobs.[29] In evidence to the Committee for Finance and Personnel on 1 December 2010, Victor Hewitt, Director of the Economic Research Institute of Northern Ireland, made the following observation:

Be cautious on transfer — there are no free lunches in economics. You may transfer money from current to capital to preserve construction jobs, for example. However, you should not fool yourselves that removing current expenditure to help the construction industry will not have job implications: you may kill off jobs that were either directly or indirectly supported by that money.

Some construction is specialised. If you put money into road building, you may have to import labour from across the water because we do not have those skills here. It is a very delicate balance and it must be looked at in the round. An economist should never look at things in isolation; there are always implications.[30]

Colm McCarthy, University College, Dublin, also made the point in evidence on 24 November 2010 that it is possible to 'overdo' capital infrastructure investment:

It is fine to build a motorway from Dublin to Cork, but it need only be done once. There is no need to over-design and over-build roads, which we did a little bit. Some parts of the motorway network in the South were over-specified. That happened here in the 1960s, the MI to Dungannon being a case in point.[31]

On the other hand, Professor David Heald, University of Aberdeen, made the following comments on 3 November 2010:

It is very important to protect capital expenditure as much as possible. Obviously, one does not want bad capital projects — the quality of capital projects is important — but Northern Ireland is heavily dependent on the public sector and the construction sector. My understanding is that the construction sector is quite localised, so the regional multipliers in Northern Ireland will be quite high from capital spending. Therefore, one ought to think about the question of whether room can be found to move money from resource into capital.[32]

Expert opinion, therefore, seems a little divided. The Budget document doesn't contain any detail to justify the level of current to capital switch. It might be helpful to know why the Executive settled on the level of switching that it did for the draft allocations.

4.15 Invest to save – key points

- £25m per year of current expenditure set aside for invest-to-save projects; and,
- Invest-to-save funds to be allocated to departments on a 'ring-fenced' basis so they cannot be used for any purpose beyond the specified scheme.

4.16 Invest to save - issues for further clarification

The Executive established a £26m invest-to-save fund as part of its Review of Spending Plans 2010/11. In the Budget document it is asserted that projects that received allocations from this fund were successful, but no evidence is produced to support that claim. It might provide reassurance to members of the public and other interested parties if an analysis or evaluation of the 2010/11 invest-to-save funding were available to inform consideration of allocations in the draft budget: these amount to £100m in cash terms over the four-year period.

4.17 Assets realisation – issues for further clarification

There are two references in the Budget document to assets disposal. Table Two in Annex B contains a line 'Additional Capital Receipts – Central Asset Management Unit' which indicates capital receipts of £100m over the budget period. There is no further mention of the Central Asset Management Unit in the document, so it is difficult to know what these assets might be or to challenge whether the figures provided for receipts are realistic.

The second mention of assets disposal is in Table Four of Annex B which includes projections for capital receipts by departments over the budget period. There is no detail provided on what assets these forecasted receipts relate to.

5. Non-Ministerial departments

The draft Budget 2011-15 includes proposed allocations for other public bodies in addition to Executive departments. It is perhaps worth noting that the use of the phrase 'Non-Ministerial Departments' in the draft Budget is something of a misnomer. The Assembly is constitutionally separate from the Executive, not a department of it. The Comptroller and Auditor General (and so therefore the NIAO) and the other bodies listed also have separate statutory roles and independence from the Executive.

Table 6: draft allocations to Non-Ministerial departments for current expenditure, in cash terms

Non Ministerial Departments									
Assembly Ombudsman / Commissioner for Complaints	1.6	1.6	-1.0%	1.6	-1.0%	1.6	-1.0%	1.5	-1.0%
Food Standards Agency	9.6	9.4	-1.3%	9.3	-1.0%	9.2	-1.0%	9.2	-1.0%
NI Assembly	48.4	46.0	-5.0%	43.7	-5.0%	41.5	-5.0%	39.4	-5.0%
NI Audit Office	9.5	9.0	-5.0%	8.6	-5.0%	8.2	-5.0%	7.8	-5.0%
NI Authority for Utility Regulation	0.5	0.5	-1.0%	0.5	-1.0%	0.5	-1.0%	0.5	-1.0%
Public Prosecution Service	37.4	37.0	-1.0%	36.0	-2.6%	35.2	-2.3%	33.9	-3.6%

Source: Draft Budget 2011-15

In Table 7 below, the draft allocations are shown in real terms through the application of HM Treasury deflators.[33] It should be noted that there are difficulties associated with considering these allocations in real terms:

- It is the cash limits that departments will have to manage; and,
- Real-terms figures are subject to the uncertainty of the future rate of inflation.

Table 7: draft allocations to Non-Ministerial departments for current expenditure, in real terms (10/11 prices)

£m	10/11	11/12 real	12/13 real	13/14 real	14/15 real	total real change 10/11 to 14/15 £m	total real 10/11 to 14/15 % change
Assembly Ombudsman/commissioner for complaints	1.6	1.56	1.53	1.49	1.36	-0.24	-15.1
Food standards agency	9.6	9.17	8.88	8.55	8.33	-1.27	-13.3
NI Assembly	48.4	44.88	41.72	38.57	35.66	-12.74	-26.3
NI Audit Office	9.5	8.78	8.21	7.62	7.06	-2.44	-25.7
NI Authority for Utility Regulation	0.5	0.49	0.48	0.46	0.45	-0.05	-9.5
Public Prosecution Service	37.4	36.10	34.37	32.72	30.68	-6.72	-18.0

Source: Assembly Research calculations based on Draft Budget 2011-15

The Table shows that the total planned real-term decreases for Non-Ministerial departments' current expenditure from the 2010/11 base year to 2014/15 range from 9.5% (NI Authority for Utility Regulation) to 26.3% (NI Assembly).

The largest reduction in real terms for current expenditure of the Ministerial departments is 20.6% (DRD) (see Table 2 above) – a smaller reduction than that indicated for the NI Assembly.

Yet on 8 November 2010 the Assembly resolved:

That this Assembly notes with concern the likely reduction in the block grant that will be brought about by the comprehensive spending review; and calls on the Assembly Commission to reduce its running costs in line with the level of reduction faced by Executive Departments.[34]

On an initial reading it appears that the Executive has gone against the wishes of the Assembly as expressed in the resolution and decreased the NI Assembly allocation in excess of that faced by Executive departments, rather than in line with them.

A very similar level of real-terms reduction (25.9%) has also been proposed for the NI Audit Office (NIAO). It should be noted, however, that section 65(3) of the Northern Ireland Act 1998 (c.47) provides that:

The Comptroller and Auditor General for Northern Ireland shall not, in the exercise of any of his functions, be subject to the direction or control of any Minister or Northern Ireland department or of the Assembly[35]

The role of Executive departments in relation to the NIAO is limited under section 66(3) of that Act to the provision of advice by DFP to the Assembly's Audit Committee.

Under Article 6(2) of the Audit (Northern Ireland) Order 1987[36] it is the Assembly's Audit Committee which has the statutory role of approving (with or without modification) the Comptroller and Auditor General's resource requirements for a given financial year. This estimate must then be laid by the Audit Committee before the Assembly.

For the purposes of comparison, the proposed allocations for equivalent bodies in Scotland and Wales may be of interest:

Table 8: proposed allocations for Scottish Parliament, Welsh Assembly and Northern Ireland Assembly and associated audit bodies, in cash and real terms (10/11 prices).

£m	2010/11 allocation	2011/12 proposal	2011/12 real terms	cash terms % change	real terms % change
Scottish Parliament and Audit Scotland	98.7	95.9	93.6	-2.84%	-5.17%
Welsh Assembly Commission and Auditor General	54.0	54.2	52.9	+0.0037%	-2.04%
Northern Ireland Assembly and NIAO	57.9	55.0	53.66	-5%	-7.32%

Sources: Assembly Research calculations based on Draft Budget 2011-15, Welsh Assembly Government final budget 2010/11[37] and draft Budget 2011/12[38], Scotland's Spending Plans and draft Budget 2011/12[39]

One final point which is relevant to consideration of the Northern Ireland Assembly Commission's budget allocation is that Commission agreed a real-terms reduction of 13.3% over the four years.[40] The Scottish Parliament Corporate Body's proposal for the period is to achieve a 12% real-terms reduction over the period.[41] The National Assembly for Wales Commission has similarly proposed a real-terms reduction of 12% over the period.[42]

[1] OFMDFM (2003) 'A practical guide to policy making in Northern Ireland' available online at: http://www.ofmdfmni.gov.uk/practical-guide-policy-making.pdf (accessed 20 December 2010) (see section 8.5)

[2] International Monetary Fund Technical Notes and Manuals (2010) 'Role of the Legislature in Budget Processes' available online at: http://www.imf.org/external/pubs/ft/tnm/2010/tnm1004.pdf (accessed 20 December 2010) (see page 5)

[3] NI Executive (2010) 'Draft Budget 2011-15' available online at: http://www.northernireland.gov.uk/website_-_draft_budget.pdf (accessed 20 December 2010) (see page 30)

[4] This section is extracted from Assembly Research paper 45/10 available online at: http://archive.niassembly.gov.uk/researchandlibrary/2010/4510.pdf (accessed 5 January 2011) (see page 14)

[5] Ex p Coughlan [2000] 3 All ER 850, [2001] QB 213, para 108

[6] Official Report Committee for Finance and Personnel 21 April 2010, available online at: http://archive.niassembly.gov.uk/record/committees2009/FinancePersonnel/100421Reviewof2010-11SpendingPlans.pdf (accessed 27 April 2010) (see page 5)

[7] Available online at: http://www.statutelaw.gov.uk/content.aspx?LegType=All+Legislation&title=northern+ireland+act&Year=1998&searchEnacted=0&extentMatchOnly=0&confersPower=0&blanketAmendment=0&sortAlpha=0&TYPE=QS&PageNumber=1&NavFrom=0&parentActiveTextDocId=2045126&ActiveTextDocId=2045214&filesize=808 (accessed 5 January 2011)

[8] Available online at http://www.nio.gov.uk/agreement.pdf (accessed 5 January 2011)

[9] http://www.dfpni.gov.uk/ni-estimates-vote-on-account-2010-2011.pdf

[10] CFP (2010) 'Second Report on the Inquiry into the Role of the Northern Ireland Assembly in Scrutinising the Executive's Budget and Expenditure' available online at http://archive.niassembly.gov.uk/finance/2007mandate/reports/Report_66_09_10R.html#3 (accessed 22 December 2010) (see Recommendation 4)

[11] Available online at http://www.hm-treasury.gov.uk/data_gdp_fig.htm (accessed 20 December 2010)

[12] Available online at http://www.hm-treasury.gov.uk/data_gdp_fig.htm (accessed 20 December 2010)

[13]Official Report 15 December 2010 available online at: http://archive.niassembly.gov.uk/record/reports2010/101215.pdf (see pages 180-181)

[14] NI Executive (2010) 'Draft Budget 2011-15' available online at: http://www.northernireland.gov.uk/website_-_draft_budget.pdf (accessed 20 December 2010) (see page 23)

[15] Official Report 15 December 2010 available online at: http://archive.niassembly.gov.uk/record/reports2010/101215.pdf (see pages 187)

[16] Official Report 15 December 2010 available online at: http://archive.niassembly.gov.uk/record/reports2010/101215.pdf (see pages 189)

[17] HM Treasury (2010) 'Spending Review 2010' available online at: http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf (accessed 22 December 2010) (see page 50)

[18] Source: communication with DFP

[19] NI Executive (2010) 'Draft Budget 2011-15' available online at: http://www.northernireland.gov.uk/website_-_draft_budget.pdf (accessed 20 December 2010) (see page 51)

[20] NI Executive (2010) 'Draft Budget 2011-15' available online at: http://www.northernireland.gov.uk/website_-_draft_budget.pdf (accessed 20 December 2010) (see page 24)

[21] NI Executive (2010) 'Draft Budget 2011-15' available online at: http://www.northernireland.gov.uk/website_-_draft_budget.pdf (accessed 20 December 2010) (see page 51)

[22]Official Report 15 December 2010 available online at: http://archive.niassembly.gov.uk/record/reports2010/101215.pdf (see pages 187)

[23] Scottish Executive (2010) 'Scotland's Spending Plans and Draft Budget 2011-12' available online at: http://www.scotland.gov.uk/Publications/2010/11/17091127/9 (accessed 20 December 2010) (see Table 8.02)

[24] Source: Assembly Research calculations

[25] Communication with DFP official

[26] For more information on the Administrative Cost control regime, see Assembly Research Briefing Note 192/10, available online at: http://archive.niassembly.gov.uk/researchandlibrary/2010/19210.pdf

[27] Treasury (2010) "Consolidated budgeting guidance from 2010-11? available online at http://www.hm-treasury.gov.uk/d/consolidated_budgeting_guidance201011.pdf (accessed 29 November 2010) (see page 55)

[28] NI Executive (2010) 'Draft Budget 2011-15' available online at: http://www.northernireland.gov.uk/website_-_draft_budget.pdf (accessed 20 December 2010) (see page 29)

[29] NI Executive (2010) 'Draft Budget 2011-15' available online at: http://www.northernireland.gov.uk/website_-_draft_budget.pdf (accessed 20 December 2010) (see page 28)

[30] Official report available online at: http://archive.niassembly.gov.uk/record/committees2010/FinancePersonnel/101201SpendingReviewandBudget.pdf (accessed 21 December 2010) (see page 7)

[31] Official report available online at: http://archive.niassembly.gov.uk/record/committees2010/FinancePersonnel/101124SpendingReviewandBudget2011-15.pdf (accessed 21 December 2010) (see page 40)

[32] Official report available online at: http://archive.niassembly.gov.uk/record/committees2010/FinancePersonnel/101103Spending_Review_and_Budget.pdf (accessed 21 December 2010) (see page 3)

[33] Available online at http://www.hm-treasury.gov.uk/data_gdp_fig.htm (accessed 20 December 2010)

[34] Official Report available online at: http://archive.niassembly.gov.uk/record/reports2010/101108.pdf (accessed 21 December 2010) (see page 197)

[35] http://www.statutelaw.gov.uk/content.aspx?LegType=All+Legislation&title=northern+ireland+act&Year=1998&searchEnacted=0&extentMatchOnly=0&confersPower=0&blanketAmendment=0&

sortAlpha=0&TYPE=QS&PageNumber=1&NavFrom=0&parentActiveTextDocId=2045126&ActiveTextDocId=2045215&filesize=4440 (accessed 21 December 2010)

[36] http://www.statutelaw.gov.uk/content.aspx?LegType=All+Legislation&title=audit+(northern+Ireland)+order&Year=1987&searchEnacted=0&extentMatchOnly=0&confersPower=0&blanketAmendment=0&sortAlpha=0&TYPE=QS&PageNumber=1&NavFrom=0&parentActiveTextDocId=2910280&ActiveTextDocId=2910291&filesize=5136 (accessed 4 January 2011)

[37] http://wales.gov.uk/docs//finance/report/091201finalbudgeteng.pdf (accessed 5 January 2011)

[38] http://wales.gov.uk/docs/finance/report/101117gowamotionen.pdf (accessed 5 January 2011)

[39] http://www.scotland.gov.uk/Publications/2010/11/17091127/18 (accessed 5 January 2011)

[40] Source: communication from NI Assembly Clerk/Director General 9 December 2010.

[41] Source: letter from the Presiding Officer to the Convenor, Finance Committee 16 November 2010, available online at: http://www.scottish.parliament.uk/corporate/anrep-accts/spcb/20101116OUTSPCBBudgetSubmission2011-12.pdf (accessed 6 January 2011) (see page 3)

[42] National Assembly for Wales (2010) 'Assembly Commission Budget 2011-12' available online at: http://www.assemblywales.org/bus-home/bus-guide-docs-pub/bus-business-documents/bus-business-documents-doc-laid/gen-ld8316-e.pdf?langoption=3&ttl=GEN-LD8316_-_National_Assembly_for_Wales_Assembly_Commission_Budget_Proposals_2011-12 (accessed 6 January 2011) (see page 8)

WORKING AT HOME

THE NICS HOMEWORKING POLICY AND GUIDANCE

CENTRAL PERSONNEL GROUP

CONTENTS

ANNEXES

INTRODUCTION

1 The Northern Ireland Civil Service (NICS) has for many years recognised the benefits, in business terms, of enabling staff to achieve and maintain a better balance between work and home, and has developed one of the most extensive ranges of work-life balance policies and practices within Northern Ireland.

2 Working at home is not a new development in the NICS – it has been available by local arrangement, mainly on an informal basis, for many years. The introduction of a corporate NICS Homeworking Policy will help, as far as possible, to ensure consistency across the Service in the handling of requests from staff to work at home.

3 The following guidance introduces the NICS Homeworking Policy, explains the application process, and guides staff and their line managers through the issues that must be taken into account before any request to work at home can be approved.

4 Staff should note that this policy does not in any way affect either an officer's right to apply to work at home under the flexible working legislation, or the consideration of reasonable adjustments under the Disability Discrimination Act 1995. It should also be noted that an officer working at home under this policy has the same terms and conditions and employment rights as any similar office-based staff

SECTION 1 GENERAL INFORMATION

1.1 INTRODUCTION

1.1.1 Working at home is a voluntary flexible working arrangement whereby an individual, with the agreement of their line manager and Head of Branch, spends part of a working day(s) or week working at home. Working at home can be combined with any other working pattern - for example, part-time working or compressed hours.

1.1.2 In line with NICS work-life balance policies, line managers are expected to adopt a sympathetic, flexible approach when considering requests for working at home arrangements, while taking account of the legal requirements and equal opportunities issues.

1.1.3 Working at home may be considered either as a short or longer-term arrangement. No working at home arrangement should, however, be viewed as permanent and all working at home arrangements will be subject to regular review (see paragraphs 1.9.1 – 1.9.3 below).

1.2 POTENTIAL BENEFITS

1.2.1 While greater flexibility to balance their work-life commitments is likely to be the main driver from the individual's perspective, an increasing number of organisations are recognising that working at home can also be good for business. The principal benefits that have been reported include:

- increased productivity attributable to higher levels of concentration achieved away from office distractions;
- improved staff commitment;
- reduced absenteeism;
- happier staff; and
- a more diverse, flexible workforce.

1.3 TYPES OF WORKING AT HOME

1.3.1 The NICS recognises two broad categories of working at home: regular and occasional. Both are voluntary flexible working arrangements that require mutual, continuing agreement between the officer and their line managers. There is no formal variation to the officer's terms and conditions.

Regular working at home

1.3.2 A regular working at home arrangement provides an opportunity for staff to work at home for an agreed period of time each week (or any other regular pattern), business need permitting. This may be for whole or part days but should not normally exceed 3 days per week for full-time staff, other than in exceptional circumstances (the extent of working at home approved for staff on alternate working patterns must be considered on an individual basis). This is partly because of the risk of isolation but also because face-to-face contact is an essential part of most jobs.

1.3.3 Regular working at home requires specific criteria to be met and an agreement to be signed by the officer, their line manager and Head of Branch before working at home begins. Any officer who wishes to apply to work at home on a regular basis must complete both a Self-Assessment Form (see Annex 1) and an Application Form (see Annex 2).

Characteristics of a regular working at home arrangement

1.3.4 The main characteristics of a regular working at home arrangement are as follows:

- This is a voluntary flexible working arrangement – it does not create a right to work at home on any given day.

- The arrangement is covered by a written Working at Home Agreement between the officer and their line management (see Annex 3).

- The way in which working time is split between the home and office locations will be defined in the Working at Home Agreement. However, the officer can be required by management for legitimate business reasons to attend the office on agreed "working at home" days.

- Any necessary furniture and/or IT equipment will be provided by the officer's department if the department considers that it is cost-effective to do so.

- The officer is required to participate in the Health and Safety risk assessment process by providing information that will enable a risk assessment of their proposed home workspace to be carried out.

Occasional working at home

1.3.5 Occasional working at home involves the officer, with the agreement of management, working at home on an ad hoc basis either to assist in completion of a specific task or to suit personal circumstances that do not require an ongoing commitment. If an officer wishes working at home to become part of their normal working pattern (business need permitting), then this is considered to be regular working at home, regardless of the number of days, part days or hours per week or month they wish to work at home. Where this is the case, the application process for regular working at home must be followed.

1.3.6 Where an officer wishes to work at home on an occasional basis, they must complete and submit an Occasional Working at Home Application Form (see Annex 5). The agreement of the Head of Branch must be obtained, and the expected outputs from the working at home agreed, in advance of each separate occasion.

1.3.7 Examples of circumstances in which occasional working at home may be appropriate include the following:

- To allow staff the opportunity to work more effectively on a particular piece of work where concentration is important in order to avoid the interruptions that are part of the office environment.
- To provide a solution to a temporary problem where staff may be unable to travel to the office, eg where a particularly severe spell of weather has been forecast or in the event of a planned disruption of public transport. (Where a problem is unforeseen, it is very unlikely that staff will have access to the resources they would need to work at home, unless they already have a regular working at home arrangement in place. Even when this is the case, the officer must seek the agreement of their line management to work at home on a day on which they were due to work in the office.)
- Where attendance at meetings away from the normal place of work during a workday make it impractical to return to the office.

1.3.8 Equipment and furniture will not normally be provided at the officer's home to facilitate this type of arrangement. However, where it is necessary, and such equipment is available, it will be provided, for example, an officer may be permitted to use an office laptop at home.

1.3.9 While some of the information in the remainder of this guidance does not specifically apply to occasional working at home, officers and their line managers must be aware of the many issues such as health and safety, and IT and document security, which apply to working at home in any situation. It is important, therefore, that staff familiarise themselves with this guidance before applying to work at home on an occasional basis.

1.4 WHO CAN APPLY TO WORK AT HOME?

1.4.1 Any officer may request to work at home and all applications will be given serious consideration. However, staff should note that there is no automatic right for any officer to work at home, nor can any officer be compelled to work at home. The opportunity to work at home (even on an occasional basis) will, in all cases, be dependent on the suitability of the job, and the home environment, within the constraints of business needs.

1.4.2 Managers are required to make a sound business decision and the aim of this policy is to ensure that these decisions are reached fairly after a flexible approach to the request has been adopted. Although this policy ensures all staff can apply for a working at home arrangement, it is important to understand that this does not mean that all requests can be accommodated.

1.4.3 The application will initially be considered by the officer's line manager (at or above Staff Officer or analogous grade)[1] who will make a recommendation to the Head of Branch. The final decision to approve/reject an application to work at home will be taken by the Head of Branch, taking account of the views of the individual, their line manager and, where appropriate, other colleagues.

1.4.4 Requests to work at home are evaluated on their impact on the business, and the needs of customers and colleagues. Any request is expected to have a positive (or at least neutral) impact on the business. If the proposed arrangement will not work for the business, it will not be approved.

1.4.5 Staff should note that it may be necessary to end a working at home arrangement for one of the reasons detailed in section 1.10

Application Forms

1.4.6 Standard forms have been developed to assist individuals and their managers through the application process and to help them think through the proposed arrangement, including how it would affect customers and colleagues. Section 2 of this guidance explains the application and assessment process in detail.

[1] **Note:** Throughout this guidance the line manager is referred to as "at or above Staff Officer and analogous grades". Where an applicant's line manager(s) is below SO level, the first line manager at or above Staff Officer or analogous grade must carry out the assessment of the application, and the development and implementation of any subsequent working at home arrangement and agreement, in conjunction with any line manager(s) below SO level. In all cases it remains the responsibility of the first line manager at or above Staff Officer and analogous grades to ensure that the responsibilities outlined in Annex 12 are carried out.

1.5 HEALTH AND SAFETY

1.5.1 It is essential that all staff who apply to work at home under this policy are fully aware of both the potential health and safety risks of working at home and their responsibilities under Health and Safety legislation. Greater responsibility is inherently placed on an individual who works at home given that options for supervision, control etc are generally significantly reduced. Irrespective of business need, job suitability etc, an officer will not be able to work at home unless their home provides a safe and healthy working environment. Further information on Health and Safety issues is contained in Annex 6.

1.6 COSTS

1.6.1 If the Head of Branch considers that working at home is feasible, the Personnel/Establishment Branch will consider the cost-effectiveness of providing any necessary furniture and/or equipment. Where an application to work at home is approved, the employing department will bear the start-up and ongoing costs associated with establishing the arrangement, excluding any increase in domestic insurance premiums (see paragraph 1.20.6) or additional household costs (see paragraph 1.20.11).

1.6.2 The department will not reimburse the officer for any costs incurred in changing furniture or furnishings (in order to accommodate any furniture and/or equipment provided by the department) to facilitate working at home, or for wear and tear in the home.

1.7 TIMESCALES

1.7.1 The actual timescale will depend on the requirements of each case. However, where possible, managers should aim to adhere to the following limits:

- Within 14 days of receiving the application, the line manager should meet with the applicant to discuss the request.
- Within 14 days of meeting with the applicant, the line manager should submit their recommendation to the Head of Branch.
- Within 14 days of receiving the recommendation, the Head of Branch should inform the officer of the outcome of their application.

1.7.2 While managers should, in all cases, aim to adhere to the timescales outlined above, staff should be aware that there may be circumstances in which line management or the department requires more time in order to consider other factors such as additional cost, the availability of equipment etc. Where the timescales above cannot be met, the officer must be kept informed.

1.8 MONITORING THE WORKING AT HOME ARRANGEMENT

1.8.1 Once a working at home arrangement has been established, the line manager will monitor the effectiveness of the arrangement (including the impact on the officer, their colleagues and the business area as a whole) on an ongoing basis. Any concerns, which could affect the continuation of the arrangement, must be addressed promptly in consultation with the officer. A TUS Representative or work colleague may attend if this is agreed by all parties prior to the meeting.

1.9 REVIEWING WORKING AT HOME ARRANGEMENTS

1.9.1 Line managers must formally review regular working at home arrangements every 3 months or more often if necessary, for example, if an officer is working at home as part of a phased return from sickness absence, or when new applications to work at home are made within the Branch[2]. The form at Annex 4 must be used for this purpose and a copy of the completed review form must be forwarded to the Head of Branch and the Officer for information.

1.9.2.1 Regular working at home arrangements must be reviewed in the following circumstances:

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[2] The NICS Homeworking policy aims to facilitate an informal, mutually agreed flexible working arrangement – it does not give anyone a right to work at home. Requests to do so will be accommodated as far as possible, subject to business needs, and other requirements such as health and safety, being satisfied. In the interests of equity, management retain the right to review all working at home arrangements within their business area at any time and to amend/end these as necessary.

- in the event of a change in the role of the officer;
- in the event of a change in any of the officer's line management[3];
- on return from a period of long-term sick absence (see paragraph 1.15.2);
- following any absence of more than 20 working days;
- if the officer is put on a trial period under the inefficiency due to sickness absence procedures (see paragraph 1.15.4).

1.9.3 Line managers must review the effectiveness of occasional working at home after each occasion.

1.10 AMENDING/SUSPENDING/ENDING A REGULAR WORKING AT HOME ARRANGEMENT

1.10.1 Under this policy, a working at home arrangement is voluntarily requested by the officer and granted at the discretion of the Head of Branch. The Head of Branch retains the right to amend, suspend or end any such arrangement if business needs change. or the arrangement is causing performance issues. Where such action is necessary, the officer will be provided with a full explanation in writing and given as much notice as possible. . If the individual still has issues of concern, and a meeting is required, a TUS representative or work colleague can attend. However, staff should be aware that in exceptional circumstances business reasons may

[3] For business reasons, the new line manager may need the officer to be present in the office more frequently than the former manager, particularly while they are becoming familiar with their new post in the short term.

necessitate immediate suspension or termination of any working at home arrangement.

Amending/ Suspending the Arrangement

1.10.2 An officer may seek to have their regular working at home arrangement amended or suspended. This request must be put in writing to the Head of Branch, outlining the proposed amendment(s) and their reason(s). If the proposed amendment is agreed, a new Agreement must be drawn up, signed by the officer, their line manager and the Head of Branch, and copied to Personnel/Establishment Branch. Personnel/Establishment Branch must also be notified in writing when a working at home arrangement is suspended.

Ending the Arrangement

1.10.4 A working at home arrangement will end automatically if the officer leaves the post for which the agreement has been drawn up. This does not preclude the possibility that this post may also be subject to a working at home arrangement in the future. Should the officer wish to avail of a working at home arrangement in a new post, they should submit a new application.

1.10.5 An officer may terminate their working at home arrangement at any time by notifying their Head of Branch in writing.

1.10.6 The Head of Branch may terminate a regular working at home arrangement by notifying the officer, in writing, that the arrangement is to end and the reason(s) why. The reason(s) given for the termination of the working at home arrangement must relate to the unsuitability of the job, the officer or their home workspace, or a change to the business needs of the branch. Where the agreement is to be terminated for a business reason that is foreseeable, as much notice as possible should be given, normally a minimum of 1 Month unless exceptional circumstances arise.

1.10.7 Regardless of whether a regular working at home arrangement is ended by the officer or the Head of Branch, the Head of Branch must inform Personnel/Establishment Branch as soon as possible.

1.11 PERSONNEL/ESTABLISHMENT BRANCH

1.11.1 Personnel/Establishment Branch must retain a copy of any Working at Home Agreement(s) on the officer's Personal File, along with notification of any amendments, period(s) of suspension or termination.

1.12 APPEALS

1.12.1 An officer may appeal a decision to refuse an application to work at home, or to end a working at home arrangement, by following the Grievance Procedure.

1.13 TERMS AND CONDITIONS

1.13.1 An officer working at home under this policy has the same terms and conditions and employment rights as office-based staff.

1.14 FLEXIBLE WORKING HOURS

1.14.1 Officers who work at home under this policy will, where possible, be able to continue to work under their department's Flexible Working Hour's Policy. Line managers are reminded that there is provision to agree core times and flexible bands on an individual basis (see Section 1.12 of Chapter 1 Hours and Attendance of the Leave and Attendance Part of the NICS Staff Handbook).

1.15 SICK ABSENCE

1.15.1 Staff with a working at home arrangement must follow the normal procedures for reporting sick absence.

1.15.2 A working at home arrangement must be reviewed following a period of long-term sick absence as organisational or procedural changes in the Branch during the officer's absence may have an impact on the working at home arrangement. These matters will be discussed on your return (see paragraph 1.9.2).

1.15.3 An officer who wishes working at home to be considered as part of a phased return to work from sickness absence must follow the normal application and assessment process for regular working at home. There will be no relaxation of the requirements regarding the suitability of the job, the officer and the proposed home workspace. *Where a working at home arrangement as part of a phased return is approved, the duration of the Homeworking aspect of this phased return will be subject to normal review (see Paragraph 1.9.1). However, medical opinion will be sought on whether it would be detrimental to the officer's return to work to end any Homeworking arrangement prior to the scheduled end of the phased return*).

1.15.4 An officer with a written warning or final written warning under the inefficiency sickness policy will not normally be permitted to avail of the working at home provisions, unless there is medical evidence from their GP or consultant which recommends that such an adjustment could lead to an improved level of attendance. In such cases the Department may wish to consult with Occupational Health Service (OHS) before approving any request. In the case of an officer with an existing working at home arrangement, a medical opinion will be sought on whether it would be detrimental to the officer's attendance to end the arrangement before any action is taken.

1.16 ANNUAL/FLEXI/SPECIAL LEAVE

1.16.1 An officer working at home must follow the normal procedures when applying for annual leave, flexi leave or special leave.

1.17 TRAVEL EXPENSES

1.17.1 Where a working at home arrangement is approved the normal Travel and Subsistence arrangements continue to apply and the office remains the permanent station. Travel expenses will not be payable for commuting between the officer's home and their permanent station.

1.17.2 Entitlement to mileage allowance for official business will be calculated in accordance with paragraph 3.5.7 of the Official Travelling Chapter of the Travel and Subsistence Part of the NICS Staff Handbook.

1.18 OTHER EXPENSES

Telephone calls

1.18.1 The normal arrangements for reimbursing the cost of official calls from home apply (see Chapter 7 of the General Employment Issues Part of the NICS Staff Handbook).

Other expenditure

1.18.2 An officer working at home must obtain the prior approval of their line manager before incurring any other expense directly related to carrying out their official duties, eg postage.

1.19 OTHER POLICIES

1.19.1 Staff are reminded that while working at home all other departmental/NICS policies, for example arrangements for working overtime with the approval of management, will continue to apply.

1.20 OTHER ISSUES FOR CONSIDERATION

Domestic commitments/Caring responsibilities

1.20.1 It is the responsibility of the officer to keep their domestic and work commitments separate and to put adequate care arrangements in place for dependants. Any officer who has caring responsibilities must make a written statement of their care plans in the Application Form (see Annex 2, part 1.8 for regular working at home and Annex 5, part 1.4 for occasional working at home).

1.20.2 The line manager must assess whether the care arrangements described by the applicant will allow the officer to carry out their duties.

1.20.3 An officer who works at home must inform their line management of any changes to their care arrangements as soon as possible.

Notification of working at home to External Authorities

Mortgage Lender/Landlord

1.20.4 An officer who applies to work at home will be required to inform their mortgage provider or landlord of their intention to work at home to ensure that there is no conflict with their existing mortgage or tenancy arrangement – sample letters, which can be used for this purpose, can be found in Annex 7. The officer must also check whether any restrictive covenant is attached to the lease or deeds of the property forbidding non-domestic activity (for example, as a result of a mortgage agreement or lease).

Household Insurers

1.20.5 The officer is responsible for informing their household insurers that they are proposing to work at home before any such arrangement commences - a sample letter, which can be used for this purpose, can be found in Annex 7. There is no evidence of insurers raising domestic premiums because employees are working at home, but informing them is important so that they cannot later use working at home as an excuse to disallow any claims.

1.20.6 It is unlikely that domestic premiums will increase as a result of working at home but, where this is the case, the officer will be expected to cover the cost of any such increase.

1.20.7 Equipment or furniture provided by the department must not be included on home insurance policies. The department will bear the cost of loss or damage to equipment and furniture, provided the officer was authorised to take the equipment home and has taken all reasonable care to prevent such loss or damage. In the unlikely event that damage is caused to an officer's home by equipment provided by their Department, advice should be sought from Personnel/Establishment Branch. While each case will be considered on its merits, it is likely that, given the circumstances, liability would rest with the Department, subject to, among other things, any possible claim against the equipment manufacturers or those charged with maintenance of the equipment.

Planning Issues

1.20.8 Working at home in normal circumstances does not require planning permission. It would only be required if the working arrangements expand and cease to be ancillary to the main use of the dwelling, which is unlikely in the context of civil servants working at home. Any officer who requires further advice on this matter should contact Planning Service Headquarters, Development Control Section, Millennium House, 17-25 Great Victoria Street, Belfast BT2 7BN (Tel 028 9041 6700).

Rates

1.20.9 A number of factors, such as the extent and frequency of business use and any special modifications made to the property, will determine whether the space which an officer uses as an "office" to work at home is liable for business rate. Staff should contact their local Valuation and Lands Agency Office for further advice.

Tax Issues

1.20.10 It is possible, although unlikely in most cases, that an officer who works at home on a regular basis may be liable for changes to taxation if the officer uses equipment provided by the NICS for personal purposes. HM Revenue and Customs advise that, since any such changes will depend on individual circumstances, staff should contact their HM Revenue and Customs Enquiry Centre to determine the possible implications for them of working at home. A sample letter, which may be used for this purpose, can be found in Annex 7.

Additional Household Costs

1.20.11 An officer may incur additional household costs, for example heating and lighting, as a result of working at home. The department will not reimburse any officer working at home for any such additional costs.

Provision of Furniture and Equipment

1.20.12 The cost of providing any necessary furniture and/or equipment is considered as part of the assessment process. The officer applying to work at home must identify in their Application Form any additional furniture and equipment that they will require to allow them to work at home. When the Head of Branch considers that working at home may be viable, the Personnel/Establishment Branch will be asked to consider the cost-effectiveness of providing any necessary furniture and/or equipment (see paragraph 2.2.24). The department will not reimburse the officer for any costs incurred in changing furniture or furnishings in order to accommodate working at home, or for wear and tear in the home (see paragraph 1.6.2).

1.20.13 Personnel/Establishment Branch are responsible for arranging the ordering, delivery, set up and return of all equipment and furniture supplied by the department.

1.20.14 Any equipment or furniture supplied to the officer will remain the property of the department and must be returned to the department when the working at home arrangement ends. In the event of a period of long-term sickness absence or any longer period of foreseen absence, such as a career break or maternity leave, the department will decide whether to retrieve any furniture and/or equipment supplied to the officer.

1.20.15 Electrical equipment provided by the department will be covered by normal departmental portable appliance testing (PAT) arrangements.

1.20.16 An officer who has been supplied with equipment or furniture in their home as part of a working at home agreement, will be permitted to use the equipment or furniture for their sole personal use, provided that the equipment or furniture is used in a manner consistent with health and safety regulations and all other departmental policies. Information on Health and Safety issues can be found in Annex 6.

1.20.17 It is NICS policy that only dedicated IT equipment, supplied by the employing department, should be used for work-related activities.

1.20.18 An officer who has been provided with internet and e-mail access by the department will be allowed access for their sole personal use, provided that such use is at no extra cost to the department and is in line with the Internet and E-mail Usage Policy as set out in Annex 10 of the Conduct Chapter of the Conduct and Discipline Part of the NICS Staff Handbook.

Security

1.20.19 Whether working at home using a computer or simply reading documents, an officer has a role to play in protecting themselves, their equipment, if appropriate, and any documents they use in carrying out their job. When working at home, as when working in the office, an officer must adhere to the security requirements as set out in Annex 8. Therefore, any officer who is considering applying to work at home must ensure that they make themselves aware of these requirements and that their proposed home workspace will allow them to fully meet these requirements.

1.20.20 An officer working at home is responsible for ensuring the confidentiality of any data in their possession and is expected to take reasonable measures to ensure that equipment and data is held securely at all times.

1.20.21 Failure to comply with security requirements may result in disciplinary action.

Official Visitors

1.20.22 It is a condition of working at home under this policy that appropriate personnel must be allowed access to the home workplace from time to time, for example to deliver, install, repair or service equipment, or to carry out a health and safety risk assessment (see paragraphs 2.2.11-2.2.12 regarding the suitability of the home). All such visits to the officer's home will take place by prior appointment during the hours in which the officer has agreed to make themselves available for work (as set out in their Working at Home Agreement).

1.20.23 If an officer is required to meet with colleagues or members of the public in the course of their work, these meetings must not take place in the officer's home.

Attendance at the office

1.20.24 An officer who works at home on a regular basis will normally be required to attend their office for part of the week (see paragraph 1.3.2 above). Working at home under this policy is a flexible arrangement, rather than a permanent change to terms and conditions. Even where a request to work at home on a regular basis has been approved, the officer will in practice only be able to work at home when business need permits. The officer may be required by management to attend the office on any day covered by their normal working pattern.

1.21 FURTHER INFORMATION

1.21.1 Further information and advice that may be helpful to staff and line managers can be found in Annexes 9-12 of this guidance.

- Annex 9 contains some useful information on the types of issues that line managers must consider when managing an officer who is working at home.
- Annex 10 outlines the issues that managers who are working at home need to consider when managing staff.

- Annex 11 contains some useful practical information for staff who are about to, or are, working at home.
- Annex 12 outlines the main roles and responsibilities of the officer, the line manager, the Head of Branch and Personnel/Establishment Branch.

The next section of this document guides staff and line managers through the application and assessment process when working at home is being considered.

SECTION 2 - THE APPLICATION AND ASSESSMENT PROCESS

2.1 OCCASIONAL WORKING AT HOME

2.1.1 Any officer who wishes to work at home on an occasional basis (see Section 1, General Information paragraphs 1.3.5 to 1.3.9) must familiarise themselves with this NICS Homeworking Policy and Guidance and complete Section 1 of the Application Form in Annex 5. The application should then be passed to their line manager who will consider not only the suitability of the work that the officer proposes to do at home but also the expected outputs and potential benefits to the Branch, and will make a recommendation to the Head of Branch. The decision on whether to approve or decline the request will be taken by the Head of Branch.

2.1.2 A separate application is required for each occasion on which the officer wishes to work at home. As the completed application form is also a record of the agreement between the officer and their line management, a copy must be forwarded to Personnel/Establishment Branch to be retained on the officer's Personal File.

2.2 REGULAR WORKING AT HOME

2.2.1 The remainder of this section guides staff and their line managers through the issues that must be taken into account when considering any application to work at home on a regular basis.

ACTION BY THE OFFICER

2.2.2 If working at home is going to work effectively for both the officer and the department, it needs to be thought through carefully from the start. There are a number of issues that the officer will need to consider <u>before</u> formally seeking permission to work at home on a regular basis. These are as follows:

(i) Suitability of the Job

2.2.3 The officer should consider whether it is feasible for all or part of their job to be done at home.

2.2.4 There are no absolute criteria for assessing the suitability of jobs for working at home, but jobs with the following elements are more likely to be able to be done successfully at home:

- few physical requirements such as face-to-face contact, bulky equipment or storage requirements;
- clearly defined objectives and measurable outputs;
- clearly defined milestones and timescales so work can be planned;
- minimal requirements for supervision;

- clear methods of communication.

2.2.5 On the other hand, jobs that would be difficult to carry out at home usually involve one or more of the following:

- daily access to large equipment
- daily face-to-face contact with customers or colleagues
- daily access to materials only available at the office.

2.2.6 If a job requires access to equipment etc only part of the time, and these activities can be concentrated into part of each week, a working at home arrangement may still be feasible.

2.2.7 The impact of any proposed working at home arrangement on colleagues, and the needs of customers, must also be taken into account.

(ii) Suitability of the Officer

2.2.8 Whether working at home will be successful or not is likely to depend as much on the individual and their personal skills and attributes as on the type of work involved. Not everyone is suited to this type of working. Any officer who works at home, even on an occasional basis, will be working away from colleagues and the office environment, therefore it is important that they are able to adapt to a different way of working.

2.2.9 Research has shown that people who work at home effectively tend to demonstrate the following characteristics:

- a high level of self-discipline
- trustworthiness
- safety consciousness
- good time management
- technological literacy (if required)
- good communication and interpersonal skills
- decision-making and problem-solving skills
- the ability to work without close supervision
- self-motivation
- adaptability and self-reliance
- the ability to cope with the conflicting demands of home and work life
- the ability to cope with reduced social contact and isolation.

It is important to recognise that the list of characteristics above is provided only as a guide to the type of person who is likely to be able to work at home effectively; it is not intended as a framework against which managers are required to assess staff.

2.2.10 Some individuals, for example those who need a lot of direction from their line manager, may not be suitable. Before applying to work at home, an officer is therefore advised to carefully consider the following:

- **Working Style**

  The officer should think about their preferred/actual working style and whether they believe they are suited to working in isolation.

- **Self-motivation**

  Individuals who are self-motivated are more likely to be able to work at home successfully. Some people find it difficult to get started without the physical presence of their colleagues and may feel more motivated and productive with activity around them. If an officer believes that they need this in their daily working environment, they should think carefully before applying to work at home.

- **Self-discipline**

  People who are well-organised effective time-managers, and are able to work without supervision, are more likely to be able to work at home successfully. The officer should consider whether they have the skills and self-discipline necessary to cope with working at home.

- **Adaptability/Flexibility**

  It is vital that officers who work at home have an adaptable approach. Where regular working at home has been approved, the officer must be aware that, when required to do so by management, they must attend work-related events, e.g. training or meetings, even when these fall on their agreed working at home days. They must also be aware that management can request that they attend their permanent station on <u>any</u> normal working day, if business need requires.

- **Work/life balance**

  For some people, a working at home arrangement will enable them to achieve an appropriate balance between their work and non-work activities. However, working at home is <u>not</u> designed to enable staff to care for a member of the family whilst working at the same time (see Section I, General Information, paragraphs 1.20.1 to 1.20.3). However, there may be some flexibility over the hours in which the work must be done and this could be agreed with line management.

- **Self-development**

  Where an application for working at home is approved, the line manager will need to make sure that the officer is provided with the necessary support and "tools for the job". In addition, as with office-based staff, the officer has a responsibility for their own development and should consult with and be supported by their manager on training and development needs for their role and the environment in which they work.

(iii) Suitability of the Home

2.2.11 An officer will **NOT** be able to work at home unless there is compliance with all relevant health and safety regulations. Details of the health and safety standards to be met for working at home are set out in Annex 6. The home working environment must always provide adequate space for the work to be carried out safely. Allocation of a designated workspace is essential, the adequacy of which will be a key factor in the final decision-making process.

2.2.12 An officer who applies to work at home is required to participate in the risk assessment process by providing information which will enable an initial risk assessment of their proposed workspace to be carried out (see Annex 6 for more details). As explained in Annex 6, the line manager will forward the information provided by the applicant to a trained risk assessor for consideration. Based on this information, the risk assessor may consider it necessary to visit the officer's home to carry out the assessment or to seek further clarification/additional information from the applicant prior to doing so. This initial assessment must be reviewed after the workspace has been equipped with any furniture and/or equipment provided by the officer's Department, and any hazards must have been satisfactorily addressed before working at home can begin. The review should also include consideration of the following (if applicable) - manual handling, hazardous substances and any risks to new or expectant mothers. Risk assessors will be expected to record why a home risk assessment has not been necessary in relation to an application for regular working at home.

2.2.13 The Regular Working at Home Self-Assessment Form at Annex 1 is designed to assist officers to work through the issues at (i) to (iii) above.

(iv) Other factors to be considered

2.2.14 There are also a number of practical issues, which may affect an officer's ability to work at home (see Section 1 General Information paragraphs 1.20.1 to 1.20.24 for more information).

Application Form

2.2.15 Individuals who wish to apply to work at home on a regular basis must complete both the Self-Assessment Form in Annex 1 and Section 1 of the Application Form in Annex 2 and pass these to their line manager at or above Staff Officer or analogous grade.

ACTION BY THE LINE MANAGER

2.2.16 Under this policy, any officer can request to work at home and all applications will be given serious consideration. It does not follow that working at home is suitable for all jobs - it cannot be approved where it does not fit with business needs.

2.2.17 The line manager (at or above Staff Officer or analogous grade) is responsible for considering applications from their staff to work at home and for making a recommendation to the Head of Branch. The Self-Assessment Form (Annex 1) and Application Form (Annex 2) have been developed to make the application as straightforward and objective as possible. Before considering an application from an officer who is on a trial period under the inefficiency due to sick absence procedures, the line manager must notify Personnel who will arrange for a medical opinion to be sought (paragraph 1.15.4 refers).

Arranging to meet the Applicant

2.2.18 Within 14 days of receiving an application to work at home, the line manager should meet the officer to discuss the application (see Section 1 General Information, paragraphs 1.7.1 – 1.7.2).

Assessing the Application

2.2.19 Line managers should bear in mind that some form of flexibility (which may or may not include working at home) is possible in most posts. Paragraph 2.2.4 above gives examples of the type of work that is more likely to be able to be done successfully at home, while paragraph 2.2.9 outlines the personal skills and qualities that people who work at home effectively tend to demonstrate.

2.2.20 Line managers should always take the following into account before deciding whether or not to support a request to work at home:

- The operational needs of the Division/Branch/Team including the effect on colleagues/team/customer.
- The nature of the work and its suitability to such an arrangement.
- The ability of the individual to remain motivated while working at home without direct supervision. Some staff, for example those who need a lot of direction from line management, may simply not be suitable.
- The likely effect on the individual of having a reduced level of social and business interaction with co-workers because of their working environment.
- The potential effect on a team if a team leader or team member is working at home.
- .The resource implications of the arrangement when looked at individually or together with other working at home arrangements in the Branch/Division.
- Any recommendations arising from the initial health and safety risk assessment.
- Consistency of approach.

2.2.21 The officer must have completed both the Regular Working at Home Self-Assessment Form and Section 1 of the Application Form before passing them to their line manager as these documents will form the basis of the discussion between the line manager and the applicant. The line manager must complete Section 2 of the Application Form following the discussion. There is no need for the line manager to wait until after their discussion with the applicant before forwarding the relevant sections of the Self-Assessment and Application Forms to the risk assessor.

2.2.22 The line manager should aim to make a recommendation to their Head of Branch, on whether they consider the proposed working at home arrangement to be feasible, within 14 days of meeting with the applicant (see Section 1 General Information, paragraphs 1.7.1 and 1.7.2, for more information on timescales). This recommendation must be based on the information gathered in the Self-Assessment and Application Forms (including the health and safety risk assessment), their discussion with the applicant and the consideration of business need. Full supporting reasons for the recommendation must be given. Part 2.4 of the Application Form in Annex 2 must be used for this purpose.

ACTION BY THE HEAD OF BRANCH

2.2.23 Before making a decision on whether to conditionally approve or reject the application, the Head of Branch must fully consider all the information in the Application Form. It is the responsibility of the Head of Branch to ensure that the application has been dealt with fairly and that if the application is rejected, the reasons are appropriate and consistent with other applications that have been approved or rejected in the Branch.

2.2.24 Where the Head of Branch considers that working at home may be viable, they will refer the application to the Establishment Officer of the employing department for a decision on the provision of any necessary furniture and/or equipment.

2.2.25 The Head of Branch should aim to notify the officer of the outcome of their application within 14 days of receiving the line manager's recommendation - Section 4 of the Application Form in Annex 2 must be used for this purpose. Where an application is rejected by the Head of Branch, a full explanation must be given.

2.2.26 Final approval to work at home will, in all cases, be subject to a satisfactory review of the health and safety assessment after any necessary furniture and/or equipment has been set up. It will also be conditional upon the following:

- satisfactory arrangements being in place for data/document security purposes and
- any other factor identified by any of the parties prior to working at home beginning.

2.2.27 A copy of all completed applications for working at home, whether approved or rejected, must be forwarded to Personnel/Establishment Branch for monitoring purposes and retention on the officer's Personal File.

THE WORKING AT HOME AGREEMENT

2.2.28 After approval to work at home on a regular basis has been confirmed by the Head of Branch, and before the arrangement can begin, a Working at Home Agreement MUST be completed by the line manager, and signed by the officer, line manager and Head of Branch.

2.2.29 The Agreement sets out the specifics of the agreed working at home arrangement such as the normal "working at home" days, communication arrangements and an inventory of any equipment/furniture provided under the arrangement. It also serves as a reminder of the commitments made by the parties to the working at home arrangement. A sample Working at Home Agreement can be found in Annex 3.

2.2.30 A copy of the signed Agreement must be forwarded to Personnel/Establishment Branch to be retained in the officer's Personal File.

ANNEX 1

REGULAR WORKING AT HOME - SELF-ASSESSMENT FORM

If you are considering working at home, the first step is to realistically assess whether you, your job and your home are likely to be a good fit for a working at home arrangement. This form will help you to do that.

NOTE: If you decide to submit an application for regular working at home, this form will be used to facilitate a positive discussion between you and your line manager and to assist the Head of Branch in reaching a decision on whether or not to approve your application. In addition, the information which you provide in Section 4 will be used in the Risk Assessment of your home workspace. Therefore, it is important that all sections are completed in full.

1 PERSONAL DETAILS (please complete in BLOCK CAPITALS)

Name	**Office Address**
Grade	
Payroll Number	
Tel No	
Name of Line Manager	**Office Address of Line Manager** (if different from above)

2 YOUR JOB

Briefly describe the overall purpose of your job

3 JOB/PERSONAL CHARACTERISTICS

3.1 Job Characteristics

After reviewing each item listed below, circle the letter that best describes your job. (The range follows: H = high; M = medium; L = low.)

a. Level of face-to-face communication required	H	M	L
b. Amount of interface with databases not on the PC required	H	M	L
c. Amount of interaction with line management required	H	M	L
d. Amount of in-office reference material required	H	M	L
e. Amount of access to in-office resources required, eg bulky office equipment, secure storage, typist.	H	M	L
f. Need for physical security of data	H	M	L
g. Frequency of unexpected changes in work schedule or tasks	H	M	L
h. Amount of time spent working at a terminal or PC	H	M	L
i. Availability of quantitative measures for assessing performance (number of reports, forms, cases completed, etc.)	H	M	L
j. Ability to group required face-to-face communications into part of the week	H	M	L
k. Ability to group in-office reference/resource requirements into part of the week	H	M	L
l. Degree of clear, well-defined work objectives	H	M	L
m. Ability to control and schedule own work flow	H	M	L

Working at home is more likely to be feasible (and successful) if (a) to (g) of the above are rated medium to low, while (h) to (m) are rated medium to high.

3.1.1 If you are a line manager, describe what impact working at home is likely to have on your ability to carry out your line management responsibilities.

3.1.2 How would service to your customers be affected, if at all? Describe how you propose to adapt to continue to meet the needs of both your customers and the organisation.

3.1.3 How would you minimize the impact of your proposed working at home arrangement on your colleagues and/or their workload?

3.2 Personal Work Style Characteristics

After reviewing each item listed below, circle the number that corresponds most closely to your work style.

The range follows: 1 = never; 3 = 50% of the time; and 5 = always.

a. I work independently with minimal direct supervision.	1	2	3	4	5
b. I work easily without frequent feedback from others.	1	2	3	4	5
c. I meet deadlines consistently.	1	2	3	4	5
d. I am able to plan work independently.	1	2	3	4	5
e. I use my initiative in requesting advice or clarification from others.	1	2	3	4	5
f. I display independent problem-solving abilities.	1	2	3	4	5
g. I have the necessary computer literacy skills including elementary trouble-shooting skills.	1	2	3	4	5
h. I am comfortable working for periods of time without contact with people.	1	2	3	4	5
i. I can communicate effectively other than by face-to-face interaction.	1	2	3	4	5

Working at home is more likely to be feasible (and successful) if the above are rated 3 or higher.

4 THE HOME WORKSPACE

Irrespective of business need, job suitability etc, you will NOT be able to work at home unless there is compliance with all relevant health and safety regulations. Your home must provide a safe and healthy working environment. (Information on the Health and Safety standards that must be met is contained in Annex 6 of the NICS Homeworking Policy and Guidance).

This section of the form will help you to work out whether your home is likely to be suitable for working at home. If you are not clear about any of the questions, you should request assistance from your line manager and/or the risk assessor for your business area.

NOTE TO LINE MANAGER: When a working at home application is being assessed, you must ensure that the information provided by the applicant in Section 4 of this form is forwarded to a trained Health and Safety Risk Assessor for consideration.

Hazard-Spotting Checklist

4.1.1 GENERAL DETAILS			
a. Describe where in your home you propose to work eg study, dining room.			
b. To what extent will the space described above be devoted to being a workplace? Eg wholly, during office hours only (dual purpose office/bedroom), not at all (lounge/living room).			
c. Who else lives in the house? Please state no of children: Please state no of adults:			
	Tick Box		**Considerations**
	Yes	**No**	

d. Do you have any pets? If so, would you working at home expose them to any hazards?			*It is the individual's responsibility to ensure any pets are suitably protected.*
e. Are you aware of your responsibilities, as an employee, under Health and Safety legislation (as set out in your departmental Health and Safety Policy Statement)?			
4.1.2 DISPLAY SCREEN EQUIPMENT (DSE) ie computer or laptop			
a. Will the work, which you propose to do at home, require the use of DSE? If YES – complete the rest of this section on DSE work			
b. Is the work suitable for use of a laptop?			
c. Do you have a suitable[4] worksurface/desk at home?			
d. Have you received DSE awareness instruction/training?			
e. Do you have a chair that meets the following minimum standards? (a) Can the chair be adjusted for height? (b) Can the chair backrest be adjusted for height and tilt? (c) Does the chair have a five-star mobile base? (d) Does the chair have armrests (if required)?			
f. Is there enough space[5] to get in and out of the proposed work area easily?			
g. Is there sufficient space in the proposed work area to enable a DSE screen to be set up in such a way as to be: (a) free from glare and reflections, (b) at right angles to any			

[4] Work surface dimensions may need to be larger than for conventional non-screen office work, to take account of the range of tasks performed (eg screen viewing, keyboard input, printing, writing), the position and use of hands for each task, and the use and storage of working materials (documents, telephone etc). The worksurface must be stable, made from low reflective material, free from sharp edges and of a height that does not place the user at an unacceptable risk to health.

[5] Prolonged sitting in a static position can be harmful. It is most important that support surfaces for display screen equipment, and other equipment and materials used at the workstation, should allow adequate clearance for postural changes. This means adequate clearance for thighs, knees, lower legs and feet under the work surface and between furniture components. If a keyboard is used, the height of the work surface should allow a comfortable position for the arms and wrists.

window?			
4.1.3 SLIPS, TRIPS & FALLS	**Tick Box**		
	Yes	**No**	
a. Is the floor covering in the proposed work area in good condition?			*Make any necessary repairs to loose carpet etc.*
b. Are the walkways clear of tripping hazards?			
c. If the proposed work area is upstairs, is the floor covering on the stairs in good condition?			*Make any necessary repairs to loose carpet etc.*
4.1.4 WORKING ENVIRONMENT	**Tick Box**		
	Yes	**No**	
a. Are the lighting levels appropriate for all the tasks you propose to perform at the workstation eg not to bright or too dim to work comfortably?			*The lighting, whether artificial, natural, or a mixture of both, should be appropriate for all the work tasks to be performed at the workstation.*
b. Is there adequate heating and ventilation in the proposed work area?			*It is the individual's responsibility to maintain and adjust as required.*
c. Is the noise level within your home environment conducive to work?			
4.1.5 ELECTRICAL EQUIPMENT	**Tick Box**		
	Yes	**No**	
a. Would you require any electrical equipment in order to work at home?			
b. Do you have a convenient and reliable 13 Amp 240 volt earthed power supply available?			
c. Are you aware that the electrical system in your home is your responsibility?			
d. Could the required electrical equipment be set up and used in the workspace without the use of an extension lead?			
e. Could the workspace, with required electrical equipment, be operational with no trailing leads?			
f. Can you recognise evidence of overheating/electrical faults?			*For example, sparking, flickering, browning to wires etc.*
g. Are you aware that you should not attempt to fix any electrical equipment without the appropriate training?			*You should report any faults to your line manager. Any equipment supplied by your Department will be repaired by a competent person or replaced.*
4.1.6 FIRE SAFETY AND EMERGENCY PROCEDURE			
a. Is the proposed workspace tidy?			*Apply good housekeeping practices.*

b. Are waste materials regularly disposed of?			
c. Are exit routes clear?			
d. Do you have an escape plan?			
e. Is a smoke alarm/detector fitted?			
f. Could you contact the fire brigade if necessary?			
4.1.7 ACCIDENT/INCIDENT REPORTING AND FIRST AID			
a. Are you aware of the reporting procedures for all accidents and incidents?			
b. Do you have adequate first-aid provision in your home?			*There is no standard list of items to put in a first-aid box – this will vary depending on the type and level of risk involved. If in doubt, you should seek advice from Personnel/Establishment Branch*

4.2 Other Factors

	Tick Box		
	Yes	**No**	
a. Are you satisfied that the home workstation, and any official equipment which may be supplied, would be secure? Will the work remain confidential?			*Eg Is there an alarm system? Are door/window locks suitable?*
b. Is secure/lockable storage available where necessary?			*For work documents, valuable equipment etc.*
d. Do you have home contents/buildings insurance? If yes, would plugging in NICS equipment invalidate this insurance?			
e. Have you contacted your mortgage provider/landlord to establish whether working at home on a regular basis would conflict with your existing mortgage or tenancy arrangement?			
f. Identify any distractions or obligations that might make			

working at home difficult and describe how you would handle these eg care of dependants, casual callers to the home or the likelihood of being disturbed by other occupants.	
g. Describe any other factors that may impact on the suitability of your home to a homeworking arrangement, eg lease restrictions.	

Your home workspace is more likely to be suitable if you were able to answer "YES" to questions 4.1.1d to 4.2e above.

SIGNED: ______________________

DATE: ________________________

IF, HAVING WORKED THROUGH THIS FORM, YOU WISH TO APPLY TO WORK AT HOME, YOU MUST COMPLETE AN APPLICATION FORM (SEE ANNEX 2) AND PASS IT TO YOUR LINE MANAGER (AT OR ABOVE STAFF OFFICER OR ANALOGOUS GRADE), ALONG WITH THIS FORM.

REGULAR WORKING AT HOME - APPLICATION FORM

SECTION 1 – To be completed by the applicant

NOTE: As this form will be used to assist the Head of Branch in making the decision on whether or not to approve your application, it is important that all sections are completed in full.

1.1 **PERSONAL DETAILS** (please complete in BLOCK CAPITALS)

Name	**Office Address**
Grade	
Payroll Number	
Tel No	
Name of Line Manager	**Office Address of Line Manager** (if different from above)

1.2 List the tasks that you propose to carry out at home. Consider how your line manager could assess your performance in meeting or exceeding expectations. Be as quantitative as possible.

Proposed Tasks	How would your line manager assess your performance in completing this task?

1.3 Describe your proposed schedule of working hours.

	In the office		Working at home	
	From	To	From	To
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				

1.4 Given the amount of working at home you would like to do, and the types of work you propose to do at home, identify (i) the equipment/services you would need access to and (ii) the equipment that you currently have at the home. (Tick all that apply).

Equipment	To do my job I need access to:	I have:
computer/terminal		N/A
printer		
additional telephone line		N/A
software		N/A
desk (If you have a desk/workstation at home, please include dimensions.)		
chair		
filing cabinet		
photocopier		
fax		
internet access		
other (please specify):		

1.5 Plan/Photo of proposed home workspace

Assuming each square on the grid below represents 300mm/30cm/1ft, please sketch your proposed home workspace showing all furniture (existing and proposed), the position of windows and doors, the location and number of (single or twin) 13 Amp socket outlets and the position of any lighting.

Alternatively, you may wish to submit photographs of your proposed working area. You must, however, ensure that the position of the items listed above can be clearly seen on the photograph(s). Please attach the photograph(s) over the grid above.

1.6 Have you any plans to move house in the foreseeable future?

YES/NO

1.7 Please complete the following to supplement the information you have provided in your Self-Assessment Form (Section 4 – The Home Workspace) and enable an <u>initial</u> risk assessment[6] of your proposed home workspace to be carried out.

[6] See Section 2, paragraph 2.2.12 of the NICS Homeworking Policy and Guidance.

1.7.1 MANUAL HANDLING	Tick box		Considerations
	Yes	No	
a. Would working at home require you to carry loads? If yes, give details below.			*This includes loads to and from work; papers, briefcases, laptops etc.*
b. Would the load mentioned at (a) need to be carried more than 10 metres?			
c. Have you been instructed /trained in correct manual handling techniques?			

1.7.2 WORK EQUIPMENT	Tick box		Considerations
	Yes	No	
a. Where would the equipment listed in Q1.4 be kept when not in use?			
b. Have you been trained to use the equipment?			

1.7.3 HAZARDOUS SUBSTANCES	Tick box		Considerations
	Yes	No	
a. Are you likely to need to use any hazardous substances for working at home? If yes, please give details.			*e.g. toner, printer cartridges*
b. Where would they be stored?			
c. Does anyone in the home suffer from asthma, skin rashes or skin irritation?			

1.7.4 NEW AND EXPECTANT MOTHERS	Tick box		Comments
	Yes	No	
a. Are you pregnant?			

b. Have you given birth in the last six months?			
c. Are you breast-feeding?			

1.8 Do you have caring responsibilities (see NICS Homeworking Policy and Guidance, Section 1 General Information, paragraphs 1.20.1 to 1.20.3)?

YES/NO

If **YES**, please outline below the care arrangements that you propose to have in place, if working at home, to ensure that your domestic commitments would be kept separate from your work commitments.

NOTE: You must advise your line manager as soon as possible if these arrangements change prior to you receiving notification of the outcome of your application.

DECLARATION BY APPLICANT:

I have read and understand the NICS Homeworking Policy and Guidance and wish to apply for a regular working at home arrangement.

SIGNED: ______________________________

DATE: ______________________________

THIS FORM MUST NOW BE SUBMITTED TO YOUR LINE MANAGER (AT OR ABOVE STAFF OFFICER OR ANALOGOUS GRADE), ALONG WITH YOUR COMPLETED SELF-ASSESSMENT FORM.

Your line manager will aim to meet with you to discuss your request, within 14 days of receiving your application, (see NICS Homeworking Policy and Guidance, Section 1 General Information, paragraphs 1.7.1-1.7.2).

SECTION 2 - ASSESSMENT OF WORKING AT HOME APPLICATION

To be completed by the line manager and submitted to the Head of Branch within 14 days of meeting with the applicant (see NICS Homeworking Policy and Guidance, Section 1 General Information, paragraphs 1.7.1-1.7.2).

The line manager should note that Section 2.3 of this form is to be completed by the Health and Safety Risk Assessor. In order to allow the risk assessor adequate time to fully consider the health and safety aspects of this application, a copy of this form plus Section 4 of the officer's Self-Assessment Form should be passed to the risk assessor as soon as possible after the line manager has received it.

Date application received: ____________________

In line with NICS work-life balance policies, line managers are expected to give sympathetic consideration to requests for working at home arrangements, while taking account of both legal requirements and equal opportunities issues. You are encouraged to adopt a flexible attitude and a creative approach. However, you must ensure that the proposed arrangements are practical and, above all, meet business needs.

You may find it helpful to work through this Section of the Application Form prior to meeting with the applicant. Any areas that are identified as potential problems can then be discussed in detail during the meeting.

2.1 Line Manager's Details (Please complete in BLOCK CAPITALS)

Name of Line Manager	**Office Address**
Telephone No	

2.1.1 Suitability of the Job

Working at home cannot be adopted where it does not fit with business needs. However, a wide range of jobs could be carried out at home, at least part of the time (see NICS Homeworking Policy and Guidance, Section 2, The Application and Assessment Process, paragraph 2.2.4).

ANNEX 2

- Discuss the following job-related questions with the applicant and record any issues/concerns that arise, including any specific requirements or solutions to address them.

a. How is the job carried out? Consider the amount of time the job requires the officer to be: working alone at a desk, on a PC, telephone contact, face to face discussions, scheduled meetings, etc. Detail the level of contact needed with other employees, whether face-to-face, by telephone or by e-mail.
b. Which duties (if any) could be carried out effectively at home? Comment on the parts of the role that would be suited to working outside the normal office environment, eg reading, planning, analysis, PC work etc. Consider the benefits of uninterrupted periods of concentration. Take account of how much supervision or management involvement is necessary
c. What access is needed to files, post etc? Detail any information that the employee needs to perform their job, eg files, manuals, incoming mail etc? Is it information that others need to access? How would access be gained if the officer were working at home? Consider the frequency.
d. What software applications are required to do the job?
e. What would be the potential benefits/savings to the business of this work being performed at home?

	YES/NO	Issues/Requirements/Solutions
f. Do you agree with the ratings that the applicant has recorded in 3.1 and 3.2 of the Self-Assessment Form?		
g. Is there any element(s) of the applicant's role that can only be carried out in the office? If yes, - give reasons why and number of hours or days per week.		
h. Is remote access necessary in order to work at home?		
i. Is outgoing mail necessary? If so, consider how this could be handled, postage etc.		
j. Do you agree with the list of necessary equipment outlined by the officer in part 1.4 of this application form?		
k. List or comment on any concerns/ issues		
l. Give details of any other considerations in relation to the suitability, or otherwise, of the applicant's job for a working at home arrangement.		

2.1.2 Management Issues

Managing people from a distance brings its own set of challenges and care must be taken to make sure that officers who work at home are not disadvantaged by their remoteness from an office-based team.

The following questions will help to identify any constraints to working at home from a management point of view.

a. Performance Management Consider the objectives in the officer's Personal Performance Agreement. How would you measure the contribution and behaviours of the officer if working at home were approved? Are there clearly defined and measurable outputs and targets? Is it any different to office-based working?
b. Contact arrangements Consider what contact arrangements you would need to have with the officer. What arrangements would need to be put in place for handling the officer's telephone calls/urgent post/emails? Would there be predetermined times when they are available/not available for contact? NOTE - This must take account of flexible working arrangements already in place.

c. Working time How would the officer account for their working time?
d. Keeping in touch What, how and when would information that is communicated to office-based staff be provided to the officer working at home?
e. Team working How would you ensure they continue to feel part of your team? What arrangements would you need to make to ensure that the officer is included in team meetings, updates, training and development activities and opportunities for promotion or alternative work?
f. What might affect the officer's ability to perform their job away from the normal office environment and what could be done to overcome this? Consider the effects of, and possible solutions for, overcoming any anticipated difficulties, eg availability, customer service issues, demands on manager's time, some workload transferred to other team members.

2.2 Suitability of the Applicant

Working at home will not be appropriate for everyone. If a working at home arrangement is to be a success, it is important that the officer concerned demonstrates the personal qualities that are generally considered to be compatible with working unsupervised or being supervised remotely.

- Discuss the following with the officer and record any issues that arise, including any specific requirements or solutions to address any issues/concerns.

	YES/NO	Issues/Requirements/Solutions
a. Consider the working style of the officer. Are they self-motivated and able to cope with minimal social contact?		
b. Is the officer self-disciplined, able to organise their work and manage their time?		
c. Is the officer capable of working with minimum supervision?		
d. If the applicant has caring responsibilities (see section 1.8 of this application), are you content that the proposed care arrangements will allow the applicant to carry out their duties?		
e. Does the officer demonstrate an awareness of their obligations under health and safety legislation?		
f. Is the officer a good communicator and willing to speak up to share any concerns?		
g. Is the officer a team leader or team member? Please state how the officer plans to continue to operate effectively and efficiently as a team leader/member.		
h. Summary of potential benefits to the officer		
i. Summary of potential benefits to the Team/Branch/Division/Department		

j. List or comment on any concerns/ issues
k. Detail any other considerations in relation to the suitability (or otherwise) of the applicant to a working at home arrangement

2.3 Suitability of the Officer's Home (To be completed by Risk Assessor)

NOTE TO LINE MANAGER: A copy of the information contained in the Self Assessment Form, the plan/photographs and Part 1.7 of this Application Form must be passed to a trained Risk Assessor for consideration and completion of the section below.

NOTE TO RISK ASSESSOR: The home must provide a safe and healthy working environment. To assist in the assessment of suitability, the officer has completed a hazard-spotting checklist (see Section 1, Part 4 of Self-Assessment Form) and has provided a plan/photographs of the proposed home workspace. Please contact the applicant if you require additional information or clarification of any of the information provided. If you consider that a visit to the home is necessary, you should contact the applicant to arrange a mutually convenient time. If you do not consider a visit to the home is necessary you should record the reasons why this is the case in the general comments box.

2.3.1 RISK ASSESSMENT

Name of Applicant:

Hazards identified	Who is exposed to the hazard?	Evaluate the risk (severity x likelihood)	Control measures		Control/preventative measures required	To be completed before final confirmation that application has been approved	
			Existing Yes/No	Adequate? Yes/No		Implemented by	Date

General Comment

Date of Initial Assessment:

Assessment completed by: (BLOCK CAPITALS)

Signed (Risk Assessor):

Date of Review (ie after workspace has been equipped)

Review completed by: (BLOCK CAPITALS)

Signed (Risk Assessor):

WHEN INITIAL ASSESSMENT HAS BEEN COMPLETED THIS FORM SHOULD BE RETURNED TO THE OFFICER'S LINE MANAGER

It is the responsibility of the Head of Branch to ensure that any preventative or control measures identified through the Health and Safety risk assessment process have been addressed before any working at home arrangement is put into practice.

2.4 RECOMMENDATION TO THE HEAD OF BRANCH

Either:

(i): I support this application to work at home on a regular basis for the following reasons and subject to the following conditions (if any):

or

(ii) I do not support this request to work at home on a regular basis for the following reasons:

NAME (BLOCK CAPITALS)______________________________________

SIGNED________________________ **DATE**__________________

WHEN SECTIONS 1 OR 2 HAVE BEEN COMPLETED, THE APPLICATION MUST BE FORWARDED TO THE HEAD OF BRANCH FOR CONSIDERATION AND INPUT FROM THE PERSONNEL/ ESTABLISHMENT OFFICER.

TO BE COMPLETED BY THE HEAD OF BRANCH:

Date application received: ______________

If, after considering the information provided, you consider that working at home may be viable, this application must be referred to your departmental Establishment Officer for a decision on the provision of any necessary furniture and/or equipment.

If you do not consider this application to be viable, proceed to Section 4.

DATE FORWARDED TO ESTABLISHMENT OFFICER ________________

SIGNED (HEAD OF BRANCH): ______________________

SECTION 3 - PROVISION OF FURNITURE AND/OR EQUIPMENT

To be completed by Establishment Officer of the employing department

The department has considered the requirements set out in Section 1.4 of the Application Form and have approved the provision of the following items of furniture and/or equipment (please specify)	
The department does not consider it cost-effective to provide the furniture and/or equipment necessary to support this application.	

NAME (BLOCK CAPITALS)___________________________________

SIGNED______________________ DATE_________________

WHEN SECTION 3 HAS BEEN COMPLETED, THE APPLICATION FORM <u>MUST</u> BE RETURNED TO THE HEAD OF BRANCH

SECTION 4 - OUTCOME OF WORKING AT HOME APPLICATION

To be completed by the Head of Branch within 14 days of receiving the application as set out in the HR Handbook (see NICS Homeworking Policy and Guidance, Section 1 General Information, paragraphs 1.7.1-1.7.2).

This application to work at home on a regular basis has been (indicate as appropriate):

a. Approved in principle as per application form. Final confirmation will be subject to a satisfactory review of the Health and Safety Risk assessment and will also be conditional* upon the following (please specify): *For example:* *- a satisfactory outcome to any data security issues* * see NICS Homeworking Policy and Guidance Section 2, The Application and Assessment Process, paragraph 2.2.26	
b. Denied for the following reason(s): **NB** A full explanation of the reasons preventing approval of the application must be given.	

NAME (BLOCK CAPITALS) ____________________________________

SIGNED ___________________________

DATE___________________________

A COPY OF ALL APPLICATIONS FOR WORKING AT HOME MUST BE FORWARDED TO PERSONNEL/ESTABLISHMENT BRANCH TO BE RETAINED IN THE OFFICER'S PERSONAL FILE.

Where approval to work at home on a regular basis has been confirmed by the Head of Branch, a Working at Home Agreement must be completed by the line manager, and signed by the officer, line manager and Head of Branch before the arrangement can begin. A copy of the signed Agreement must also be sent to, and retained by, personnel/establishment branch.

ANNEX 3

REGULAR WORKING AT HOME - SAMPLE AGREEMENT

This document must be completed by the line manager, authorised by the Head of Branch and signed by the officer.

Name of Applicant	**Office Address**
Payroll Number	
Grade	**Office Tel No:**
Branch	**Home Address**
Name of Line Manager	
Name of Head of Branch	**Home Tel No:**

This Working at Home Agreement is established between the officer named above, their line manager and the Head of Branch.

The Regular Working at Home Arrangement outlined below will be effective from_______________ and will remain in place until ended (or suspended) as provided for in the NICS Homeworking Policy and Guidance, Section 1, General Information, paragraphs 1.10.3 to 1.10.6. If it is necessary to amend the working at home arrangement, as provided for in Section 1, General Information, paragraph 1.10.1 to 1.10.2, a new Agreement must be drawn up. The effectiveness of the arrangement will be monitored on an ongoing basis by the line manager and will be formally reviewed every 3 months, or more often if necessary.

This arrangement will, where business need permits, allow the officer named above, to divide their working time between their office workplace (ie their permanent station) and working at home, as follows:

	In the office		Working at home	
	From	To	From	To
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				

The officer has agreed to be contactable by telephone during the periods listed below while working at home.

	Contactable Periods			
	From	To	From	To
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				

The officer can be contacted on telephone number ____________________ or ______________________.

EQUIPMENT PROVIDED

Under the terms of this Regular Working at Home Arrangement, the following equipment will be provided to the officer by the department for use at their home workspace (please tick as appropriate).

computer/terminal		chair	
printer		filing cabinet	
desk		photocopier	
additional telephone line		Fax	
software		internet access	
other (please specify):			

DECLARATIONS

BY THE OFFICER

As the officer for whom this Regular Working at Home Arrangement has been approved, I agree that:

- I will record my daily hours worked in accordance with current departmental policies
- I will ensure that all departmental information available to me is stored and used in a manner consistent with existing departmental policies.
- I will maintain my home workspace as a safe and healthy work environment in accordance with the requirements of all relevant Health and Safety Regulations.
- I will ensure that all other relevant departmental/NICS policies are adhered to.
- I am fully aware of any implications for my mortgage/home insurance/personal taxation etc of this working arrangement.
- I will ensure that I am contactable during the periods outlined in this agreement and will notify my line manager in advance of any necessary variation. (I am aware that, where necessary in exceptional circumstances, my line manager may on occasion contact me outside of these designated periods.)
- I am aware that I may be required by my line manager to attend the office, or any other work-related location, on any of the agreed "working at home" days.
- I will seek approval from my line manager for any annual/flexi leave, special leave and notify sickness absence in line with current departmental procedures.
- I will consult my line manager prior to incurring any additional expense associated with carrying out my official duties at home, eg postage.

- I will inform my line manager as soon as possible of any change that may impact on my ability to work at home under the terms of this Working at Home Agreement (including care arrangements).
- I understand that any furniture/equipment provided by the department will remain the property of the department and must be returned to the department on termination of this arrangement.
- I will ensure that any equipment on loan to me as a result of this arrangement is used and stored in accordance with current departmental policies.
- I will allow access to my home workspace to appropriate personnel by prior notice as required.
- I am aware of my obligations under the Data Protection Act.
- I will cooperate fully with my line manager in providing input to the ongoing monitoring and formal review(s) of this arrangement.
- I will monitor the impact of my working at home arrangement on the staff I manage, my colleagues and my line manager on an ongoing basis and take all necessary steps to address any concerns as quickly as possible
- I understand that my Head of Branch can, in exceptional circumstances, end this working at home arrangement at any time and that, if so, the reason(s) for this will be given to me in writing.
- I understand that this agreement will end automatically if I leave the post for which this Agreement has been drawn up.

I have read and understood the contents of this Agreement and agree to abide by its provisions.

Signed (Officer) ____

Date ____

BY THE LINE MANAGER (AT OR ABOVE STAFF OFFICER OR ANALOGOUS GRADE)

As the line manager responsible for the officer working at home under this arrangement, I agree that:

- I will ensure that any line manager(s) below SO level is fully informed of, and where necessary involved in, the operation of the working at home arrangement.
- I will develop, and agree with the officer, objectives for the time working at home in conjunction with any line manager(s) below SO level.
- I will ensure that, as far as reasonably practicable, all telephone contact with the officer who is working at home will be within the periods listed in this Agreement (see paragraph 1.2.6 of Annex 9 of the NICS Homeworking Policy and Guidance).
- I will ensure that other staff/colleagues are, where appropriate, made aware of the arrangements for contacting the officer working at home.
- I will, as far as reasonably practicable, include the officer in all Team Briefings. Where this is not possible, I will ensure that the officer is briefed on return to the office.
- I will ensure that the officer has access to the equipment necessary to allow them to carry out their duties at home.
- I will ensure that the officer has equal access to all information issued to staff eg trawl notices.
- I will ensure that the officer is given adequate notice when it is necessary for any appropriate personnel to visit the home workspace.
- I will monitor the effectiveness of this working at home arrangement on an ongoing basis to ensure that there is no negative impact on the business of the team, branch, division or department.
- I will formally review this Agreement every 3 months, or more often if necessary.

ANNEX 3

I have read and understood the contents of this Agreement and agree to abide by its provisions.

Signed (Line Manager)_______________________________________

Date ____

BY THE HEAD OF BRANCH

As the Head of Branch responsible for the officer working at home under this arrangement, I agree that:

- I will ensure that a copy of this Agreement is forwarded to Personnel/Establishment Branch for inclusion on the officer's Personal File.
- I will ensure that, if it is necessary to amend, suspend or end this Regular Working at Home Arrangement, appropriate notice and full reasons for the decision are given to the officer in writing.
- I will monitor the impact of this working at home arrangement on the ability of the Branch to meet its business objectives.

I have read and understand the contents of this Agreement and agree to abide by its provisions.

Signed (Head of Branch)_____________________________________

Date _____________________

ACTION: A COPY OF THIS AGREEMENT MUST BE PROVIDED TO THE OFFICER AND THEIR LINE MANAGER AND A COPY SENT TO PERSONNEL/ESTABLISHMENT BRANCH TO BE RETAINED IN THE OFFICER'S PERSONAL FILE.

ANNEX 4

REVIEW OF REGULAR WORKING AT HOME ARRANGEMENT

This form should be completed by the Line Manager (at SO level or above) with appropriate input from the officer who is working at home.

NAME OF OFFICER WORKING AT HOME ______________________

REVIEW PERIOD ______________________

DATE OF REVIEW ______________________

REASON FOR REVIEW ______________________

(eg 3 monthly, return from long-term sickness absence)

1. Please complete the following as appropriate:

	Strongly agree	Agree	Disagree	Strongly disagree
Work carried out by the officer at home has been successfully completed.				
Comment				
Communication between the officer working at home and line management has been effective.				
Comment				
Communication between the officer working at home under this arrangement and their work colleagues has been effective.				
Comment				
The overall effectiveness of the Branch has not been adversely affected by this working at home arrangement.				
Comment				
Any concerns or problems that have arisen were addressed and resolved in a timely manner.				
Comment				
Overall, the working at home arrangement has been beneficial to the work of the Branch.				
Comment				

2. Has the layout of the home workspace changed in any way since the last health and safety risk assessment?

   YES/NO

   If YES, details of the changes should be forwarded to a trained risk assessor to determine whether a new risk assessment is necessary.

3. In your opinion, what (if anything) could be done to improve the effectiveness of this working at home arrangement for the future? (Consider the Branch, the officer and others in this response.)

4. If this review highlights a need to amend, suspend or terminate the working at home arrangement, please give full details below.

Signature of Line Manager ______________________________

Name in Block Capitals ______________________________

Date ______________________________

Signature of Officer ______________________________

Name in Block Capitals ______________________________

Date ______________________________

A COPY OF THE COMPLETED REVIEW FORM <u>MUST</u> BE FORWARDED TO THE HEAD OF BRANCH FOR INFORMATION.

OCCASIONAL WORKING AT HOME - APPLICATION FORM

Approval from the Head of Branch **MUST** be obtained in advance for each occasion where an officer wishes to work at home. The expected outputs from working at home must also be agreed in advance between the officer and their line manager and recorded on this form.

NOTE: This form may cover a single occasion of one day or more. However, a separate application must be completed for each occasion.

PART 1 – TO BE COMPLETED BY THE APPLICANT

1.1 APPLICANT'S DETAILS (please complete in BLOCK CAPITALS)

Name	**Office Address**
Grade	
Payroll Number	**Tel No**
Name of Line Manager	**Office Address of Line Manager** (if different from above)

1.2 DETAILS OF REQUEST

a. I wish to apply to work at home on the following date(s):
b. I propose to carry out the following task(s) at home:
c. I expect to achieve the following output(s):
d. I expect the potential benefit(s) to my Branch of me working at home on this occasion to be as follows:

1.3 Will you require the use of an official laptop?

YES/NO

1.4 Do you have caring responsibilities (see NICS Homeworking Policy, Section 1, General Information, paragraphs 1.20.1 to 1.20.3)?

YES/NO

If YES, please outline below the care arrangements that you propose to have in place, if working at home, to ensure that your domestic commitments are kept separate from your work commitments.

1.5 Are you aware of your responsibilities under Health and Safety legislation (see NICS Homeworking Policy, Annex 6, Health and Safety When Working at Home)?

YES/NO

1.6 Are you aware of the potential health and safety risks of working at home (see NICS Homeworking Policy, Annex 6, Health and Safety When Working at Home)?

YES/NO

1.7 Have you advised your home insurance provider that you may be working at home on an occasional basis?

YES/NO

1.8 Have you contacted your mortgage provider/landlord to establish whether working at home on an occasional basis would conflict with your existing mortgage or tenancy arrangement?

YES/NO

DECLARATION BY APPLICANT:

I have read and understood the NICS Homeworking Policy and guidance and wish to apply to work at home on the date(s) specified in part 1.2a above.

SIGNED: ________________________________ DATE: ____________

ACTION: SUBMIT THIS FORM TO YOUR LINE MANAGER (AT OR ABOVE STAFF OFFICER OR ANALOGOUS GRADE).

PART 2 - TO BE COMPLETED BY THE LINE MANAGER

2.1 LINE MANAGER'S DETAILS

Name of Line Manager Telephone No	Office Address

2.2 In your opinion, could the tasks described by the applicant in part 1.2b above be carried out effectively at home?

YES/NO

2.3 If the applicant has caring responsibilities (see part 1.4 above), are you content that the proposed care arrangements will allow the applicant to carry out their duties effectively?

YES/NO

2.4 Does the officer demonstrate an awareness of their obligations under health and safety legislation?

YES/NO

2.5 If working at home is approved on this occasion, what are the expected outputs?

2.6 Summarise the potential benefits to the Branch of approving this request.

2.7 List any concerns/ issues.

2.8 **RECOMMENDATION TO HEAD OF BRANCH**

Either:

a. I support this request to work at home for the following reasons:

or

b. I do not support this request to work at home for the following reasons:

NAME (BLOCK CAPITALS) ______________________________

SIGNED ______________________________________

DATE _____________________________

ACTION: FORWARD THIS FORM TO THE HEAD OF BRANCH.

PART 3 - TO BE COMPLETED BY THE HEAD OF BRANCH

3.1 This request to work at home is (indicate as appropriate):

a. Approved;	
b. Denied for the following reason(s):	

NAME (BLOCK CAPITALS): ____________________________________

SIGNED: ___________________________ DATE: _________________

ACTION: ADVISE OFFICER OF OUTCOME OF REQUEST.

PART 4 – TO BE COMPLETED BY THE LINE MANAGER

4.1 Were the agreed outputs for this working at home occasion achieved?

YES/NO

If NO, give reasons below.

NAME (BLOCK CAPITALS): ________________________________

SIGNED: ___________________________ DATE: ____________

ACTION: FORWARD A COPY OF THE COMPLETED APPLICATION FORM TO PERSONNEL/ESTABLISHMENT BRANCH FOR INFORMATION.

HEALTH AND SAFETY WHEN WORKING AT HOME

1 The Employer's Responsibilities

1.1 Health and safety is an issue which the NICS takes seriously. Under the Health and Safety at Work (NI) Order 1978, and other regulations made under it, employers have a responsibility to ensure the health, safety and welfare of their employees as far as is reasonably practicable, whether they are working on the employer's premises or somewhere else, such as at home. Therefore, the NICS must provide and maintain systems of work, which are safe, and without risk to health. There is also a duty to provide the necessary information, instruction, training and supervision to use the relevant equipment safely.

1.2 Employers are required, under the Management of Health and Safety at Work Regulations (NI) to do a suitable and sufficient risk assessment of all the work activities carried out by their workers. A risk assessment is simply a careful examination of what, in your work activities, could cause harm to people, so that the employer can weigh up whether they have taken enough precautions or should do more to prevent harm. The risk assessment must take account of display screen equipment, work equipment, handling loads, electrical equipment, substances and materials and include any specific risks to females of childbearing age, and any risks to new and expectant mothers. This includes any risk to the unborn child or to the child of a woman who is still breastfeeding – not just the mother.

1.3 While there is more than one way to do a risk assessment, there are 5 basic steps that an employer needs to take to make sure that a proper risk assessment is done. These are as follows:

(i) Identify the hazards.

(ii) Decide who might be harmed and how.

(iii) Evaluate the risks and take appropriate action to remove them or reduce them as far as possible.

(iv) Record the findings and implement them.

(v) Review the assessment from time to time and update if necessary.

1.4 Any part of the home used for carrying out work must be risk assessed. The assessment needs to identify any hazards, ie anything that may cause harm to the officer concerned or anyone else in the house, assess the risk[7] that someone may be harmed by the hazard, and make decisions on how to manage such risks, so far as is reasonably practicable, to comply with health and safety law.

1.5 Some of the most common hazards which may affect staff who work at home, along with examples of how they can be managed (control measures), are set out below. Please note that this information is intended as a **guide only** - there may be additional hazards and control measures that will need to be considered.

Hazard - Display Screen Equipment (DSE)	
Who may be affected?	Officer working at home
How affected?	Upper limb strain from seating position or repetitive movement
Examples of control measures	• DSE provided is suitable for intended purpose. • Use and maintenance of DSE is restricted to designated persons who have adequate training. • DSE is checked regularly and kept in a condition that does not cause harm. • Provision of suitable seating. • Officer should take regular breaks when working at home.

Hazard - Using Work Equipment at Home	
Who may be affected?	Officer, family members (eg young children), visitors
How affected?	Trapping, entanglement, electrical risks,

[7] This involves determining the severity of the hazard and the likelihood of injury or ill health.

	musculoskeletal problems.
Examples of control measures	• Ensure work equipment is suitable for intended use. • Ensure work equipment is safe for use and maintained in a safe condition. • Ensure a suitable standard of lighting is provided. • Ensure that work equipment is used only by people who have received adequate information, instruction and training.

Hazard – Electricity	
Who may be affected?	Officer, family members (eg young children), visitors
How affected?	Electric shock or fire.
Examples of control measures	• Plugs are correctly wired and maintained. • Plugs, leads, wires and cables are checked regularly and kept in a condition that does not cause harm.

Hazard - Manual Handling	
Who may be affected?	Officer, family members, visitors, consider vulnerable persons (eg new or expectant mothers).
How affected?	Musculoskeletal strain or injury, particularly to the back.
Examples of control measures	• Avoid heavy, bulky loads or materials. • Avoid steps or steep ramps • When lifting is necessary, the officer must be informed, instructed and trained in good techniques to help reduce the risks.

Hazard - Slips, Trips and Falls	
Who may be affected?	Officer, family members, visitors, consider vulnerable persons (eg new or expectant mothers, young children).
How affected?	Physical injury.
Examples of control measures	• Keep work areas tidy and clear of obstructions or objects lying around that may cause person to trip. • Clean up spills immediately. • Arrange furniture in order to avoid trailing wires. • Ensure mats are securely fixed and do not

	have curling edges. • Try to avoid changes of level. • Ensure suitable footwear. • Ensure suitable lighting.

Hazard – Isolation	
Who may be affected?	Officer
How affected?	Stress and depression
Examples of control measures	• Regular face to face contact between line management and officer working at home. • Access to same information and support as colleagues working in the office. • Facilitate communication with colleagues in the office. • Take regular breaks.

2 Nature of the Risks

2.1 It is important to keep the nature of the risks in perspective. Many of the health and safety hazards faced by staff working at home are no different from those faced in a conventional office environment. These include poor posture, dangerous electrical wiring and trailing cables.

2.2 There is no evidence that staff who work at home are exposed to any major additional or unique risks as a consequence of their DSE work. Officers who work at home generally face non-immediate risks, eg bad posture or working in poor lighting, which may result in harm in the long term if done persistently. The extent to which an individual works at home is therefore an important factor to bear in mind.

3 Initial Assessment

3.1 Irrespective of the outcome of consideration of business need, job suitability etc, staff will **NOT** be permitted to work from home unless there is compliance with all relevant health and safety regulations. The suitability of the home environment for working at home must, therefore, be addressed.

3.2 Officers who wish to work at home on a regular basis are required to participate in the risk assessment process by completing a hazard-spotting exercise (see part 4.1 of the Self-Assessment Form in Annex 1) before submitting an application to their line manager. Assistance can be sought from the line manager, risk assessor or departmental Health and Safety Officer, if required. The officer must also provide a plan (or photographs) of the proposed home workspace (see part 1.5 of the Application Form in Annex 2) and additional information to enable a risk assessment to be carried out. The floorplan defines the area that must be treated as a place of work during working hours and which is subject to a risk assessment. Other areas of the house are not considered to be part of the place of work although officers who work at home are to be expected to visit other parts of the house during breaks in the work.

3.3 The line manager will pass the information provided by the officer in the Self-Assessment Form and Application Form to a trained Risk Assessor who must evaluate the risks and decide whether existing precautions are adequate or identify what more should be done to reduce the risk. To allow the Risk Assessor adequate time to fully consider the health and safety aspects of the application, the required information should be passed to the risk assessor by the line manager as soon as possible after they have received it. Based on the information provided by the officer, the Risk Assessor may need to seek clarification or further information from the officer, or consider it necessary to visit the officer's home.

4 Reviewing the Assessment

4.1 After any equipment or furniture that is being provided by the Department has been put in place, and before final approval for the Working at Home arrangement can be granted by the Head of Branch, the initial assessment must be reviewed to check that the precautions for each hazard still adequately control the risk. The review should include consideration of the following (if applicable) - manual handling, hazardous substances and any specific risks to new or expectant mothers. A copy of the completed risk assessment must be given to the officer.

4.2 It is the responsibility of the Head of Branch to ensure that the initial risk assessment is reviewed after any necessary equipment has been set up and that, where the Risk Assessor has identified the need for any control/preventative measures, the necessary action has been taken before working at home begins.

4.2 Subsequent reviews must take place annually or when changes are made that may introduce new hazards, eg if the officer moves house or changes the location of their work area within their home.

5 New and Expectant Mothers

5.1 As mentioned in paragraph 1.2 above, the Management of Health and Safety at Work Regulations protect the health and safety of new and expectant mothers who work. The regulations cover female employees of childbearing age who are, or in the future could be, pregnant, have given birth within the previous six months, or are breastfeeding.

5.2 Once an employee has given their employer written notification that she is pregnant, has given birth in the last six month or is breastfeeding, the employer must arrange for a specific risk assessment to be undertaken. This should take into account the original risk assessment and any advice given to the individual by their GP/midwife. The employer should regularly review any assessment made to take account of possible risks that may occur at different stages of pregnancy.

6 Reporting of Injuries, Diseases and Dangerous Occurrences

6.1 To satisfy the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (NI) 1997, departments have a duty to notify all reportable incidents to the Health and Safety Executive for Northern Ireland as set out in the HR Handbook (see policy 3.01 Leave and Attendance) . Officers must report any accident/incident, which occurs while working at home, to their line manager in the first instance. Normal departmental accident reporting procedures must be followed.

7 The Employee's Responsibilities

7.1 Officers are reminded that they must also take reasonable care of their own health and safety, and the health and safety of others who may be affected by what they do or do not do. (In the case of staff who work at home, the other people who may be affected could include other family members, neighbours, visitors). Officers must also cooperate with their department on health and safety matters to enable the Department to fulfil its legal obligations. For example, they must use work items correctly and must not interfere or misuse any health and safety equipment provided.

7.2 Officers have a responsibility to ensure that their proposed working area at home meets the Health and Safety standards set out below.

Occasional Working at Home

7.3 An officer who works at home on an occasional basis may require little more than a laptop and somewhere comfortable to sit and operate the equipment. However, they must be aware of the following –

- Trailing cables are a trip hazard and adequate precautions must be taken to protect other members of the household.
- Inappropriate seating/positioning can lead to aches, pains and strains - adequate consideration must be given by the officer to user comfort.
- Users must be aware of the time spent at their laptops – regular breaks should be taken to alleviate physical discomfort.

7.4 Although a formal risk assessment is not considered necessary when working at home on an occasional basis, any officer who requests to do so will be required to confirm that they are aware of the potential health and safety risks of working at home and that they will take all reasonable steps to minimise these.

Working at Home on a Regular Basis

7.5 Where an officer is working at home on a regular basis the following are considered the minimum standards necessary to comply with Health and Safety legislation.

- The officer must be equipped with a full PC package that includes having keyboard and screen separate from each other; lap top computers are not appropriate for prolonged use **UNLESS** used in conjunction with a docking station.
- The working area must be capable of being separated from all other household activities whilst the officer is working on NICS business; this does not rule out the return of the room to its usual domestic function when the officer has stopped working.
- The computer must be located on a desk of adequate size to accommodate the equipment, provide sufficient space to allow support for the wrists in front of the keyboard and accommodate paperwork and documents etc. The work surface should be of low reflectance and approximately 730mm above floor level.
- The position of the computer should minimise the effects of reflections and shadows on the screen and allow adequate lighting so that the officer is able to work in comfort. The use of an anti-reflective screen and localised task lighting may be appropriate.
- Seating must conform to the current regulations – five-star mobile base, seat adjustable in height with an adjustable backrest.
- There must be adequate space to accommodate any necessary peripheral equipment, eg footrest, wrist rest, document holder etc.

- A convenient and reliable 13 Amp 240 Volt earthed power supply must be provided by the officer from which (by means of a multi-gang extension if required) to run the various items of equipment provided. It is the officer's responsibility to ensure that electrical sockets and all other parts of their domestic electrical system are suitable and safe.
- The work area must be capable of being heated and ventilated.

7.6 The officer must also ensure that they have basic first aid supplies at home.

8 Further Information

8.1 Detailed information on Health and Safety roles and responsibilities is contained in departmental Health and Safety Policy Statements, while advice on health and safety matters can be obtained from departmental Health and Safety Advisers. Additional guidance is also available in the following booklets, which are published by the Health and Safety Executive:

- "Homeworking – Guidance for employers and employees on health and safety" (INDG226)
- "Working with VDUs" (INDG36)
- "Working alone in safety" (INDG73(rev))
- Basic advice on first-aid at work (INDG347)

8.2 Copies of these documents can be downloaded from www.hse.gov.uk

SAMPLE LETTERS

To the Home Insurance Company

Your reference: Insurance Policy Number

Dear Sirs

Subject: Working at Home

I am writing to inform you that I will be entering into a flexible working arrangement with my employer, with effect from *[insert proposed starting date]*. Under this arrangement, I will have the choice to work from home, for up to *[insert no of days]* a week for the foreseeable future.

Please note that my primary place of work remains my employer's premises, and there are no changes to my primary terms and conditions of employment.

The work I will be doing at home will be of an individual nature and I will not be holding meetings with colleagues or the public as part of this work. It is, however, a condition of this arrangement that, if required, I will allow access to my home workspace to appropriate personnel (eg IT support staff, Health and Safety Officers).

As part of this arrangement my employer will supply, install, and maintain the following IT hardware and furniture *[amend as applicable]*:

- Desktop PC (including monitor, keyboard and mouse)
- Desk telephone
- Printer
- Desk
- Task chair
- Desk height filling cabinet

I am advised that my employer's property listed above, whilst in my home, is insured (my employer has indemnified me against loss, theft and damage) I would be grateful if you would update your records to reflect this change, and inform me if my home contents insurance policy will be affected by this change.

Please do not hesitate to contact me should you require further information.

Yours faithfully,

ANNEX 7

To the Mortgage Provider

Your reference number: Mortgage Reference Number

Dear Sirs

Subject: Working at Home

I am writing to inform you that I will be entering into a flexible working arrangement with my employer, with effect from *[insert proposed starting date].* Under this arrangement, I will have the choice to work from home, for up to *[insert no of days]* a week for the foreseeable future.

Please note that my primary place of work remains my employer's premises, and there are no changes to my primary terms and conditions of employment.

The work I will be doing at home will be of an individual nature and I will not be holding meetings with colleagues or the public as part of this work. It is, however, a condition of this arrangement that, if required, I will allow access to my home workspace to appropriate personnel (eg IT support staff, Health and Safety Officers).

I would be grateful if you would confirm that my mortgage policy will not be affected by this change.

Please do not hesitate to contact me should you require further information.

Yours faithfully

ANNEX 7

To the Landlord

Your reference: Address/Rent reference

Dear Sirs

Subject: Working at Home

I am writing to inform you that I will be entering into a flexible working arrangement with my employer, with effect from *[insert proposed starting date]*. Under this arrangement, I will have the choice to work from home, for up to *[insert no of days]* a week for the foreseeable future.

Please note that my primary place of work remains my employer's premises, and there are no changes to my primary terms and conditions of employment.

The work will be carried out in [*insert the space for example the spare room*] which will also retain its original function as [*insert function, for example, the study*]. The work I will be doing at home will be of an individual nature and I will not be holding meetings with colleagues or the public as part of this work It is, however, a condition of this arrangement that, if required, I will allow access to my home workspace to appropriate personnel (eg IT support staff, Health and Safety Officers).

I would be grateful for confirmation that my rent arrangements will not be affected by this change.

Please do not hesitate to contact me should you require further information.

Yours faithfully

To the Tax Office/Revenue and Customs

Your reference: Tax Reference Number

Dears Sirs

Subject: Working at Home

I am writing to inform you that, as a Crown Employee working in the *[insert Department]*, I will be entering into a flexible working arrangement with effect from *[insert proposed starting date]*. Under this arrangement, I will have the choice to work from home, for up to *[insert no of days]* a week for the foreseeable future.

Please note that my primary place of work remains my employer's premises, and there are no changes to my primary terms and conditions.

The work will be carried out in *[insert the space for example the spare room]* which will also retain its original function as *[insert the space for example the study]*. The work I will be doing at home will be of an individual nature and I will not be holding meetings with colleagues or the public as part of this work. It is, however, a condition of this arrangement that, if required, I will allow access to my home workspace to appropriate personnel (eg IT support staff, Health and Safety Officers).

As part of this arrangement my employer will supply, install, and maintain the following IT hardware and furniture to enable me to perform my duties *[amend as applicable]*:

- Desktop PC (including monitor, keyboard and mouse)
- Desk telephone
- Printer
- Desk
- Task chair
- Desk height filling cabinet

[NOTE: The officer must include information here on the likely extent of their personal use (if any) of the above equipment].

I would be grateful if you would confirm that my income tax liability will not be affected by this change.

Please do not hesitate to contact me should you require further information.

Yours faithfully

SECURITY CONSIDERATIONS

As mentioned in Section 1, when working at home, as when working in the office, an officer must adhere to the all departmental security requirements. Therefore, any officer who is considering applying to work at home must ensure that they make themselves aware of these requirements and that their proposed home workspace will allow them to fully meet the requirements.

This Annex complements the requirements mentioned in Section 1 and covers information and instructions that are specific to working at home.

The general principles for an officer who works at home, whether on a regular or occasional basis, are:

- Secret and Top Secret material must not be taken home.
- An officer must seek clearance from their manager before taking Restricted and/ or Confidential material home.
- An officer must ensure that any material, marked of a Restricted or Confidential nature, that is used at home regularly is stored in an approved secure holding.
- An officer should think first before communicating any information by e-mail, fax, post, in person or over the phone from home.
- Normal departmental policy on the transmission of documents bearing a protective marking via email applies.

Areas to consider

Working at home can offer many potential benefits to the officer but, unfortunately, it also increases the risk of theft, loss, interference or damage to equipment and documents. An officer must, therefore, consider how the following considerations might affect their particular situation:

Area	Considerations
General Security	Personal and official matters should be kept separate. Where possible, when carrying out official work at home an officer should use a designated area, preferably a separate room with a lockable door. If the officer does not have a lockable room, they should exercise a clear desk policy and log off the computer, both at the end of the day and if they leave the room for any length of time.
Confidentiality	Official information must not be disclosed either orally or in writing to anyone who is not authorised to receive it.
Theft	An officer who is working at home must ensure that his/her computer or any sensitive material is not visible through a window, and that their windows and doors have good quality locks fitted. Particular care must be taken when travelling with a laptop or briefcase containing important documents.
'False Friends'	When working at home, an officer may have fewer opportunities to discuss work or problems with their colleagues. Staff are advised not to 'advertise' that they work on official documents at home as this may put them, their documents and/or computer equipment at risk. Meetings must always be held on official premises.
Eavesdropping and overlooking.	It is highly unlikely that anyone will place listening devices in their home but staff must be aware that other people in their household or visitors may accidentally overhear or listen to their conversations. Telephones are not secure and the officer must, therefore, exercise discretion when discussing sensitive matters.
IT threats	An officer must comply with the requirements of the NICS Internet and E-mail Usage policy, and all other relevant departmental/agency policies.

Area	Considerations
	An officer must not use discs or other media, which have not been cleared by departmental ISU and have not been virus checked. Laptops supplied by the department must be returned to the office if the home is to be vacant for more than five days.
Protectively marked material	Secret and Top Secret material must not be taken home, nor should it be generated at home.
Destruction of waste	An officer must return any documents or papers to the office for disposal.
Telephone calls	An officer must not discuss sensitive information on the telephone; where a call is essential they must identify the recipient of the call before passing information.
Sending a fax	An officer should not send sensitive information in a fax. If sending a fax is essential, the officer should always verify that the recipient is able to receive the message before sending it.

Further Advice

If you require further information on security matters please contact:

IT Security	[this should be completed by the department]
General Security	[Assistant Departmental Security Officer]

MANAGING STAFF WHO WORK AT HOME

1.1 Managing staff who work at home differs from managing staff who are working in the same location as the manager, mainly because the manager is unable to physically observe their staff's productivity and approach to work on a daily basis.

1.2 Line managers will therefore need to consider the following:

Communication Ground Rules

1.2.1 Communication channels need to be established at the outset so that the officer who works at home continues to feel part of the organisation and in touch with developments. Effective communication between the officer who works at home and their line manager is essential if the arrangement is to be a success. The line manager and the officer need to agree what, how and when information that is communicated to or from office-based employees is to be provided to or gathered from the officer who is working at home. This will require making effective full use of telephone and e-mail communication and occasions when the officer is in the office.

1.2.2 Strategies that the line manager can adopt to enhance communication include the following:

- informing all relevant staff about the working at home arrangement and communication ground rules;
- scheduling team meetings at common times;
- reviewing the working at home arrangement regularly;
- using electronic communication tools;
- sharing information about work assignments;
- including all staff at appropriate social gatherings.

By addressing the need for effective communication from the outset, potential problems can be minimised.

Training and Development

1.2.3 Line managers must ensure that officers who work at home have the same access to training and development opportunities as comparable workers in the office. Although the officer will remain responsible for their own development and must consult with their manager on training and development needs for their role and the environment in which they work, line managers must ensure that an officer who is working at home has equal access to all training and development material as available to office-based staff.

Depression and isolation

1.2.4 The challenges facing staff who work at home vary according to the amount of time they spend away from the office. Line managers must ensure that measures are put in place to reduce the risk of officers who work at home from feeling isolated, eg by, ensuring access to all office communications eg Team Briefs, staff notices etc.

Performance management

1.2.5 The workload and performance standards expected of staff working at home should be the same as those of comparable office-based staff. Managing staff who are not in the same building need not be a problem if the emphasis is on management by results. This involves setting agreed, achievable and measurable objectives, which the officer is responsible for meeting while working at home, and is in line with the key elements of the NICS Performance Management Framework. Feedback on performance is important and mechanisms for the delivery of feedback must be clearly defined at the outset of any working at home arrangement.

Hours of work

1.2.6 It should not be expected that an officer who is working at home is contactable outside of the agreed times set out in their Working at Home Agreement. Line managers must bear in mind that the officer's place of work is also their home, and their privacy must be respected. Contact outside of the agreed hours must be kept to a minimum, but where necessary, line managers must ensure that this contact is within the provisions of the Hours and Attendance Chapter of the NICS Staff Handbook.

1.2.7 Staff working at home may be tempted to work longer hours than normal because of the convenience factor. Therefore, as part of the ongoing monitoring process, line managers must ensure that officers working at home are not undertaking excessively long working hours.

Relationships

1.2.8 Staff and managers working remotely from each other require a high degree of trust on both sides. Their relationship will be different because the officer will not normally be involved in the day-to-day conversations of a team of colleagues. Support from the line manager needs to be available and consistent.

Absence management

1.2.9 Line managers must ensure that sick absence continues to be managed in accordance with the current absence management policy.

MANAGERS WORKING AT HOME

1. Your responsibilities as a manager are not affected by your working arrangements. Make sure that you continue to give leadership and guidance to the staff who you manage and remain in contact.

2. Regularly check how successful your working at home arrangement is in practice.

3. Ask your colleagues whether they have noticed any additional work coming their way when you are working at home. If they have, this is a problem that needs to be addressed quickly.

4. Ask your line manager and the staff who you manage whether there are any issues emerging from their perspective. If there are, they need to be addressed.

PRACTICAL ADVICE FOR STAFF WORKING AT HOME

1 Before you go home

- Take home everything that you will need when working at home, for example, telephone numbers, reference papers and make sure that they can be carried home safely.

- Make sure that people trying to contact you can do so. In particular, ensure that you have provided your colleagues with your contact telephone number.

- Make sure arrangements are in place to deal with your post (and emails, if applicable) for the day you are not in the office.

2 When you are working at home

- Structure your working day to ensure you have proper breaks. Remember that, under the Working Time Regulations, a worker is entitled to a rest period of 11 consecutive hours between each working day; an uninterrupted break of not less than 24 hours in each 7-day period; and an uninterrupted break of at least 20 minutes when daily working time is more than 6 hours (NICS terms and conditions provide most staff with a minimum 30 minute lunch break). Full details can be found in the Hours and Attendance Chapter of the NICS Staff Handbook.

- Keep work distinct from your "home life". The core hours when you have agreed to be contactable by telephone will have been set out in your Working at Home Agreement. Let your colleagues know what times you are likely to start and end work, and don't feel obliged to deal with queries outside these times.

- On a 'working from home day', you must be able to produce at least the same amount and quality of work as you would when working in the office.

3 Terms and Conditions

- Your conditioned hours of work will continue to be the same as if you were working at the office.
- If you are unfit to work on a day when you are due to be working at home, you must report your sickness absence in the usual way.

- You must apply for annual leave, flexi leave or special leave in the usual way.

SUMMARY OF ROLES AND RESPONSIBILITIES

The officer is responsible for:

- Familiarising themselves with the NICS Homeworking Policy and Guidance.
- Carrying out an initial assessment of the suitability of their post, their potential to work effectively at home, and the suitability of their proposed home workspace.
- Considering what type of working at home arrangement best suits their individual circumstances.
- Informing their mortgage provider/landlord, home insurance company and HM Revenue and Customs of their intention to work at home.
- Completing the relevant sections of the application form for working at home.
- Participating in the Health and Safety risk assessment process by providing information which will enable a risk assessment of their home workspace to be carried out.
- Discussing their completed application form with their line manager.
- Co-operating with the line manager in implementing any action as recommended by the risk assessor.
- In the case of regular working at home, signing the Working at Home Agreement.

- Ensuring that they are contactable during the periods outlined in the Working at Home Agreement.

- Informing their line manager of any changes to their individual circumstances that may impact on the Working at Home Agreement.

- Providing input to the ongoing monitoring and formal review as required by the line manager.

- Ensuring that they follow existing policies on:

    - annual/flexi leave applications,
    - special leave applications,
    - sickness absence,
    - internet and e-mail usage,
    - security, and
    - health and safety
    - bullying and harassment.

- Co-operating with the line manager in arranging for the delivery, set-up and collection of any equipment and/or furniture provided under the working at home arrangement.

- Allowing access to their home to appropriate personnel, if required.

- Attending the office, or other location, as required by their line manager.

- Consulting with their line manager prior to incurring any additional cost associated with carrying out their duties at home eg postage.

- Applying, in writing, to their Head of Branch if they wish to amend, suspend or end the home working arrangement.

The line manager (at or above Staff Officer or analogous) is responsible for:

- Familiarising themselves with the NICS Homeworking Policy and Guidance.
- Considering all working at home applications fairly.
- Ensuring that, if the applicant has any line manager(s) below SO level, these managers are fully informed of, and where necessary involved in, the entire process.
- Arranging a meeting with the applicant to discuss the application.
- Forwarding the information provided by the applicant to a trained risk assessor for consideration.
- Completing the relevant sections of the application form in consultation with the officer to ensure all relevant issues are taken into account.
- Making a recommendation to Head of Branch on whether working at home is considered feasible.
- Ensuring that, if an application cannot be supported, there are defensible grounds for turning it down.
- Drawing up the Working at Home Agreement for all parties to sign.
- Ensuring that the necessary equipment, as outlined in the working at home agreement, is delivered, set-up and collected as appropriate.
- Developing, and agreeing with the officer, objectives for the officer working at home.

- Giving the officer working at home appropriate notice of any official who is required to visit their home workspace.

- Continually monitoring the effectiveness of the arrangement and formally reviewing the Working at Home Agreement with the officer as appropriate and, where necessary, recommending to the Head of Branch that the arrangement is amended, suspended or terminated.

- Ensuring that the officer has equal access to all information issued to staff eg trawl notices etc.

- Ensuring that other staff, where appropriate, are aware of the arrangements for contacting the officer working at home.

The Head of Branch is responsible for:

- Familiarising themselves with the NICS Homeworking Policy and Guidance.

- Ensuring that applications are dealt with fairly.

- Forwarding the application to the Establishment Officer for a decision on the provision of the necessary furniture and/or equipment by the department, where working at home may be viable.

- Ensuring that the initial risk assessment is reviewed after any necessary equipment has been set up and that, where the Risk Assessor has identified the need for any control/preventative measures, the necessary action has been taken before working at home begins.

- Making the final decision on whether to approve or reject an application and communicating this decision to the officer as appropriate.

- Ensuring that if an application is rejected, the reasons are appropriate and consistent with other applications that have been accepted/rejected in the Division.

- Ensuring that a copy of the Working at Home Agreement is copied to Personnel/Establishment Branch for inclusion in the officer's Personal File.

- Continually monitoring the impact of working at home arrangements on the ability of the branch to meet its business objectives.

- Informing the officer, in writing, if the arrangement is to be amended, suspended or terminated.

Personnel/Establishment Branch is responsible for:

- Familiarising themselves with, and providing advice to staff on, the NICS Homeworking Policy and Guidance.

- Seeking a medical opinion where an application to work at home is submitted (or a working at home arrangement currently exists) for an officer who has been put on a trial period under the inefficiency due to sickness absence procedures.

- Making a decision on whether the department will provide any necessary furniture and/or equipment, where the Head of Branch considers that working at home is viable.

- Ensuring that a copy of the Working at Home Agreement and any amendments to it, including written notification of suspension or termination, are held on the officer's Personal File.

- Monitoring the reasons given for approval/refusal of applications to work at home in order to ensure, as far as possible, that the NICS Homeworking Policy is implemented fairly and consistently across the department.

Industrial Derating - Response to Committee Queries

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Mr Shane McAteer
Clerk

Committee for Finance and Personnel
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Belfast
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25 October 2010

Dear Shane,

Industrial Derating – Response to Committee Request for Further Information

Officials briefed the Committee, on Wednesday 6 October, on holding liability for manufacturing rates at 30% for the spending review period. During the session Members asked that further information be provided in order to inform their deliberations. This included:

(i) The economic rationale behind the industrial derating scheme (benefits of the scheme; how it contributes to growing the economy; and the rationale for its extension for the next spending review period);

(ii) The case for increasing the cap;

(iii) The level of rate arrears where industrial derating applies, compared to the non-domestic sector more generally;

(iv) What the loss to business would be from increased rates and how many companies would go under; and

(v) The types of industrial businesses that currently benefit from the industrial derating scheme and those that are excluded.

Further information addressing these queries is set out at Annex A. It is hoped this will be sufficient to allow Members to further consider the issue.

As outlined in previous correspondence the Minister considers that there should continue to be a focus on supporting a sustainable future for the manufacturing sector. The ERINI report (completed in 2007) indicates that, at that time, there was a low risk to jobs and investment of increasing manufacturing rates to 50%. However, it also highlighted the limited evidence on which this assessment was based. To quote from the Executive Summary (with officials emphasis)

"On the key impact measure of rates as a percentage of manufacturing profits, the estimates range widely from 2.7% to 20% and most likely indicate the volatility of company profitability at various points in time. The limited evidence collected on the impact of rates on industry is therefore somewhat contradictory.

The analysis of incidence of industrial rates is constrained by lack of essential data but the general conclusion of a largely qualitative analysis is that there are relatively few opportunities for industrial firms to engage in extensive tax shifting either forwards or backwards. ....For a large majority of these businesses, intense competition was cited as the key reason why costs could not be passed on.

Given the quality of information available to analyse this issue ERINI suggest proceeding cautiously. At 50% implementation no more than an estimated 10% of companies are likely to face rate bills much more than 15% of their profits. Proceeding to this point would incur a relatively small risk to industry as a whole though the decline of marginal sectors such as textiles would be accelerated. Proceeding no further than this degree of implementation is the position we favour. We further recommend holding the level of implementation for at least 5 years and preferably 10 to give confidence to the sector and allow further relevant data to emerge."

Due to a lack of comprehensive data, it is not possible to say how many firms would go under as a result of rate increases.

The Minister is also mindful of the effect this will have on business confidence and to quote again from the ERINI report: "the degree of disillusionment that exists about the willingness of government to understand the problems of business and to create a sustainable supportive regime within which it can prosper". He takes the view that, even if the real risk to jobs during these more difficult times is not particularly high, every single job loss and closure would be blamed on any unexpected rate increase imposed by this Assembly.

More generally, the Minister would also have serious concerns about the collectability of increased rates for manufacturers given previous statements by the First Minister, when Finance Minister, as well as supporting comments from most of the main parties in the Assembly, about the desirability of holding rates at 30% for the longer term. While this is not something that officials would wish to discuss in open session, given the likelihood that it could become a self-fulfilling prophesy, the Department would be worried that a campaign of non payment would attract popular support and create a major enforcement problem.

It is important to note that, in the context of the Committee's concerns, the Minister is not advocating that the status quo is preserved ad infinitum. However, given the current economic circumstances it can be argued that now is not the time to start to change the level of manufacturing support, given the difficult position of that sector and the significant contribution that it makes towards the economy. The Minister therefore wishes to provide certainty for the spending review period. Members will of course be aware that it would be open to a new Assembly to review this matter should it so wish.

In terms of the current process it is intended to consult on this issue as part of the budget process, before bringing forward the required subordinate legislation in early 2011. The Committee's early views on the derating level are sought in the context of the proposed budget position, to both inform and shape the views of the Executive.

The impression seems to have been gained that this is drip feed decision making. However, officials are anxious to dispel this notion. Any final decision on this issue must await the outcome of the budget consultation and the Committee will have time over the coming weeks to consider any further evidence that may emerge from this process, or indeed their own evidence gathering. Needless to say, DFP officials will make themselves available to provide further information to the Committee, as and when required.

Yours sincerely

Norman.

Norman Irwin

Annex A

A. Economic rationale for continuing industrial derating for the spending review period

Utilisation of available means of support: The Committee will be aware of the importance of manufacturing for Northern Ireland. Despite employment in the sector having fallen it remains a key driver of productivity in the economy and is by far the largest generator of exports in the private sector.[1]

While broader mechanisms such as a reduction in corporation tax, which the Committee referred to during its earlier deliberations, may be preferable control over such issues is not currently devolved to the Assembly. With this in mind it is considered necessary to make best use of the tools available. In terms of the provision of financial support to wider commercial enterprises Members will already be aware that State Aid rules would not allow the rating support currently provided to manufacturers to be extended to other commercial areas. Furthermore, the enabling power in primary rating legislation merely allows the Department to fix a percentage liability for industrial properties.

The decision to be taken is therefore around making use of industrial derating rather than consideration of other more attractive (and targeted) forms of aid that are unavailable at present. It should also be borne in mind that once removed derating cannot be reinstated, and once reduced, support cannot be increased. It is acknowledged that if Northern Ireland was starting from a clean sheet, and could choose what form of support to provide for industry, it would be unorthodox to suggest adopting a policy of industrial derating. However, that should not detract from the fact that there is considerable merit in using the mechanism at this time, while the opportunity is there, to assist a vital area of the Northern Ireland economy.

Contribution of the manufacturing sector to the economy: At the time of the ERINI report consideration was given to the contribution of the manufacturing sector to the economy. It stated that:

"Manufacturing is important for Northern Ireland. Although employment in the sector has fallen it remains the main driver of productivity in the economy and is by far the largest generator of exports in the private sector. Despite a widespread view that the sector is in decline that is only partly true and there are parts of manufacturing that demonstrate great dynamic potential for the future.

Despite the contraction in traditional manufacturing the sector still continues to play a key role in the local economy providing 29% of turnover, 25% of Gross Value Added (GVA) (£3,677m), as well as generating approximately £4.6 billion in export sales and employing approximately 81,000 people".

The ERINI report also stated that:

"Although employment in the sector has fallen it remains the main driver of productivity in the economy and is by far the largest generator of exports in the private sector … Policy actions that add significant costs to the sector or reflect a less sympathetic approach to its problems are both damaging

The major threats to the sector come from a deterioration in its competitive position both through a lack of innovation and investment and a rising cost base relative to its competitors elsewhere. It has the highest energy costs in Europe, its labour cost advantage is being eroded by Asia and Eastern Europe and being a peripheral region, it faces high freight transport costs".

This commentary related to the position in 2006/2007. The total value of manufacturing sales outside of Northern Ireland in 2008/09 (including GB) stood at £12.4bn, with almost £6bn in export sales. The manufacturing sector is also an important source of employment with 74,670 employee jobs at June 2010, representing just under 11% of all employee jobs. The level of overall manufacturing employment has fallen over the course of the recession, by around 11% from the level reported in June 2007 (84,070 employee jobs).[2] However, there was a small increase in the number of employee jobs in the manufacturing sector in the second quarter of 2010, a 'small but welcome sign of progress' according to DETI.[3]

Prior to the recession, manufacturing in Northern Ireland had been performing strongly, compared with the UK overall. In the two years up to the beginning of the UK downturn in 2008 the local manufacturing sector had grown by 8.3% compared with a decline of 0.2% in the UK. However, the recession has had a severe impact on manufacturing in Northern Ireland, which has contracted by 15.1% over the two years since mid-2008, compared to a 11.9% decrease for the UK as a whole.

In the first quarter of 2010, manufacturing output rose by 1.1% compared to the previous quarter but was 2.8% lower than in the same quarter a year earlier. This compares with the UK as a whole - across the UK, manufacturing output was up 1.4% on the quarter and 1.8% up on the previous year. Northern Ireland manufacturing output has declined more sharply over the year, compared with the UK, partly due to a smaller export base. Manufacturing productivity growth has been maintained however. In the first quarter of 2010 productivity rose by 1.4%.[4]

Recent reports by Richard Ramsey, Chief Economist with the Ulster Bank, indicate that the Northern Ireland economy generally is still in decline and is in a much weaker state than any other UK region. He does however advise that there are currently some positive signs in relation to manufacturing output.

While there is a mixed picture in terms of the health of the manufacturing sector in Northern Ireland, it would appear that government intervention, which includes support through derating, goes some way towards sustaining the sector and safeguarding employment.

Detrimental impact of increasing charge: In coming to a position on this matter the Minister is conscious of the detrimental effect caused by unsettling industry through the sudden imposition of a charge that had not been anticipated. The Minister considers that suddenly increasing liability from 30% could force firms to consider relocating elsewhere, to reduce employment levels or cease business altogether.

Of those surveyed by ERINI 25% said they would consider the transfer of part or all of production to outside Northern Ireland, in reaction to any future rate increases. 20% would consider abandoning or scaling down future expansion plans. Around half of those surveyed said they would be forced into restricting recruitment or not replacing those who had left through natural wastage. Less than 5% said they would have to lay off a large number of employees, and 1 in 10 believed that rates would have no impact on employment at all.

ERINI carried out a modelling exercise to establish the employment impact of ending industrial derating under different scenarios. They found that job losses ranged from 864 (where firms protect employment at the expense of profits) to 1995 (where firms protect profits at the expense of employment) – the majority of these job losses (around 30%) were in textiles. In both scenarios effects on gross employment could be abated by the recycling of revenues via enhanced public services which would on average produce an additional 350 jobs. The net employment effects of the two scenarios were therefore job losses of 514 and 1645 respectively.

The model also estimated that there would be a loss in GVA (Gross Value Added, which represents the amount that individual businesses, industries or sectors contribute to the economy) of around £69million. This is an amount smaller than the revenue raised from rates, meaning that some of the impact of the new tax would be passed on to suppliers outside Northern Ireland.

According to the ERINI findings in 2007, for around 15% of manufacturing companies, rates would have cancelled out any profits made during the year. However, for the vast majority of firms surveyed (80%), rates would account for 15% or less of profits at full implementation.

B. The case for increasing the level of liability from 30%

With liability at 30%, revenue for 2011/12 will be around £24m (£13m regional and £11m district). Increasing liability to 50% would increase revenue by around £16m (£8.5m regional and £7.5m district). Raising liability to 100% would increase revenue by around £56m (£31m regional and £25m district), and broadly similar sums would be raised in subsequent years of around £58m in 2012/13, £60m in 2013/14 and £62m in 2014/15.[5] While this would have obvious benefits in revenue terms consideration also has to be given to the potential impact of this on the manufacturing sector and wider economy at this particular time.

In relation to the issue of whether the level of liability should increase from 30% to, for example, 50% the 2007 ERINI report had highlighted that proceeding to 50% would incur a relatively small risk to industry, though the decline of marginal sectors such as textiles would be accelerated. Given the quality of information available to analyse the issue ERINI suggested proceeding cautiously. It can be argued that the potential income (additional annual combined regional and district rate revenue of around £8m for each 10% increase in liability) is too small for such a risk to be toyed with at this time. This is particularly so in relation to those manufacturers in the textile sector, given the overall impact of the recession on the manufacturing sector more generally and the state of the economy.

Since the ERINI report there has been a significant decline in the economy and the Minister is of the view that, even if the real risk to industry and jobs is not particularly high, every single job loss and closure would be blamed on any unexpected rate increase imposed by the Assembly. The Minister is particularly concerned about the prospect of increasing manufacturing rates at this time, given the current economic climate, and the detrimental effect that any change would have on businesses. It is therefore considered that liability should be held at 30% for the spending review period, in order to provide certainty for the industry.

C. The level of rate arrears for the collection of industrial rates, compared to the non-domestic sector more generally.

Members asked for the level of arrears in the manufacturing sector (those in receipt of industrial derating) compared to the non-domestic sector more generally. LPS have provided data on this as follows:

Non-Domestic Occupancies by Derating Status and debt as at 31 March 2010:

Property Type on LPS records	Total Debt	No of Occupancies	Average Debt
Industrial Derating	£2,892,566	4,240	£682
In Debt	£2,892,566	799	£3,620
Not in Debt	£0	3,441	£0
Other Derating1	£102,880	712	£144
In Debt	£102,880	53	£1,941
Not in Debt	£0	659	£0
No Derating	£63,364,473	51,432	£1,232
In Debt	£63,364,473	7,790	£8,134
Not in Debt	£0	43,642	£0
Grand Total	£66,359,919	56,384	£1,177

1 On LPS' systems this category covers Sport & Recreational relief as well and Freight Transport relief.

This shows that at turn of year (using live occupancies at that date) there were arrears on around 19% of properties subject to industrial derating, on 7% of properties for those classified by LPS as other derating and around 15% of properties for all other non-domestic properties.

It should be noted that the 2010/11 in-year arrears figures are not provided as these include payment arrangements/payment by instalments for payment of the current years rates and are therefore not comparable.

Directly comparable figures are not available for the sums collected against live occupancies at 31 March 2010. The available figures relate to the total receipts for the 2009-10 rating year. For information, the sums were respectively £22m, £2m and £501m for the industrial derating, other derating and no derating categories.

D. What the loss to business would be from increased rates and how many companies would go under.

At 30% liability, the average rate bill is around £5,000. The average rates bill at 50% liability would be £8,250 and at 100% liability would be around £16,500.

The average 30% bill for the 'Top ratepayers' – 26 firms with an NAV of greater than £500,000 - is £185,000. The average rates bill at 50% liability for this group would be £308,275 and at 100% liability would be around £616,500.

The ERINI report, based on the survey it undertook, set out the views of manufacturing companies on the impact of rate increases. As noted previously a significant proportion indicated that they would transfer production (or part of it) outside Northern Ireland, abandon or scale down future plans or the result would be an adverse impact on employment levels or pay. 3% of respondents indicated that they would cease trading, which if represented across the sector would equate to around 100 to 150 firms.

Unfortunately, due a lack of comprehensive data, it is not possible to say how many firms would go under as a result of rates increases. This is not a matter of the Department avoiding the issue, and was acknowledged by the experienced economists who drafted the ERINI report. That report stated that "it is very difficult to put any meaningful figure on how many additional firm closures there will be due solely to rates".

However that does not detract from the fact that there would appear to be a risk of an adverse impact on manufacturing contribution towards the economy and also employment levels. The Department considers that this risk would have increased since the time of the ERINI report, given the deterioration in economic conditions since then.

E. The types of industrial businesses that currently benefit from the industrial derating scheme and those that are excluded.

Entitlement to industrial derating is restricted to manufacturing firms, which dates back to 1929. By and large these are traditional industries. Broadly speaking to qualify for derating a property has to be designated as a mine, quarry or a 'factory'. A factory is defined[6] as a property in which people are employed in manual labour and which is mainly used for activities that involve:

- the making of any article or part of any article; or
- the altering, repairing, ornamenting, finishing, cleaning, or washing or the breaking up or demolition of any article; or
- the adapting for sale of any article.

Broadly speaking a property would not qualify for industrial derating, that is would be deemed not to be occupied and used as a factory, where it is used for the following purposes:

- a retail shop;
- a distributive wholesale business;
- storage;
- a public supply undertaking; or
- any purposes which are not those of a factory.

Industrial de-rating was implemented at the time to encourage investment and employment growth in large heavy industries. As a result the definition follows the definition in the Factories Act. This heavy industry trend was followed by decisions by the courts in the early years where industrial classification was given to the follow types of industry.

- Beer Bottling.
- Blending of butter, tea, whiskey and oil.
- Coffee roasting.
- Conversion of logs into wood planks.
- Dairies where pasteurisation took place.
- Egg packing.
- Fruit grading.
- Glass cutting.
- Machinery packaging.
- Printers Workshop.
- Slaughterhouse for food production.
- Timber seasoning.

The main difficulty which is encountered in practice is that the definition for industrial classification has not changed since 1928 and as a result it is increasingly difficult to attempt to apply this definition to a business environment where manual labour has increasingly been replaced by reliance on information technology.

This is best highlighted by cases such as Software Ireland where it was deemed that creating computer software did not qualify as an industrial process due to the lack of manual labour. The problems with the definition and attempts to apply it in a much changed business environment have also lead to some unusual properties obtaining classification as industrial such as cold stores and builders yards. Showrooms have been de-rated where attached to a factory and used only to display (but not to retail) goods.

Committee Members asked about the issue of food processing generally and on a farm. While it would depend on the exact circumstances derating would generally be awarded to factories undertaking food processing. This would also apply to a workshop on a farm, though in practice it is likely that the District Valuer will have assessed smaller food processing operations on farms as agricultural building use and therefore not rated.

[1] ERINI Report, page (ii).

[2] http://www.detini.gov.uk/deti-stats-index/stats-surveys/stats-qes.htm (Table 5.3)

[3]http://www.northernireland.gov.uk/news/news-deti/news-deti-150910-latest-labour-market.htm

[4] Michael Smyth, School of Economics, University of Ulster. Extract taken from Northern Ireland Economic Outlook, First Trust Bank Economic Outlook And Business Review 25.3 September 2010.

[5] This assumes that the regional rate increases in line with inflation and the district rate increases in line with historical increases.

[6] On LPS' systems this category covers Sport & Recreational relief as well and Freight Transport relief.

Response to follow up questions on IT Assist, Records NI & Network NI

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel

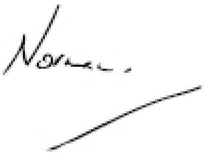
Room 419
Parliament Buildings
Stormont Our Ref: CFP70/10

25 October 2010

Dear Shane,

The purpose of this minute is to provide the additional information requested by the Committee, following the session held on 13th October 2010 with Enterprise Shared Services on IT Assist, Network NI and Records NI. The attached Annex provides responses to each of the issues raised in your letter of 14th October.

Yours sincerely,



Norman Irwin

Annex A

General Issues

1. During an evidence session in January 2010 DFP officials advised members that a new governance model for the Shared Services Organisation was introduced on 1 January 2010. What progress has been made on the implementation of this new model?

The new governance model for ESS consists of five key entities which support the delivery of corporate governance. These are the:

- DFP Accounting Officer
- ESS Strategy Board
- ESS Executive Board
- ESS Audit and Risk Committee
- ESS Service Boards

All Governance arrangements are now in place with the appointment of an Independent Board Member with effect from 1 September 2010 and the first meeting of the Audit and Risk Committee on 15 September 2010. The Strategy Board had its third meeting on 14 October.

2. What specific challenges does the Enterprise Shared Services Organisation face going into the next Spending Review period?

The key challenge for ESS over the next spending review period is the delivery of high quality, efficient and effective services which are responsive to customer needs. In meeting this challenge ESS will want to both identify and take forward continuous improvement activity across all service areas, subject to available funding, and in tandem identify the degree to which savings could be generated as service delivery begins to bed down and produce economies of scale.

All areas of the department, including Enterprise Shared Services, have been developing savings delivery options as part of our Budget 2010 efforts. The precise quantum of savings expected to be delivered from Enterprise Shared Services over the Budget period is uncertain. As with our other departmental savings delivery options, the position will continue to be refined until the department's draft Savings Delivery Plan is published after the publication of the Executive's Draft Budget.

The need to deliver savings over the Budget 2010 period represents a significant challenge for Enterprise Shared Services, just as it does for the wider department.

Benefits Realisation

3. The DFP report on its achievements against its 2009/10 Business Plan targets states that all benefits realisation targets for reform projects in that year had been achieved. However, the Enterprise Shared Services Mission Statement for 2010/11 states that baselines will be established by 31 July 2010. When were these baselines established and can these to be passed on to the Committee?

This reference in the DFP report on its achievements against its 2009/10 Business Plan is about benefits targets in relation to individual reform projects. The reference in the ESS Business Plan for 2010/11 is about baselines for benefits anticipated as a result of the creation of the new organisation.

The baselines to be established by 31 July are in relation to customer experience and governance for ESS.

We have established a baseline for streamlined governance. The work to establish a baseline for customer experience started in June. This work led to a customer survey by NISRA which is ongoing and is due to complete in November and report in January 2011.

4. In a previous evidence session DFP officials advised members that consideration would be given to streamlining back-office functions within the Shared Services Organisation. At one stage consideration was being given to bringing IT Assist, Network NI and Records NI into one business area. What progress has been made on this?

Within ESS, Network NI and Records NI were integrated into IT Assist in April 2010 to form a new division known as IT Services.

Network NI

5. In the DFP report on its progress against business targets for 2009/10, Network NI received an 'amber' status in respect of achieving its service levels and Key Performance Indicators (KPIs).

Which aspects of the Service Level Agreement (SLA) were not being met?

Under the NNI contract there are 15 Performance KPIs which are reported in a detailed monthly service report. In the last half of 09/10, 12 out of these 15 Performance KPIs achieved the targets set under the contract. The 3 KPIs that did not achieve the target were:

- Resolution of critical incidents within 1 hour. In March 2010 a critical incident was not resolved within the target of 1 hour but met the minimum 3 hour target.
- Resolution of serious incidents within 2 hours or the minimum target of 6 hours.
- Maximum of 6 serious incidents per month. In April 2010, there were 8 serious incidents. These incidents were unrelated and different issues were responsible.

What actions have been taken to address the failure to achieve service levels and KPIs?

The Contractor meets with the NICS each month following the issue of the report – all failed targets are discussed at this meeting and issues are escalated to the Network NI Steering Committee if it is deemed necessary.

Service highlights and lowlights are reported to the Network NI Steering Committee on a quarterly basis.

Given the aggregated nature of Network NI, where the majority of circuits are not owned by the contractor but purchased through 3rd Party suppliers, the contractor relies on the 3rd party supplier to work with them in dealing with any issues that arise. We now meet with the contractor regularly to discuss and receive updates on the management of their relationship with 3rd party suppliers.

Performance against targets has since improved - in the last 3 months, 14 of the 15 KPIs have achieved the targets set out under the contract.

What financial penalties were incurred as a result?

Service credits were incurred as a result. These are calculated on a monthly basis as per the contracted abatement model and credited to the subsequent monthly service invoice.

6. Network NI was identified within the Public Accounts Committee First Thematic Report (published in June 2010 and debated in plenary on 29 June 2010) as having inadequate project specifications. How have these shortcomings been addressed and are there any issues remaining in this regard?

The inadequacy was due to a delay in the procurement process to include some emerging requirements rather than any shortcomings in the specification. The Network NI project has been fully implemented and is both meeting its objectives and delivering benefits. Accordingly, there are no issues remaining.

IT Assist

7. Throughout its inquiry into Public Procurement the Committee heard concerns from local small businesses in the IT sector that they were being squeezed out of public procurement opportunities. What is the role of IT Assist in relation to procurement and what steps are being taken to reduce barriers to opportunities for local small and medium sized enterprises?

Answered during the Committee session on 13th October.

8. What steps are being taken to consolidate and harness the expertise gained by project managers in the procurement and delivery of IT contracts?

Answered during the Committee session on 13th October.

Records NI

9. What is the role of Records NI in improving data security across the NICS, including addressing the issues arising from the Second Report of the NI Data Protection Review?

The Records NI service was introduced before the 2007/8 NI Data Protection Reviews and not specifically implemented to address the security issues identified during the reviews. However, the capabilities delivered through the introduction of the service ensures that electronic documents can be managed, shared and stored within a safe, secure environment and retrieved as necessary.

The TRIM solution has extensive controls and audit capability to insure that information is properly managed and protected against loss. Accordingly the Records NI solution addresses the key aspects of information security namely to preserve the confidentiality, integrity and availability of the NICS information.

10. What plans, if any, are there to roll out the services of Records NI to Arms Length Bodies across the NICS?

IT Assist is regularly contacted by Arms Length Bodies interested in some or all of our services. We have provided advice and developed an on-boarding process to aid consideration and potential migration. Records NI is simply one of IT Assist's services along with Network Services, support services etc that can be and is discussed with interested parties.

The differing scale of these bodies, contractual frameworks, governance arrangements, and accounting regimes (e.g. in terms of VAT status) are some of the factors that would affect the viability of migration or result in ESS not offering the optimum common solution.

Workplace NI Update

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel

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25 October 2010

Dear Shane,

You asked for an update on the current position in regard of WorkplaceNI/ NICS accommodation in advance of the committee meeting on the 3rd of November.

The NICS accommodation strategy that has been adopted is designed to:

(i) reduce the footprint of the office estate;

(ii) improve the quality of the office estate.

Objective (i) will be achieved by implementing a policy of only renewing building leases on lease expiry if the building occupants cannot be accommodated within the existing office estate or if there is an overriding business reason for lease renewal.

The targets identified in the paper presented to the Committee in March 2010 have already been achieved. Two leased buildings have been vacated - Lancashire House and Avenue House. Additionally, the Stoney Road site has been vacated and the site sold, releasing over £2m to DFP.

Planning is underway in preparation for withdrawing from further leases during the next financial year. Over the next few years the opportunity to withdraw from eight leases offers the potential to generate annualised savings of over £3m and to accommodate the staff affected in more space-efficient accommodation.

This work requires capital investment. To date Properties Division has been successful in obtaining the capital required to achieve this in monitoring rounds and further capital bids have been submitted as part of the four-year Budget 2010 process.

Objective (ii) will be met by:

- withdrawing from leases in poor quality buildings (where this aligns with Option (i));
- assisting with specific programs funded by other departments e.g. DSD WRAMP Program or DARD Direct); and,
- renovating poor quality buildings to provide improved workspace with associated space-efficiency. The deliverability of this element of the plan is wholly dependent on obtaining capital funding. Consequently it is not possible to provide the committee with a detailed plan for the next few years until the Budget 2010 position is known.

The accommodation plan will be reviewed annually (in the final quarter of each financial year) when the budget position going forward is better understood and the impact of possible reductions in staff numbers can be considered. Subject to clarity on budget, we intend to publish a revised plan in March 2011.

I hope this note provides the Committee with the up to date position. A session with the committee would provide maximum benefit when the funding position with regard to Properties Division's capital bids over the Budget 2010 period becomes clear.

Yours sincerely,

Norman Irwin

LPS response to issues

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27 October 2010

Dear Shane

Land & Property Services Update

I am replying to your letter of 15 October 2010 and, as requested, providing a response to the issues which were not covered in the evidence session on 13 October.

Issue 2 – staffing for rating activity

There is no doubt that the budget and resourcing position for LPS has been challenging from the outset; however, a range of work has already been taken forward by LPS in this area, including reviewing how LPS' training programmes can be structured in such a way as to facilitate possible external accreditation in the future. LPS is also planning how to ensure a strong telephony performance in April 2011 without needing to use recovery and enforcement staff to handle general calls in that busy period.

LPS has engaged with the Social Security Agency about support from its work force planning teams to review staffing in rate collection activity in LPS. What is required as the next step is to specify the duties that remain once the current backlogs of work are cleared; and to determine how the rating Service Delivery Model will affect structures and staffing needs. Once these issues are clear, LPS will be able to work with the SSA team to take forward a review. This is likely to proceed in the early part of 2011.

Issue 5 – timing of LPS workshop on the IRRV report

The timing of the September workshop did not delay work on implementing the IRRV report's findings – indeed, significant amounts of work in response to the report commenced in parallel with the drafting and completion of the report by IRRV. The IRRV consultants attended the June LPS Management Board meeting to report on their findings. An LPS debt action plan was drawn up in July and implementation started that month.

The June Management Board meeting had agreed that a further workshop should be held to review progress in implementing the IRRV report's recommendations. This was held early September, the timing being fixed to allow initial delivery against the debt action plan to progress before considering further actions.

Item 7 – write offs

The IRRV report highlighted a number of categories of debt which should be considered for write off. This included some small amounts of debt more than six years old, which may be statute barred. Detailed analysis of that debt shows some of the amounts are not statute barred, for instance because they have been the subject of enforcement action.

Another category highlighted by IRRV was small debts (less than £50) when there had not been a transaction on the account in the previous six months. These cases will again require review, particularly with respect to whether an account is for a current occupancy, or if the ratepayer has left the property on which the debt is due. LPS policy is, in general terms, not to write off debt on a current occupancy unless there are particular reasons to do so. Small debts are added to the following year's rate bill, so the cost of pursuing the debts is low.

LPS has recently completed a review of its Write Off Guidelines, this review having been informed by the IRRV report. The guidelines reaffirm LPS policy not to write off debt against a current occupancy. The provisions with regard to closed accounts have been updated and reflect the economic benefit of pursuing debt on these accounts. The guidelines set out attempts that must be taken to attempt to trace the ratepayer, with these being proportionate to the size of the debt. The guidelines also allow immediate write off when tracing activity has failed to locate the ratepayer, whereas the previous guidelines required a period of time to pass after tracing before the debt was written off.

The revised write off guidelines required endorsement by DFP Finance Branch. They were approved by the LPS Accounting Officer in early October and will now be implemented. This will result in the writing off of a number of small debts, but it was important for LPS to gain approval for these policy changes before implementing them.

A total of £3.1 million of rates were written off by LPS between 1 April and 30 September 2010. The bulk of this amount arises from liquidations and insolvencies. It is not possible easily to distinguish the write offs between prior year and in-year debts, as many of the accounts cover both.

As Committee members will be aware, it is at the point of write off that District Councils take their share of the loss. The write-off is being carefully managed and it is important to note that the Estimated Penny Product for 2010-11 included the assumption of £10 million write off during the year, with an apportionment of that amount between council areas. Actual write offs are monitored by the LPS finance team on an ongoing basis, and variations and concerns are highlighted to individual councils, and through the Penny Product Working Group.

Issue 9 – remaining backlogs

It is important to stress that there will always be rate accounts with prior year debt on them. These include accounts, for instance, where an extended payment arrangement is in place to enable a ratepayer to pay the rates due. Any account which has been passed to the Enforcement of Judgements Office for action will also remain with debt against it, until EJO collects the money or declares it irrecoverable.

Our focus at the moment is on ensuring that all accounts with debt on them are being taken through the collection, recovery and enforcement process, and that any impediments to this (for instance, data that is incorrect; the stopping of bills issuing; or returned mail) are addressed and corrected. We have added some further staff to this work, but are carefully monitoring the effects of staffing levels on all of LPS' business streams, as many of these are statutorily required and/or revenue earning. This is a regular topic of discussion by LPS senior managers, as we aim to maintain an acceptable level of service across all business streams whilst focussing particular efforts on debt recovery activity.

In terms of the backlogs we are currently addressing approximately

- 4,000 accounts with returned mail. This has this week increased by a further 4,000 items on the return of a bag of mail by Royal Mail with items dating back over two years;
- a further 4,000 accounts with Stop All Bills markers that were applied prior to 31 March 2010; and
- 1,500 insolvency cases requiring action.

Our intention is to complete the action on the bulk of the accounts (we are generally prioritising by value, although also by age) by 31 March 2011. Some residual work will continue during the first half of the 2011-12 rating year.

Issue 10 – rate relief take up

As the Committee is aware, LPS has a small benefit take up team which undertakes a wide variety of activity to promote the different benefits and reliefs available. The team has been particularly focusing recently on the benefits and reliefs available to pensioners, and new reliefs (for instance, for energy efficiency measures). We have discussed the issue of rate relief take up with Access 2 Benefits recently, and will engage further with them to determine how we can promote this particular relief in a focused way. Any application for Housing Benefit is already assessed for rate relief on receipt. We need to focus on those falling slightly beyond Housing Benefit eligibility, and encourage them to apply for rate relief. The expected UK reform of benefits will provide further opportunity to highlight Northern Ireland benefits, whilst also raising the risk that communication on NI benefits may become lost amidst the broader UK debate.

Issue 11 – data sharing

LPS is in continuing dialogue with DSD on this complex legal area. The provisions of the Rates (Amendment) Act 2009 allow enhanced data sharing, but only for the purposes of encouraging benefit take up – they do not enable additional data sharing for rate collection purposes.

The situation is not completely parallel with GB, where councils administer both council tax and its related benefits. In Northern Ireland, LPS is responsible for administering rates, but acts on behalf of DSD in administering Housing Benefit. DSD is therefore the data owner of HB data (whereas in GB the council is the data owner). This difference of owners requires a legal gateway to exist to allow the sharing of the data between the benefits and rate collection teams, however odd this may appear to the outside observer.

DSD remains supportive of the sharing of data where this can improve the efficiency and effectiveness of the public service, but rightly points out that the provisions of the Data Protection Act need to be respected. We continue to engage with them, and the Departmental Solicitor's Office, on these issues with the aim of reaching an early resolution. If an administrative resolution is not possible, further legislation will need to be considered, although such legislation will have to be proven to be proportionate and conformant with the Human Rights Act and the Data Protection Act.

Public body debt at 31 March 2010

During the evidence session, members also requested details of those public sector organisations with rate arrears at March 2010. Public Body and Treasury Valuer rate accounts represent approximately £140 million of rates due each year. Land & Property Services has a small Public Bodies Team which works closely with ratepayers to maintain account information, for instance as properties move in and out of occupation and ownership, or properties are altered. These changes occur on a regular basis, meaning that the rates owed also change and amendments have to be made to bills during the rating year. During 2009-10, the LPS team nearly completed a thorough exercise to update all data related to public body and Treasury Valuer accounts. This has proved extremely effective in ensuring early payment of monies in 2010-11. Work remained to complete the cleansing of the most complex public body account at the end of 2009-10.

The cleansing of account information is very important for all accounts, not least for public bodies, as Managing Public Money Northern Ireland requires Accounting Officers to be able to validate all invoices and bills which are passed for payment. The maintenance of up to date information on rate accounts requires continuous effort because of the changes referred to in the previous paragraph. The public body (including Treasury Valuer) debt at 31 March 2010 totalled £4,692,239 and was made up as follows:

Organisation	Debt (£)	Reason
NI Water	1,924,974	Resolution of complex issues regarding rateability and identification of a number of properties. All undisputed properties paid.
Ministry of Defence	837,624	Resolution of legal queries regarding rateability of a number of properties.
Belfast Education & Library Board	439,915	Queries re valuation list entries and additional bill issued late in the year.
Department of Regional Development	249,915	Problems for ratepayer processing payments through shared services centre.
South-east Health & Social Care Trust	187,244	Payment received in late March and processed in early April.
Belfast City Council	171,984	Additional bill issued late in the year.
Northern Health & Social Services Board	138,712	Additional bill issued late in the year.
Homefirst Community Trust	128,173	Additional bill issued late in the year.
Foyle Health & Social Care Trust	96,763	Additional bill issued late in the year.
University of Ulster	70,039	Accounting problems in allocating funds to the account in the LPS rating system.
Education & Skills Authority	59,433	Resolution of billing issues being addressed between LPS and the ratepayer.

Organisation	Debt (£)	Reason
Boundary Commission of NI	58,856	Bill issued late in the year.
Queen's University Belfast	56,388	Additional bill issued late in the year.
Southern Health & Social Services Trust	53,029	Administrative complications in the ratepayer organisation.
NI Fire & Rescue Service	50,422	Additional bill issued late in the year.
Various small debtors	168,768	
Total	4,692,239	

The Committee will wish to note that LPS and the ratepayers were engaging on all matters listed above and that a reasonable and responsible approach was adopted throughout by the ratepayers involved.

Yours sincerely,

Norman Irwin

Implications of CSR for NI

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Mr Shane McAteer
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29 October 2010

Dear Shane

UK Spending Review : Implications for Northern Ireland

To assist the Committee in its consideration of the Chancellor's Spending Review announcement made on 20 October, please note the table which sets out the current and capital DEL allocations to the Northern Ireland Executive.

Table 1 below shows that current expenditure will increase marginally in cash terms over the four year period but in real terms the current budget will be some 8 per cent lower by 2014-15.

Table 1
Northern Ireland Spending Review Settlement (£m)

(note: does not equate to NI departmental spend i.e. excludes rates, borrowing etc)

	£ million				
2010-11	2011-12	2012-13	2013-14	2014-15	
Current DEL (NI Spending Review Settlement)	9,886.7	9,836.7	9,858.9	9,927.1	9,985.4
Real terms % decrease on 2010-11		-2.4%	-4.3%	-6.1%	-8.0%
Real terms £m decrease on 2010-11		-237.9	-447.4	-647.2	-863.7
Capital DEL(NI Spending Review Settlement)	1,222.9	903.4	858.9	780.6	803.8
Real terms % decrease on 2010-11		-27.5%	-32.6%	-40.3%	-40.1%
Real terms £m decrease on 2010-11		-342.7	-415.9	-527.3	-538.2

The constraint on the capital side is, as feared, severe. The capital investment budget will decrease by some 40 per cent in real terms by 2014-15. This means that the Capital DEL will be approximately one third less in that year than the current 2010-11 allocation from HMT. Taking the current and capital position collectively, the settlement means that the Executive will, in cumulative terms, have some £4billion less to spend in real terms over the four year period. Table 1 details how the £4 billon total is determined.

The above figures include Barnett Formula consequentials derived from allocations to the Home Office and Ministry of Justice in Whitehall. It therefore means that the additional resources to be made available for the needs of the DoJ / PPS are included in the above figurework.

Some second-order issues have been addressed in this Spending Review announcement. These issues include:

- The funding package required to resolve the Presbyterian Mutual Society issue have been met by HMT with an increase in RRI borrowing to £375m in 2011-12 and an associated Resource DEL transfer of £25million.
- We understand that HMT will allow the Devolved Administrations to carry their 2010-11 underspends into 2011-12 but the accumulated stock of EYF built up in previous years is lost. In the Northern Ireland case this amounts to some £350million.
- The underspend access next year is predicated on the Executive addressing the £127million pressure (from the June Budget £6billion cut) in full in 2010-11. HM Treasury will seek a final position statement from the Executive by end-December.
- There are a range of other issues such as the welfare reform agenda that officials are seeking clarification on.

The Finance Minister will now use this confirmed Spending Review allocation to seek to advance the preparation of a draft Budget position for consideration by Executive colleagues.

Yours sincerely,

Norman Irwin

£18 billion long-term Investment Strategy

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Mr Shane McAteer
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Stormont Our Ref: CFP79/10

5 November 2010

Dear Shane,

Follow Up to Committee Meeting on 3 November 2010

During the course of the evidence session on 3 November 2010 officials agreed to provide further information on the DFP assessment of the £18 billion long term investment strategy.

The Chancellor of the Exchequer's written statement on 8 May 2007 confirmed "an £18 billion long term investment strategy from 2005 to 2017".

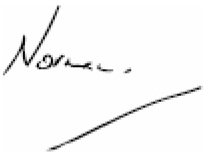
The DFP assessment of planned gross capital expenditure to the end of 2010-11 is £9.1 billion. This figure excludes DOJ who were not part of the original agreement. The Secretary of State for Northern Ireland has quoted a figure of £9.8 billion, unfortunately the NIO has not shared an analysis of this figure with us.

The table attached at Annex A provides a breakdown of the £9.1 billion planned capital investment to the end of 2010-11 and forecasts for 2011-12 to 2014-15 based on the recent Spending Review outcome. Again these figures exclude DOJ on the basis that they were not part of the original agreement.

Based on these figures, planned capital expenditure to the end of 2014-15 is £13.7 billion. This leaves well over £4 billion to be found in the two years following this spending review period.

The inclusion of the DOJ for the period 2011-12 to 2012-15 would increase Capital DEL by £220.3 million and anticipated receipts by £13.8 billion over the Budget 2010 period.

Yours sincerely,



Norman Irwin

Gross Capital Investment - Outturn and Forecast

£million	Final Outturn				Provisional Outturn	Planned - Sept Mon	Total	SR2010 Outcome (exc DOJ)				Total
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2005-2011	2011-12	2012-13	2013-14	2014-15	2005-2015
HMT DEL	848.1	801.7	1,019.8	1,228.6	1,205.2	1,259.1	6,362.5	845.0	804.2	728.7	748.7	9,489.0
RRI Borrowing 1	166.4	206.4	104.6	260.0	246.0	200.0	1,183.4	200.0	200.0	200.0	200.0	1,983.4
Capital Receipts	273.8	384.1	265.8	183.7	221.5	210.2	1,539.1	119.8	111.1	101.7	96.0	1,967.7
CART Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Innovation Funding	0.0	0.0	0.0	0.0	8.0	0.0	8.0	0.0	0.0	0.0	0.0	8.0
ROI Funding A5								14.0	0.0	10.0	250.0	274.0
Gross Capital Expenditure	1,288.3	1,392.2	1,390.2	1,672.3	1,680.6	1,669.4	9,093.0	1,178.7	1,115.4	1,040.3	1,294.6	13,722.0

HR Connect Follow up

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BELFAST 5 November 2010

Dear Shane

The purpose of this minute is to provide the additional information requested by the Committee, following the session held on 20th October 2010 with Enterprise Shared Services on HRConnect and CAL.

Value for money and benefits

A paper setting out the evidence (qualitative and quantitative) of value for money and benefits delivered for each shared service is attached at Annex A.

Projected spend for HRConnect

The contract for HRConnect expires at the end of 2020/21. The total projected cost of the service for the period 2011/12 to 2020/21 is approximately £116 million or an average of £11.6 million per annum. Costs for the recruitment service are based on actual usage and as such an accurate long term forecast is not currently available. In addition, capital costs of £4.5 million are due to be paid on completion of the remaining programme deliverables. No further costs have been identified; however, an Annual Business Plan will be produced each year which will identify any changes or improvements needed, the implementation of which may incur a cost.

Written response to issues raised by NIPSA

The Department's response to the points raised in the submission from NIPSA is attached at Annex B.

Breakdown of reasons for calls to HRConnect

Annex C provides a summary of the reasons for the calls answered by HRConnect over the six month period from April to September 2010.

Gateway review of HRConnect

The next Gateway Review for HRConnect is planned for autumn 2011, following the programme completion and in-house evaluation. The outcome of the Review will be provided to the Committee.

Performance against benchmarks in the full business case

The Full Business case did not include benchmarking information. However, a key benefit of the project was the realisation of savings in the overall cost of HR services. This benefit has been achieved as there has been a reduction in current cash running costs when compared to 05/06 expenditure uplifted to 2009/10 prices. The numbers of staff involved in the delivery of HR Services has reduced from 876 (full-time equivalents) in April 2006 to 389 at March 2010. The programme also sought to achieve an improved ratio of HR to employees. The current measure for 09/10 is 64 employees per HR staff member; which has risen since the FBC figure of 32 employees per HR staff member. Other benefits include:

- Single source of personnel data;
- Integration of personnel records from multiple systems;
- Increased use of electronic data;
- Self service access to HR Handbook and user guides;
- Self service access to HR forms;
- Opportunity to deliver HR messages to all user on the portal;
- Consistent application of HR policy across Departments.

A Saratoga baseline report was developed at the outset of the programme in 2006. The results recorded the benchmark position for the HR service and provided consolidated results across the NICS on a variety of metrics. Now that all the services on HRConnect are in live operation a further Saratoga benchmarking exercise is currently underway; the results of this are scheduled to be available early in 2011. This information can be provided in due course. It is important to note that both Saratoga exercises relate to all NICS HR functions, not just those provided by HRConnect.

Yours sincerely,

Norman

Norman Irwin

Annex A

Value for Money and Benefits Delivered (Qualitative and Quantitative) by each Shared Service

IT Assist

- Since the implementation of IT Assist, the unit cost of ICT provision per person has reduced from £1,572 to £1,200 for a more secure and qualitative service . This cost of £1,200 also compares favourably to the Cabinet Office's Flex contract cost per user of £1,700. The average cost of ICT provision per person for government organisations in GB in 2006 was £2,362.
- The Post Project Evaluation report for the programme was completed in the summer of 2010 and recorded that all targets had been achieved. In addition to efficiency gains, user satisfaction had increased to a figure in excess of 85% against a 50% baseline figure and senior stakeholder satisfaction with the governance of the service had increased from a 64% baseline to 70%+. The October 2010 Stakeholder satisfaction survey recorded 100% stakeholder satisfaction.

Network NI

- A key benefit of the Network NI project is to reduce the cost per megabyte per year from £396 to £218. The cost per megabyte has now reduced to £196, producing a saving of some £7 million;
- A further benefit delivered is a reduction in accreditation costs. Recent figures show that savings are over £220,000 (compared with the target of £128,000);
- Satisfaction with network performance and contract management information has increased to 100% from a baseline of 46%; and
- Satisfaction with the reliability of the network and its capacity to recover from a disaster is 100%.

HRConnect

- A key benefit of the HRConnect project was to realise savings in the overall cost of HR services. This benefit has been achieved as there has been a reduction in current cash running costs when compared to 2005/06 expenditure uplifted to 2009/10 prices;
- The ratio of HR Staff to employees has improved from a baseline of 32 staff per HR staff member to 64 employees per HR staff member; and
- The introduction of HRConnect has created a single source of personnel data, integrating personnel records from multiple systems;
- Staff can now access the HR Handbook and HR forms on line; and
- The application of HR policy is consistent across departments.

Centre for Applied Learning

- The creation in 2006 of the Centre for Applied Learning (CAL), the shared service for training, has resulted in reduced running costs in respect of training provision for the NICS. CAL compares the price of similar courses provided by external training providers, including both the private sector and the National School for Government and, in the majority of cases, CAL's prices are lower. For example, an 'Introduction to Europe' course delivered by CAL (duration - 2 days) at a total cost of £290 was compared with a 'Intensive Introduction to the European Union' course delivered by the National School for Government (duration - 2 days) at a total cost of £895;
- Satisfaction of trainees and HR Directors with the quality of the training provided has improved from 87% to 98%;
- Stakeholder satisfaction with the provision of generic training within NICS has increased from 92% to 100%; and
- Satisfaction with the capacity to support change has been maintained at 100%.
- Account NI
- The introduction of a common chart of accounts facilitates NICS wide reporting on a standardised basis;
- Account NI is now completing bank reconciliations within 7 days of month end, which means that Departments are now consistently able to report from ledgers closed 9 days after month end;
- Account NI is now paying over 80% of supplier payments within 10 days;
- Time to pay expenses has improved, with around 80% of claims now paid within 2 days and the vast majority paid within 8 days;

- Account NI has led to more effective procurement, using purchase orders and catalogues which realise the full value of contracts negotiated with suppliers;
- Account NI has promoted 100% use of BACS for payments of travel and subsistence, which is a faster, more convenient means of payment and greatly reduces the risk of loss or theft; and
- At departmental level, satisfaction with financial information has improved from a baseline of 20% to 45%.
- Records NI
- The benefits of Records NI are all measured and reported on at Departmental level;
- Within DFP, confidence in the records management system has increased from 50% to 75%;
- Within DFP, less time is spent on electronic filing than was previously spent on physical filing;
- Satisfaction that the Department's records management complies with legislative requirements has been maintained at 100%.

Annex B

Departmental View on the Issues Raised by Nipsa

Cost Benefit of HRConnect

1. The change to the full economic costs of the HR Transformation Programme from those quoted in the Outline Business Case (£328 million) to the £465 million figures in the full business case is attributable to an increase in the nature of the services to be provided under the Contract, which were negotiated during the procurement phase, and an increase in the programme period from 10 to 15 years. The £465 million full economic cost set out in the Full Business Case represented, on a per annum basis, better value for money than the full economic costs set out in Outlined Business Case.

2. The overall cost of the programme remains within tolerance of the FBC figure. The overall variance in the Net Present Cost at the 05/06 price base is 4.1%.

What are the Public Sector Costs of Managing this Project and what Funds have not been paid to the Contractor?

3. The HRConnect payroll service for non-industrial staff launched in November 2008. For a short time following the launch of the service, NICS payroll experts worked closely alongside the Shared Service Centre payroll team to support some of the more complex transactions and impart their knowledge of NICS procedures to HRConnect staff; the costs of these posts was covered by the Contractor. It is unclear what NIPSA are referring to by "consistent rescue"; certainly we are not aware of any exercises that could be described in this manner. A key benefit for this project was to realise savings in the overall cost of HR Services. This benefit has been achieved as there has been a reduction in current cash running costs when compared to 2005/2006 expenditure uplifted to 2009/10 prices. This provides the baseline measure for the success and delivery of the benefits of this project. When reference is made to a lack of benchmarking data at the point of procurement this refers to the lack of measures that the then current HR function used to demonstrate its value and performance. The new HR service delivery model has established a baseline and a set of key performance measures and benefits

which enable this type of measurement to take place going forward. In effect this ability to readily measure performance is one of the benefits of the new service delivery model.

4. For the period April to September 2010, just less than 1.2% of the total potential service charge was abated.

Adverse Impact on Efficiency

5. It is important to note that the HRConnect involvement in conducting grievance and disciplinary cases has not been a failure. Indeed NIPSA claim that the employee relations cases are taking longer to conduct than they did prior to HRConnect. There is no clear evidence that employee relations cases are now taking longer than prior to HRConnect as many Departments did not record this data, therefore no comparison can be made. Concerns were expressed by HR Directors about the length of time taken to resolve some cases and consequently a case management review took place. This has identified where delays were taking place and working groups have since been established to improve these processes. NIPSA have been invited to join the working groups and contribute to any improvements in the case management.

Deterioration in Industrial Relations Practice

6. The NICS industrial relations arrangements remain unchanged and continue to be based on the principle of resolving employment related issues at the lowest possible level. The responsibility for HR policy remains a matter for the NICS and all decisions on any policy issue or matter will continue to be taken within the Civil Service and in line with agreed industrial relations arrangements. Clearly HRConnect are obliged to apply agreed NICS policies and procedures in the delivery of their service, including the management of grievance cases.

7. Responsibility for consultation and negotiation on HR policies also rests with the NICS and will continue to operate within the currently agreed industrial relations arrangements. When a new HR policy or process requires the involvement of HRConnect an impact assessment and plan will be developed jointly between HRConnect and the NICS to establish the best approach to implementation using the HRConnect service.

Staff Reaction to HRConnect and the Millward Brown 2009 Research Findings

8. The NICS Staff Attitude Survey and research undertaken by Millward Brown were completed in 2009, less than a year after the launch of the HRConnect payroll service, at a time when the new systems and procedures were still embedding. As reported to the Committee previously, the introduction of a new payroll service for approximately 27,000 staff was a challenging piece of work and unfortunately in the early months the level of payroll accuracy was disappointing. A corresponding high level of complaints was received from staff on a monthly basis during this time, peaking in March 2009 with 1,284 complaints.

9. Improvements have been made to the HRConnect services since the early months of 2009; staff in ESS HR Services worked closely with the Contractor to improve processes and the quality of the services provided to HRConnect customers. Payroll accuracy rose to 99.9% in January 2010 and has been successfully maintained at this level to date.

10. The volume of complaints has decreased dramatically; the most recent monitoring data shows a monthly average of 100 complaints over the last six months. Although the volume of complaints received by HRConnect is only one measure of customer satisfaction the reduction in complaint volumes indicates that the measures put in place to improve customer service are having an impact.

11. The Contractor did not dictate the timetable for delivery of HRConnect. The decision to approve each release of HRConnect was made by the e-HR Programme Board, against agreed success criteria.

12. The two research pieces in 2009 were conducted during the implementation phases and reflected the problems and issues which come with significant transformation change projects. The Customer Satisfaction Survey on the Enterprise Shared Services, including the HRConnect, was commissioned last month and findings from this survey will provide us with a more detailed picture than earlier surveys of what is and isn't working for our customers. ESS will put in place a programme of actions to address the findings of these surveys. It is important that any survey measure is timely and can reflect the significant progress and improvements which have been implemented across a variety of HRConnect Services in the past year. It is also worth noting that at a management level Departmental HR Directors are indicating that the improvements are being reflected in the quality of service they are receiving from HRConnect. Clearly there are some ongoing issues which give rise to dissatisfaction, namely the quality of management information reports available from HRConnect. This issue has been raised with the Contractor and is currently being addressed.

System Inflexibility – Third Party Access

13. NIPSA has advised the Committee that HRConnect have failed to devise a way to facilitate third party access; and that despite an agreement being reached in April 2010 with Corporate HR the new process will not be in place until March 2011. This is correct, the HR Directors decide the priority of all the changes to HRConnect and this change was deemed low priority and as such will be addressed in the last quarter of 2010/11. In the interim, TUS representatives are able to use the generic third party access process which allows a member of staff to nominate any named individual to deal with HRConnect on their behalf.

14. It is worth noting that the high priority Changes scheduled in the period up to December 2010 included implementation of the NICS Equal Pay settlement, implementation of the NICS 2009 Pay Award and the creation of the new Department of Justice. The Third Party Access process for TUS has been scheduled on the plan for delivery in December 2010.

ECJ Judgement (Stringer)

15. NIPSA has stated to the Committee that HRConnect has been unable to adapt its systems to the change required following on from the Stringer Case.

16. A Change Proposal to implement a solution in HRConnect to the outcome of the House of Lords decision following the ECJ Judgement in the Stringer Case was submitted to the Contractor in September 2009.

17. Initial meetings were held with the Contractor in November 2009 and December 2009 to discuss the implications for process of the ECJ ruling that annual leave could accrue and be taken during a period of sickness absence. It was agreed at these meetings that an interim solution would be designed to enable the NICS to meet its legal obligations and employees to avail of the rights conferred to them under the Judgement, until such time as the affected NICS policies and processes could be amended.

18. Due to the complexity of the changes to process required, which need to address both current employees and former employees who left the NICS after January 2009, from which date the judgement is effective, discussions with the Contractor on possible solutions and processes have continued since March 2010. Corporate HR has been actively engaged in these discussions

to clarify the requirement and assist in developing the solution. Although there has been a delay in agreeing the final solution the collaboration between CHR and the Contractor has enabled the development of a more robust and future proofed approach.

19. Discussions are continuing on final points of clarification and the Authority is confident the Contractor will deliver the required solution by January 2011.

Management Information

20. NIPSA has advised the Committee that HRConnect is not able to meet the requirement of swift provision of management information.

21. There is currently a wide range of management information available through HRConnect to Departmental HR, Corporate HR and Line Management. Significant efforts have been made over the last year to improve and further enhance the information that is now available and will be available to all key stakeholders. In addition to revising some of the key management reports in relation to workforce planning and absence, there is also the facility for Departments and other participant organisations, to request specific management information directly from HRConnect.

22. Furthermore, Departments now also have a facility to design and develop their own reports in-house. As part of the completion of the eHR Programme, further management reports on training, development and performance are scheduled for release within the next month.

'Belief that HRConnect should be reappraised and HR functions returned to NICS Personnel'

23. HRConnect does not require a fundamental reappraisal. The objectives of the NICS eHR Transformation Programme aimed to reduce the overall cost of HR services, eradicate in-built inefficiencies and effect a cultural change in working behaviours.

24. Since the introduction of the HRConnect services, there has been a reduction in the overall cost of HR services, and the ratio of HR staff to employees has improved significantly. No evidence exists to substantiate the claim by NIPSA that HRConnect services are costly and inefficient.

25. In addition HRConnect has introduced a contemporary way of working for staff across NICS, including self-service access to the HR Handbook and User Guides and news on the latest HR developments, and access for Departmental HR to a single source of HR data.

26. The Contract is for a 15 year period up until 2021; any withdrawal on behalf of the Authority would result in substantial financial penalties. The HRConnect services and contractual obligations are being met in line with the agreed service levels.

Annex C

Breakdown of Reasons for Calls to HRConnect

April - September 2010 Total Cumulative Breakdown

	Number of Calls	% of Total Calls	Area of Concerning calls	% of Area Concerning calls
			Pay related	23
			Data Changes	14
			HR	9
			Resourcing	6
			Learning & Development	3
			Performance Management	14
			HR absence	15
NICS Calls	59179	86	Other e.g password resets	16
			Pay related	26
			Data Changes	18
			HR	33
			Learning & Development	2
			Resourcing	5
NIO Calls	4286	6	Other e.g password resets	17
External Recruitment	5632	8		
Total	69097	100		

The calls from the Department of Justice are reflected under NIO calls in these statistics; calls from NIO were recorded separately as they are on a more secure network. There are slight differences to the categories recorded between NICS and NIO - Performance Management and HR absence are recorded in the 'HR' category for the NIO calls. This difference reflects a request by NICS HR Directors for a further breakdown of calls.

Account NI and Prompt Payment of Invoices

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont Our Ref: CFP 75/10 and CFP 76/10

5 November 2010

Dear Shane,

The purpose of this minute is to provide the additional information requested by the Committee, following the session held on 20th October 2010 with Enterprise Shared Services on Account NI and the payment of invoices within 10 days. Annex A provides responses to the questions in your letter of 22nd October, while Annex B provides the information requested by Members during the session.

Yours sincerely,

Norman Irwin

Annex A

Ability to meet 10-day prompt payment target

1. DFP officials have previously advised members that the 10-day prompt payment target was introduced during the roll-out of Account NI which was established to meet the standard 30-day payment target.

What flexibility was built in when designing the system to allow for changes to the payment cycle period?

Account NI was designed to support the application of payment terms, normally 30 days except where otherwise agreed in a contract. This was to ensure that payment was issued within terms as opposed to immediately on approval. The design was completed before the implementation of the prompt payment target. In order to support the 10 day target, Account NI temporarily suspended application of payment terms so that when invoices are otherwise checked and approved for payment, they are released immediately.

To what extent was Account NI a tailored/bespoke system for NICS?

Account NI is based on proprietary accounting software (Oracle Financials) which has been configured to reflect the structure and operating model pertaining to Northern Ireland Government Departments and Agencies.

What could be done to provide the necessary flexibility to achieve the 10-day prompt payment target, and at what cost?

The target cannot be achieved by Account NI alone even with maximum investment since suppliers and Departments also have a role. The system has been designed to underpin good financial management in the NICS and to amend the system to simply expedite payments would be a retrograde step strategically.

Performance against other jurisdictions

2. In the information provided to the Committee by a member of the public, Mr Ian Houston, both the GB Department for Business, Innovation and Skills and the Scottish Government are consistently paying invoices within the 10-day prompt payment period. What lessons were drawn from other jurisdictions in the design and implementation of Account NI here?

Account NI makes every attempt to learn from others as far as possible, but the numerous factors involved render direct comparisons of limited value. ESS participates in a pan government

Shared Services group and we are also currently undertaking a service review which will include an element of benchmarking against best practice.

3. The Department for Business, Innovation and Skills has been paying more than 90% of invoices within 5 days since May 2010. Is any consideration being given to the introduction of such a target to NI Departments?

DFP is aware that Whitehall departments have introduced a 5 day prompt payment target. The current Account NI procedure is to release payments as soon as invoices are approved therefore with minimal delay. The matter remains under consideration, but given the current economic position and the costs associated with operating accelerated payment processes for both Account NI and departments, DFP considers that the accurate and prompt payment of all suppliers within 10 days of receipt of an agreed invoice remains a reasonable target.

Department of Justice

6. The Department of Justice does not yet feature on the Account NI Prompt Payment Statistics reports. However information provided by Mr Houston shows that current performance of DoJ significantly exceeds that for the rest of NICS. Are there plans to migrate DoJ to the Account NI system and what might the implications be for its ability to meet its prompt payment targets?

Account NI is currently in discussion with DOJ in relation to its potential migration. Account NI would offer the same service as is provided to other Departments and it is likely therefore that a similar level of performance would be achieved.

Departmental Performance to date on 10-day prompt payment target

7. The background paper provided by Enterprise Shared Services officials in advance of this session states that "one of the challenges has been to get buy-in from Departments to the concepts of self-service, commonality and shared ownership against a legacy of autonomy and control offered by Departmental systems". Are there any actions which Assembly committees could take to encourage buy-in from Departments?

Assembly committees could encourage Departments to make optimum use of the system, for example, by introducing group and quarterly billing to reduce the overall volume of invoices, by maximising the use of the Purchase Order system and ensuring that goods receipts notes and workflow notifications are actioned on a timely basis.

8. Performance across all NICS departments dipped significantly in July but also rose significantly by September 2010. What are the reasons for the dip in performance and the improved performance in latter part of the last quarter?

Prompt payment performance continues to be a multi-faceted and combined effort between Account NI, Departments and suppliers and will be impacted by resource availability, seasonal variation and other factors across this spectrum.

For Account NI's part, in the early part of the financial year there was a concentration on quality, investment in training and optimisation undertaken within the scanning solution. These steps have may have contributed to a short term dip in performance, but the investment has clearly paid longer term dividends.

9. Are there are any specific reasons for the poor performance of the Department of Health, Social Services and Public Safety in meeting the 10-day prompt payment target?

Account NI is not aware of any specific reason - this is primarily a question for the Department, though it should be noted that the volume and profile of payments varies considerably from one department to another and from one period to another.

10. Correspondence between Mr Houston and John Crosby of Account NI states that the estimated additional investment in Account NI since the introduction of the 10-day prompt payment target in November 2008 is £900k.

- What has been the return on this investment;

This investment has contributed to the significant improvement in performance, which is currently at 82% against 57% in the last financial year

- Is this level of extra investment sustainable?

This will depend on budgetary factors and competing priorities going forward.

11. During recent evidence from the Construction Employers Federation the Committee heard that the real problems with late payments lie with arms-length bodies.

Is there separate data available on the payment performance of arms-length bodies?

Data for those arms length bodies on Account NI is provided at Annex B. The Committee should note that arms-length body transactions are included in the relevant Departmental figures already supplied.

Do all departmental arms-length bodies process their invoices through Account NI? If not, what plans are there to bring arms-length bodies under the auspices of Account NI?

Account NI provides accounting services to Rivers Agency, Forest Service, Agri-Food and Biosciences Institute, NI Environment Agency, Planning Service, Land and Property Services Agency, NISRA, Roads Service and Social Security Agency.

The Driver & Vehicle Agency are in the process of migration to Account NI. Other arms-length bodies will be considered where the solution is deemed appropriate for their needs and migration is viable.

Late Payment Legislation

12. According to information provided by Mr Houston, Departments are only paying 93% of invoices within the statutory 30-day period required under the Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment

of Commercial Debts Regulations 2002. Why is this the case and has any action been taken by contractors in this regard?

The time taken to process any invoice is dependent on a number of factors across the supplier, Department and Account NI spectrum. These include the quality and accuracy of invoices submitted against good and services delivered, volumes of activity and resources available to check and approve.

Please see Annex B for details of action taken by contractors.

Payment of Sub-contractors

13. Previously DFP officials have advised that a "Fair Payment Charter" has been introduced to ensure that sub-contractors are paid in a timely manner. Has any preliminary assessment of the implementation of the Charter been undertaken in the six months since its introduction? If not, when is it intended that an assessment will be undertaken?

The CIFNI Procurement Task Group agreed that the 'Fair Payment Charter' should be included in new construction contracts tendered after the 1 March 2010. Given the period required for tender submission, evaluation and award it is only in recent weeks that contracts, include the Fair Payment Charter have been put in place and there would be insufficient evidence available to evaluate its impact at present.

On this basis it is proposed that the CIFNI Sustainability Task Group, which is chaired by CPD and draws its representation from Centres of Procurement Expertise and the Construction Industry Group for NI, will undertake a review of the effectiveness of the 'Fair Payment Charter' commencing in March 2011.

Annex B

Figures on prompt payment for arms length bodies and public bodies which use Account NI

The figures for September 2010 are as follows:

Organisation	No of Invoices Paid	Total Amount	No of Invoices Paid Within 10 working days	Amount Paid Within 10 working days	No of Invoices Not Paid Within 10 working days	% of Invoices Paid Within 10 working days
Northern Ireland Statistical Research Agency	219	£ 274,556.82	202	£ 271,978.44	17	92.24%
Land & Property Services	469	£ 1,011,248.79	382	£ 828,670.41	87	81.45%
DSD - SSA	1,047	£1,009,944.81	892	£933,082.36	155	85.20%
Forest Service	383	£ 235,446.92	302	£ 178,114.66	81	78.85%
Rivers Agency	657	£ 352,688.38	509	£ 274,722.35	148	77.47%
AFBI (Core)	1,232	£ 4,559,964.44	1,094	£ 993,864.77	138	88.80%
Northern Ireland Environment Agency	1,344	£ 1,578,431.55	736	£ 843,919.71	608	54.76%
Planning	418	£ 409,117.26	349	£ 240,140.34	69	83.49%
Roads Service	2,765	£ 19,835,935.67	2,294	£ 16,711,427.58	471	82.97%

Details of action taken by contractors in respect of payments not being made within the statutory 30 day period and the cost of any interest charged

Information provided within departmental resource accounts from 2007/08 to 2009/10 show the following

- Out of the 10 departments who responded, 7 had paid late payment interest charges over the last three years.
- In most cases the number of instances of late payment charges have decreased. In 2007/08, there were 94 instances of late payment charges. This dropped to 73 in 2008/09 and 64 in 2009/10.
- Although some payments were made by core departments, the majority of late payment charges were made by Arms Length Bodies where the HSC boards contributed to 47% of these charges ie 108 out of the 231 instances. Other ALBs impacted were AFBI, Education and Library boards, Health trusts and NI Water (31%).
- The total late payment charges incurred by the departments over the three years is approximately £67k, where 60% was paid by DRD to small and medium building contractors in 2009/10.

Type and size of suppliers who pursue late payment interest.

- Late payment interest was pursued mostly by large suppliers, however some claims were received from medium and small sized suppliers.
- The large suppliers were in the banking and telecommunications sector while the medium and small sized suppliers were building contractors, recruitment consultants, medical and educational equipment suppliers.

CPD advice/requirements for payment of sub-contractors within large public contracts.

- The NEC3 form of contract, adopted by Central Procurement Directorate (CPD) for all construction works and services contracts, complies fully with the 'Achieving Excellence in Construction' principles of collaboration, partnership and team working. It requires the main contractor to use NEC3 subcontracts, with terms that are consistent with the main contract, or to seek the prior approval of the Project Manager if other forms of subcontract are proposed.
- Government construction contract conditions generally require payment within 30 days of receipt of a valid invoice. Accordingly, the main contractor is required to pay subcontractors within 30 days.
- The Construction Industry Forum for NI (CIFNI) Procurement Task Group has agreed a number of measures specifically aimed at improving payment progress to subcontractors.
- These conditions have been included in new construction works contracts tendered after 1 March 2010 by Government Construction Clients, and require:-

(a) the main contractor to comply with a revised 'Code of Practice for Government Construction Clients and their Supply Chains' which includes a 'Fair Payment Charter';

(b) payment to subcontractors to be a standing item on the agenda at project meetings;

(c) the main contractor to provide a report to the Project Manager on payments made to subcontractors at each project meeting; and

(d) the Project Manager to carry out periodic checks with subcontractors on the payment performance of the main contractor.

- Under the 'Fair Payment Charter' the construction client, main contractor and subcontractors commit to working with each other in a spirit of mutual trust and respect. Each of the parties must acknowledge that companies have the right to receive correct full payment as and when due and agree that deliberate late payment, or unjustifiable withholding of payment, is ethically unacceptable.
- Subcontractors often feel that if they complain about poor payment practices by main contractors they will not be invited to bid for subcontract opportunities in the future. By requiring contractors to sign up to the 'Fair Payment Charter' and by requiring the client's Project Manager to proactively monitor payment progress to subcontractors, poor payment practices will be highlighted as a matter of routine contract management. This will mean that subcontractors will not need to be exposed to the stigma associated with having to complain about the main contractor.
- If contractors don't pay their subcontractors within 30 days, they will be in breach of contract and the subcontractor will be able to claim interest for the length of time that invoices are unpaid beyond the contractually agreed period.
- For non-construction contracts CPD includes a standard clause within its contracts that all sums due will be paid to the contractor within 30 days of receipt of a valid invoice. There is a further obligation set out in the Terms & Conditions of contract for the contractor to ensure that provision is included in any subcontracts for payment to be made within a specified period not exceeding 30 days from the receipt of a valid invoice.
- CPD also promotes the use of Government Procurement Card (GPC) for all suitable contracts, including the recent contract for NICS Travel. The use of the GPC ensures that suppliers are paid (subject to a small administrative bank charge) within a period of approximately 4 days. This substantially improves the cash flow to the participating supply base.

Consideration of scope for increased use of contractual requirements with regard to the payment of sub-contractors.

- Government is committed to paying undisputed invoices within 10 days. However, this is not a contractually binding requirement and it would therefore not be appropriate to extend it into subcontract conditions.
- If payment within 10 days was made contractually binding, this would, in the event of late payment, provide subcontractors with the right to suspend work on site. This would be detrimental to the delivery of projects and lead to further disputes.
- Construction contract conditions typically require Government to make payment within 30 days of receipt of a valid invoice. Accordingly, the contract conditions require the main contractor to pay subcontractors within 30 days. In the event of late payment, subcontractors have the right to suspend work on site and seek full legal recourse against the firm concerned including interest on outstanding monies.
- As there is already a contractual requirement on main contractors to pay subcontractors within an agreed period it is unlikely that any further contractual provisions would make a significant difference to payment practices.

- It is anticipated that the 'Fair Payment Charter', supported by the reporting of payment progress at project meetings and periodic monitoring by the clients project manager, will drive change in payment practices in government contracts.
- The proposed amendments to the Construction Contracts (Northern Ireland) Order as set out in the current Construction Contracts (Amendments) Bill are also aimed at improving payment practices in the wider construction industry by:

a) Removing the requirement for contracts to be in writing for the Construction Contracts Order to apply;

b) Prohibiting agreements that interim or stage payments decisions will be conclusive; and

c) Introducing a statutory framework for the costs of adjudication.

Finance Minister Response Budget Timetable

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Your reference:
Our reference: COR/942/2010

Jennifer McCann MLA
Chairperson
Committee for Finance and Personnel
Room 419
Parliament Buildings

10 November 2010

Dear Jennifer

Thank you for your letter of 5 November on the timetable for the Budget 2010 process.

I agree that proper Assembly Committee consultation and scrutiny of the Executive's Budget proposals is critically important. In fact this was acknowledged in my department's Budget guidance, which highlighted the need for Assembly Committee consultation on departmental budget proposals and savings plans.

Unfortunately I have grave concerns about the Executive's commitment to delivering a draft budget in a timely fashion. In my original timetable presented to the Executive many months ago, the draft Budget would have already been agreed and published for consultation. (I attach this timetable for information). The delay and prevarication on the part of some ministers will have significant, detrimental impacts on the efficient delivery of public services in 2011-12. Departments and their related arms length bodies such as Boards and Trusts need adequate time to plan and allocate budgets for the coming years. Not having a final budget in place by February 2011 will create uncertainty and instability in public bodies. It will also make it considerably more difficult to optimise the allocation of public expenditure in a manner that ensures that any negative impacts on frontline services are minimised.

I would ask you and your Committee to acknowledge the urgent need to make progress on the publication of a draft budget paper.

Yours sincerely

Sammy Wilson

SAMMY WILSON MP MLA
MINISTER FOR FINANCE AND PERSONNEL

Finance Minister Response Budget Timetable

Outline Timetable for Budget 2010 Process

Activity	Timing
Departments to begin work on plans to deliver savings	April 2010
Guidance issued to departments in respect of Budget 2010 process	mid June
Guidance issued to departments in respect of Savings Delivery Plans	end June

Activity	Timing
Pre-Consultation exercise with key stakeholders.	July- early August
Budget 2010 departmental returns sent to DFP – Departments proposed spending plans including linkages to Programme for Government.	End July
Ministerial bi-laterals	August – early September
Draft proposals to Executive for consideration	September
2010 Spending Review outcome announced by HMT	20 October
Draft Budget published for consultation as well as Savings Delivery Plans.	End October
Public Consultation Process on the draft Budget.	End October to early December
Revised Budget proposals to Finance Minister for consideration	Early December
Revised Budget proposals to the Executive for consideration	Mid December
Final Budget document published	Late December

Progress Against PSA and Business Plan 2010-11 Targets

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont 10 November 2010

Dear Shane

DFP Performance Against PSA and Business Plan Targets 2010/11

The purpose of this paper is to provide the Committee with an update on the Department's performance against 2010/11 PSA and business plan targets for the period to 30 September 2010.

PSA Targets

DFP was originally responsible for 22 PSA targets within the Programme for Government 2008-11, contained within:

- PSA 20 Improving Public Services;

- PSA 11 Driving Investment and Sustainable Development; and
- PSA 21 Enabling Efficient Government.

Of the 22 targets, 15 have now been completed and no further reporting of these targets is necessary.

Of the remaining 7 targets, 5 are reported as "Green", 1 as "Amber-Green" and 1 as "Amber" for the period to 30 September 2010.

The "Amber" target PSA 20 4.2 relates to the further roll-out of the NI Direct single telephone number point of contact to all remaining NICS Departments and Agencies on a phased basis from October 2009 onwards.

Preparations for launch of NI Direct's Top Level Services (TLS) project and the establishment of a smarter functional directory are progressing well. TLS (information) services are being refined, scripting is being updated and departmental back office processes are being realigned. Good progress has been made around number rationalisation. Rollout is now scheduled to go live in January 2011, but can only take place if funding is secured as part of Budget 2010, hence the amber status. The supporting Business Case is being progressed.

Performance against all PSA targets is included at Annex A.

Departmental Business Plan Targets

In addition to the PSA targets, the Department has 24 business plan targets contained within the DFP Operational Plan for 2010/11.

The status of these is reported as follows:

Status	Number
Green	16
Amber-Green	3
Amber	5
Red	0

The details of the targets that are reported as 'Amber' are as follows:

Targets R3.1 and R3.2

These targets relate to achieving sick absence targets across the NICS and within DFP.

Sick absence targets have not yet been agreed. NISRA end of year headline figures for 2009/10 are expected shortly. The 2010/11 targets will be determined following publication of the 2009/10 sickness absence figures.

Target R4.5

To make all the necessary preparations for, and to carry out on 27 March 2011, the 2011 Census in Northern Ireland in accordance with the provisions of the prevailing secondary legislation.

The Census Order was approved by the Assembly (1st June) and the Census Regulations have also been laid, and came into effect on 26 July. Census funding is being taken forward as part of the in-year monitoring process and contingency plans are being developed to contain this inescapable commitment.

Target R5.2

To deliver the agreed Land and Property Services (LPS) Action Plan 2010-2011.

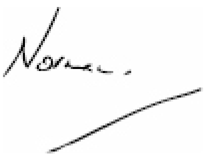
Good progress continues to be made with ninety-five (95) of the one hundred and forty seven (147) actions completed to date. The second Accountability Checkpoint update report was before the Assembly Committee on 13 October 2010. Governance structures are in place to monitor progress against the LPS Action Plan.

Target IP2.2

Avoid overspend and ensure less than 1.5% underspend compared to final plan.

Financial papers have been presented to the Departmental Board on a monthly basis for discussion. Additional funding was secured at June Monitoring for key priorities including accommodation, LPS and the 2011 Census. Unmet bids at September Monitoring included the Census (£1.3m) and rates relief for District Councils (£0.6m). Contingency plans are being developed to determine how best these inescapable commitments can be met as part of December Monitoring.

Performance against all Departmental targets is included at Annex B.



Norman Irwin

Annex A

PSA Targets

Green	Amber-Green	Amber	Red
5	1	1	

DFP – PSA Target Status Report

Target Number	PSA Targets	Comments	Status	Owner
PSA 21 2.1	To deliver the Centre for Applied Learning (CAL) Business Plan as agreed	The CAL Strategy Board was closed in February 2010 and CAL is now managed under ESS governance arrangements.	Green	Paul Wickens

Target Number	PSA Targets	Comments	Status	Owner
	with the Centre for Applied Learning Strategy Board.	Good progress is being made on the objectives contained within the CAL Business Plan. CAL is continuing to build the capacity of the NI Civil Service to deliver the Government's priorities through the delivery of a number of key programmes including, the Certificate in Public Policy Making and the Strategic Leadership programmes. CAL has also redesigned the suite of equality programmes to take account of the review of Section 75 of the Northern Ireland Act. Diversity Programmes continue to be delivered.		
PSA 21 2.2	By April each year, to identify priorities for the commissioning of training from the Centre of Applied Learning, in line with the NICS business needs.	Heads of Profession and Departments were consulted regarding priorities for 2010/11 and the proposals were presented to HR Directors and Heads of Profession mid March 2010. The priorities have now been accepted by Departments and the appropriate training is being implemented. The exercise to identify priorities for 2011/12 will commence at the end of 2010.	Green	Derek Baker
PSA 21 2.3	The NICS is more reflective of the diversity of Northern Ireland's society by 2011. (Target is to be achieved over the Comprehensive Spending Review (CSR) period.)	The last Statutory Review of Fair Participation in the NICS (June 2009) concluded that there is now fair participation of Protestants and Roman Catholics in the Senior Civil Service. The report on Equality Statistics for the NICS published by Northern Ireland Statistics and Research Agency (NISRA) on 15 June 2010 highlighted the significant increases in both female and Roman Catholic representation at various management levels over the past decade. There is still an underrepresentation of Protestants in the administrative and junior management grades. Work has begun on the next Article 55 Review which is likely to be published early in 2011. The current embargo on recruitment (to be reviewed in April 2011) will curtail our ability to further effect change at this level in the short to medium term. The proportion of NICS staff who have declared a disability is slightly higher than the estimated proportion of the economically active population who have a disability.	Green	Derek Baker

Target Number	PSA Targets	Comments	Status	Owner
PSA 21 3.1	Public spending delivers value for money and is accountable in line with the priorities set by the Executive in the Priorities and Budget.	The revised 2010-11 Spending Plans for NI Departments were agreed by the Executive and approved by the Assembly in April 2010. Throughout 2010-11 the level of resources available for allocation by the Executive will continue to be reviewed as part of the in year monitoring process which is informed by Department's Forecast Outturn returns in respect of projected expenditure for the financial year.	Green	Richard Pengelly
PSA 21 3.2	Deliver 3% per annum efficiency savings on departments' budget and using the Performance Efficiency Delivery Unit (PEDU) seek to drive higher levels of performance and efficiency.	The Executive has incorporated 3% efficiency savings into departmental budgets for 2008-09 to 2010-11 as part of the Budget 2008-11 process. The next round of monitoring covering the achievement of the 3% target by NI departments to the end of September 2010 has been commissioned. A report to the end of September 2009 has been agreed by the Executive, with the report to the end of 2009-10 due to issue shortly. The outcome of June Monitoring, agreed by the Executive, included an initiative for PEDU led efficiency reviews in DHSSPS and DE. In relation to Programme for Government Monitoring, the End Year Delivery Report 2009/10 has been prepared for OFMDFM. An Interim Delivery Report for Q1 2010-11 has also been prepared for OFMDFM. Q2 Monitoring is currently underway. The PEDU team prepare and refine the quarterly monitoring templates, organise and participate in the central assessment exercise and draft the delivery reports for OFMDFM to send to the Executive. In addition, PEDU continue to manage the preparations for the Accountability Meeting / Performance Review process.	Amber-Green	Richard Pengelly
PSA 20 4.2	Roll-out of the single telephone number point of contact to all remaining NICS Departments and Agencies on a phased basis from October 2009 onwards.	Preparations for launch of NI Direct's Top Level Services (TLS) information services and the establishment of a smarter functional directory are progressing well. TLS (information) services are being refined, scripting is being updated and departmental back office processes are being realigned. Good progress has been made around number rationalisation. Rollout is now scheduled to go live in January 2011, but can only take place if funding is secured as part of Budget	Amber	Tom Kennedy

Target Number	PSA Targets	Comments	Status	Owner
		2010. The supporting Business Case is being progressed.		
PSA 20 4.3	Deal effectively with at least 50% of enquiries received through the single telephone number at first point of contact. (Target is to be achieved over the Comprehensive Spending Review (CSR) period.)	A review of the current classification of contact procedures has been completed and this has identified a number of anomalies which have been corrected. The figure for the September quarter is 51%.	Green	Tom Kennedy

Annex B

Departmental Targets

Green	Amber-Green	Amber	Red
16	3		5

DFP - Corporate Departmental Target Status Report

Business Results

Target Number	Departmental Targets	Comments	Status	Owner
R1.1	Deliver the Enterprise Shared Services (ESS) Business Plan as agreed with the Shared Services Strategy Board by 31 March 2011.	The ESS Business Plan is monitored regularly by the Executive Board and is currently on target to deliver its objectives. Achievements to date include: All governance arrangements are now in place to manage the Directorate. Account NI has obtained audit assurances across all services and is consistently delivering across KPIs within its control, with Departments now achieving 82% against the target to pay 90% of valid invoices within 10 days (compared to last year's average of 57%). Customer satisfaction with the services of IT Assist has been consistently in excess of 90% throughout the year. HR Connect is consistently meeting 52 out of 55 service levels and the project work to complete the residual	Green	Paul Wickens

Target Number	Departmental Targets	Comments	Status	Owner
		implementation issues is on target for completion by March 2011.		
R2.1	NI Executive block expenditure for 2010-11 to be contained with HM Treasury control totals, with overall underspend to be within acceptable tolerance, as reflected in the 2010-11 Provisional Outturn position, as of June 2011.	Level of resources overcommitted/available for allocation by the Executive is regularly reviewed as part of the In Year Monitoring process which is informed by departments Forecast Outturn returns in respect of projected expenditure for financial year.	Green	Richard Pengelly
R2.2	95% of public procurement spend influenced by Centre of Procurement Expertise (CoPE) by 31 March 2011.	This target has been achieved on an overall basis. A total of 98% of dept. procurement spend (£2.259bn) in 09/10, was subject to professional procurement influence. An increase of 2% on the 08/09 figure. Nine of the 11 Departments report they have either met or exceeded the target. The others have put actions in place to reduce their non-CoPE spend to achieve the target by 31 March 2011. The 2010-11 Departmental Procurement Expenditure survey will commence in June 2011 and reported to Procurement Board November 2011.	Green	Des Armstrong
R2.3	In response to Committee for Finance and Personnel Procurement Inquiry recommendations, to produce an action plan for endorsement by Procurement Board by 17 June 2010.	Action Plan for implementation of CFP recommendations developed and presented to the Procurement Board on 17 June. Action Plan was endorsed by the Board - Target achieved.	Green COMPLETE	Des Armstrong
R2.4	To commence action plan implementation and deliver progress report to Procurement Board by 30 November 2010.	The Action Plan was endorsed by the Procurement Board on 17 June 2010 and welcomed by the Committee at the Briefing Session on 30 June 2010. Work on the plan is being taken forward by 7 Central Procurement Directorate (CPD) led worksteams. Centres of Procurement Expertise have also been involved in progressing a number of the actions. A progress report will be provided to the Procurement Board at its meeting on 11 November 2010, this report	Green	Des Armstrong

Target Number	Departmental Targets	Comments	Status	Owner
		will focus on those actions which have a target date of November 2010.		
R3.1	Support Departments to achieve overall NICS sickness absence targets as agreed by Ministers by 31 March 2011.	NISRA's end of year headline figures for 2009/10 are expected shortly. The 2010/11 targets will be determined following publication of the 2009/10 sickness absence figures.	Amber	Derek Baker
R3.2	Achieve DFP sickness absence target as agreed by Minister by 31 March 2011.	There is no target yet set for 2010/11. However, there has been a further reduction in DFP sick absence with the rate for the first 6 months of 2010/11 at 4.0%, a further reduction compared to last year's average of 4.4%.	Amber	Gerry Cosgrave
R3.3	Support the Executive in developing pay strategies for NICS staff by 31 March 2011.	Negotiations for 2010/11 pay awards have yet to formally commence. Advice is awaited from Senior Counsel regarding the impact of the Government's announcement of a public sector pay freeze as part of the Emergency Budget. The Senior Salaries Review Body submitted its report on the review of Senior Civil Service pay in the NICS in late July. The Minister has invited views from the Committee for Finance and Personnel on this report in advance of any consideration of the 2010 SCS pay award.	Amber-Green	Derek Baker
R3.4	Implement actions in the NICS People Strategy 2009/13 in line with agreed HR Annual Business Plan for 2010-11.	Actions are under way to deliver the HR Annual Business Plan for 2010/11, the objectives of which have been assigned to named individuals. Delivery of the plan is monitored on a quarterly basis by HR Directors' Group and progress reports are provided to the PSG Sub-Group on People Issues and the Strategic Partnership Board on a regular basis.	Green	Derek Baker
R4.1	To promote confidence in official statistics by ensuring that all reported breaches of the Code of Practice are investigated and action taken, as far as possible, to prevent a recurrence.	To date there have been no reported breaches of the Code. Northern Ireland Statistics and Research Agency (NISRA) continues to roll out advice and guidance on the Code of Practice and its implementation. Two liaison meetings have taken place with the	Green	Norman Caven

Target Number	Departmental Targets	Comments	Status	Owner
		UK Statistics Authority (May and September) and a Senior Statistician seminar was held on 28th June to discuss specific aspects of the Code-related developments in detail. A further meeting with representatives from the National Statistician's Office is scheduled for October, followed by a meeting with Senior Statisticians to continue to disseminate guidance and take forward any relevant issues regarding Code compliance.		
R4.2	To achieve National Statistics designation/re-designation for all products assessed by the UK Statistics Authority for compliance with the Code of Practice for Official Statistics, where an assessments outcome is declared within the year.	The UK Statistics Authority has confirmed that (a)NI Looked After Children statistics and (b) Labour market Statistics have been designated National Statistics. NISRA continues to provide support to branches undergoing assessment and those implementing Assessment recommendations and requirements.	Amber-Green	Norman Caven
R4.3	To achieve no less than 96% of customers (who respond to the customer satisfaction survey) rating NISRA's services and products as satisfactory or better, of which 75% overall are 'very satisfied'.	As NISRA's next Customer Satisfaction Survey will not be carried out until the beginning of 2011, there is no information available at present to suggest that the overall target of 96% of customers being satisfied (with services and products) will not be met. The additional sub target in relation to 75% of customers being 'very satisfied' is more unpredictable.	Amber-Green	Norman Caven
R4.4	To complete the scanning and data capture of all birth and death registration records from 1864 to 2004.	The scanning and data capture of all birth and death registration records from 1864 to 1973 was completed by August 2010 and around 80% of the marriage records from 1845 to 2004 have been completed to date.	Green	Norman Caven
R4.5	To make all the necessary preparations for, and to carry out on 27 March 2011, the 2011 Census in Northern Ireland in accordance with the provisions of the prevailing secondary legislation.	The Census Order was approved by the Assembly (1st June) and the Census Regulations have also been laid, and came into effect on 26 July. Census funding is being taken forward as part of the in-year monitoring process and contingency plans are being	Amber	Norman Caven

Target Number	Departmental Targets	Comments	Status	Owner
		developed to contain this inescapable commitment.		
R5.1.1	To maximise the collectable rates that are collected or discharged by 31 March 2011 and administer rating reliefs accurately and promptly - To collect 95.5% of the net collectable rates (i.e. after reliefs and discharges and based on assessments issued at end April 2010).	Rate Collection is ahead of target with 65.3% of the 95.5% having been collected at 30 September 2010. This represents a cash total of £647m	Green	John Wilkinson
R5.1.2	To maximise the collectable rates that are collected or discharged by 31 March 2011 and administer rating reliefs accurately and promptly - To secure or action through the court process 75% of the ratepayer debt existing at the start of the financial year.	The outstanding debt at the start of 2010/11 has been reduced to £106m from £157m. LPS is 2% ahead of the target to secure or action debt at 54%. LPS is implementing the debt recovery plan and is, to date, on track to achieve its target.	Green	John Wilkinson
R5.2	To deliver the agreed Land and Property Services (LPS) Action Plan 2010-2011.	Good progress continues to be made with ninety-five (95) of the one hundred and forty seven (147) Actions completed to date. The second Accountability Checkpoint update report was before the Assembly Committee on 13 October 2010. Governance structures are in place to monitor progress against the LPS Action Plan.	Amber	John Wilkinson

DFP - Corporate Departmental Target Status Report

Customer

Target Number	Departmental Targets	Comments	Status	Owner
C1.3	Reduce barriers to citizen access to online public services through delivery of a Digital Inclusion programme by 31 October 2010.	1. Silver Surfer event held in May 2010. 2. NISRA Omnibus Survey completed in May 2010 showing improved level of digital inclusion. 3. NI Digital Inclusion Strategy to be completed by 31 October 2010. 4. Public Access Kiosks being updated to include NI Direct with a revised completion date of 31 October 2010. 5. British/Irish Council to discuss progress at meeting brought	Green	Tom Kennedy

Target Number	Departmental Targets	Comments	Status	Owner
		forward to December 2010 from January 2011.		
C2.1	Conduct assessment against best practice customer service indicators and implement prioritised improvements in response to the 2009 Customer Survey by 30 March 2011.	The Departmental Board has agreed the DFP Quality Programme (QP) as an excellence framework, to drive quality and deliver continuous improvement throughout DFP. The Quality Programme is an evidence-based self-assessment model that can help Directorates/Agencies to gauge their performance, identify best practice, areas for improvement and develop effective improvement action plans. The Quality Programme aligns with the European Foundation for Quality Management (EFQM) Excellence Model and includes the Investors in People and Customer Service Excellence (formerly Charter Mark) standards Central Procurement Directorate (CPD) self-assessment (using the DFP Quality Programme) due for completion in October 2010 - the majority of business areas are now scheduled to commence between now and January 2011.	Green	David Orr

DFP - Corporate Departmental Target Status Report

Internal Processes

Target Number	Departmental Targets	Comments	Status	Owner
IP1.1	Implement actions arising from reviews of information assurance and report annually to the Departmental Board on compliance with the Security Policy Framework within DFP.	The Information Audit Report and recommendations was presented and agreed by the July Departmental Board. A proposed Action Plan to address the recommendations flowing from the Information Audit was presented to the September Departmental Board. An Information Assurance Action Plan has been developed and will be reported on at the December 2010 Departmental Board. The Annual DFP Security Policy Framework return was submitted to August Departmental Board for approval and following agreement was submitted to Head of Civil Service.	Green	Gerry Cosgrave
IP1.2	Provide leadership across the NICS on information assurance and encrypt	A Senior Information Risk Owner (SIRO) forum has been established and meets quarterly. Priority laptop encryption has been completed. On target to complete	Green	Tom Kennedy

Target Number	Departmental Targets	Comments	Status	Owner
	90% of NICS laptops by 31 March 2011.	remaining laptop encryption by March 2011.		
IP2.1	Review DFP resources and prepare a Departmental budget and business plan for 2011-12 by 28 February 2011.	A Departmental Board workshop was held on 15 June to consider spending proposals and savings options for the period 2011-14. Spending proposals have been put forward as part of the Budget 2010 process and work is underway to further develop savings options. The Permanent Secretary held a series of bi-laterals during September to progress the development of savings options. A paper setting out indicative savings options has issued to Minister and the Committee for Finance and Personnel. The exact quantum of the savings to be delivered will not be known until the Executive has agreed a Budget. The Department is engaged in the development of the new Programme for Government which is being led by OFMDFM, and when the strategic priorities within the new PfG are clear, the Department will embark on the planning process for 2011-12	Green	Deborah McNeilly
IP2.2	Avoid overspend and ensure less than 1.5% underspend compared to final plan.	Financial papers have been presented to the Departmental Board on a monthly basis for discussion. Additional funding was secured at June Monitoring for key priorities including accommodation, LPS and the 2011 Census. Unmet bids at September Monitoring included the Census (£1.3m) and rates relief for District Councils (£0.6m). Contingency plans are being developed to determine how best these inescapable commitments can be met as part of December Monitoring.	Amber	David Orr

DFP - Corporate Departmental Target Status Report

Organisation and People

OP1.1	Conduct assessment against best practice indicators and implement prioritised improvements in response to the 2009 Staff Attitude Survey and Investors in People (IiP) assessment by 30 March 2011.	The Departmental Board has agreed the DFP Quality Programme (QP) as an excellence framework, to drive quality and deliver continuous improvement throughout DFP. The Quality Programme is an evidence-based self-assessment model that can help Directorates/Agencies to gauge their performance, identify best practice, areas for improvement and develop effective improvement action plans. The Quality	Green	David Orr

Programme aligns with the European Foundation for Quality Management (EFQM) Excellence Model and includes the Investors in People and Customer Service Excellence (formerly Charter Mark) standards Central Procurement Directorate (CPD) self-assessment (using the DFP Quality Programme) due for completion in October 2010 - the majority of business areas are now scheduled to commence between now and January 2011.

Response to CBI Report

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

11 November 2010

Dear Shane,

Confederation of British Industry NI

I refer to your letter of 4 November 2010 relating to the Confederation of British Industry (CBI) evidence session on its report "Time for Action".

In the report the CBI suggested six revenue raising measures and Members have requested that DFP be asked to estimate the additional revenue that could be achieved.

I can confirm that revenue raising issues are being considered by the Executive's Budget Review Group (BRG) and deliberations are still ongoing at the present time. The required figures for each respective measure should be requested from each of the responsible departments. Submissions to the BRG are by the Departments themselves and they are co-ordinated by the Secretary to the Executive.

In respect of the one DFP issue I can confirm that this is indeed an issue that the BRG is assessing. Any progress on this issue will be reflected in the draft budget position.

Yours sincerely,

Norman

Norman Irwin

Stakeholder Engagement

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel Our Ref: CFP88/10
Room 419
Parliament Buildings
Stormont
BELFAST 24 November 2010

Dear Shane

Stakeholder engagement on Spending Review and Budget 2011-15

In response to your letter of 12 November, I can confirm that DFP will, after the draft budget has been published, consult directly with all key stakeholders. Officials have already conducted a series of pre-consultation events with organisations such as NICVA, CBI, ICTU, Equality Commission, FSB, and NIPSA. Furthermore the Minister has met many of these organisations directly over recent weeks on the budget process.

There will also be formal consultation events convened throughout Northern Ireland in conjunction with OFMDFM and other relevant departments.

I can also confirm that the Finance Committee will receive the report on the outcome of this consultation exercise.

Yours sincerely

Norman

Norman Irwin

Indicative Departmental Savings Options 2011-15 Update

Budget 2010 Update: Indicative Departmental Savings Options 2011-15

November, 2010

Briefing For Committee For Finance And Personnel

Introduction

1. The purpose of this paper is to provide the Committee with an update of the Department of Finance and Personnel's (DFP's) own departmental Budget 2010 savings options, to inform discussion at the evidence session on 10 November 2010.

2. At this stage the savings options set out in this paper are indicative. They are effectively a 'long list' of possible savings identified by individual business areas and further refinement will be necessary. The business areas have assessed each option and provided an indication of whether they consider the option to be 'low, medium, high or very high pain' in terms of severity. This includes their initial view of any potential equality impact. The 'long list' of options has not yet been ranked at a departmental level.

3. The list of savings options has been developed to identify savings of 4% (approximately) per annum cumulative as requested of the department to inform the Budget 2010 planning process. However, the department will not know the exact quantum of savings to be achieved until after the agreement of the NI Budget by the Executive. But we have to be prepared and so we have focused on the development of options for the first two years, with less detail on years three and four, where there is less certainty. The department's indicative savings options are based on a number of assumptions, including that our resource and capital spending proposals are accepted.

Opening Baselines and Indicative Savings Required

4. The department has at this stage been asked to identify indicative resource savings of £7.8m/£14.1m/£21.2m/£28.2m over the 2011-15 period.

5. Savings of this level would result in an indicative net resource opening baseline of £170.1m/£163.8m/£156.7m/£149.7m over the Budget period, effectively a 15.8% reduction over the period from an opening baseline of £177.9m. In gross terms the department's opening indicative baseline would be £231.5m/£225.2m/£218.1m/£211.1m.

6. It is important to note that no allowance is made for inflation over the 4 year period, so inflationary pressures will have to be contained in addition to the savings which are eventually required under Budget 2010.

Challenge

7. These indicative resource savings are substantial and, in line with the Budget guidance, we are focusing on delivering savings while minimising the impact on the delivery of frontline

services. However, it is nonetheless clear that if we are required to deliver savings of £28.2m by 2014/15 will have an inevitable impact on the ability of the department to deliver the services it provides both to the public and to the NI public sector.

8. Previous papers have already highlighted the considerable reductions to the department's budget baselines over recent years:

- No additional allocations to address the costs of inflation over the period 2005-11;
- Budget 2004 required the department to deliver resource-releasing savings of £1m/£5.7m/£11.7m over the period 2005-08;
- Budget 2007 required the delivery of department further resource-releasing measures of £15.8m by 2010/11 (£6.1m/£11.3m/£15.8m over the period 2008-11); and
- The review of 2010/11 spending plans reduced our resource baselines by another £4.1m.

9. Throughout all of these measures, the department has already taken steps to significantly reduce external consultancy expenditure with a reduction of over 75% in 2009-10 when compared to the previous year. Savings have also been made in respect of air fares, mileage and hospitality and we continue to drive down expenditure in these areas.

10. However, going forward, further savings in these areas will not be enough to offset the likely level of reductions which the department will face. The department has limited programme expenditure, largely restricted to EU match funding commitments, and reductions in programmes expenditure will not therefore deliver significant savings. Given that some 43% of the department's gross expenditure is on staff costs, it is inevitable that a substantial level of savings will relate to reductions in staffing levels. A breakdown of the departmental gross resource expenditure in 2009/10 is provided at Appendix 1.

Inescapable Costs

11. Taking the department's gross indicative opening baseline of £231.5m/£225.2m/£218.1m/£211.1m, some £90m (38.9% rising to 42.6% over the period) is inescapable or contractually committed in the short to medium term, representing a significant constraint in seeking to identify further savings.

12. Depreciation costs are inescapable and these amounted to approximately £34m in 2009/10. It is unlikely that there will be significant cost reductions in this area over the Budget 2010 period, unless there is a further and substantial fall in the market value of land and buildings and ICT, or the office estate footprint can be reduced, resulting in a net decrease in the value of the estate.

13. The office estate also incurs other inescapable costs in respect of rent and rates. In 2009/10 these costs, incurred on behalf of all NI departments, accounted for some £32m of our expenditure. While steps are being taken to reduce the office estate footprint, the extent to which progress can be made in this area is closely linked to the available funding, as well as to the staffing levels and business needs of NICS departments.

14. Over the Budget 2007 period (2008-11) DFP has become responsible for the provision of an increased number of essential shared services to NICS departments and a number of smaller public bodies. This has resulted in an increase in the level of the department's contractual commitments in respect of Account NI, HR Connect, Records NI, Network NI, Data Accommodation and IT Assist contractual commitments. Current expenditure contractual

commitments due in 2010/11, as reported in the department's 2009/10 Resource Accounts are £24.5m, with contractual and lease commitments due in the period 2011-15 of £122m.

15. In considering the savings required as part of this exercise, the department's options are therefore increasingly limited and increasingly difficult. Savings will have to be delivered out of the department's remaining budgets which, as indicated at paragraph 11 above, in large part reflect staff costs.

Indicative Savings Options

16. The department has been engaged in a process to thoroughly review expenditure and service delivery requirements in order to determine how we could deliver the required savings while seeking to safeguard frontline services and essential service delivery. This process has been led by the Departmental Board, and has included a full day planning session in June, further work over the summer, and a series of bi-laterals chaired by the Permanent Secretary during September.

17. It is important to emphasise that the saving options set out in this paper are indicative; they are effectively a 'long list' of savings and further refinement will be necessary.

18. To enable us to deliver total annual indicative savings of £28.2m by 2014/15 (£7.8m/£14.1m/£21.2m/£28.2m in each of the budget years), the measures we are considering represent difficult and increasingly painful decisions. In addition to optimising the use of resources, reducing corporate services costs, maximising revenue and getting better value for money from contracts, it will also be necessary to reprioritise programmes and services and, unavoidably, to reduce staff numbers over the period.

19. Each business area has identified a number of options to realise a target level of savings. Details of the indicative options and preliminary quantum of savings are contained in Appendix 2 to illustrate both the nature of savings options being considered and the level of detail at which the department is taking forward the identification of options. The options will be subject to change pending the outcome of the Executive's Draft Budget, and are subject to approval by the Minister.

20. A high level summary of some of the preliminary savings options which we are considering is provided in the tables below.

Table 1: Low to Medium Pain Savings Options (£million)

Option	11-12	12-13	13-14	14-15
Savings in lease costs of NICS office estate by transferring staff to higher density accommodation. Depends on success of the accommodation capital bid.	0.7	1.5	2.1	2.2
Savings from new property maintenance contract.	0.7	0.7	0.7	0.7
Reduce number of leased car parking spaces for the NICS.	0	0.2	0.2	0.2
Staff reductions in various business areas across the department.	0.4	0.8	0.9	1.1
Increase income from in-house Business Consultancy commissions and Legal Services employment law and commercial transactions.	0.4	0.8	1.1	1.1
Stand down Pay and Grading Review team when project is completed.	0	0.2	0.2	0.2

Option	11-12	12-13	13-14	14-15
Savings from merging separate reform programmes into Enterprise Shared Services.	0.1	0.1	0.1	0.2
Savings from reduced recruitment activity.	0	0.2	0.2	0.2
Procurement savings on large IT contracts (various)	1.1	1.1	1.1	1.1
Reduction in non cash costs following review of office estate and some extensions to the life of capital assets.	0.7	0.7	0.7	0.7

Table 2: High to Very High Pain Savings Options (£million)

Option	11-12	12-13	13-14	14-15
Charge NICS staff for car parking.	0	0.5	0.5	0.5
Further staff reductions in various business areas across the department.*	1.2	1.2	1.2	1.2
Disband DFP Corporate Improvement Centre.	0	0	0	0.2
End Digital Inclusion Programme.	0.1	0.1	0.1	0.1
End 10 day prompt payment of suppliers.	0.5	0.5	0.5	0.5
Savings from process improvements in Land and Property Services following review and implementation of new Service Delivery Model.	0	0.4	0.6	0.6
Further streamline senior management structure in Land and Property Services.	0	0.5	0.7	0.7
Reduce survey work and reduce opening and staff hours in District Registration offices.	0.1	0.3	0.6	0.7
Reduce improvement activity in Enterprise Shared Services.	0	0.5	0.9	0.9
Reduce customer service desk hours and increase response times within Enterprise Shared Services, and cease all infrastructure development.	0	0	0	1.3

- first year savings rolled forward.

21. In addition to the saving options identified above and in Appendix 2 the department has identified a range of other measures which have the potential to generate savings across departments, including:

- Examining the scope for streamlining grievance procedures in the NICS, with the aim of reducing the administrative burden and associated costs across departments;
- Working with HR Directors in other departments to examine the scope to further rationalise the NICS HR function following the implementation and bedding down of HR Connect; and
- Working with departments to examine the scope for further rationalisation of IT line of business services.

Staff Reductions

22. Staff costs represented 43% of the department's gross resource expenditure in 2009/10. At 15 September 2010 the department has 3,194 permanent staff in post and 119 temporary staff (including agency and contract staff) in post. Given that staff costs represent such a significant part of the department's expenditure, it is inevitable that a substantial proportion of savings will

relate to reductions in staffing levels. For example, the realisation of £1m of staff-related savings would equate to some 30 plus posts, based on a total employer cost per post of £30,000.

23. There is a range of steps that can be and are being taken to manage the expected reduction in the number of posts, such as an embargo on recruitment and promotion, ending temporary promotions and implementing redeployments. DFP is a large department and we still have, for example, significant levels of natural wastage. We have assured staff that we will exploit every opportunity to manage our staffing levels flexibly. However, given that a substantial proportion of our savings would require reductions in staff numbers, it is important to highlight that our ability to redeploy staff is also contingent on the capacity of other NI departments to absorb surplus staff.

Assessment of Impact

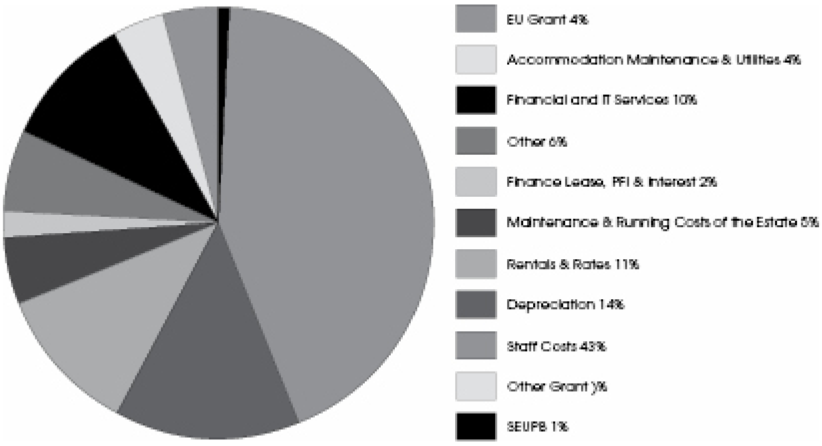
24. As we continue to review and refine our savings proposals, the impacts in relation to our equality obligations, and wider social and economic impacts, including good relations, sustainability and poverty/social inclusion will be further assessed.

Summary

25. It is important to again emphasise that the department's savings options are still being refined. A draft Savings Delivery Plan is being prepared on the basis of our indicative savings options and is expected to be made available following the publication of the Executive's Draft Budget. The department's savings options are based on a number of assumptions, including that our resource and capital spending proposals are accepted. Our plans can only be finalised when the Executive decides the outcome of Budget 2010, at which time the actual savings required and any additional allocations will have become known.

Appendix 1

Analysis of DFP 2009/10 Total Resource Expenditure of £280.8m[1]



[1] Based on 2009/10 DFP Operating Cost Statement.

DFP Indicative Departmental Savings Options

Appendix 2

Department of Finance and Personnel Budget 2010 Update: Indicative Savings Options 2011-15

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
DSO	Suppression of one admin support post	25	1	L		1	25	1	25	1	25	1	25	1
DSO	SLA with DoJ for provision of a Library support service	10	0	L		1	10	0	10	0	10	0	10	0
DSO	Do not renew contract for legal on line database	20	0	M		1	20	0	20	0	20	0	20	0
DSO	Reduce number of LION database subscriptions	17	0	M		1	17	0	17	0	17	0	17	0
DSO	Receipts from Commercial and Property Services and Employment Litigation	300	0	M		1	300	0	300	0	300	0	300	0
DSO	Receipts from Commercial and Property Services and Employment Litigation	300	0	M		2			300	0	300	0	300	0
DSO	Receipts from Commercial and Property Services and Employment Litigation	300	0	M		3					300	0	300	0
	DSO Totals						372	1	672	1	972	1	972	1
CSG	Increased receipts for work done by Audit Authority	80	0	L		1	80	0	80	0	80	0	80	0
CSG	Accommodation savings - proposed move to single open plan accommodation for Departmental HR/Information Systems Branch	30	0	L		1	30	0	30	0	30	0	30	0

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
CSG	Reduce 1 post in Information Management Unit following completion of the information audit and information assurance processes and principles	28	1	L		2			28	1	28	1	28	1
CSG	Do not fill vacant DP Business Partner post in Departmental HR	40	1	M		1	40	1	40	1	40	1	40	1
CSG	Staff savings in Permanent Secretary's Office (SO), Minister's Office / Assembly Section (AO) and Communications Office (AO)	75	3	M		1	75	3	75	3	75	3	75	3
CSG	Reduction of posts in Finance Division	50	2	M		2			50	2	50	2	50	2
CSG	Reduce level of HR admin / checking now that HRConnect Services fully embeded	27	1	M		1	27	1	27	1	27	1	27	1
CSG	Cease IT application development / maintenance for OFMDFM	60	2	M		1	60	2	60	2	60	2	60	2
CSG	Withdraw in-house support to line managers re staff resourcing - rely fully on HR Connect	53	2	M		4							53	2
CSG	Reduce the level of general IT project support in	28	1	M		2			28	1	28	1	28	1

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	DFP Information Systems Branch													
CSG	12% reduction in DFP Learning and Development budget, centrally managed by Depatrmental HR	50	0	H		2			50	0	50	0	50	0
CSG	Share G6 within Central Support Team with another business area	45	0	H		2			45	0	45	0	45	0
CSG	Further reduce the level of general IT project support in DFP Information Systems Branch	28	1	H		4							28	1
CSG	Review DFP physical and information security structure	35	1	H		3					35	1	35	1
CSG	Reduce 1 Grade 7 Post in Departmental HR	67	1	H		3					67	1	67	1
CSG	Further reductions in Finance Division posts	50	2	H		3					50	2	50	2
CSG	Further 10% reduction in Learning and Development Budget	40	0	VH		3					40	0	40	0
CSG	Further reductions in Finance Division posts	50	2	VH		4							50	2
CSG	Reduce AIO Post in Communications Office	27	1	VH		1	27	1	27	1	27	1	27	1
CSG	Full delegation of informal	69	3	VH		2			69	3	69	3	69	3

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	inefficiency procedures to business areas													
CSG	Full delegation of all Managing Attendance procedures to Line Managers	53	2	VH		4							53	2
CSG	Disband Corporate Improvement Centre	165	4	VH		4							165	4
	CSG Totals						339	8	609	15	801	19	1,150	30
NISRA	Useful life of Digitisation Project extended	120	0	M		1	120	0	120	0	120	0	120	0
NISRA	Cut temporary workers/ student placements/ cut hours	129	0	M		1	129	0	129	0	129	0	129	0
NISRA	Cut overheads re premises, travel, training etc, professional support	25	0	H		1	25	0	25	0	25	0	25	0
NISRA	Cut Follow up work on Census (Year 1 Only)	32	0	VH		1	32	0	0	0	0	0	0	0
NISRA	District Registration offices to reduce opening hours and cut staff hours	75	0	VH		1	75	0	75	0	75	0	75	0
NISRA	Cut overheads re premises, travel, training etc, professional support	5	0	H		2			5	0	5	0	5	0
NISRA	Cut Living and Food Survey - part year	58	1	VH		2			58	1	58	1	58	1
NISRA	Cut of posts	140	5	VH		2			140	5	140	5	140	5

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
NISRA	District Registration offices to reduce opening hours and cut staff hours. (YEAR 2)	75	0	VH		2			75	0	75	0	75	0
NISRA	Stop Regional Accounts and EU Monitoring	56	1	VH		3					56	1	56	1
NISRA	Cut Living and Food Survey - full year	68	4	VH		3					68	4	68	4
NISRA	District Registration offices to reduce opening hours and cut staff hours. (YEAR 3)	75	0	VH		3					75	0	75	0
NISRA	Cut posts	41	1	VH		3					41	1	41	1
NISRA	Closure of GRO Public Office	45	2	VH		4							45	2
NISRA	Reduce Population and Migration Statistics	6	1	VH		4							6	1
NISRA	Statutory Construction Enquiry or Household Survey	70	3	VH		4							70	3
NISRA	Loss of Finance Team	20	1	VH		4							20	1
NISRA	Restrict Multivariant Analysis	9	0	VH		4							9	0
NISRA	EU Census Regulation	30	1	VH		4							30	1
NISRA	Census Savings (year 1)	219	0	M		1	219	0	219	0	219	0	219	0
NISRA	Census Savings (year 2)	319	4	M		2			319	4	319	4	319	4
NISRA	Census Savings (year 3)	290	11	M		3					290	11	290	11

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
NISRA	Census Savings (year 4)	319	9	M		4							319	9
	NISRA Totals						600	0	1,165	10	1,695	27	2,194	44
DID	Cease Temporary Promotions	16	0	L		1	16	0	16	0	16	0	16	0
DID	GAE Reductions (e.g. Kiosk Maintenance)	28	0	L		1	28	0	28	0	28	0	28	0
DID	Cease Librarian Service and bolster information management and assurance services	55	1	M		1	55	1	55	1	55	1	55	1
DID	Increased Business Consultancy Service Hard Charged Income (or cost equivalent Staff Reductions)	100	0	M		1	100	0	100	0	100	0	100	0
DID	Cease Digital Inclusion function and redeploy 2 staff	86	2	VH		1	85	2	85	2	85	2	85	2
DID	Further Increase Business Consultancy Service Hard Charged Income (or equivalent cost equivalent Staff Reductions)	50	0	M		2			50	0	50	0	50	0
DID	Further GAE Reductions (e.g. cancel or delay projects in relation to Information Assurance, ICT Strategy implementation and web development)	126	0	M		2			126	0	126	0	126	0

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
DID	Further 3 Staff Reductions (Admin & ICT Grades)	90	3	M		2			90	3	90	3	90	3
DID	Further GAE Reductions (e.g. cancel or delay projects in relation to Information Assurance, ICT Strategy implementation and web development)	58	0	H		3					58	0	58	0
DID	Further 6 Staff Reductions (Admin & ICT Grades)	193	6	VH		3					193	6	193	6
DID	Further Increased Business Consultancy Service Hard Charged Income or equivalent BCS Staff Reductions	50	0	H		4							50	0
DID	Further GAE Reductions (e.g. cancel or delay projects in relation to Information Assurance, ICT Strategy implementation and web development).	16	0	H		4							16	0
DID	Further 4 Staff Reductions (Admin & ICT Grades)	169	4	VH		4							169	4
	DID Totals						284	3	550	6	801	12	1,036	16
CPD	Savings due to retirement in construction policy activities (1	62	0	M		1	62	0	62	0	62	0	62	0

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	Grade 7 post - confirmed retirement)													
CPD	Saving from non - filling of DP vacancy in Centre of Excellence for Delivery (1 DP post)	45	0	M		1	45	0	45	0	45	0	45	0
CPD	Reduce Agency Staff in non - hard charging areas	66	2	L		1	66	2	66	2	66	2	66	2
CPD	Redeploy 1 FTE Typist (redeployment action will be required to achieve this)	22	1	L		1	22	1	22	1	22	1	22	1
CPD	Staff Savings from construction policy activities (1 Part time PPTO and 2 SPTO. The PPTO retirement is anticipated but unconfirmed, SPTO retirement confirmed.)	123	3	M		2			123	3	123	3	123	3
CPD	Savings from reductions in corporate services posts	60	2	L		2			60	2	60	2	60	2
CPD	Savings from retirements in construction policy related activities and reduction in posts (Redeployment of 1 SO, 2 EO1, 2 EO2 and AA)	177	0	M		3					177	0	177	0
CPD	Retirement 0.5 FTE Typist (anticipated but	11	0	L		3					11	0	11	0

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	unconfirmed retirement.)													
CPD	Redeploy 6 Purchasing Officers (redeployment action would be required to achieve this outcome)	160	6	M		4							160	6
	CPD Totals						195	3	378	8	566	8	726	14
LPS	Customer & Business Improvement - reduce advertising & publicity spend	50	0	L		1	50	0	50	0	50	0	50	0
LPS	DIS - Bring in house & reduce IT Maintenance costs	200	0	L		1	200	0	200	0	200	0	200	0
LPS	Rating - reduce cost of contracted out IT services - ICS	200	0	M		1	200	0	200	0	200	0	200	0
LPS	CS - Reduce accommodation costs	80	0	L		1	80	0	80	0	80	0	80	0
LPS	R & B Reduction in interest costs	161	0	L		1	161	0	161	0	161	0	161	0
LPS	R & B Reduction in interest costs	164	0	L		3					164	0	164	0
LPS	R & B Reduction in NIHE costs	250	0	H		1	250	0	250	0	250	0	250	0
LPS	R & B Reduction in NIHE costs	46	0	H		3					46	0	46	0
LPS	Rating: SDM improve-loss 30 and then 20 AO net of CoC lost income	386	30	VH		2			386	30	386	30	386	30
LPS	Rating: SDM improve-loss 30 and then 20 AO	258	20	VH		3					258	20	258	20

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	net of CoC lost income													
LPS	LPS-senior management reorganisation	500	9	H		2			500	9	500	9	500	9
LPS	LPS-senior management reorganisation	170	2	H		3					170	2	170	2
LPS	Registration - increased income - housing market upturn	176	0	VH		3					176	0	176	0
LPS	Registration - increased income - housing market upturn	74	0	VH		4							74	0
LPS	Hard or Reduce Charge Client	729	24	VH		4							729	24
	LPS TOTALS						941	0	1,827	39	2,641	61	3,444	85
PD	Savings in lease costs, rates and service charges in NICS buildings by transferring staff to higher density accommodation. Depends on success of the accommodation services capital bid	714 to 914	0	L		1	714	0	714	0	914	0	914	0
PD	Savings in lease costs, rates and service charges (as above)	624 to 1,024	0	L		3					624	0	1,024	0
PD	Savings in lease costs, rates and service charges (as above)	216 to 316	0	L		3					216	0	316	0
PD	Reduction in depreciation charges arising from review of NICS office estate and	670	0	L		1	670	0	670	0	670	0	670	0

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	potential extension of asset lives													
PD	Estimated savings through regearing of existing lease contracts	100	0	L		2			150	0	150	0	150	0
PD	Reduced maintenance expenditure through operation of new contract and allowance for additional hard charging	700	0	L		4	0	0	0	0	0	0	700	0
PD	Reduction in Stormont Estate maintenance contract costs	200	0	L		4	0	0	0	0	0	0	200	0
PD	Reduction in Supplies and Stores	50	0	M		1	50	0	50	0	50	0	50	0
PD	Reduction in GAE	75	0	M		1	75	0	75	0	75	0	75	0
PD	Reduction in Maintenance Expenditure	400	0	M		3					400	0	400	0
PD	Further Reduction in Maintenance Spend	300	0	H		4							300	0
PD	Reduction in techncial support (Maintenance)	300	0	L		1	300	0	300	0	300	0	300	0
PD	Reduction in rental of car park spaces for all departments in central Belfast	200	0	M		1	200	0	200	0	200	0	200	0
PD	Transfer of functions currently undertaken in-house by	50	7	M		1	50	7	50	7	50	7	50	7

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	Rosepark industrial team to the maintenance contractor													
PD	Reduce EPC Enforcement Grant and Cease Public Sector Energy Data.	50	0	M		1	50	0	50	0	50	0	50	0
PD	Reduce EPC Enforcement Grant and Cease Public Sector Energy Data	50	0	M		2			50	0	50	0	50	0
PD	Reduce salaries and wages	50	2	H		1	50	2	50	2	50	2	50	2
PD	Reduce salaries and wages	120	4	VH		2			75	3	75	3	75	3
PD	Reduce salaries and wages	50	2	VH		3					50	2	50	2
PD	Introduce a policy of hard charging staff for car parking	500	0	VH		2			500	0	500	0	500	0
	PD Totals						2,159	9	2,934	12	4,424	14	6,124	14
CHR	Cessation of grant to NI Civil Service Sports Association (NICSSA)	66	0	L		1	66	0	66	0	66	0	66	0
CHR	Suppression of post in Pay and Grading Unit following completion of project to implement equal pay award	35	1	L		1	35	1	35	1	35	1	35	1
CHR	Cessation of budget transfer to CAL for administration of Masterclass, Mentoring and	109	0	H		1	109	0	109	0	109	0	109	0

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	Leaders for Tomorrow Programmes, with CAL to hard charge departments for these services													
CHR	Reduction in staffing complement of Welfare Support Service	51	1.5	M		2			51	1	51	1	51	1
CHR	Standing down Pay and Grading Review team on completion of NICS comprehensive pay and grading review	200	4	L		2			200	4	200	4	200	4
CHR	Cessation of maintenance grant to NICSSA in respect of Maynard Sinclair Pavilion, subject to resolution of contractual issues	75	0	H		3					75	0	75	0
CHR	Reduction in staffing	155	4	VH		3					155	4	155	4
CHR	Further reductions in staffing	196	5	VH		4							196	5
	CHR Totals						210	1	461	6	691	10	887	15
		General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Bus Area	Measure	Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts
CFG	Reduce staff levels in Central Expenditure Division	192	4	VH		1	192	4	192	4	192	4	192	4
CFG	Reduce staff levels EU Division	110	4	VH		1	110	4	110	4	110	4	110	4

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
CFG	Reduce staff levels EU Division	110	4	VH		2			110	4	110	4	110	4
CFG	Reduce staff levels in Supply	180	5	VH		2			180	5	180	5	180	5
CFG	Reduce staff levels in Supply	180	5	VH		3					180	5	180	5
CFG	Further CFG staff reductions	108	3	VH		3					108	3	108	3
CFG	Further CFG staff reductions	261	5	VH		4							261	5
	CFG Totals						302	8	592	17	880	25	1,141	30
ESS	Staff savings through increased automation (e-forms) and reduced checking levels	450	15	H		1	450	15	450	15	450	15	450	15
ESS	Staff savings through effective management of resouces and falling volume of transactions	240	9	H		1	240	9	240	9	240	9	240	9
ESS	GAE savings in Training, Car Park and Storage Facilities	115	0	L		1	115	0	115	0	115	0	115	0
ESS	ACNI - Continuous Improvement Plan (Increasing Severity) including prompt payment	550-1050	0	H		2			550	0	1,050	0	1,050	0
ESS	ACNI - Continuous Improvement Plan (Increasing Severity)	469	0	VH		3					390	0	390	0
ESS	Additional 10 front line Staff Savings (Increasing Severity)	310	10	VH		2			310	10	310	10	310	10

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	resulting in Service Delivery Reductions													
ESS	Additional 8 front line and 1 support Staff Savings (Increasing Severity) resulting in Service Delivery Reductions	270	9	H		3					270	9	270	9
ESS	Additional 23 front line and 1 support Staff Savings (Increasing Severity) resulting in Service Reductions	720	24	H		4							720	24
ESS	Centralisation - Staff Reductions (Increasing Severity)	26	1	H		1	26	1	26	1	26	1	26	1
ESS	Centralisation - Staff Reductions (Increasing Severity)	14	0	H		3					14	0	14	0
ESS	Centralisation - Staff Reductions (Increasing Severity)	26	1	H		4							26	1
ESS	Centralisation - Restructure & Centralise Corporate Services	180	6	L		2			180	6	180	6	180	6
ESS	Centralisation - Finance Team - restructure and centralise.(Increasing Severity)	75	3	L		2			75	3	75	3	75	3
ESS	Centralisation - Finance Team - restructure and	50	2	L		2			50	2	50	2	50	2

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	centralise.(Increasing Severity)													
ESS	Centralisation - Non extension of STEPs Programme	22	0	M		2			22	0	22	0	22	0
ESS	Centralisation - GAE	2	0	M		3					2	0	2	0
ESS	HR Connect - Reduction in Staffing Levels (Increasing Severity)	74	2	H		1	74	2	74	2	74	2	74	2
ESS	HR Connect - Reduction in Staffing Levels (Increasing Severity)	107	2	H		2			107	2	107	2	107	2
ESS	HR Connect - Reduction in Staffing Levels (Increasing Severity)	93	2	H		3					93	2	93	2
ESS	HR Connect - Change Control Budget (Increasing Severity)	33	0	VH		1	33	0	33	0	33	0	33	0
ESS	HR Connect - Change Control Budget (Increasing Severity)	50	0	VH		2			50	0	50	0	50	0
ESS	HR Connect - Change Control Budget (Increasing Severity)	283	0	VH		3					283	0	283	0
ESS	HR Connect - Change Control Budget (Increasing Severity)	34	0	VH		4							34	0
ESS	HR Connect - Change	80	0	VH		4							80	0

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	Management - Remove all change management from contract													
ESS	HR Connect - GAE	5	0	M		4							5	0
ESS	HR Connect - Graduate Recruitment	200	0	M		2			200	0	200	0	200	0
ESS	HR Connect - Merging of CAL and HR Connect functions	72	0	M		2			72	0	72	0	72	0
ESS	HR Connect - Reduction in techncial support	20	0	H		3					20	0	20	0
ESS	HR Connect - Reduction in technical support	5	0	H		4							5	0
ESS	HR Connect - Reduce Service Delivery Team resulting in poor quality service	48	0	VH		4							48	0
ESS	HR Connect - Training Budget	10	0	M		3					10	0	10	0
ESS	HR Connect - Reduction in Recruitment	209	0	M		4							209	0
ESS	IT Assist Release Contractors	277	0	M		1	277	0	277	0	277	0	277	0
ESS	IT Assist Savings Network NI Contract	150	0	L		1	150	0	150	0	150	0	150	0
ESS	IT Assist Saving from Renegotiation of MS Enterprise Agreement	680	0	M		1	680	0	680	0	680	0	680	0
ESS	IT Assist Data Centre Savings	20	0	H		1	20	0	20	0	20	0	20	0
ESS	IT Assist Reduce Printer Expenditure	25	0	M		1	25	0	25	0	25	0	25	0

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
ESS	IT Assist Release Steria Staff helping with migration	80	0	L		1	80	2	80	2	80	2	80	2
ESS	IT Assist Release ITAP Consultant	83	0	M		1	83	0	83	0	83	0	83	0
ESS	IT Assist Release Remaining Contractor	68	0	M		2			68	1	68	1	68	1
ESS	IT Assist Release Balance of ITAP Consultant	88	0	M		2			88	2	88	2	88	2
ESS	IT Assist Student Reduction	51	3	H		1	51	3	51	3	51	3	51	3
ESS	IT Assist Student Reduction	51	3	VH		2			51	3	51	3	51	3
ESS	IT Assist Student Reduction	51	3	VH		3					51	3	51	3
ESS	IT Assist Renegotiate Websense Internet Monitoring software	50	0	L		1	50	0	50	0	50	0	50	0
ESS	IT Assist Reduction in GAE including Training	20	0	M		1	20	0	20	0	20	0	20	0
ESS	IT Assist Reduction in GAE including Training	20	0	H		2			20	0	20	0	20	0
ESS	IT Assist Reduction in GAE including Training	60	0	VH		3					60	0	60	0
ESS	IT Assist Reduction in GAE including Training	20	0	VH		4							20	0
ESS	IT Assist Release Final ICT Contractor Staff	187	5	VH		2			187	5	187	5	187	5
ESS	IT Assist Further reduce Data Centre Footprint	170	0	H		2			170	0	170	0	170	0
ESS	IT Assist Increase in Income NDPBs	160	0	H		2			160	0	160	0	160	0

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
	NIJAC, MLK, SIB & Ombudsman													
ESS	IT Assist Increase in Income NDPBs as above & PPS	764	0	H		3					764	0	764	0
ESS	IT Assist Reduction of Network staff resources required for IPT Telephony	132	5	VH		2			132	5	132	5	132	5
ESS	IT Assist Reduction in desktop services expenditure due to potential shrinkage of NICS	100	0	M		2			100	0	100	0	100	0
ESS	IT Assist Reduction in desktop services expenditure due to potential shrinkage of NICS	70	0	M		2			70	0	70	0	70	0
ESS	IT Assist Reduction in desktop services expenditure due to potential shrinkage of NICS	30	0	M		3					30	0	30	0
ESS	IT Assist Reduction in Data Centre Contract Cost (renewal) 2013(14)	200	0	VH		3					200	0	200	0
ESS	IT Assist Reduce Microsoft Premier Support by 50%	150	0	VH		3					150	0	150	0
ESS	IT Assist Release Contractors Fixed Asset (FA) Project Project Complete	100	2	L		3					100	2	100	2

Bus Area	Measure	General Prioritisation					2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	BA Sev	Deptl Rank	Year	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts		
ESS	IT Assist Release of 2 AO,s Finance 2013(14)	40	2	H		3					40	2	40	2
ESS	IT Assist Reduce Customer Service to customer by reducing Account Management team	84	2	VH		4							84	2
ESS	IT Assist Increase timescales for problem resolution and reduce 9-5 S/desk	94	0	VH		4							94	0
ESS	IT Assist Close 24 Hour emergency Service	100	0	VH		4							100	0
ESS	IT Assist Suspend all Infrastructure Development	1,005	35	VH		4							1,005	35
	ESS Totals						2,374	32	5,036	71	8,013	89	10,443	151
Department Totals							7,776	65	14,224	185	21,484	266	28,117	400

Response to Committee Questions - 10 November 2010 Session

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Mr Shane McAteer
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Our Ref: CFP87/10

25 November 2010

Dear Shane,

DFP Preparations for Budget 2011-2015

Following its session on 10 November the Committee asked for a copy of the DFP combined spending and savings plan and for information on the work that has been done to date to assess the potential impact to businesses should the 10-day prompt payment target be removed.

In relation to the 10-day prompt payment target I can advise that, taking into consideration the entire expenditure of NICS departments, payments to commercial suppliers (including SMEs) can represent a relatively small proportion. In a random sample of departments, commercial suppliers payments processed by Account NI in 2009/10 ranged from less than 1% to no more than 40% of total departmental spend.

All payments to commercial suppliers are included in the Account NI statistics, on the grounds that in the Northern Ireland context there would be disproportionate effort involved in attempting to identify the split between SMEs and others. However, a high level review of a sample of these payments revealed that payments to SME's ranged from 14% to 80% of total payments to commercial suppliers and from less than 1% to just 12% of total NICS department's spend, respectively. Non commercial supplier payments include grants, such as the automated Single Farm Payments issued on behalf of DARD, funding of boards, salary costs, travel and subsistence payments to staff and certain fees and allowances.

In addition to the above analysis, the head of Enterprise Shared Services has written to a number of bodies that represent commercial organisations in an attempt to ascertain the payment terms their members are operating with their suppliers; they have been understandably reticent to make any comment on the issue.

In relation to a combined DFP spending and savings plan, work to date on the Budget 2010 process has focussed on identifying the target levels of savings requested of us, and in identifying the additional resources that would be required to support service delivery over the Budget 2010 period. The papers which set out the department's spending and indicative savings proposals are attached for ease of reference.

As previously indicated the department's indicative savings options are based on a number of assumptions, including that our resource and capital spending proposals are accepted. The Department will not know the quantum of savings to be delivered, or the success of our spending proposals, until after agreement of the Budget by the Executive. Once the draft Budget outcome has been agreed the department will assess the combined impact on both savings and spending proposals and provide a further update to the Committee.

Yours sincerely,

Norman Irwin

Budget and Spending Review

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1 December 2010

Dear Shane,

Budget And Spending Review

The Committee asked for clarification in respect of discrepancies between figures provided in the Spending Review and HM Treasury Emergency Budget 2010 documents.

The main reason for the apparent discrepancy between the figures in the Spending Review document and the Emergency Budget 2010 document is that Resource DEL was presented on a different basis in the two documents. The figures for Resource DEL in the Emergency Budget 2010 document included depreciation and student loans whereas the Resource DEL figures quoted in the Spending Review document excluded these items.

Depreciation and Student Loans are a component of Resource DEL but are treated as ring-fenced by the Treasury. This means that while departments and devolved administrations can move amounts from other Resource DEL into these areas they cannot move funding out of depreciation/student loans into other areas.

The Treasury have excluded depreciation from the Resource DEL figures shown as it is not currently used in the measurement of the fiscal aggregates by the Office of National Statistics. Therefore by Resource DEL figure used in the document effectively measures the spending in Resource DEL that directly contributes to the Government's fiscal consolidation.

The second reason for the apparent discrepancy in the figures is that the Emergency Budget 2010 set out spending plans for 2010-11 whereas the Spending Review document presents 2010-11 as a baseline position. In setting the baseline position for a Spending Review the Treasury excludes one-off and time limited expenditure.

The table below reconciles the figures for the Northern Ireland Executive and shows the element relating to Policing and Justice which was included in the NIO figures in the Emergency Budget 2010 document. This shows that the impact of the £6 billion reduction announced in the Emergency Budget 2010 was included in the figures presented.

		£million
	2010-11	
	Resource	Capital
NI DEL following Chancellor's Budget 2010 1	8,623.9	1,142.6
Emergency Budget 2010 - £6bn Reductions	-79.7	-38.7
Emergency Budget 2010 - Barnett Consequentials	13.3	
Position shown in Emergency Budget Document for NI Executive	8,557.4	1,103.9
Stage 2 Devolution - DOJ/PPS/NIJAC	1,262.8	80.3
Emergency Budget 2010 - £6bn Reductions iro DOJ/PPS	-15.7	-6.9
Devolved element of NIO budget in Emergency Budget 2010 document	1,247.1	73.4
NI DEL post Emergency Budget (inc Stage 2 Devolution)	9,804.5	1,177.3
SR 2010 Baseline Adjustments 2	-81.1	-6.8
NI DEL Baseline for SR 2010	9,723.4	1,170.5
Depreciation and Student Loans	-395.4	
NI DEL as presented in SR 2010 document	9,328.1	1,170.5

1 published in Northern Ireland Executive Revised 2010-11 Spending Plans

2 removal of time limited allocations including Barnett consequentials and transfers between NI/GB departments

The correspondence from Mr McLaughlin also refers to the Reserves shown in Table A9 of the Spending Review document. There are separate Resource and Capital reserves in DEL, which provide a contingency to meet unforeseeable costs that arise over the Spending Review period. Details access to the Reserve by the devolved administrations is set out in Chapter 10 of the Statement of Funding Policy that was published alongside the Spending Review.

The Special Reserve allocation is for military operations and reflects an agreed forecast for Reserve expenditure over the Spending Review period, taking account of the military commitment in Afghanistan. This is reflected in paragraph A12 of the Spending Review document.

Yours sincerely,

Norman Irwin

NIAO Efficiency Checklist Follow Up

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1 December 2010

Dear Shane,

DFP Implementation of NIAO Efficiencies Checklist

Thank you for your note in which you requested a written response on a number of issues raised by Committee members in relation to the NIAO Efficiencies Checklist which was due to be discussed at the evidence session on 10 November.

Many of the issues raised are covered within the original paper which was provided to Committee members, and where appropriate, additional information is provided at Annex A.

Yours sincerely,

Norman Irwin

Annex A

Follow up question on NIAO Efficiency Checklist	DFP Response
All departments are currently engaged in developing their spending priorities and savings plans for 2011-15 as part of the	The Departmental Board considers that the checklist provides a useful framework in setting out key questions which can be used to assess an

Follow up question on NIAO Efficiency Checklist	DFP Response
Budget preparations. How has the DFP Board's use of the NI Audit Office (NIAO) Efficiencies Checklist assisted in this regard, including in prioritising the DFP policies and services in terms of those which are essential, those which need to be redesigned, and those which could be stopped?	organisation's development and to challenge existing arrangements, a key requirement in the face of continuing financial constraints.
Does the Departmental Board consider the completion of the NIAO Efficiencies Checklist to be a 'one-off' exercise or are there plans to revisit it, particularly in light of current spending pressures?	There are no plans at this stage to carry out a further assessment against all 46 questions in the checklist. However, as DFP continues to develop its spending plans and savings options as part of the Budget 2010 process, we will use the concepts within the checklist as necessary.
What progress is DFP making in developing its PSAs for 2011-15 in terms of "adopting a priority-based approach to budgeting and spending" going forward?	The process of developing the new PfG and associated PSA targets is being led by OFMDFM. Once the strategic direction for the new PfG is clear, DFP will embark on developing its PSA targets for 2011-15 in line with the central timetable.
How do individual DFP business areas establish their baselines; how are changes to baselines dealt with in-year; and how is achievement of efficiencies subsequently monitored by the Departmental Board?	Refer to sections 3,4,7,8,9,10,12,27,30,31,33 of original paper.
Please provide further information on the 'Corporate Improvement Centre', including its remit, where responsibility for this function lies within DFP, and how it operates.	The Corporate Improvement Centre (CIC) is organisationally positioned within the Department's Corporate Services Group (CSG). The work of the Corporate Improvement Centre (CIC) has significant impact on the achievement of key business objectives and achievement of the DFP vision, including embedding a culture of continuous improvement. The CIC provides DFP Business Areas with a one-stop-shop for facilitation, consultancy advice and guidance on all business improvement activities and is the core team for the delivery of the DFP Quality Programme which aims to help Business Areas in the practical implementation of improvements. Key services provided include: A comprehensive service on all aspects of the Quality Programme, in particular work with each Directorate /Agency to complete their self-assessments and provide support for the delivery of their associated improvement plans. Facilitation of business planning events, including use of the Balanced Scorecard and Strategy Maps Development of Improvement Tools and guidance/facilitation in the use of best practice tools, eg Staff Survey Results Directional Tool, IIP Framework, EFQM, Process re-engineering, Customer Service Excellence on line tool, Customer Journey Mapping. Facilitation of and contribution to

Follow up question on NIAO Efficiency Checklist	DFP Response
	improvement working groups/teams. Analysis of Corporate Survey results. Organisational, structural and process reviews, including loading and grading of posts.
Please provide further information on the DFP Quality Programme Tool, including its development, how it is being rolled out and how it is monitored.	The Departmental Board has agreed the DFP Quality Programme (QP) as an excellence framework, to drive quality and deliver continuous improvement throughout DFP. The Quality Programme is an evidence-based self-assessment model that can help Directorates/Agencies to gauge their performance, identify best practice, areas for improvement and develop effective improvement action plans. The Quality Programme aligns with the European Foundation for Quality Management (EFQM) Excellence Model and includes the Investors in People and Customer Service Excellence (formerly Charter Mark) standards. Each Business Area is scheduled to complete a self assessment against the Quality Programme between now and early 2011. The CIC will facilitate the development of improvement plans, monitor progress against the improvement plans developed by Business Areas and report progress to the Departmental Board six-monthly.
What has been the success of the introduction of the internal email box, through which staff can offer suggestions on efficiency and improvements; and have any suggestions been taken on board to date?	A central email address was created as a mechanism to capture ideas from staff - "My Idea" was launched through October 2010 Staff Brief. Most ideas for improvement are discussed with line managers or at team meetings and more recently these are being captured through the DFP Quality Programme, so this customised email address is an additional mechanism to allow staff to put forward suggestions for improving the way we do things. To date we have received six suggestions ranging from data sharing to resourcing, from replacement computers to printing of the staff magazine. One of the ideas is still under consideration, but the others have been considered and a response has been issued to the suggestor. So far, the ideas have not resulted in any major changes - they have either already been actioned or are part of a more strategic review or policy change. Having said that, the fact that the suggestor receives feedback on their idea enhances communication and is viewed positively by those that have put forward their ideas. It is intended to let "My Idea" run for 10-12 months, at which point we will review the added-value of this process and make a decision on whether or not to continue.
On what basis are services reviewed within DFP? How this is achieved and subsequently monitored?	Refer to sections 1,4,10,11,12,13,14,15,16 of original paper.

Follow up question on NIAO Efficiency Checklist	DFP Response
Please provide further information on the work currently being undertaken with HR Connect and NISRA on managing the implications of an ageing workforce for staffing front-line services.	Refer to section 25 of original paper.
How does DFP intend to report on the achievement of efficiency savings across the Department in a clear, consistent and co-ordinated way during 2011-15 (i.e. as distinct from 'benefits realisation plans' for individual projects)?	As part of the Budget 2010 process, Savings Delivery guidance has superseded Efficiency Delivery reporting. In developing its savings options, DFP has been following the central guidance and will make its draft Savings Delivery Plan publicly available when the publication of the draft budget has been agreed by the Executive. The plan will be updated when the Budget has been agreed by the Executive and will be reported in line with central requirements.

Response to CBI Report

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Stormont Our Ref: CFP94/10

1 December 2010

Dear Shane,

CBI "Time for Action"

You recently wrote requesting details of the DFP revenue raising proposal suggested in the recently published CBI report: "Time for Action: Delivering public services in a time of austerity".

The proposal suggested "an increase in domestic rates – for example, increasing rates to a similar level as that existing in Scotland would raise over £350m per annum".

The Scottish average Council Tax bill in 2009/2010 was £1149 (excluding water charges) but there has been a Council Tax freeze since then, so the same figure applies. The Northern Ireland average is £762 (based on an average domestic capital value of £113,000, and an average domestic district rate of 0.3127 pence).

That represents a 50% difference. To increase domestic rate bills here (which comprise a regional and district rate element) to average Scottish levels, however, would mean increasing the domestic Regional Rate by 95% or so (assuming Councils would strike District Rates in line with increases of recent years).

A one per cent increase in the domestic regional rate would generate £2.8 million additional revenue for the Executive. Therefore a 95% increase would generate an additional £251 million.

We may also have to adjust the cap (the maximum capital value) downwards, to stay within the English highest band average, so it would not be straightforward. There would also be Housing Benefit implications and HMT may seek to make some adjustments to the additional AME cover that would be required to pay for the rates increase that would otherwise apply to households that are dependent on benefits.

Yours sincerely,

Norman

Norman Irwin

Accommodation Efficiencies

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2 December 2010

Dear Shane,

Accommodation Efficiencies

Further to your letter of 22 November, I can advise that DFP officials are available to brief the Committee on the matters raised in your letter.

With regard to the final point in your note relating to issues that are the responsibility of SIB, Properties Division of DFP is working with SIB on an Asset Management Plan that will identify the lead party in taking forward the accommodation-related actions. This plan will be published by the end of January at which point it can be shared with the Committee.

Yours sincerely,

Norman

Norman Irwin

Industrial Derating - Recycling of Manufacturing Rates Revenue

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Dear Shane

Industrial Derating – Recycling of Manufacturing Rates Revenue

You will recall that at a briefing session on industrial derating (3 November) Members raised the issue of whether it was possible to recycle any future increases in manufacturing rates to support the manufacturing sector in a more targeted way than providing blanket relief through derating. Some Members were concerned that derating would become a dependency and this would not be in the long term interests of manufacturing competitiveness.

Officials advised the Committee that this is an issue that had been looked at before but that it could be reviewed. The background is as follows.

The issue of recycling the savings from holding manufacturing rates at 30% to invest in industry was previously considered in late 2006, prior to the holding of manufacturing rates at 30% for the 2007/08 rating year.

At that time the Northern Ireland Manufacturing Focus Group (NIMFG), working with the trade union Amicus, put forward a proposal for a manufacturing skills levy (Skills Training and Reinvestment – STAR). It was suggested that a proportion, say 10%, of the savings to manufacturing businesses through holding manufacturing rates at 30% could be reinvested in a fund that would pay for skills, training and research. A copy of the original proposal paper is attached for Members' information (Appendix 1).

The paper suggested that if savings from holding manufacturing rates at 30% were £60m per year, the industry would then set aside £6m. This was viewed by industry as enabling it to "pay its fair way", in return for Government retaining low rates for the sector.

This proposal was discussed at the final meeting of the Industrial Derating Working Group, a forum for NIMFG and Amicus to voice their concerns to the Department, in November 2006. The then Finance Minister, David Hanson, MP, indicated that, while he saw merit in the idea, such a scheme was beyond the remit of DFP. The then Employment and Learning Minister, Maria Eagle, MP, was also advised on the NIMFG/Amicus proposal.

At that time DEL viewed the proposal as having the potential to be effective in developing capacity within the manufacturing sector. However, they considered that the scheme's feasibility would depend on how it aligned with other training programmes, development processes and initiatives already in place. In addition, DEL felt that a more appropriate vehicle to advance the proposal may be through the Skills for Business Network (SfBN), not the Department itself. That Department indicated that they would be willing to assist in developing the proposal.

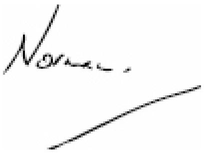
Nevertheless, DEL did highlight the considerable administrative costs potentially involved in raising such a levy, which would tend to reduce significantly the benefit to be gained. The various issues were set out in a letter to NIMFG in early 2007, inviting them to further develop their proposal in terms of addressing the issues of existing providers, the need for change and the costs of running the scheme. No further comment was received from NIMFG about the scheme. This was hardly surprising given that direct rule Ministers went ahead and agreed to cap rates at 30%, pending the outcome of the subsequent ERINI report on derating. So, the STAR scheme proposal was abandoned.

More recently DEL have advised that, in addition to a statutory levy requiring primary legislation, it may require the creation of an NDPB or Executive Agency to carry out the functions of collecting and disbursing the levy. On the other hand a voluntary levy may have variable buy in.

At the previous briefing session Members rightly pointed out the issue of State Aid and the apparent inconsistency of approach in term of preventing better targeting of the relief and yet being prepared to reconsider the recycling of revenues towards a skills, training and research fund. However, these sorts of indirect support activities are allowable under other publically funded initiatives and it is possible that they would not infringe State Aid rules because they are either general measures, open to all such enterprises or selective measures operating under de-minimus rules. Legal advice will be sought if this matter is taken further and before options are looked at in any detail.

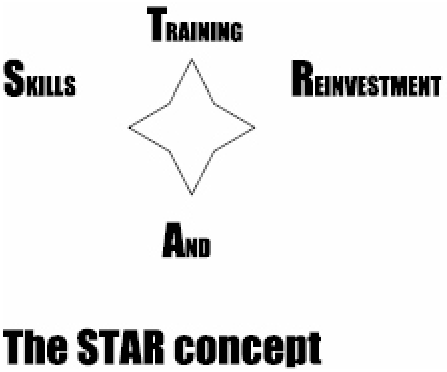
Members are asked to note the background to this scheme and also advise whether they wish the Department to undertake any further work in relation to this area, given the issues set out above.

Yours sincerely,



Norman Irwin

Appendix 1: Nimfg Paper on The Star Proposal



A Manufacturing Skills Levy: an outline proposal by NIMFG

Strategic Context

Northern Ireland manufacturing believes that it can make a necessary and considerable contribution to the economy, creating highly skilled and well paid jobs that are sustainable into the future, by raising value added per worker to world class levels. This is fully aligned with DETI's economic strategy, but can also contribute to addressing social and equality issues, most notably in supporting equality of access to employment opportunities and in aiding the delivery of an anti-poverty strategy.

To fully realise that potential two things are necessary – a radical shift in the ways that skills are developed in manufacturing and a rates regime which does not penalise investment.

NIMFG have linked these two issues into a proposal which it wishes to explore with Government.

Industrial Rates

Whilst current rates legislation provides for industrial rates to be phased in until they reach 100% in 2011, a review is planned for 2007 that will look at the impact to date following the introduction of rates to manufacturing and the rationale for continued increases.

NIMFG believe that there has been a transformation in recent years in the context facing local industry as past support has been reduced and focused on a small number of major projects, rising fuel prices hits peripheral areas more adversely and globalisation has placed growing pressure on margins. The addition of high rates to this mix will diminish Northern Ireland's appeal as a centre for manufacturing, driving away first investment, and then jobs. Rating income will never achieve what it is projected to, and then dwindle as factories lie empty.

Without prejudging the outcome of that review, NIMFG believe that a low rate coupled with a skills oriented fund could enable manufacturing to pay its fair way, whilst allowing it to adjust to a new trajectory, of rapidly rising productivity.

Proposal

The proposal is that an obligatory levy is applied to all manufacturing on the basis of x% of rates. This would produce a sum of around £xx per year. [Indicative only – may be set at 10% of 'saving', so that if capped at 25% the saving to industry is £60m, levy would be £6m per year].

This would generate a sum, in addition to the rates, which would be ring-fenced as a manufacturing skills levy. The resulting fund would be applied to a set of skills initiatives under the direction of manufacturing (delivery directed by NIMFG).

This fund would gear other funding, maximising its impact and heightening the relevance of wider skills spending, i.e. DEL.

The key difference is that for the first time industry would be spending its own money on collective skills training – which would drive the effectiveness of all resources deployed within or alongside the fund.

Gearing additional resources

Such a fund would be particularly valuable as non-publicly sourced 'match funding' that would lever European and other funding to the benefit of Northern Ireland firms. Currently many worthwhile initiatives struggle to achieve the non-public proportion required and consequently do not proceed. A STAR fund would thus help the most strategic projects progress, as opposed to the most easily funded as present.

As well as funds aimed at Northern Ireland the STAR fund opens up much broader spending, for example under EU funds alone there are opportunities from Interreg through to Framework 7 spending on R&D, spending which is traditionally poorly accessed in Northern Ireland. The STAR fund can thus bring additional resources to Northern Ireland, aiding the shift towards Northern Ireland competing for mainstream EU funding as specific (Transitional and PEACE) monies recede.

Accountability

Accountability would be primarily safeguarded by manufacturing looking to how its own money was spent, but a transparent framework would be established and agreed with Government on management and disbursement processes.

More than just skills training – Inward investment

Whilst the environment for inward investment in manufacturing is challenging, we believe that the Republic of Ireland has demonstrated that opportunities do exist. An approach lead by the combination of NIMFG and Amicus would demonstrate the type of all stakeholder / cross community and cohesive approach that would be attractive to American investors and others.

This would strengthen the broader support framework for Invest NI, with a highly proactive 'risk oriented' profile that can initiate actions within an 'industry' context.

Building consensus, capability and community

To be successful STAR would have to reach out beyond manufacturing and Government agencies to all of the other players in the economic development field.

NIMFG, along with AMICUS, has a focus on the building of consensus and has developed new working relationships with education and local government, for example:

- John D'Arcy, Colleges of Further Education
- Shirley McKay, Belfast City Council Economic Development Unit

The link with the Colleges of Education demonstrates a capacity to engage in skills and attitude training.

The link with Belfast City Council, with whom NIMFG expect to exchange a formal heads of agreement in January, is indicative of the excellent relationships NIMFG have built with officers and members of local councils in addition to working with members of the legislative assembly. We believe that this will integrate well with the outworking of the current review of public administration and the accompanying need for local engagement.

Nor will our work be linked solely to those in employment. All companies must take cognisance of their social responsibilities. NIMFG can demonstrate how it can facilitate developing relationship with social partners such as Cloona and Oasis, believing that private sector engagement in such areas is beneficial.

Presbyterian Mutual Society Assistance Package

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont 10 December 2010

Dear Shane,

As requested at the Committee session on the 24th November 2010, please find attached (at Annex A) details of the proposed Presbyterian Mutual Society (PMS) assistance package including the budgetary implications and DFP's departmental responsibilities.

Yours sincerely,

Norman.

Norman Irwin

Annex A

Update on the Presbyterian Mutual Society rescue plan for the Committee for Finance and Personnel

Current Position

1. The exact details of the proposed Presbyterian Mutual Society (PMS) solution have not yet been finalised and any final solution will be subject to the agreement of the Executive (to approve the proposed assistance and make provision for it in the Budget), the Assembly (to approve the proposed Schemes and Budget legislation), the EU (for State Aid), and PMS creditors and members (in line with the legal requirements).

2. However, the proposed solution includes making a loan of £175m to the Administrator over a period of approximately ten years and provision for a Mutual Access Fund to which the Government will contribute £25 million, the Northern Ireland Executive will contribute £25 million and where the Church will also make a contribution of at least £1m.

3. Over time the Administrators Business Plan indicates that the PMS assets can recover sufficiently for the Loan and Access Fund to be repaid and to allow everyone to recover their money in full. However this cannot be guaranteed. After repaying the £175m loan (and interest payments) any surplus at the end of the ten year loan workout period would firstly be used to repay the cost of the Mutual Access Fund. After this any remaining surplus would be available for distribution to PMS creditors and members.

Budgetary Implications

4. The Northern Ireland Executive's £25 million contribution to the Mutual Access Fund would come from Northern Ireland's 2011-12 Block Grant allocation subject to this being agreed as part of our Budget 2010 process.

5. The Chancellor confirmed in the Spending Review announcement on the 20th October 2010 that Northern Ireland's Reinvestment and Reform Initiative (RRI) borrowing facility would be increased by £175 million in 2011-12 to facilitate a loan to the Presbyterian Mutual Society (PMS) Administrator and an additional allocation of £25 million in 2011-12 in respect of the Coalition Government's contribution to the Mutual Access Fund. These amounts are in addition to our block grant and can only be used for this purpose.

6. Both the proposed loan to the Administrator and the Mutual Access Fund will flow through the Department of Enterprise, Trade and Investment who must have Executive agreement and Assembly legislative authority for all of their expenditure. The contribution from the Church will also require such budgetary authority if it is to flow through DETI. Hence Budget 2010 will have to make provision for the full amount of this expenditure in 2011-12.

7. In future years the Administrator will make both interest and principal repayments on the Loan that would cover the expected interest and principal loan repayments that the Executive would have to make. There would then be no net cost to the Block. But budgetary provision for the receipts and for the payments will have to be made.

DFP Departmental Responsibilities

8. DFP was involved in the negotiations with HM Treasury to extend our Reinvestment & Reform Initiative (RRI) borrowing facility and to secure the Government's contribution to the Access Fund. DFP's current and future responsibilities will be exactly the same as for all other public expenditure. DFP approval for the Loan and Mutual Access Fund will be required. DFP will consider any budget and in year monitoring bids or reduced requirements and ensure that the expenditure is enabled in line with Ministers', Executive and Assembly approval requirements and in line with the guidance and requirements set out in Managing Public Money in Northern Ireland (MPMNI).

Liaison with Economists

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont 13 December 2010

Dear Shane,

I refer to your correspondence of 29 November on Departmental liaison with economists.

The NICS Economist Group includes approximately 80 economists. All are DFP staff but just over 50 are currently on long term loan to 11 of the other NICS Departments where they provide independent advice to their own line management and Minister. The Head of DFP's Strategic Policy Division acts as Head of Profession which includes central recruitment and career management of economists. DARD employs economists separately.

While no NICS managed formal mechanism or forum for engaging with independent economists exists, departmental economists engage with their independent counterparts on an ongoing basis in a variety of means. DFP, DETI, and DEL Economists do participate in the Invest NI Economic Forum, whose membership includes government economists and independent economists from local banks, and consultancy houses. The evidence given to the committee cited that this forum was mostly led by external economists. Attendance does vary, but the most recent meeting of this forum was on 5 November 2010 where DFP, DEL and Invest NI economists were present together with CBI and NI Chamber of Commerce Representatives to discuss their recent Spending Review and Economic Manifesto documents. No independent private sector economists attended.

Government economists have also met with members of the Northern Ireland Economic Reform Group (ERG) on a number of occasions in the past year to discuss corporation tax issues. The DFP comments and exchanges with the ERG have previously been copied to the Committee. We also liaise with both academic and private sector economists engaged to undertake Government research contracts. For example, the DETI issued an open call for proposals as part of its 2008/09 - 2010/11 Research Agenda. Research contracts were awarded to a number of academics from Universities in Britain and Ireland following an assessment of the proposals received and DETI Economists have been regularly engaging with these research teams.

As you will also be aware the Minister for Enterprise Trade and Investment recently established an Economic Advisory Group (EAG) which includes two senior independent economists – Kate Barker, previously a member of the Monetary Policy Committee, and Professor Francis Ruane, Director of the Economic and Social Research Institute. The EAG provides advice to the Executive Sub-Committee on the economy through the Enterprise Trade and Investment Minister. In the last month DFP's Chief Economist has met with this group to discuss Rebalancing the Economy and Banking issues. Furthermore, the Finance Minister, and Senior DFP officials regularly meet with representatives of the main business bodies in Northern Ireland to seek their views on economic issues.

Government officials also liaise and engage with independent economists at various conference events throughout the year, and in particular the Northern Ireland Economic Conference which the DFP Minister addressed in 2010.

In previous years, the NICS Economist Group has also organised internal Economic Conferences attended by external economists. While a conference was not held this year due to resource constraints, the conference in 2009 was attended by Richard Ramsey (Ulster Bank), Angela McGowan (Northern Bank) and Neil Gibson (Oxford Economics).

However, it is important to recognise that there are few fully independent sources of economic advice as many of our local economic commentators are employed by consultancy houses and banks. Furthermore, given the nature of these organisations, there is often a significant cost attached to obtaining economic advice from these sources, as there is with academic economists employed by the Universities.

The Committee should be aware the DFP Economists are more than willing to meet with independent economists to discuss issues around the Northern Ireland economy and have not refused any requests for such a meeting in recent years.

The Committee also referred to concerns about transparency and consistency of data published on departmental websites. A wide range of economic, labour market, social and demographic statistics are published by Northern Ireland Departments. These include a substantial range of national statistics which meet the standards required by the Office of National Statistics in terms of relevance, integrity, quality, accessibility, value for money and freedom from political influence. Data deemed to be National Statistics provide an up-to-date, comprehensive and meaningful description of the economy and society and are routinely used to inform policy making and investment decisions across Departments. These statistics are fully transparent and are published with explanatory notes by the Northern Ireland Statistics Research Agency.

Yours sincerely,

Norman Irwin

End Year Flexibility

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont Our Ref: CFP112/10

15 December 2010

Dear Shane,

End Year Flexibility

DFP officials are still awaiting clarification from HM Treasury on what mechanism will replace the current End-Year Flexibility regime. There has been no further insight since officials last briefed the Committee.

On the issue of Department of Justice access to the Reserve, it is our understanding that access will be permitted for exceptional security pressures - as envisaged when the Stage 2 devolution agreement was made.

Yours sincerely,

Norman Irwin

DFP Departmental Spending and Saving Proposals

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont 23 December 2010

Dear Shane,

Draft Budget 2011-2015 – DFP Departmental Spending and Saving Proposals

Following the announcement of the NI Executive's 'Draft Budget 2011-15' on 15 December 2010, departments are required to publish their spending proposals including details of current expenditure and capital investment allocations at Spending Area (Unit of Service) level, their draft Savings Delivery Plan and Equality Impact Assessment.

Attached at Annex A is a copy of the department's consultation paper which sets out both spending and saving proposals, the paper can also be accessed on the department's website www.dfpni.gov.uk.

The paper is forwarded to the Committee to inform the draft budget aspects of the evidence session, with departmental officials, scheduled for 19 January 2011.

Regards,

Norman Irwin

DFP Departmental Spending and Savings Proposals

Draft Budget 2011-15: Spending and Savings Proposals within Department of Finance and Personnel

22 December 2010

Contents

Introduction

1. The NI Executive's 'Draft Budget 2011-15' was announced by the Minister for Finance and Personnel on 15 December 2010. The Executive's Draft Budget provides proposed departmental current expenditure and capital investment allocations for the four year Budget period. To allow Ministers time to make decisions on priorities, the proposed allocations were presented at an overall departmental level. The announcement of the Draft Budget triggered the public consultation period, the closing date for which is 9 February, 2011. A copy of the Executive's 'Draft Budget 2011-15' can be accessed on the Budget website: www.northernireland.gov.uk/budget2010.

2. Clearly, Budget 2010 takes place in a very difficult fiscal environment. This presents us with the challenge of making resource savings in order to fund business critical services over the forthcoming Budget 2010 period, covering the financial years from 2011-12 to 2014-15.

3. The purpose of this paper is to set out the impact of the Draft Budget for the Department of Finance and Personnel's (DFP's) own departmental spending and saving proposals over the period 2011-15. The public consultation period on the department's own spending and savings proposals runs in tandem with the public consultation on the Executive's Draft Budget.

Consultation Arrangements

4. The department has already taken a number of steps to engage with key stakeholders, setting out the challenges for the department's own finances and the anticipated impact of a Budget settlement.

5. The department has consulted with the Assembly Committee for Finance and Personnel and Trade Union Side in developing its spending proposals. Papers on the department's spending proposals and the development of its savings options have been put on the DFP website and staff have been kept informed of the position via the Staff Brief.

6. Over the forthcoming weeks the department will continue to engage with the Committee for Finance and Personnel and Trade Union Side. In addition, we are publishing this document on our website www.dfpni.gov.uk, and, given that we provide a range of essential shared services to other NI government departments and public bodies, a copy of this document will also issue to all NI Permanent Secretaries. We will also take steps to inform our staff of the likely departmental implications of the Draft Budget settlement. In addition, business areas across the department will continue to update their key stakeholders of the likely impacts of the Draft Budget on the services which they deliver as part of their ongoing engagement.

7. We are interested in hearing views on any aspects of this document and the spending allocations and savings proposals contained within it. We encourage all interested parties to make their responses as soon as possible before the consultation closing date of 9 February 2011.

8. If this document is not in a format which suits your needs, please let us know. Contact details can be found below.

Contact Details

9. Should you wish to make comments in relation to any of the issues contained within this document, the address for consultation responses is as follows:

Deborah McNeilly, Finance Director
G2.6 Rathgael House, Balloo Road, BANGOR, BT19 7NA

Telephone: 02891 858163
E-mail: DFP.BudgetConsultation@dfpni.gov.uk

Comments should be sent to arrive no later than 9 February 2011.

10. In order to promote environmental sustainability respondents will not receive an acknowledgement letter. A list of respondents will be placed on the department's website along with copies of responses (in full or in part). If you do not wish your response or name to be published on the website, please make this clear in your response to us.

Draft Budget Outcome for DFP

11. The overall aim of the department is "to help the Executive secure the most appropriate and effective use of resources and services for the benefit of the community". In pursuing this aim, the key objective of the department is to deliver quality, cost effective and efficient public services and administration in the department's areas of Executive responsibility.

12. The Executive's Draft Budget sets out proposed allocations to DFP for both current expenditure and capital investment, in support of the department's aim and key objective. The proposed allocations will also underpin the department's Programme for Government commitments once they are finalised.

13. Current expenditure reflects the ongoing costs of providing services (for example, pay, operating costs and grants to other bodies), whereas capital investment reflects investment in assets which will provide or underpin services in the longer term (for example office accommodation and IT systems etc). The proposed allocations for DFP are provided in Table 1 below.

Table 1 – Draft Budget Proposed Allocations (£million)

	2010-11	2011-12	2012-13	2013-14	2014-15
Net Current Expenditure	182.9	190.5	187.1	179.9	180.9
Capital Investment	15.2	16.5	12.1	10.6	28.4

Current Expenditure

14. The cash increase in the department's current expenditure baseline in 2011-12 and 2012-13 in particular, will allow the department to deliver Census 2011, for which the department had sought additional funding of £2.1m in 2011-12 and provide additional funding of £5m to the Land and Property Services agency in each year to support the collection of over £980m per annum in rates revenue. However, the impact of inflation at some 2% per annum effectively means that by 2012-13 the department is facing a real-terms reduction in its baseline of some £3.2m.

15. The cash reductions in 2013-14 and 2014-15 will present challenges for the department as it seeks to maintain the delivery of essential shared services on behalf of the wider Northern Ireland Civil Service (NICS) and other public bodies, and maintain frontline service delivery in the Land and Property Services agency and the Northern Ireland Statistics and Research Agency.[1] The challenges facing DFP in 2013-14 and 2014-15 are exacerbated as the cash

reductions taken with the impact of inflation effectively represent a reduction of 7.8% and 9.3% in the funding available to the department for current expenditure.

Capital Investment

16. The proposed allocations for capital investment in the years 2011-12 to 2013-14 represent the minimum funding necessary to allow the department to meet its contractual commitments and maintain an acceptable level of service delivery. The department will seek to manage the proposed capital investment allocations flexibly in light of emerging issues, and seek to maximise the benefits from its capital investment. The department holds the funding for the government office estate which it manages on behalf of the wider NICS. The proposed allocations in these years clearly limit the extent to which the department can make significant improvements in this area.

17. However, the increased capital investment allocation in 2014-15 would allow the department to plan and implement some major investment in the office estate. In order to take forward such an increase in investment in the final year of the Budget, careful planning will be required to ensure that necessary preliminary work is both adequately funded and completed.

Proposals for Additional Current Expenditure

18. In light of the Draft Budget settlement, the additional current expenditure which we we would propose to take forward (over and above the 2010-11 baselines), totalling some £12.4m/£10.3m/£10.3m/£10.3m is outlined in Table 2 below. These additional spending proposals can be afforded within the Draft Budget allocations to DFP, provided savings in other areas of DFP spending are made as described in paragraphs 28 to 33.

Table 2: Additional Current Expenditure Proposals (£million)

	2011-12	2012-13	2013-14	2014-15
To support the Wider Public Sector:				
Census 2011	2.1	-	-	-
Land and Property Services	5.0	5.0	5.0	5.0
NICS Accommodation	2.0	2.0	2.0	2.0
NI Direct	2.8	2.8	2.8	2.8
Running Costs:				
Supply Team (Department of Justice)	0.5	0.5	0.5	0.5
Total Spending Proposals	12.4	10.3	10.3	10.3

19. These spending proposals do not take account of any anticipated inflation over the budget period. Listed in order of priority, they reflect the following essential additional funding requirements:

(i) Census 2011 (£2.1m/ - / - / -) – The next Census will take place on 27 March, 2011. Most of the funding required to deliver the Census was secured in Budget 2006 and Budget 2007. As part of Budget 2010 the department sought additional funding to meet inescapable commitments in 2011-12. The Census is being conducted on a UK-wide basis and it is obligatory for Northern Ireland to participate and produce and analyse data to the same standards as other regions of the UK. Where there are opportunities to make savings and efficiencies in relation to the Northern Ireland work on the Census, we have sought to do so. The total estimated costs of the 2011 Census in the main years from 2008-09 to 2011-12 are in the region of £20m.

The proposed current expenditure allocations to the department will allow this Census 2011 inescapable funding requirement to be met.

(ii) Land and Property Services (LPS) (£5.0m/£5.0m/£5.0m/£5.0m) Additional funding is required to maximise rates revenue collection on behalf of both district councils and the NI Block. The economic downturn has put pressure on recovery action and, whilst the agency will try to assist ratepayers who are having difficulty in paying their rates, for example, agreeing revised payment terms, LPS is nonetheless dealing with record levels of non-payment which translates into increasing volumes of court cases and enforcement action. Against this backdrop, LPS expects to collect in excess of £980m in rates revenue in 2010-11. This will represent a significant improvement in collection levels when compared to previous years. The collection levels in 2008-09 and 2009-10 were £942m and £960m respectively.

The Draft Budget proposals provide additional funding of £5m for LPS in each of the years 2011-12 and 2012-13 under the Executive's 'Invest to Save' Initiative. This funding allocation would provide substantial support towards the maximisation of rates revenue collection in these two years.

In the absence of additional funding being provided in the latter two years of the Budget 2010 period it would be expected that rates collection levels would deteriorate significantly, increasing the financial constraints already facing district councils and the NI Block. The department therefore proposes to allocate £5m to LPS in both 2013-14 and 2014-15, to be funded from savings which the department proposes to deliver in these two years.

(iii) NICS Accommodation (£2m/£2m/£2m/£2m) – This proposal reflects the essential costs associated with running the NI government office estate and providing modern, fit for purpose office accommodation for NI departments. Large proportions of the department's accommodation budget relate to inescapable rent, rates, fuel and depreciation costs. As a result, we have had to reduce maintenance expenditure to unsatisfactory levels in order to live within our means and this has contributed to the deterioration of the estate. The additional funding would support the ongoing delivery of accommodation to the wider NICS, and allow maintenance requirements to be addressed in some of the major buildings in poorer condition e.g. Dundonald House (DARD, DoJ), Rathgael House (DE and DFP), Marlborough House (DOE, DFP, DRD), and Hydebank (DRD, DARD).

The proposed current expenditure allocations to the department, together with the savings which the department proposes to deliver, would enable this funding requirement for the office estate to be addressed.

(iv) NI Direct (£2.8m/£2.8m/£2.8m/£2.8m) – The department has continued to review and refine its funding requirement to support this significant citizen-facing reform project and has reduced the level of funding required over the Budget 2010 period compared to initial proposals. NI Direct is a direct response to the Executive's commitment to improve the quality and cost effectiveness of citizens' access to government services. On behalf of all government departments, this proposal is to fund an improved switchboard service, an enhanced directory, a comprehensive theme-based website of contact information for all citizen-facing services, an informational and enquiry handling service (delivered through the 101 number) to provide authoritative 'one and done' resolution to basic questions and enquiries, as well as a wide-ranging rationalisation of government telephone numbers. In all, to make it easier for the citizen to access Government services.

In recognition of the priority attached to this project, the Draft Budget provides for £2.8m per annum to be allocated under the Executive's 'Invest to Save Initiative' which allocates funding to departments for a range of discrete projects that are focussed on delivering long-term savings.

The department will review the extent to which NI Direct will meet the requirements of the 'Invest to Save' initiative during the consultation period.

(v) Supply Team – Devolution of Justice (£0.5m/£0.5m/£0.5m/£0.5m) – This proposal is to fund the staff and other running costs required to strengthen the capacity of Central Finance Group (CFG) to deal with the new public spending issues arising from the devolution of justice and policing powers to the Executive from 12 April 2010. The transfer of powers resulted in an increase in the Executive's budget of some £1.3bn per annum. A higher level of engagement is expected to be required with the two new departments (Department of Justice and Public Prosecution Service), particularly in the early years. The funding will increase the capacity of CFG to maintain effective support to the Finance Minister in respect of these newly-devolved areas of public spending.

The proposed current expenditure allocations to the department, together with the savings which the department proposes to deliver, would enable this funding requirement to be addressed.

20. Details of the department's total proposed current expenditure allocations by Unit of Service are provided at Appendix 1.

Capital Investment Proposals

21. The updated Investment Strategy for Northern Ireland (ISNI) will provide the background context for the four-year capital investment plans contained in the Executive's Draft Budget. This new Investment Strategy will reflect the changed public expenditure environment, which has resulted in a sizeable reduction in Northern Ireland capital funding over the Budget period.

22. The department needs to undertake some significant investment over this period, not least in respect of accommodation and shared services provided to and on behalf of other NI departments. Indeed, our ability to live within our means in respect of current expenditure in these and other areas is predicated on being able to make essential investment to maintain and enhance services.

23. The proposed Draft Budget allocations of £16.5m/£12.1m/£10.6m/£28.4m across the period would enable us (a) to maintain existing services and (b) to enhance those services. These capital requirements are outlined in order of priority in Table 3 below.

Table 3: DFP Capital Investment Proposals (£million)

	2011-12	2012-13	2013-14	2014-15
Indicative ISNI 2 Allocations	17.1	15.9	16.9	16.9
To Maintain Existing Services				
ESS: HR Connect Milestone	2.4	-	-	-
ESS: Records NI	2.0	-	-	-
Accommodation Services	4.0	3.6	3.0	3.0
Lands and Property Services	2.0	2.0	2.0	2.0
ESS: Systems Maintenance	5.1	5.2	5.3	5.5
Central Energy Efficiency Fund	-	-	-	-
ICT Line of Business	1.0	1.3	0.3	1.1
Total to Maintain Existing Services:	16.5	12.1	10.6	11.6
To Enhance Services				

	2011-12	2012-13	2013-14	2014-15
Accommodation Services	-	-	-	16.8
Total To Enhance Services:	-	-	-	16.8
Draft Budget Proposed Allocations	16.5	12.1	10.6	28.4

However, as indicated at paragraph 16 above the proposed allocations for in the years 2011-12 to 2013-14 represent the absolute minimum funding necessary to allow the department to meet its contractual commitments and maintain an acceptable level of service delivery. The department will seek to manage the proposed capital investment allocations flexibly in light of emerging issues, and seek to maximise the benefits from its capital investment. However, the proposed allocations in the years 2011-12 to 2013-14 clearly limit the extent to which the department can make significant improvements to the government office estate.

24. The capital investment required to maintain existing services is as follows:

(i) Enterprise Shared Services: HR Connect Milestone (£2.4m/ - / - / -) – This proposal reflects an inescapable contractual commitment. HR Connect provides HR and payroll services to NICS departments and a number of other public sector bodies. The contract requires a total capital investment of £37.8m over the implementation phase, paid for through 35 milestones. Following some delays in the contractor completing work on the programme, the final milestones are expected to be completed in 2011-12.

The capital investment proposals set out in the Draft Budget would enable the department to meets its HR Connect capital commitments.

(ii) Enterprise Shared Services: Records NI (£2m/ - / - / -) – The department has a contractual commitment to refresh the Records NI infrastructure in 2011-12 at a cost of £2m. This investment will ensure that the records of all NI departments are maintained on a fit for purpose, up-to-date and resilient system.

The capital investment proposals set out in the Draft Budget would enable the department to meets its Records NI capital commitments. The department will seek to manage the timing of the refresh as flexibly as possible, within the confines of the current contract, to ensure maximum benefit from this important investment.

(iii) Accommodation Services: Maintain Existing Services only (£4m/£3.6m/£3m/£3m) – The department needs to make investment over the four years of the budget to facilitate lease consolidation work, an important component of our draft Savings Delivery Plan. This investment would not only reduce the overall footprint and operational costs associated with the NI government office estate but also transfer staff into more acceptable working environments. These accommodation changes will be to the benefit of all of the departments involved. Following the termination of the Workplace 2010 PFI procurement, it is essential that the department also addresses many major capital maintenance items identified in recent surveys as well as ongoing requirements for replacement of carpets and furniture.

Maximising the savings from lease consolidation, and providing a fit for purpose office estate is a key priority for the department. The department is therefore proposing capital allocations to accommodation services of £4m/£3.6m/£3m/£3m, a total investment of £13.6m over the Budget period. Given the constrained capital investment position the department proposes to manage its investment in accommodation services as flexibly as possible to ensure that priority needs are met. The department will therefore review its capital project plans on an ongoing basis, and whilst we will want to ensure a minimum investment of £13.6m in accommodation services, it may be necessary to re-profile the capital allocations over the four year Budget period.

(iv) LPS (£2m/£2m/£2m/£2m) – Maintain existing services. - LPS has undergone significant change during the Budget 2008-11 period, particularly in response to the extensive programme of rating reforms including the need to administer new rate reliefs. In order to maintain existing services for its customers it needs to undertake this level of investment in its line of business ICT systems.

Given the importance of ICT systems in underpinning the collection of over £980m per annum in rates revenue, the department is proposing capital allocations to LPS of £2m/£2m/£2m/£2m, a total investment of £8m over the Budget period.

(v) Enterprise Shared Services: Systems Maintenance (£5.1m/£5.2m/£5.3m/£5.5m) – ESS has an ongoing need to maintain and develop the systems which support the essential accounting, human resources and ICT services provided to NICS departments and a number of other public bodies. This proposal is to maintain the IT infrastructure necessary to support common desktop services to approximately 18,500 users across the NICS. It would also ensure that all of ESS's services remain responsive to customers' needs, particularly given the level of change which is likely to be required as a result of policy and legislative changes over the period.

Whilst recognising the critical importance of maintaining essential common ICT systems and infrastructure, the capital investment constraints facing the department are reflected in the allocations in this area. The department is therefore proposing to allocate £5.5m/£5.2m/£5.3m/£5.5m, a total investment of £21.5m over the Budget period, for ESS systems maintenance. Robust prioritisation and flexible management of capital plans and budget, including optimisation of the in-year monitoring process to obtain additional capital funding, will be key requirements in ensuring that essential capital investment business needs are met.

(vi) Central Energy Efficiency Fund (CEEF) (not funded) – Set up eighteen years ago, the CEEF incentivised and supported energy efficiency projects within buildings occupied by public sector bodies in Northern Ireland, for example, local councils, hospitals, schools etc. CEEF investment in energy efficiency measures has shown a positive rate of return generally over a relatively short period, and the benefits of the investment have accrued directly to the bodies themselves. In recognition of this and anticipated capital constraints the department took steps to reduce the level of CEEF funding to £1m per annum in 2010-11, requiring the public bodies applying for CEEF funding to meet 50% of the capital investment requirements.

The Executive's Draft Budget did not include capital funding for continuing the CEEF. Therefore the department is proposing to discontinue it. In light of the generally short pay-back periods for these energy efficiency projects, there is sufficient incentive for public bodies to invest in them either via their own funds (given that the benefits accrue directly to the bodies themselves) or via 'Invest to Save' opportunities. In addition, other drivers also now exist to promote and incentivise energy efficiency – for example the Carbon Reduction Commitment.

(vii) ICT Line of Business Investment (£1.0m/£1.3m/£0.3m/£1.1m) – This proposal is to fund specific investment in ICT in the NI Statistics and Research Agency (NISRA), Central Procurement Division (CPD) and NI Direct so that current levels of service can be maintained. NISRA needs to continue the development of an output system for the dissemination of 2011 Census results, which started in 2010-11. CPD needs to invest in ICT to enable all NI departments to continue to obtain better value for money from purchases of goods and services.

This proposal also includes the maintenance of NI Direct's existing service levels in respect of enabling citizen access to government services. This capital investment represents a basic technical refresh in order to avoid the deterioration of switchboard and directory services provided to the citizen and all NI departments. The nature of the investment is such that it to also provides a firm technological basis for extending informational services.

The proposed capital allocations for ICT line of business investment of £1m/£1.3m/ £0.3m/£1.1m, a total investment of £3.7million over the Budget period, will enable essential service delivery to be maintained.

25. Accommodation Services: Enhance Existing Services (- / - / - /£16.8m) – Despite the termination of the Workplace 2010 PFI programme, the department remains committed to the principles of modern, fit for purpose office accommodation. This will be addressed by:

- Reducing the footprint of the office estate;
- Reducing the space requirements of departments by increasing workstation densities across the estate;
- Exiting or upgrading the poorest accommodation; and
- Seeking to upgrade the poorest accommodation.

The Draft Budget allocations in the years 2011-12 to 2013-14 would clearly limit the extent to which the department can make significant improvements in the government office estate. The increased capital investment allocation in 2014-15 would allow the department to plan and implement major investment in the estate. As indicated at paragraph 17 above this will require careful planning given the likely need to finance pre-contract works within the limitations of the proposed allocation in 2013-14.

26. Details of the department's proposed capital investment allocations by Unit of Service are provided at Appendix 1.

EU Programmes

27. A number of adjustments have been made to our EU baselines as part of the Draft Budget proposals, with additional allocations in respect of the Peace III and Interreg IVA programmes along with associated match funding.

Savings Proposals – Current Expenditure

28. The Executive's Draft Budget would provide the Department of Finance and Personnel (DFP) with new current expenditure baselines of £190.5m/£187.1m/£179.9m/£180.9m. However, in order to deliver our essential services to the public and across government, the department would need to make resource savings totalling some £5.3m/£8.9m/£11.3m/ £12.6m.

29. There have been significant reductions to the department's current expenditure budget over recent years:

- No additional allocations to address the costs of inflation over the period 2005-11;
- Budget 2004 required the department to deliver resource-releasing savings of £1m/£5.7m/£11.7m over the period 2005-08;
- Budget 2007 required the delivery of department further resource-releasing measures of £15.8m by 2010/11 (£6.1m/£11.3m/£15.8m over the period 2008-11); and
- The review of 2010/11 spending plans reduced our resource baselines by another £4.1m.

30. In this context, we have thoroughly reviewed the department's income and expenditure in order to determine how we could deliver the required level of savings while seeking to safeguard frontline services and essential service delivery. We have also sought to minimise the impact on staffing levels, although staff costs represent some 43% of our expenditure and it is inevitable that some of our savings will relate to reductions in staff numbers.

31. The process of reviewing expenditure and service delivery requirements has been led by the Departmental Board, and has included a full day planning session in June, further work over the summer, and a series of meetings chaired by the Permanent Secretary during September. As part of this process, the department developed a 'long list' of savings options. The relative severity and impact of each option was then assessed in order to enable the Departmental Board to prioritise and identify sufficient savings options to enable the department to take forward its essential services.

32. The measures we have identified nonetheless represent difficult decisions which, in addition to optimising the use of resources, reducing corporate services costs, maximising revenue and getting better value for money from contracts, also require us, unavoidably, to make some reductions to staff numbers over the period. Our proposed savings options would see a forecast reduction of some 91 posts over the planning period. Total staff in post at 15 September 2010 (excluding outposted and seconded staff) was 3,313.

33. The savings required in line with the Executive's Draft Budget, which reflect reductions of 2.9%/4.9%/6.2%/6.8% on the department's 2010/11 opening baseline of £182.9m are summarised in the table at Appendix 3 and outlined in more detail in the DFP Draft Budget Savings Delivery Plan, which is provided at Appendix 4.

Assessment of Impact

34. In preparing our proposals in respect of savings, current expenditure and capital investment, we have assessed the impact of each in relation to our equality obligations. The assessment of these proposals revealed neutral or positive impact in relation to section 75 groups. We have also considered whether the department's proposals have any wider social and economic impacts. Our proposals promote a number of positive impacts in relation to sustainability (through our proposed investment in the NI government office estate), poverty/social inclusion (through our ongoing implementation of rates relief schemes), access to government services (through the NI Direct investment) and the local construction industry (also through our proposed investment in the office estate).

35. Further details are provided in the department's equality impact assessment and high level impact assessment which can be found at Appendix 5.

Programme for Government

36. Alongside the Budget 2010 process, we will be giving careful attention to the upcoming Programme for Government which will outline the Executive's strategic priorities over the 2011-15 period. This provides us with an opportunity to review and refresh the department's priorities and targets. Clearly, in preparing our Budget 2010 position, this work has already begun and it will be necessary to take a more focused approach to setting our priorities over the forthcoming period. We will be continuing to liaise with colleagues in the Office of the First and deputy First Minister's Office as we develop our proposals. It is expected that a Draft Programme for Government will be published shortly.

Appendix 1

Department of Finance and Personnel – Draft Budget 2011-15

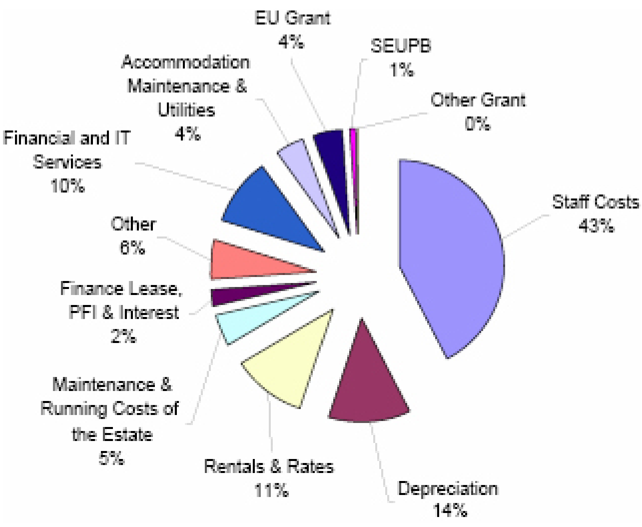
Current Expenditure and Capital Investment Proposals by Unit of Service (£million)[2]

	2010-11	2011-12	2012-13	2013-14	2014-15
Current Expenditure by Unit of Service2					
Finance and Personnel Policy and Other Services	31.9	35.8	36.4	33.9	34.6
NICS Shared Services	48.3	42.3	41.4	39.9	39.9
NI Statistics and Research Agency	11.0	13.0	11.0	10.2	10.1
Land and Property Services	17.1	21.4	21.6	21.0	21.2
EU Programmes	1.3	2.3	2.1	1.8	2.0
Special EU Programmes Body	1.4	1.4	1.3	1.3	1.3
NICS Accommodation Services	71.9	74.3	73.3	71.8	71.8
Pensions	-	-	-	-	-
Total Net Current Expenditure	182.9	190.5	187.1	179.9	180.9
Capital Investment by Unit of Service					
Finance and Personnel Policy and Other Services	0.5	0.9	1.2	0.2	1.0
NICS Shared Services	7.3	9.5	5.2	5.3	5.5
NI Statistics and Research Agency	0.9	0.1	0.1	0.1	0.1
Land and Property Services	1.7	2.0	2.0	2.0	2.0
EU Programmes	-	-	-	-	-
Special EU Programmes Body	-	-	-	-	-
NICS Accommodation Services	4.8	4.0	3.6	3.0	19.8
Total Capital Investment	15.2	16.5	12.1	10.6	28.4

Appendix 2

Department of Finance and Personnel – Draft Budget 2011-15

Analysis of DFP 2009-10 Total Resource Expenditure of £280.8m[3]



Appendix 3

Department of Finance and Personnel – Draft Budget 2011-15

Draft Savings Delivery Plan – Current Expenditure Savings by Unit of Service (£million)

	2011-12	2012-13	2013-14	2014-15
Finance and Personnel Policy and Other Services	2.0	2.4	2.8	3.1
NICS Shared Services	1.7	2.9	3.8	4.1
NI Statistics and Research Agency	0.5	0.8	1.1	1.4
Land and Property Services	0.5	0.6	0.8	0.8
EU Programmes	-	-	-	-
Special EU Programmes Body	-	0.1	0.1	0.1
NICS Accommodation Services	0.5	2.0	2.6	3.0
Pensions	0.1	0.1	0.1	0.1
Total Current Expenditure Savings	5.3	8.9	11.3	12.6

Appendix 4

Department of Finance and Personnel – Draft Budget 2011-15
Draft Savings Delivery Plan

Draft Budget 2011-15: Draft Savings Delivery Plan
December, 2010

Introduction

1. The purpose of this paper is to outline the Department of Finance and Personnel's (DFP's) plan for delivering the savings which would be required to maintain essential service delivery in light of the Executive's Draft Budget 2011-15.

Current Expenditure Savings Requirements

2. The Executive's Draft Budget would provide DFP with net current expenditure funding of £190.5m/£187.1m/£179.9m/£180.9m over the four-year planning period. However, in order to deliver our essential services to the public and across government, the department would need to make resource savings totalling some £5.3m/£8.9m/£11.3m/£12.6m.

Context

3. The department has already undertaken a range of savings measures in recent years. As part of Budget 2004, the department delivered resource-releasing savings of £1m/£5.7m/£11.7m over the period 2005-08 through a range of measures including reductions in staffing levels (beginning with vacant posts) and a number of procurement gains. Similarly, in Budget 2007, the department was required to deliver another tranche of resource-releasing measures of £15.8m by 2010-11 (£6.1m/£11.3m/£15.8m over the period 2008-11). These savings were generated by taking a number of steps including reviews of staffing levels and general administration expenditure, as well as optimising income streams. The recent review of 2010-11

spending plans required us to go still further, reducing our resource baselines by another £4.1m, for which it has been necessary to take more stringent steps to curtail expenditure across all business areas.

4. Indeed, the department has already taken steps to reduce expenditure in areas such as accommodation services, external consultancy, hospitality, air fares and mileage. In 2009-10 a net saving of £1.1m was achieved in rental expenditure with 8 buildings vacated during the year and 1 building added to the office estate portfolio. This has, in part, been achieved by increasing the number of workstations in existing buildings, and has resulted in a net space reduction of 8,174sqm by the end of 2009-10. In addition, a saving of approximately £1.2m was achieved in fuel costs in 2009-10 (due to the favourable rates obtained in tendered electricity supplies).

5. Expenditure on external consultancy reduced by 75% from 2008-09 to 2009-10 and we expect further reductions in the 2010-11 year and onwards. Savings have also been made in respect of hospitality (which decreased by some 56% from 2008-09 to 2009-10) and on air fares and mileage. DFP currently has 43 Senior Civil Service (SCS) posts, having reduced our SCS numbers by 5 posts since March 2009, more than 10%, and more reductions are in the pipeline. The department now has fewer SCS than in January 1999 (then there were 44), despite the size of the department doubling[4] since then to provide shared services to the whole of the Northern Ireland Civil Service (NICS). We continue to drive down expenditure in these areas as far as possible.

6. Of the department's 2010-11 opening gross expenditure baseline, some £90m (37%) is inescapable or contractually committed in the short to medium term, representing a significant constraint in seeking to identify further savings.

7. Depreciation costs are generally inescapable and these amounted to approximately £34m in 2009-10. The government office estate, which the department manages on behalf of the NICS, also incurs inescapable costs in respect of rent and rates. In 2009-10 these costs accounted for some £32m of our expenditure. While steps are being taken to reduce the office estate footprint, the extent to which progress can be made in this area is closely linked to the available funding, as well as to the staffing levels and business needs of NICS departments.

8. Over the Budget 2007 period (2008-11) DFP has become responsible for the provision of an increased number of essential shared services to NICS departments and a number of smaller public bodies. This has resulted in an increase in the level of the department's contractual commitments in respect of Account NI, HR Connect, Records NI, Network NI, Data Accommodation and IT Assist contractual commitments inter alia. Current expenditure contractual commitments due in 2010-11, as reported in the department's 2009-10 Resource Accounts are £24.5m, with contractual and lease commitments due in the period 2011-15 of £122m.

9. The level of inescapable commitments limits the savings options available to the department. Therefore, savings will have to be delivered out of the department's remaining budgets which include those in respect of staff costs. The breakdown of the department's 2009-10 outturn shown in Appendix 2 illustrates the composition of the department's budget.

Approach

10. In this context, we have thoroughly reviewed the department's income and expenditure in order to determine how we could deliver the required level of savings while seeking to safeguard frontline services and essential service delivery. We have also sought to minimise the impact on staffing levels, however, as staff costs represent some 43% of our expenditure it is inevitable that some of our savings will relate to reductions in staff numbers.

11. The process of reviewing expenditure and service delivery requirements has been led by the Departmental Board, and has included a full day planning session in June, further work over the summer, and a series of meetings chaired by the Permanent Secretary during September. As part of this process, the department developed a 'long list' of savings options. The relative severity and impact of each option was then assessed in order to allow the Departmental Board to prioritise and identify sufficient savings options to enable the department to maintain its essential services.

Summary of Savings Required

12. The measures we have identified include optimising the use of resources, reducing corporate services costs, maximising revenue and getting better value for money from contracts. But this alone will not be enough, and we will also have to make some reductions to staff numbers over the period. The department's required savings, which reflect reductions of 2.9%/4.9%/6.2%/6.8% on the department's 2010-11 opening baseline of £182.9m, and an indication of proposed measures are summarised in Figure 2 below using the categories provided in the central guidance:

Figure 2: Summary of Departmental Savings Proposals (£m)

	2011/12	2012/13	2013/14	2014/15
Measures				
Procurement	0.9	2.5	3.0	3.4
Maximising Revenue	0.6	1.1	2.2	2.2
Corporate Services	1.3	2.4	3.0	3.4
Administration/Policy	2.4	2.8	3.0	3.5
Other Bodies	0.1	0.1	0.1	0.1
Total Measures Identified:	5.3	8.9	11.3	12.6

13. The proposed savings reflect our current assessment of the savings we would need to make in light of the Executive's Draft Budget. A high-level overview of the savings which we would need to make, by savings category, is provided below. Details of each proposal are outlined in the individual measures at the end of this document.

- Procurement (£0.9m/£2.5m/£3.0m/£3.4m) – The department continually seeks to get the best value for money for taxpayers from all of its expenditure, including procurement. In 2009/10, 98.6% (£89m) of our procurement was influenced by the Central Procurement Directorate (CPD), our Centre of Procurement Expertise (CoPE). Over the Budget period we will continue to maximise the level of procurement through our CoPE as a means of ensuring value for money. In addition, business areas have reviewed contracts in which there may be an upcoming opportunity to renew or renegotiate in order to determine whether further gains could be made in this area. We have identified several such contracts across a range of services in which we expect procurement savings to be achievable. These include an expected £2.3m saving from lease consolidation by year 4 of the Budget, together with reductions from IT-related contracts such as Network NI – the government's internal broadband network - and a number of smaller contracts involved in supporting the policy and service delivery work of business areas.
- Maximising Revenue (£0.6m/£1.1m/£2.2m/£2.2m) – There is some scope to realise additional receipts over the period, including through widening our customer base, the provision of expert services such as legal advice and internal business consultancy, and

in respect of corporate services functions. The department will continue to review revenue raising options over the Budget period and as part of ongoing budget management will review opportunities for income generation from any surplus land or buildings.

- Corporate Services (£1.3m/£2.4m/£3.0m/£3.4m) – A significant proportion of DFP's business is concerned with providing corporate shared services for all NI departments and their associated agencies and a number of public bodies. Recent reform of Civil Service corporate shared services such as finance, HR management and IT provision has seen these services centralised and managed and delivered through the recently-formed organisation, Enterprise Shared Services, which resides in DFP. These new NICS-wide functions have recently completed their implementation phase and are now in the stages of stabilisation. In this context, we have sought to identify savings from these activities as they begin to bed down and produce economies of scale over the coming financial years. Examples of such savings include rationalisation of internal HR and finance functions following the centralisation and releasing resources that were necessary during the implementation phase. In doing so, we have also been mindful of Enterprise Shared Services' obligations to its customers.
- Administration, Policy, Funding and Regulation (£2.4m/£2.8m/£3m/£3.5m) – Many of DFP's core functions relate to policy, funding and regulation functions which provide essential services to the NI Executive, all NI departments and the wider public across a range of areas such as public spending, procurement, corporate management of the civil service and building standards. Together they work for value for money and better outcomes for citizens. Costs in these areas are almost exclusively staff-related and it is inevitable that savings delivered in respect of functions, such as administration and policy would result in staff reductions. These savings arise across the various DFP functions as a result of a review by the Departmental Board of staffing levels, more efficient processes and suppression of less essential posts.
- Other Bodies (£0.1m/£0.1m/£0.1m/£0.1m) – The department has a small number of arms-length and independent bodies which will be asked to find proportionate savings over the Budget 2010 period. It will be up to these bodies to determine how their savings will be delivered. In the case of SEUPB, we have consulted with our counterparts in the Department of Finance in the South and a 3% per annum cumulative saving will be implemented.

Staffing Implications

14. While the department anticipates staff reductions in the region of 91 posts over the four years 2011-15, the department's normal staff turnover levels mean that we expect to lose some 500 staff during this period, as part of the usual process of retirements and other departures.

15. There is a range of steps that can be, and are being, taken to manage the expected reduction in the number of posts, such as an embargo on recruitment and promotion, ending temporary promotions and implementing redeployments. We have assured staff that we will take every opportunity to manage our staffing levels flexibly.

Assessment of Impact

16. We have undertaken a high-level assessment of the impact of our proposals on Section 75 groups and on good relations, poverty/social inclusion and sustainable development. This assessment revealed neutral impact in respect of most impact groups and some minor positive impacts were identified in respect of sustainable development owing to reduced consumption.

Consultation and Revised Budget

17. This Draft Budget 2010 Savings Delivery Plan is prepared on the basis of the Executive's Draft Budget published on 15 December, 2010. The Draft Budget is now out for consultation until 9 February, 2011. This document is therefore subject to further revision and refinement following the publication of the Executive's Revised Budget.

Enclosures

Measure 1: DFP Procurement Savings
Measure 2: DFP Maximising Revenue Savings
Measure 3: DFP Corporate Services Savings
Measure 4: DFP Administration/Policy Savings
Measure 5: DFP Other Bodies' Savings

[1] The Land and Property Services agency and the Northern Ireland Statistics and Research Agency are Executive Agencies within DFP.

[2] The current expenditure allocations by unit of service reflect the impact of both additional allocations and savings delivery proposals and therefore represent the budget within which business areas will have to operate.

[3] Based on 2009-10 DFP Operating Cost Statement.

[4] Additions: Construction Service (from DoE); Rates Collection (From DOE); Land Registers NI (from DOE); Ordnance Survey (from DCAL); Occupational Health Service (from DHSSPS); Delivery and Innovation Division (partly from OFMDFM); Welfare Service; Centre for Applied Learning; IT Assist; HR Connect, and Account NI.

1. Savings Measure 1

Department	DFP
Savings Measure 1	Procurement Savings
Spending Area & Unit of Business	Various
Senior Responsible Officer	Oswyn Paulin, David Orr, Paul Wickens
Date of Latest Version of Delivery Plan	22 December, 2010
Date Assembly Committee consulted on Delivery Plan	

2. Forecast of Savings Accruing from Savings Measure (£m)

	2011-12	2012-13	2013-14	2014-15
Total	0.9	2.5	3.0	3.4
Savings Delivered				

3. Summary of Savings Measure.

Provide summary details of the savings measure including supporting evidence for the forecast level of savings.

Our business areas have reviewed contracts in which there may be an upcoming opportunity to renew or renegotiate in order to determine whether further gains could be made in this area. We have identified several such contracts across a range of services in which we expect procurement savings to be achievable. These include maintenance contracts, IT-related contracts and a number of smaller contracts involved in supporting the policy and service delivery work of business areas.

4. Impact on Frontline Services of Savings Measure.

Will the savings measure have an impact on the standard of public services provided to the public?	No

If yes, provide a clear justification as well as any mitigating actions.

N/A

5. Timetable for Actions to Deliver Savings.

Action	Target Date	Outcome
Maximise the level of procurement through our CoPE as a means of ensuring value for money.	Ongoing	Value for money in procurement.
Maximise opportunities to renegotiate contracts on more favourable terms	Ongoing	Value for money in procurement.
Reduce consumption in areas such as leases and car parks	Ongoing	Lower leasing and car parking costs.

6. Summary of Implementation Costs for Savings Measure.

Please provide details of any implementation costs and how they will be funded.
None.

7. Key risks and interdependencies to implementation of Savings Measure and details of contingencies.

Key risks	Probability of risk occurring (1-5)*	Impact of risk (1-5)*	Contingent Action(s)
Projected procurement gains from new and/or renegotiated contracts may not be realised.	2	4	• Lower levels of consumption where possible. • Implementation of alternative savings measures in relevant business areas.
Extended contract negotiations mean that savings are not realised as early as anticipated.	2	3	• Lower levels of consumption where possible. • Implementation of alternative savings measures in relevant business areas.
Inflation rises above expected levels, impacting on the department's ability to negotiate anticipated savings.	2	3	• Lower levels of consumption where possible. • Implementation of alternative savings measures in relevant business areas.

Potential Impact on other departments and public bodies.	Mitigating Action(s)
None anticipated.	N/A

* 1 is the lowest and 5 the highest

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8. Summary of assessment of potential impact in respect of Equality, Good Relations and Sustainable Development as well as details of any mitigating actions.

Impact	Mitigating Action(s)
Neutral impact in respect of equality, good relations, poverty/social inclusion and sustainable development.	N/A

9. Progress update on delivery of savings.

Progress update

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1. **Savings Measure 2**

Department	DFP
Savings Measure 2	Maximising Revenue
Spending Area & Unit of Business	Various
Senior Responsible Officer	David Orr, Oswyn Paulin, Paul Wickens, Derek Baker
Date of Latest Version of Delivery Plan	22 December, 2010
Date Assembly Committee consulted on Delivery Plan	

2. **Forecast of Savings Accruing from Savings Measure (£m)**

	2011-12	2012-13	2013-14	2014-15
Total	0.6	1.1	2.2	2.2
Savings Delivered				

3. **Summary of Savings Measure.**

Provide summary details of the savings measure including supporting evidence for the forecast level of savings.
There is some scope to realise additional receipts over the period, including through widening our customer base, the provision of expert services such as legal advice and in respect of corporate services functions. The department will continue to review revenue raising options over the Budget period and as part of ongoing budget management will review opportunities for income generation from any surplus land or buildings.

4. **Impact on Frontline Services of Savings Measure.**

Will the savings measure have an impact on the standard of public services provided to the public?	No
If yes, provide a clear justification as well as any mitigating actions.	
N/A	

5. Timetable for Actions to Deliver Savings.

Action	Target Date	Outcome
Charging arrangements will be kept under review to ensure that they are fair and equitable.	Ongoing	Fair and equitable charging arrangements.
Income generation will be monitored by Departmental Board as part of monthly financial reporting.	Ongoing	Realisation of income in line with target, or managed reduction in expenditure to offset any shortfall in income.

6. Summary of Implementation Costs for Savings Measure.

Please provide details of any implementation costs and how they will be funded.
None.

7. Key risks and interdependencies to implementation of Savings Measure and details of contingencies.

Key risks	Probability of risk occurring (1-5)*	Impact of risk (1-5)*	Contingent Action(s)
Use of DFP legal services is lower than anticipated and less income is generated than projected.	3	4	Cost savings to the levels of income that would have been generated.
Use of DFP business consultancy services is lower than anticipated and less income is generated than projected.	3	4	Cost savings to the levels of income that would have been generated.
Additional use of DFP shared services is lower than anticipated and less income is generated than projected.	4	4	Cost savings to the levels of income that would have been generated.

Potential Impact on other departments and public bodies.	Mitigating Action(s)
The savings reflect forecast increases in income as a result of existing charging arrangements for legal and business consultancy services. Additional customers wishing to switch to DFP shared services will incur costs from DFP instead of from their existing suppliers.	Charging arrangements will be kept under review to ensure that they are fair and equitable.

* 1 is the lowest and 5 the highest

INVESTOR IN PEOPLE

8. **Summary of assessment of potential impact in respect of Equality, Good Relations and Sustainable Development as well as details of any mitigating actions.**

Impact	Mitigating Action(s)
Neutral impact in respect of equality, good relations, poverty/social inclusion and sustainable development.	N/A

9. **Progress update on delivery of savings.**

Progress update

INVESTOR IN PEOPLE

1. Savings Measure 3

Department	DFP
Savings Measure 3	Corporate Services
Spending Area & Unit of Business	Various
Senior Responsible Officer	Paul Wickens, John Wilkinson, David Orr, Norman Caven, Derek Baker
Date of Latest Version of Delivery Plan	22 December, 2010
Date Assembly Committee consulted on Delivery Plan	

2. Forecast of Savings Accruing from Savings Measure (£m)

	2011-12	2012-13	2013-14	2014-15
Total	1.3	2.4	3.0	3.4
Savings Delivered				

3. Summary of Savings Measure.

Provide summary details of the savings measure including supporting evidence for the forecast level of savings.
A significant proportion of DFP's business is concerned with providing corporate services for all NI departments and their associated agencies and a number of public bodies. Recent reform of Civil Service corporate services such as finance, HR management and IT provision has seen these services centralised and managed and delivered through the recently-formed organisation, Enterprise Shared Services, which resides in DFP. These new NICS-wide functions have recently completed their implementation phase and are now in the stages of stabilisation. In this context, we have sought to identify the degree to which savings could be generated from these activities as they begin to bed down and produce economies of scale over the coming financial years. In doing so, we have also been mindful of Enterprise Shared Services' obligations to its customers.

4. Impact on Frontline Services of Savings Measure.

Will the savings measure have an impact on the standard of public services provided to the public?	No
If yes, provide a clear justification as well as any mitigating actions.	
N/A	

5. Timetable for Actions to Deliver Savings.

Action	Target Date	Outcome
Complete review of retained line of business ICT, finance, and HR services and communications services across the department.	April 2011	Identification of scope for further rationalisation and realisation of savings.
Implement recommendations from review of retained line of business ICT, finance, and HR services and communications services across the department.	September 2011 (To be kept under review.)	Further rationalisation of service delivery and realisation of savings.
Streamline Enterprise Shared Services (ESS) essential 'corporate services' following merger of IT Assist, HR Connect, Account NI and the Centre for Applied Learning into the new ESS organisation.	September 2011 (TBC)	Realisation of savings.
Continued downward pressure on general administrative expenditure, for example, consultancy, hospitality, air fares and mileage.	Ongoing	Realisation of savings.

6. Summary of Implementation Costs for Savings Measure.

Please provide details of any implementation costs and how they will be funded.
It is anticipated that any staff reductions will be managed through natural wastage and redeployment.

7. Key risks and interdependencies to implementation of Savings Measure and details of contingencies.

Key risks	Probability of risk occurring (1-5)*	Impact of risk (1-5)*	Contingent Action(s)
Rationalisation of support functions does not deliver the anticipated levels of cash releasing savings.	2	4	• Reduction in levels of support services. • Implementation of alternative savings measures in relevant business areas.
Conclusion of projects does not enable the release of the anticipated levels of resource.	1	3	• Hard charging for projects where these are being undertaken as additional activity on behalf of customers. • Implementation of alternative savings measures in relevant business areas.
Reducing expenditure to the extent anticipated has a greater impact on service delivery than expected.	1	3	• Implementation of alternative savings measures in relevant business areas.

Potential Impact on other departments and public bodies.	Mitigating Action(s)
None anticipated.	N/A

* 1 is the lowest and 5 the highest

INVESTOR IN PEOPLE

8. **Summary of assessment of potential impact in respect of Equality, Good Relations and Sustainable Development as well as details of any mitigating actions.**

Impact	Mitigating Action(s)
Neutral impact in respect of equality, good relations, poverty/social inclusion and sustainable development.	N/A

9. **Progress update on delivery of savings.**

Progress update

INVESTOR IN PEOPLE

1. **Savings Measure 4**

Department	DFP
Savings Measure 4	Administration/Policy
Spending Area & Unit of Business	Various
Senior Responsible Officer	David Orr, Paul Wickens, Norman Caven, Oswyn Paulin, John Wilkinson, Derek Baker, Des Armstrong, Richard Pengelly
Date of Latest Version of Delivery Plan	22 December, 2010
Date Assembly Committee consulted on Delivery Plan	

2. **Forecast of Savings Accruing from Savings Measure (£m)**

	2011-12	2012-13	2013-14	2014-15
Total	2.4	2.8	3.0	3.5
Savings Delivered				

3. **Summary of Savings Measure.**

Provide summary details of the savings measure including supporting evidence for the forecast level of savings.
Many of DFP's core functions relate to policy, funding and regulation functions which provide essential services to the NI Executive, all NI departments and the wider public across a range of areas such as public spending, procurement, corporate management of the civil service and building standards. Together they work for value for money and better outcomes for citizens. Costs in these areas are almost exclusively staff-related and it is inevitable that savings delivered in respect of administration and policy functions would result in staff reductions.

4. **Impact on Frontline Services of Savings Measure.**

Will the savings measure have an impact on the standard of public services provided to the public?	No
If yes, provide a clear justification as well as any mitigating actions.	
N/A	

INVESTOR IN PEOPLE

5. Timetable for Actions to Deliver Savings.

Action	Target Date	Outcome
Critically review existing vacancies and temporary promotions in all business areas to ensure posts are required.	1 April 2011	Reduction in number of posts through staff turnover.
Continue to review need for posts as vacancies arise through staff turnover.	Ongoing	Reduction in number of posts through staff turnover.
Early engagement with Departmental HR to ensure plans are in place for redeployment as necessary (for example when projects cease).	Ongoing	Reduction in number of posts through redeployment of staff to suitable vacancies.
Continued downward pressure on general administrative expenditure, for example, consultancy, hospitality, air fares and mileage.	Ongoing	Realisation of savings.

INVESTOR IN PEOPLE

6. Summary of Implementation Costs for Savings Measure.

Please provide details of any implementation costs and how they will be funded.
It is anticipated that any staff reductions will be managed through natural staff turnover and redeployment.

7. Key risks and interdependencies to implementation of Savings Measure and details of contingencies.

Key risks	Probability of risk occurring (1-5)*	Impact of risk (1-5)*	Contingent Action(s)
Redeployment activity does not occur to planned timetables, meaning that savings in staff costs are not realised as early as expected.	2	3	Implementation of alternative savings measures in relevant business areas.
Conclusion of projects does not enable the release of the anticipated levels of resource.	1	4	Implementation of alternative savings measures in relevant business areas.

Potential Impact on other departments and public bodies.	Mitigating Action(s)
None anticipated.	N/A

* 1 is the lowest and 5 the highest

INVESTOR IN PEOPLE

8. Summary of assessment of potential impact in respect of Equality, Good Relations and Sustainable Development as well as details of any mitigating actions.

Impact	Mitigating Action(s)
Neutral impact in respect of equality, good relations, poverty/social inclusion and sustainable development.	N/A

9. Progress update on delivery of savings.

Progress update

INVESTOR IN PEOPLE

1. Savings Measure 5

Department	DFP
Savings Measure 5	Other Bodies
Spending Area & Unit of Business	Various
Senior Responsible Officer	David Orr
Date of Latest Version of Delivery Plan	22 December, 2010
Date Assembly Committee consulted on Delivery Plan	

2. Forecast of Savings Accruing from Savings Measure (£m)

	2011-12	2012-13	2013-14	2014-15
Total	0.1	0.1	0.1	0.1
Savings Delivered				

3. Summary of Savings Measure.

Provide summary details of the savings measure including supporting evidence for the forecast level of savings.

The department has a small number of arms-length and independent bodies which will be asked to find proportionate savings over the Budget 2010 period. It will be up to these bodies to determine how their savings will be delivered. In the case of SEUPB, we have consulted with our counterparts in the Department of Finance in the South and 3% per annum cumulative saving will be implemented.

4. Impact on Frontline Services of Savings Measure.

Will the savings measure have an impact on the standard of public services provided to the public?	No

If yes, provide a clear justification as well as any mitigating actions.

N/A

INVESTOR IN PEOPLE

5. Timetable for Actions to Deliver Savings.

Action	Target Date	Outcome
Special EU Programmes Body (SEUPB) budget reduced by 3% per annum cumulative. SEUPB savings delivery plan to be approved.	January 2011	Reduced budget confirmed. SEUPB to live within revised budget.
Communicate Budget 2010 outcome to other bodies and request savings delivery plans to be implemented.	January 2011	Reduced budget confirmed. Other Bodies to live within revised budget.

INVESTOR IN PEOPLE

6. Summary of Implementation Costs for Savings Measure.

Please provide details of any implementation costs and how they will be funded.
None.

7. Key risks and interdependencies to implementation of Savings Measure and details of contingencies.

Key risks	Probability of risk occurring (1-5)*	Impact of risk (1-5)*	Contingent Action(s)
Bodies are unable to make the levels of savings requested without having detrimental impact on their service delivery.	2	2	
Demand for the services of bodies increases unexpectedly, increasing delivery costs and impacting on their ability to deliver savings.	2	2	
Inflation rises above expected levels, having a detrimental impact on the ability of bodies to deliver savings.	2	2	

Potential Impact on other departments and public bodies.	Mitigating Action(s)
None anticipated.	N/A

* 1 is the lowest and 5 the highest

INVESTOR IN PEOPLE

8. Summary of assessment of potential impact in respect of Equality, Good Relations and Sustainable Development as well as details of any mitigating actions.

Impact	Mitigating Action(s)
Neutral impact in respect of equality, good relations, poverty/social inclusion and sustainable development.	N/A

9. Progress update on delivery of savings.

Progress update

INVESTOR IN PEOPLE

Appendix 5

Department of Finance and Personnel – Draft Budget 2011-15

Equality Impact Assessment and High Level Impact Assessment

1. EQIA for Budget 2010 spending proposals

Summary of the equality and good relations implications of DFP's current and capital spending proposals for the Budget 2010 period (2011-2015)

High level Impact Assessments to ascertain the impact of DFP's Draft Budget 2010 spending proposals were conducted in advance of the Executive's Draft Budget announcement in accordance with Section 75 (1) and (2) of the Northern Ireland Act 1998. These assessments revealed neutral or positive impacts in relation to section 75 groups.

2. Actions to achieve Budget 2010 savings plans

Summary of the main actions DFP intends to take to deliver the proposed savings over the Budget 2010 period in order to deliver its proposed spending plans, and any mitigating actions to reduce the impact on the delivery of priority services.

The department has identified a range of actions to achieve the additional resource savings of £5.3m/£8.9m/£11.3m/£12.6m that would be required over the Budget 2010 period in order to achieve its spending proposals as set out in the department's draft budget spending plans. These are being delivered through a range of measures including:

- procurement savings generated from renegotiation of contracts;
- maximising revenue generation;
- review of the resource requirements of the NICS shared services delivered by DFP now that these have completed their implementation phase;
- staff reductions across a range of administration, policy, funding and regulation functions; and
- reduction in the funding provided to the department's arm's length and independent bodies.

In order to determine those savings that would be selected to enable the department to meet its spending proposals, a 'long list' of savings options was developed. The relative severity and impact of each option was then assessed in order to enable the Departmental Board to prioritise and identify sufficient savings options to enable the department to take forward its essential services. Key factors that informed the assessment of the severity of the options were the likely impact on frontline services, likely impact on section 75 groups and the impact on the department's staffing levels.

3. EQIA of savings plans for the Budget 2010 period

Summary assessment of the impact of the proposed savings plans in terms of equality and good relations.

The department has undertaken a High level Impact Assessment of its savings plans on section 75 groups. The assessment shows that the plans are expected to have a neutral impact on these groups.

4. Implications of Budget 2010 proposals for section 75 and other impact groups

Section 75 / Other Impact Group	Current Spending Proposals	Capital Spending Proposals	Savings Proposals
Between Men & Women Generally	Neutral impact	Neutral impact	Neutral impact
Persons of different age	Neutral impact	Neutral impact	Neutral impact

Section 75 / Other Impact Group	Current Spending Proposals	Capital Spending Proposals	Savings Proposals
Persons with or without disability	Neutral impact	Neutral impact	Neutral impact
Persons of different religious belief	Neutral impact	Neutral impact	Neutral impact
Persons with or without dependents	Neutral impact	Neutral impact	Neutral impact
Persons of different political opinion	Neutral impact	Neutral impact	Neutral impact
Persons of different marital status	Neutral impact	Neutral impact	Neutral impact
Persons of different racial group	Neutral impact	Neutral impact	Neutral impact
Persons of different sexual orientation	Neutral impact	Neutral impact	Neutral impact
Sustainability	Some positive impact	Some positive impact	Minor positive impact
Poverty/Social Inclusion	Some positive impact	Neutral impact	Neutral impact
Construction Industry	Some positive impact	Some positive impact	Neutral impact

5. Mitigating Measures

Set out any mitigating measures that have been taken or alternative actions that could be taken by your department to offset any disproportionate adverse impact in terms of equality and good relations.

Not Applicable.

Ministerial Briefing on Draft Budget 2011-15

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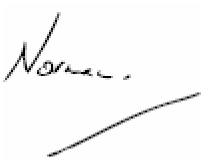
Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont 22 December 2010

Dear Shane,

I refer to the Chairperson's letter of 17 December inviting the Minister to discuss the Draft Budget 2011 - 15. The Minister has asked me to reply and confirm that he is not available to meet the Committee on 12 or 19 January or in fact any Wednesday thereafter.

He is however available on Monday morning on 10th January, the 17th and 18th January depending on Assembly business scheduled for these days. If the Committee agrees to any of these 3 dates we can liaise to determine an appropriate time.

Yours sincerely,



Norman Irwin

DFP Efficiency Delivery Plan 2008 - 11

Department of Finance and Personnel
Efficiency Delivery Plan 2008-11

Updated December 2010

Introduction

This Delivery Plan describes the measures DFP has taken, and will continue to implement, to achieve the target savings for the Department over the period 2008-11 in response to the 2007 Comprehensive Spending Review (CSR).

Efficiency Programme

The Department will realise total annual efficiencies of £15.8 million[1] by 2010-11 to be available for reinvestment in front-line activities across the NI Block. The profile of the annual target efficiency savings is shown in table 1 below and excludes any budget adjustments as part of the 2010-11 budgetary process.

Table 1 – ANNUAL TARGET EFFICIENCY SAVINGS

Total Efficiency Targets (3%)	2007-08 £ million	2008-09 £ million	2009-10 £ million	2010-11 £ million
Baseline (excl non cash)*	161.4	156.2	151.1	146.6
Total Efficiencies Required	-	5.2	10.5	15.0
Total Efficiencies Identified	-	6.1	11.3	15.8

* The baselines in respect of finance, human resources and ICT, all areas directly involved in a number of major reform programmes, are excluded.

The Department has identified and is committed to delivering efficiencies of at least £15.8m by 2010-11, thereby finding savings which are 5% above the set target. The Department is fully committed to long-term measures to improve the quality of the services it provides to citizens both directly and indirectly by 'Leading Reform, Delivering Value and Promoting Sustainability'. Efficiencies which do not compromise service delivery have therefore been sought, and many of the efficiencies sought are key to helping the Department achieve its objectives by delivering more and better outputs.

Although the Department will deliver the overall target of £15.8m of efficiency gains by 2010-11, the final composition of how this total will be delivered may vary from that set out in this Delivery Plan as more detailed plans are developed across business areas. The content of this Delivery Plan is therefore kept under review and updated as necessary.

Summary of the Proposed Savings

The areas that have been targeted as a means of realising cash releasing efficiencies are:

- Maximising receipts and extending charging in respect of services provided by DFP particularly to non NICS customers;
- Realise potential savings from the more efficient use of the NICS office estate by adopting open plan working as opportunities to do so arise;
- Efficiency targets for Land and Property Services;
- Targeted GAE and staffing reviews across the Department;
- Recognition of costs recovered in respect of rate collection; and
- Ordnance survey full cost recovery.

A summary of the savings are provided in table 2 below.

Table 2 – EFFICIENCY PROGRAMME SUMMARY TABLE

£m	2007/08 Baseline	2008/09	2009/10	2010/11
Efficiency Savings Accruing to Department				
(a) Near cash resource DEL	Res DEL			
1. Increase Charging (1)	-49.2	0.2	0.4	0.5
2. Accommodation (2)	76.2	0.3	2.0	4.7
3. Land & Property Services	21.4	-	0.5	0.9
4. Target GAE/ Staff Reviews	24.8	0.8	2.4	3.0
5. Recognition of costs recovered in respect of rate collection	12.5	4.4	5.0	5.7
6. Ordnance survey full cost recovery	1.0	0.4	1.0	1.0
(b) Capital				
	-	-	-	-
Total Departmental Savings (a + b)	-	6.1	11.3	15.8

Notes:

1. The baseline shown in 2007/08 represents total resource DEL income (excluding EU income).

2. The accommodation baseline in 2007/08 represents the full Properties Division budget.

Administration Resource Savings

While the Department has been required to identify efficiencies of at least £15m in overall terms, specific targets have also been set to achieve efficiencies in administration budgets. When the Department's reform work on behalf of all Government Departments has been excluded, administration efficiency targets of £1.7m / £6.3m / £10.1m have been set across the budget years. The efficiency measures outlined in this plan will address this requirement. Given the composition of the Department's budget, 61.5% of the cash-releasing efficiencies identified by 2010/11 will be delivered from administration budgets.

The Department has undergone major change over the CSR period with the implementation of the NICS Reform Agenda, the establishment of the Enterprise Shared Services organisation and the establishment of the Land and Property Services organisation. Given that the delivery of the main reform programmes has resulted in an increase in the quantum of departmental funding required to meet contractual commitments, the Department's scope to deliver further savings will be constrained and the need for targeted staff reductions is anticipated to manage the impact of inflation.

Monitoring of this Delivery Plan

As part of 'Budget 2008-11'[2] funding equal to the 'total efficiencies identified', as shown in table 1 above, was removed from the Department's budget in each of the three years 2008/09 to 2010/11, and was consequently made available for reinvestment in front-line activities across the NI Block. In tandem with this reduction in budget the 'Programme for Government 2008-11'2 set out the key Public Service Agreement (PSA) targets for which the Department is responsible, whilst departmental targets have been set out in the Department's 'Corporate Plan 2008-11' and annual operational plans.

Together the reduced budget settlement, Programme for Government and departmental targets set the primary framework for the Department's delivery of services during the period 2008-11. The monitoring of the Department's Efficiency Delivery Plan has therefore been largely facilitated through the monthly monitoring of financial performance against the Department's reduced baseline, with service delivery monitored on a quarterly basis against Programme for Government and departmental targets. Annual financial performance and performance against business targets has been reported in the Department's 2008/09 and 2009/10 Resource Accounts, which are available on the Department's website www.dfpni.gov.uk. For 2010/11 half yearly performance, to 30 September 2010, against Programme for Government targets is also available on the Department's website.

An update on the delivery of each of the Department's efficiency measures is provided in the Appendices to this Efficiency Delivery Plan.

Content of this Delivery Plan

Immediately below is an index to the Appendices, which deal in more detail with each of the components of the overall efficiency programme:

Efficiency Measure 1 Increase charging

Efficiency Measure 2 Accommodation

Efficiency Measure 3 Land and Property Services (LPS)

Efficiency Measure 4 Targeted general administration expenditure and staff reviews across the Department

Efficiency Measure 5 Recognition of costs recovered in respect of rates collection

Efficiency Measure 6 Ordnance survey full cost recovery

1. Title of Efficiency Measure

Department	DFP
Efficiency Measure 1	Increase charging
Ministerial Agreement to plan received	Yes
Senior Responsible Officer	Deborah McNeilly

2. Savings Accruing from Efficiency Measure (£m)

	Baseline	Savings		
	2007-08	2008-09	2009-10	2010-11
Admin	-34.1	0.2	0.4	0.5
Resource	-15.1			
Capital				
Total	-49.2	0.2	0.4	0.5
Savings Realised		Yes	Yes	On Track

3. Summary of evidence supporting scope for realising savings

Early review of methodology for recognition of recovery of overheads has identified the scope for realisation of additional admin resource receipts. Scope for increased income generation opportunities has also been identified. The level of savings are such as to be broadly achievable.

4. Summary of any potential wider benefits (including non-resource releasing gains)

Not applicable.

5. Summary of Key Actions and any Up- Front Costs

5a: Description of Key Actions

Review of income generation activities across the Department, focusing on extending charging for services, reviewing charges and maximising the recovery of overheads whilst ensuring adherence to appropriate policy guidelines and relevant legislative requirements.

5b: Details of any Up-Front Costs

None. Reprioritisation of existing workloads will allow the review to be undertaken within existing resources.

6. Timetable

Timetable For Delivering Efficiencies

Date	Action	Owner	Outcome
2008-2011	Ongoing review of income generation activities across the Department.	D McNeilly	Opportunities for increased income generation identified.
2008-2011	Ongoing review of recovery of overheads within existing charges.	D McNeilly	Opportunities for maximising overhead recovery in charges identified.
2008-2011	Implementation of the Department's Charging Framework	D McNeilly	To adopt a consistent approach to charging across the Department which is simple, fair and equitable.

7. Summary of monitoring arrangements to ensure forecast level of savings are delivered without a detrimental impact on high priority services.

Indicator	Data Source	Who monitors?	How often?
No impact as represents additional income.			

8. Summary of equality impact assessment and details of any mitigating actions.

Equality Impact	Mitigating Action
Given the level of savings proposed (£0.5m by 2010/11) no material impacts are expected.	

9. Key risks and interdependencies to implementation and details of contingencies.

Key risks	Contingent Action
Availability of skilled resource.	Review and reprioritisation of workloads as necessary.

10. Progress Update

Description of Key Actions and Outcomes:

A high level departmental policy on charging has been prepared and endorsed by Departmental Board. Business Areas within the Department have reviewed and taken steps to increase income generation, this has included reviewing opportunities for charging, and reviewing charges and chargeable hours. The additional income generation reflected in the Department's efficiency delivery plan has released additional resources for reallocation to priority services across the NI Block. Over recent years Central Procurement Directorate (CPD) has delivered increases in activity which have allowed it to maintain a very low level of fee increase i.e. the increased activity has delivered efficiency savings for CPD's customers. In tandem with this CPD has been successively reducing its overhead and corporate services costs. Departmental Solicitors Office has taken steps to achieve increased consistency in charging across its chargeable services. Business Consultancy Service has extended hard charging for its services, which provide a value for money alternative to the use of external consultants by Departments.

1. Title of Efficiency Measure

Department	DFP
Efficiency Measure 2	Accommodation
Ministerial Agreement to plan received	Yes
Senior Responsible Officer	David Orr

2. Savings Accruing from Efficiency Measure (£m)

	Baseline	Savings		
	2007-08	2008-09	2009-10	2010-11
Admin	76.2	0.3	2.0	4.7
Resource				
Capital				
Total	76.2	0.3	2.0	4.7
Savings Realised		Yes	Yes	On Track

3. Summary of evidence supporting scope for realising savings

Accommodation cost efficiencies will be dependant on opportunities presented for rationalisation of the estate as leases come up for renewal and NICS departmental accommodation needs and staffing levels change. The Department remains committed to the accommodation principles developed during the Workplace 2010 process. These principles can create a cost-effective, flexible working environment to enable the delivery of better public services. The Department continues to pursue alternative means of achieving the objectives of the Workplace 2010 Programme, including the use of conventional funding to improve and consolidate existing leased or owned property and exploring development opportunities with the private sector. However, the limited availability of conventional funding and the low development value of Government owned property make this difficult at present.

4. Summary of any potential wider benefits (including non-resource releasing gains)

In addition to savings in rent, rates and maintenance costs, rationalisation of the estate will offer opportunities for better quality accommodation and benefits such as improved team-working and improved senior management visibility.

5. Summary of Key Actions and any Up- Front Costs

5a: Description of Key Actions

Ongoing review of accommodation requirements and identification of opportunities for rationalisation of the estate as leases come up for renewal and NICS departmental accommodation needs and staffing levels change. Ongoing robust review of service delivery and associated running costs to identify and implement efficiency measures. Procurement to be done through Central Procurement Directorate, a Centre of Procurement Expertise, in order to maximise value for money and realise procurement savings.

5b: Details of any Up-Front Costs

Some upfront costs may be required in respect of accommodation fit out costs for buildings. The efficiencies realised will be after any up-front costs have been taken into consideration.

6. Timetable

Timetable for Delivering Efficiencies

Date	Action	Owner	Outcome
Feb 2009 to March 2011	Ongoing strategic review of accommodation requirements following the termination of the Workplace 2010 procurement.	David Orr	Realisation of target savings.
Feb 2009 to March 2011	Improve and consolidate existing leased or owned property and exploring development opportunities with the private sector.	Philip Irwin	Realisation of target savings.
Feb 2009 to March 2011	Ongoing robust review of service delivery and associated running costs to identify and implement efficiency measures.	Philip Irwin	Realisation of target savings.
2008-2011	Procurement through Centre of Procurement Expertise (CPD) to realise procurement savings.	Philip Irwin	Realisation of target savings.

7. Summary of monitoring arrangements to ensure forecast level of savings are delivered without a detrimental impact on high priority services.

Indicator	Data Source	Who monitors?	How often?
Reduction in footprint of office estate and associated costs savings.	General Ledger Quarterly Corporate Performance Reports Accommodation capacity records	Departmental Board	Quarterly

8. Summary of equality impact assessment and details of any mitigating actions.

Equality Impact	Mitigating Action
Where deemed necessary an EQIA is progressed as part of proposed accommodation moves.	

9. Key risks and interdependencies to implementation and details of contingencies.

Key risks	Contingent Action
Insufficient funding.	Each project to be assessed for affordability and value for money against available funding.

10. Progress Update

Description of Key Actions and Outcomes:

During 2008/09 an efficiency saving of approximately £0.6m was achieved in salaries and wages – with £0.15m due to a decrease in staff numbers of 10 with a further £0.45m from a reduction in overtime. Efficiency savings realised in 2008/09, in excess of the £0.3m target, were used to offset increased costs in other areas of accommodation expenditure. In 2009/10 a net saving of £1.1m was achieved in rental expenditure with 8 buildings vacated during the year and 1 building added to the office estate portfolio. This has, in part, been achieved by

Description of Key Actions and Outcomes:

increasing the number of workstations in existing buildings, and has resulted in a net space reduction of 8,174sqm by the end of 2009/10. In addition, a saving of approximately £1.2m was achieved in fuel costs in 2009/10 (the large variations in electricity rates available in that particular year, due to the economic downturn, resulted in favourable rates being obtained in tendered electricity supplies). Efficiency savings realised in 2009/10, in excess of the £2m target, were used to offset increased costs in other areas of accommodation expenditure. During 2010/11 recurrent savings are forecast as a result of the reduction in the office estate footprint achieved in 2009/10. Steps are also being taken to reduce the number of leased car parking spaces, and a new maintenance contract has been put in place which is expected to deliver savings. Using conventional procurement the Department has been able to provide over 1,200 workstations in modern open plan accommodation in line with the Workplace principles in places like Clare House, Causeway Exchange and Lesley Exchange. This has generally been seen as successful, with a saving in floor space of some 25%. An accommodation plan focused on reducing the office footprint over the next 3 years by releasing leased space where possible has now been completed

1. Title of Efficiency Measure

Department	DFP
Efficiency Measure 3	Land and Property Services
Ministerial Agreement to plan received	Yes
Senior Responsible Officer	John Wilkinson

2. Savings Accruing from Efficiency Measure (£m)

	Baseline	Savings		
	2007-08	2008-09	2009-10	2010-11
Admin				
Resource	21.4	-	0.5	0.9
Capital				
Total	21.4	-	0.5	0.9
Savings Realised		Yes	Yes	Yes

3. Summary of evidence supporting scope for realising savings

Land and Property Services Agency (LPS), incorporating the former Rates Collection Agency and Valuation and Lands Agency, was established with effect from 1 April 2007, and Land Registers NI and Ordnance Survey NI with effect from 1 April 2008. Savings are expected to accrue in the area of corporate and common services. The target savings will be kept under review as work progresses on a number of workstreams associated with the establishment of the new agency.

4. Summary of any potential wider benefits (including non-resource releasing gains)

Better and more streamlined service delivery to customers. Better customer satisfaction with the LPS agency acting as a single contact for rating and land and property queries.

5. Summary of Key Actions and any Up- Front Costs

5a: Description of Key Actions

An LPS project team took forward the preparations for the establishment of the Agency including review of corporate governance arrangements, financial arrangements, staffing issues and communication and change management issues. Amalgamation of corporate services and alignment of budgets for the CSR period. Development of a benefits realisation plan, and management and monitoring of delivery to include ongoing rationalisation of common and corporate services. LPS has also implemented a new Strategy for Rating Reform and modernisation, incorporating IT replacement. Savings have been realised in the areas of IT staff, software licences and maintenance. LPS will also be taking forward a review of business processes with a view to identifying improvements.

5b: Details of any Up-Front Costs

Costs to support the LPS agency project team are de minimis.

6. Timetable

Timetable for Delivering Efficiencies

Date	Action	Owner	Outcome
Dec 06 to July 08	Incorporation of OSNI and LRNI into the LPS agency with effect from 1 April 2008.	John Wilkinson	Incorporation of OSNI and LRNI into the LPSA.
2008-2011	Development of a benefits realisation plan, and management and monitoring of delivery, to include ongoing rationalisation of common and corporate services.	John Wilkinson	Target efficiencies realised.

7. Summary of monitoring arrangements to ensure forecast level of savings are delivered without a detrimental impact on high priority services.

Indicator	Data Source	Who monitors?	How often?
Customer satisfaction levels. Level of rate income. Unit costs.	General Ledger/ Quarterly Corporate Performance Reports/ Agency Report and Accounts	Agency Board/ Departmental Board	Quarterly/Annual

8. Summary of equality impact assessment and details of any mitigating actions.

Equality Impact	Mitigating Action
EQIA implications are kept under review as part of the ongoing work in the agency.	

9. Key risks and interdependencies to implementation and details of contingencies.

Key risks	Contingent Action
Adverse reaction to rating reforms may impact on the ability of the Agencies to deliver the	Publicity campaign. Response plan in place. Review and reprioritisation of workloads as

Key risks	Contingent Action
efficiencies as planned. Availability of skilled resources. Reform of rating implications.	necessary. Establishment of multi-disciplinary project teams.

10. Progress Update

Description of Key Actions and Outcomes:

The Rates Collection Agency and Valuation and Lands Agency merged into the new Land and Property Services (LPS) agency with effect from 1 April 2007, with Land Registers NI and Ordnance Survey NI transferring into LPS with effect from 1 April 2008. LPS has realised the required savings of £0.5m in 2009/10 through the rationalisation and consolidation of corporate services and an associated reduction in staffing levels of 17 posts. As the savings have been realised in agency corporate services there has been no detrimental impact on frontline service delivery. A further reduction of 15 posts has been delivered in corporate services in 2010/11 through further rationalisation and working together with the Department. This has delivered the additional £0.4m savings required in 2010/11. The realisation of the £0.5m of staff savings in 2009/10 and £0.4m in 2010/11 are recurrent with the posts removed from the staffing baseline.

1. Title of Efficiency Measure

Department	DFP
Efficiency Measure 4	Targeted GAE and staffing review largely in remaining Divisions
Ministerial Agreement to plan received	Yes
Senior Responsible Officer	David Orr, Richard Pengelly, Derek Baker, Des Armstrong, Oswyn Paulin

2. Forecast of Savings Accruing from Efficiency Measure (£m)

	Baseline	Savings		
	2007-08	2008-09	2009-10	2010-11
Admin	24.2	0.8	2.4	3.0
Resource	0.6			
Capital				
Total	24.8	0.8	2.4	3.0
Savings Realised		Yes	Yes	On Track

3. Summary of evidence supporting scope for realising savings

Delivery of targeted staff reductions in policy areas. Review of staffing requirements of back office services is already ongoing as part of the NICS reform programme. A review of staffing levels in policy areas, and reprioritisation of activities will be required to deliver these savings.

4. Summary of any potential wider benefits (including non-resource releasing gains)

To be reviewed in tandem with development of detailed operational plans.

5. Summary of Key Actions and any Up- Front Costs

5a: Description of Key Actions

A review of staffing levels in policy areas, and reprioritisation of activities, to support staff reductions without a detrimental impact on service delivery. Corporate Services Group (CSG) (£0.25m/0.65m/0.75m)

- Reprioritisation of work;
- Streamlining of processes and workflows, particularly taking account of the impact of Reform Programmes;
- Salary and headcount management within existing vacancies.

Central Finance Group (CFG) (£0.2m/0.7m/0.9m)

- Review of structure and possible mergers of divisions;
- Review of central financial skills provision/funding e.g. Trainee Accountant Scheme.

Corporate HR (CHR) previously Central Personnel Group (£0.1m/0.4m/0.4m)

- Reprioritisation of work, including the suppression of one SCS post;
- Reorganisation of functions and merging of branches permitting the suppression of posts at General Service grades;
- Streamlining of processes and workflows.

Central Procurement Directorate (CPD) (£0.15/0.5m/0.75m)

- Reviews of eSourcing and senior management structures;
- Reprioritisation of work;
- Review of vacancies and GAE expenditure.

Departmental Solicitors Office (DSO) (£0.1m/0.15m/0.2m)

- Reprioritisation of work;
- Review of vacancies and GAE expenditure.

5b: Details of any Up-Front Costs

No upfront costs are anticipated assuming staff reductions can be realised through natural wastage and redeployment.

6. Timetable

Timetable for Delivering Efficiencies

Date	Action	Owner	Outcome
2008 - 2011	Review of staffing levels, reprioritisation of activities and delivery of staff reductions.	Business Area Directors / HoDs	Target efficiencies delivered.

7. Summary of monitoring arrangements to ensure forecast level of savings are delivered without a detrimental impact on high priority services.

Indicator	Data Source	Who monitors?	How often?
Expenditure. Staffing levels. Customer satisfaction levels.	General Ledger/ Quarterly Corporate Performance Reports/Customer satisfaction surveys	Departmental Board	Quarterly/Annual

8. Summary of equality impact assessment and details of any mitigating actions.

Equality Impact	Mitigating Action
Business areas in reviewing staff levels and re-prioritisation of activities will be required to consider equality impacts.	

9. Key risks and interdependencies to implementation and details of contingencies.

Key risks Contingent Action

10. Progress Update[3]

Description of Key Actions and Outcomes:

Business Areas across the Department continue to robustly review staffing requirements and processes and implement more efficient ways of working. DFP currently has 43 Senior Civil Service (SCS) posts, having reduced our SCS numbers by 5 posts since March 2009, more than 10%, and more reductions are in the pipeline. The Department now has fewer SCS than in January 1999 (then there were 44), despite the size of the Department doubling3 since then to provide shared services to the whole of the NICS. The Departmental Board has introduced a range of general economies requiring target reductions in travel costs, paper costs, hospitality costs and a 25% reduction in external consultancy costs (from 2008/09 levels). External consultancy expenditure has reduced from £4.5m in 2008/09 to £1.1m in 2009/10 and is expected to be contained to within some £150k in 2010/11. Hospitality expenditure has reduced from just over £200k in 2007/08 and 2008/09 to less than £100k in 2009/10, and is expected to be further reduced in 2010/11. Airfares have reduced from just over £320k in 2007/08 to £225k in 2009/10 and at the 2010/11 half year position expenditure was just under £60k. Road travel costs have also reduced from nearly £980k in 2008/09, to just over £930k in 2009/10, and at the 2010/11 half year position expenditure was just under £270k. Overtime costs have reduced by over 48% from almost £2m in 2007/08 to just over £1m in 2009/10. At the 2010/11 half year position expenditure was just under £400k. Additional work associated with Equal Pay, agreement, award, and ongoing pay and grading review, has been taken on without additional funding being provided to the Department. Customer satisfaction rates have increased from 68% in the autumn of 2008 to 73% in the autumn 2009 customer survey. Steps taken to maximise value for money with 98.6% (£89m) of the Department's procurement expenditure in 2009/10 through Central Procurement Directorate, a Centre of Procurement expertise (COPE).

1. Title of Efficiency Measure

Department	DFP

Efficiency Measure 5	Recognition of costs recovered in respect of rate collection
Ministerial Agreement to plan received	Yes
Senior Responsible Officer	Deborah McNeilly/John Wilkinson

2. Forecast of Savings Accruing from Efficiency Measure (£m)

	Baseline	Savings		
	2007-08	2008-09	2009-10	2010-11
Admin				
Resource	12.5	4.4	5.0	5.7
Capital				
Total	12.5	4.4	5.0	5.7
Savings Realised		Yes	Yes	On Track

3. Summary of evidence supporting scope for realising savings

Recognition of recovery of costs of collection in respect of district rates.

4. Summary of any potential wider benefits (including non-resource releasing gains)

Not applicable.

5. Summary of Key Actions and any Up- Front Costs

5a: Description of Key Actions

Seek necessary authority for the recognition of the income stream, followed by implementation of the associated budgetary and accounting adjustments. There are no additional up-front costs to support implementation as actions will be accommodated within existing resources.

5b: Details of any Up-Front Costs

None.

6. Timetable

Timetable for Delivering Efficiencies

Date	Action	Owner	Outcome
2008 - 2011	Agreement of accounting arrangements in liaison with AASD/Supply/CFG/LPS/NIAO and Finance Division as appropriate.	D McNeilly/ J Wilkinson	Realisation of income stream.

7. Summary of monitoring arrangements to ensure forecast level of savings are delivered without a detrimental impact on high priority services.

Indicator	Data Source	Who monitors?	How often?
No impact as represents recognition of an additional income stream.			

8. Summary of equality impact assessment and details of any mitigating actions.

Equality Impact	Mitigating Action
No impact as represents recognition of an additional income stream.	

9. Key risks and interdependencies to implementation and details of contingencies.

Key risks	Contingent Action
No impact as represents recognition of an additional income stream.	

10. Progress Update

Description of Key Actions and Outcomes:

The income has been realised against budget and is reported in the Department's annual Resource Accounts.

1. Title of Efficiency Measure

Department	DFP
Efficiency Measure 6	Ordnance survey full cost recovery
Ministerial Agreement to plan received	Yes
Senior Responsible Officer	John Wilkinson

2. Forecast of Savings Accruing from Efficiency Measure (£m)

	Baseline	Savings		
	2007-08	2008-09	2009-10	2010-11
Admin	0.1	0.4	1.0	1.0
Resource	0.9			
Capital				
Total	1.0	0.4	1.0	1.0
Savings Realised		Yes	Yes	On Track

3. Summary of evidence supporting scope for realising savings

The Land and Property Services (LPS) agency was established with effect from 1 April 2007, with Ordnance Survey NI transferring from the Department for Culture Arts and Leisure to LPS with effect from 1 April 2008. Ordnance Survey, with increased business sales and improved organisational efficiency, is generating more income and is moving towards self sufficiency; as a result savings of £0.4m in 2008/09 increasing to £1.0m in 2010/11 have been made available for redistribution across the NI Block.

4. Summary of any potential wider benefits (including non-resource releasing gains)

Ordnance Surveys merger into (LPS) within DFP will enable the new organisation to consolidate processes and improve services to customers. Better and more streamlined service delivery to customers. Better customer satisfaction with the LPS agency acting as a single contact for rating and land and property queries.

5. Summary of Key Actions and any Up- Front Costs

5a: Description of Key Actions

Ordnance Survey will continue to drive efficiencies from its business, and focus its business development efforts on meeting customer needs, thereby enabling increases in receipts. It is important to note, however, that elements of Ordnance Survey's receipts are dependent on the overall economic climate, including in particular elements such as the buoyancy (or otherwise) of the housing market. Therefore, it cannot be assumed that receipts will continue to increase year on year.

5b: Details of any Up-Front Costs

None associated with move to full cost recovery.

6. Timetable

Timetable for Delivering Efficiencies

Date	Action	Owner	Outcome
Jan 08 – July 08	Incorporation of Ordnance Survey into LPS with effect from 1 April 2008 with baselines reduced for the efficiencies set out above.	J Wilkinson	Incorporation of Ordnance Survey into LPS
April 08 - Mar 11	Ongoing monitoring and management of service delivery, resource requirements, and income generation to ensure full cost recovery.	J Wilkinson	Full cost recovery

7. Summary of monitoring arrangements to ensure forecast level of savings are delivered without a detrimental impact on high priority services.

Indicator	Data Source	Who monitors?	How often?
Customer satisfaction levels. Level of income/expenditure.	General Ledger/ Quarterly Corporate Performance Reports/ Agency Report and Accounts	Agency Board/ Departmental Board	Quarterly/Annual

8. Summary of equality impact assessment and details of any mitigating actions.

Equality Impact	Mitigating Action
EQIA implications are kept under review as part of the ongoing work in the agency.	

9. Key risks and interdependencies to implementation and details of contingencies.

Key risks	Contingent Action
Availability of skilled resources. Reduction in income due to external factors eg buoyancy of housing market.	Review and reprioritisation of workloads as necessary. Ongoing monitoring and management of income and expenditure.

10. Progress Update

Description of Key Actions and Outcomes:

Income and expenditure levels are managed and monitored on an ongoing basis. Steps have been taken to contain expenditure to within available resources, with some staff being redeployed to other areas of service delivery within LPS following the fall in the housing market and a reduction in demand for ordnance survey services. Full cost recovery was achieved in both 2008/09 and 2009/10, and this is reflected in the LPS annual accounts which are available on the Department's website. Current forecasts for 2010/11 indicate that full cost recovery will also be achieved in 2010/11.

[1] The Department's Efficiency Delivery Plan has been updated to include those efficiencies to be realised by Ordnance Survey NI, which is now part of the Land and Property Services agency having transferred from DCAL to DFP on 1 April 2008.

[2] 'Budget 2008-11' and 'Programme for Government 2008-11' publications of Northern Ireland Executive are available at www.northernireland.gov.uk

[3] additions: Construction Service (from DoE); Rates Collection (From DOE); Land Registers NI (from DOE); Ordnance Survey (from DCAL); Occupational Health Service (from DHSSPS); Delivery and Innovation Division (partly from OFMDFM); Welfare Service; Centre for Applied Learning; IT Assist; HR Connect, and Account NI.

PSA and Departmental targets

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont Reference: CPF 113/10

10 January 2011

Dear Shane,

PSA and Business Targets

Thank you for your note of 22 December in which you requested a written response on a number of outstanding issues on the Department's progress against PSA and Business Plan targets for 2010-11 following the evidence session on 15 December.

Responses are set out at Annex A.

Yours sincerely,

Norman.

Norman Irwin

Annex A

Follow-up question by Committee	DFP Response
IP2.1 "Review DFP resources and prepare a Departmental Budget and Business Plan for 2011-12 by 28 February 2011" i. Please provide an update on the preparations for a Departmental Budget and Business Plan for 2011-12; ii. Please provide information on the engagement officials have had with OFMDFM on the new Programme for Government and how this is influencing the Savings/Spending plans for the Budget period 2011-2015.	Following publication of the NI Executive's Draft Budget 2011-15 on 15 December 2010, as agreed by the Executive, DFP published a document outlining its own spending proposals and savings delivery plans on the Departmental website on 22 December 2010 and forwarded to the Finance and Personnel Committee the next day. The paper sets out the impact of the Draft Budget for the Department of Finance and Personnel's own departmental spending and saving proposals over the period 2011-15. The public consultation period on the department's own spending and savings proposals will run in tandem with the public consultation on the Executive's Draft Budget. DFP officials are scheduled to brief the Committee on this paper on 16 January 2011. The development of the new Programme for Government (PfG) is being led by OFMDFM. DFP has provided initial departmental input to OFMDFM based

Follow-up question by Committee	DFP Response
	on what is affordable within the departmental draft Budget allocations. Advice is awaited on the further development of the strategic priorities and associated measures and indicators within the new PfG. The department is building on its high level input to the new PfG in developing its 2011-12 Business Plan. A Departmental Board planning meeting is scheduled for 10 January 2011, at which the department's business plan will be further developed. An evidence session to discuss the department's Draft PSA and Business Targets have been scheduled for 26 January 2011, at which time officials will be able to provide a further update.
IP2.2 "Avoid overspend and ensure less than 1.5% underspend compared to final plan" i. In light of the 2009/10 DFP underspend of 3.4% (current) and 3.2% (capital) please clarify the current projection and approach for managing the year-end under/overspend, including details of the contingency plans being put in place.	Business areas across the department are currently reviewing their forecast income and expenditure projections to year end as part of February Monitoring. As we move towards year end business areas will continue to closely monitor and manage income and expenditure against budget, and monthly reporting to Departmental Board will also continue. Departmental Board members have been reminded of the need for their personal scrutiny of the financial position for their business area to avoid overspend and ensure less than 1.5% underspend against final plan.

DFP Savings Options in Rank Order

Draft Budget - Draft Savings Delivery Options

DFP by Rank

Bus Area	Measure	Deptl Rank	2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts			
CSG	Additional Corporate Savings arising from Review of 10-11 spending plans	1	500	0	500	0	500	0	500	0
CSG	Savings in pensions contributions	2	118	0	118	0	118	0	118	0
ESS	HR Connect - surplus budgetary cover	3	95	0	95	0	95	0	95	0
ESS	HR Connect - surplus budgetary cover	4	0	0	5	0	5	0	5	0
NISRA	Useful life of Digi Project extended	5	120	0	120	0	120	0	120	0

Bus Area	Measure	Deptl Rank	2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts			
ESS	IT Assist Reduction in current expenditure as a result of a reduction in capital spend.	6	0	0	251	0	199	0	199	0
CSG	Increased receipts for work done by Audit Authority.	7	80	0	80	0	80	0	80	0
DSO	Receipts from Commercial and Property Services and Employment Litigation	8	300	0	300	0	300	0	300	0
DSO	Receipts from Commercial and Property Services and Employment Litigation	9	0	0	300	0	300	0	300	0
DSO	Receipts from Commercial and Property Services and Employment Litigation	10	0	0	0	0	300	0	300	0
ESS	IT Assist Release Steria Staff helping with migration.This can be achieved now technical migration has completed. Note - not permanent posts	11	80	2	80	2	80	2	80	2
DSO	Service Level Agreement with DoJ for provision of a Library support service	12	10	0	10	0	10	0	10	0
DSO	Reduce number of database subscriptions	13	17	0	17	0	17	0	17	0
DSO	Do not renew contract for legal on line database	14	20	0	20	0	20	0	20	0
ESS	Centralisation - Restructure & Centralise Corporate Services	15	0	0	180	6	180	6	180	6
ESS	Centralisation - Finance Team - restructure and centralise.(Increasing Severity)	16	0	0	75	3	75	3	75	3
ESS	Centralisation - Finance Team - restructure and centralise.(Increasing Severity)	17	0	0	50	2	50	2	50	2
ESS	HR Connect - GAE	18	0	0	0	0	0	0	5	0
ESS	Centralisation - GAE	19	0	0	0	0	2	0	2	0
ESS	Centralisation - Non extension of STEPs Quality Improvement Programme	20	0	0	22	0	22	0	22	0
CSG	Increased Business Consultancy Service Hard Charged Income (or equivalent BCS Staff Reductions).	21	0	0	50	0	50	0	50	0
ESS	HR Connect - Merging of CAL and HR Connect functions	22	0	0	72	0	72	0	72	0

Bus Area	Measure	Deptl Rank	2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts			
CSG	Further Increased Business Consultancy Service Hard Charged Income (or equivalent BCS Staff Reductions)	23	100	0	100	0	100	0	100	0
CSG	Savings in lease costs, rates and service charges in NICS buildings by transferring staff to higher density accommodation.	24	0	0	438	0	938	0	1,354	0
ESS	IT Assist Release Contractors Fixed Asset (FA) Project Project Complete.This is dependent on departments working with us to enable project to be delivered.	25	0	0	0	0	100	2	100	2
ESS	IT Assist Savings Network NI Contract.It is expected that the ongoing dialogue with eircom will result in some cost reductions, potentially around £150K per annum.	26	150	0	150	0	150	0	150	0
ESS	IT Assist Renegotiate Websense Internet Monitoring software .Ongoing negotiations. We hope to achieve a reasonable price reduction.	27	50	0	50	0	50	0	50	0
CSG	Estimated savings through regearing of existing lease contracts (reduced rent for longer years).	28	0	0	100	0	100	0	100	0
ESS	Training, Car Park and Storage Facilities	29	115	0	115	0	115	0	115	0
LPS	Customer & Business Improvement - reduce advertising & publicity spend	30	50	0	50	0	50	0	50	0
LPS	Reduce accommodation costs	31	80	0	80	0	80	0	80	0
CHR	Cessation of grant to NI Civil Service Sports Association (NICSSA).	32	66	0	66	0	66	0	66	0
LPS	Reduction in interest costs - As we clear the backlogs in Valuation there will be fewer cases where interest is payable and any interest payable will be for a shorter period. The low interest rates currently will also impact this figure.	33	161	0	161	0	161	0	161	0
LPS	Further Reduction in interest costs - As we clear the backlogs	34	0	0	0	0	164	0	164	0

Bus Area	Measure	Deptl Rank	2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts			
	in Valuation there will be fewer cases where interest is payable and any interest payable will be for a shorter period. The low interest rates currently will also impact this figure.									
CHR	Suppression of post in Pay and Grading Unit following completion of project to implement equal pay award	35	47	1	47	1	47	1	47	1
CHR	Standing down Pay and Grading Review team on completion of NICS comprehensive pay and grading review.	36	0	0	200	4	200	4	200	4
CPD	Reduce Agency Staff in non - hard charging areas.	37	66	2	66	2	66	2	66	2
CPD	Redeploy 1 FTE Typist (redeployment action will be required to achieve this).	38	22	1	22	1	22	1	22	1
CPD	Retirement 0.5 FTE Typist (anticipated but unconfirmed retirement.)	39	0	0	0	0	11	0	11	0
CSG	Share G6 Central Support Team with another business area	40	0	0	45	0	45	0	45	0
DSO	Suppression of one PS Post	41	25	1	25	1	25	1	25	1
CSG	Reduction in Technical Support Services	42	300	0	300	0	300	0	300	0
CSG	Cease Temporary Promotions	43	16	0	16	0	16	0	16	0
CPD	Savings from reductions in corporate services posts.	44	0	0	60	2	60	2	60	2
CSG	GAE Reductions (e.g. Kiosk Maintenance)	45	28	0	28	0	28	0	28	0
CSG	Reduce 1 post in Information Management Unit following completion of the information audit and information assurance processes and principles.	46	0	0	28	1	28	1	28	1
ESS	IT Assist Release Contractor.This contractor was helping us as we had insufficient resource to migrate DEL. Ideally we would retain this help to assist us with DOJ but we will now do this with internal resource or re-charge DOJ.	47	83	0	83	0	83	0	83	0

Bus Area	Measure	Deptl Rank	2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts			
ESS	IT Assist Release Further Contractor Support.This contractor was helping us as we had insufficient resource to migrate DEL. Ideally we would retain this help to assist us with DOJ but we will now do this with internal resource or recharge DOJ.	48	0	0	88	2	88	2	88	2
ESS	IT Assist Release Remaining Contractor .The Agency contractor was helping us as we had insufficient resource to migrate DEL. Ideally we would retain this help to assist us with DOJ but we will now do this with internal resource or recharge DOJ.	49	0	0	68	1	68	1	68	1
LPS	DIS - Bring the contract to maintain our AO (Valuation) in house, whilst retaining partner's (Logica) expertise to enhance the system. The saving is net of the costs of new IT staff required. The business area has advised due to the requirement to train staff in advance of the contract's end the saving may become marginal in year 1. The severity has been increased for year 1 but retained for years 2-4.	50	0	0	200	0	200	0	200	0
ESS	IT Assist Reduction in GAE including Training.Training and travel are critical to IT Assist to provide our services and reduce other costs, e.g. external consultancy and services.	51	20	0	20	0	20	0	20	0
NISRA	Scaling down of Census posts-always planned	52	219	0	219	0	219	0	219	0
NISRA	Scaling down of Census posts-always planned	53	0	0	319	4	319	4	319	4
NISRA	Scaling down of Census posts-always planned	54	0	0	0	0	290	11	290	11
NISRA	Scaling down of Census posts-always planned	55	0	0	0	0	0	0	319	9

Bus Area	Measure	Deptl Rank	2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts			
ESS	IT Assist Saving from Renegotiation of MS Enterprise Agreement	56	680	0	680	0	680	0	680	0
LPS	Rating - reduce cost of contracted out IT services - ICS. The financial review project is scheduled to come to an end in March 2011. The winding up of major rating reforms will lead to fewer Requests for Change on Abbacus. As the systems stabilise then the costs of ICS will reduce.	57	200	0	200	0	200	0	200	0
ESS	IT Assist Release Contractors .These are not permanent posts, they are agency staff who were taken on to reflect the fact that DEL gave us a budgetary transfer but no resources. The success of IT Assist has led to a reduction in incidents so we hope that we can make this saving without a major impact upon our performance statistics of customer satisfaction performance.	58	277	0	277	0	277	0	277	0
CSG	Further Increased Business Consultancy Service Hard Charged Income or equivalent BCS Staff Reductions	59	0	0	0	0	0	0	50	0
ESS	IT Assist Reduce Printer Expenditure.IT Assist would cease to buy a proportion of local printers in line with NICS Printer Strategy	60	25	0	25	0	25	0	25	0
CPD	Savings due to retirement in construction policy activities (1 Grade 7 post - confirmed retirement)	61	62	0	62	0	62	0	62	0
CPD	Saving from non - filling of DP vacancy in Centre of Excellence for Delivery (1 DP post)	62	45	0	45	0	45	0	45	0
NISRA	Cut overheads re premises, travel , training etc, professional support	63	25	0	25	0	25	0	25	0
NISRA	Cut overheads re premises, travel , training etc, professional support	64	0	0	5	0	5	0	5	0

Bus Area	Measure	Deptl Rank	2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts			
ESS	IT Assist Reduction in desktop services expenditure due to reduction in NICS.Assumes that number of new starts does fall	65	0	0	100	0	100	0	100	0
ESS	IT Assist Release of 2 AOs Finance 2013(14).Reduced procurement effort due to reduction in replacements and new starts	66	0	0	0	0	40	2	40	2
ESS	Centralisation - Staff Reductions (Increasing Severity)	67	26	1	26	1	26	1	26	1
ESS	Centralisation - Staff Reductions (Increasing Severity)	68	0	0	0	0	14	0	14	0
ESS	Centralisation - Staff Reductions (Increasing Severity)	69	0	0	0	0	0	0	26	1
CFG	Reduction in staff	70	192	4	192	4	192	4	192	4
CSG	Do not fill vacant DP DHR Business Partner post.	71	40	1	40	1	40	1	40	1
ESS	IT Assist Reduction in desktop services expenditure due to reduction in NICS.IT Assist would cease to buy any local printers in line with NICS Printer Strategy	72	0	0	70	0	70	0	70	0
ESS	HR Connect - Graduate Recruitment	73	0	0	200	0	200	0	200	0
Other Bodies	Savings in Other Bodies - IFI Secretariat, Public Service Commission, SEUPB and the Lands Tribunal.	74	70	0	70	0	70	0	70	0
ESS	IT Assist Reduction in desktop services expenditure due to reduction in NICS.Assumes that number of new starts does fall	75	0	0	0	0	30	0	30	0
CSG	Reduction in rental of car park spaces for all departments in central Belfast.	76	0	0	100	0	100	0	100	0
ESS	IT Assist Increase in Income.This would involve IT Assist increasing its income by providing services to NDPBs at little additional cost.	77	0	0	160	0	160	0	160	0
ESS	IT Assist Increase in Income NDPBs as above & PPS.	78	0	0	0	0	764	0	764	0
NISRA	Cut temporary workers/ student placements/ cut hours	79	129	0	129	0	129	0	129	0

Bus Area	Measure	Deptl Rank	2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts			
CSG	Reduce EPC Enforcement Grant & Cease Public Sector Energy Data.	80	50	0	50	0	50	0	50	0
CSG	Reduce EPC Enforcement Grant & Cease Public Sector Energy Data.	81	0	0	50	0	50	0	50	0
ESS	HR Connect - Training Budget	82	0	0	0	0	10	0	10	0
CSG	Reduction of posts in Finance Division	83	0	0	50	2	50	2	50	2
Other Bodies	Further savings in Other Bodies - IFI Secretariat, Public Service Commission, SEUPB and the Lands Tribunal.	84	0	0	66	0	66	0	66	0
CSG	Reduce level of HR admin / checking now that HRConnect Services fully embeded.	85	27	1	27	1	27	1	27	1
ESS	HR Connect - Reduction in GAE	86	0	0	0	0	0	0	5	0
CSG	Cease IT application development / maintenance for OFMDFM	87	60	2	60	2	60	2	60	2
CSG	Reduce the level of general IT project support in DFP ISB	88	0	0	28	1	28	1	28	1
CHR	Cessation of budget transfer to CAL for administration of Masterclass, Mentoring and Leaders for Tomorrow Programmes, with CAL to hard charge departments for these services.	89	109	0	109	0	109	0	109	0
CHR	Reduction in staffing complement of Welfare Support Service	90	0	0	51	1	51	1	51	1
CSG	Review DFP physical and information security structure.	91	0	0	0	0	35	1	35	1
CSG	Staff savings in Perm Sec's Office (SO), Minister's Office / Assembly Section (AO) and Comms Office (AO)	92	75	3	75	3	75	3	75	3
CPD	Staff Savings from construction policy activities (1 Part time PPTO and 2 SPTO. The PPTO retirement is anticipated but unconfirmed, SPTO retirement confirmed.)	93	0	0	123	3	123	3	123	3
CSG	Further 3 Staff Reductions (Admin & ICT Grades)	94	0	0	90	3	90	3	90	3

Bus Area	Measure	Deptl Rank	2011-12		2012-13		2013-14		2014-15	
Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts	Saving £000	Perm Posts			
CPD	Savings from retirements in construction policy related activities and reduction in posts (Redeployment of 1 SO, 2 EO1, 2 EO2 and AA)	95	0	0	0	0	177	0	177	0
ESS	IT Assist Reduction in GAE including Training.Training and travel are critical to IT Assist to provide our services and reduce other costs, e.g. external consultancy and services.	96	0	0	20	0	20	0	20	0
CSG	Reduction in GAE	97	75	0	75	0	75	0	75	0
ESS	HR Connect - Reduction in contrator support	98	0	0	0	0	20	0	20	0
CPD	Redeploy 6 Purchasing Officers (redeployment action would be required to achieve this outcome).	99	0	0	0	0	0	0	160	6
CFG	Reduction in staff	100	110	4	110	4	110	4	110	4
CSG	Reduction in Supplies & Stores	101	50	0	50	0	50	0	50	0
CSG	Withdraw in-house support to line managers re staff resourcing - rely fully on HR Connect.	102	0	0	0	0	0	0	35	1
ESS	HR Connect - Expenditure Recruitment Reductions	103	0	0	0	0	0	0	209	0
	Total		5,265	23	8,929	58	11,334	74	12,559	91

Current Balance of NI Economy

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Mr Shane McAteer
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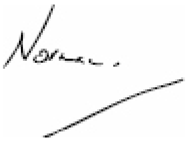
Stormont Our Ref: CFP79/2010

18 January 2011

Dear Shane,

Following the 3rd November 2010 evidence session on the implications of the Spending Review, the Committee for Finance and Personnel requested the most recent figures of the current balance of the Northern Ireland economy (public sector and private sector) and clarification of the Secretary of State's reference to 77 per cent of the economy being accounted for by the public sector. DFP's response is attached at Annex A for your information.

Yours sincerely,



NORMAN IRWIN

Annex A

Issue: Public Spending Share of the Northern Ireland Economy

1. The size of the public sector in Northern Ireland tends to be expressed in terms of the public expenditure share of regional output or Gross Value Added (GVA). This figure can vary depending on the definition of public expenditure used, and the time period referred to.

2. The public expenditure figure which is most commonly used relates to 'identifiable expenditure'. This is expenditure which can be specifically identified as benefiting individuals, enterprises or commodities within a particular region

3. In 2008-09 total identifiable expenditure in Northern Ireland was equivalent to approximately 62 per cent of GVA in 2008, while identifiable expenditure projections for 2009-10 are equivalent to 67 per cent of GVA in 2009[1].

4. However, regional identifiable expenditure does not include other expenditure which is incurred on behalf of the UK as a whole and is not apportioned to individual regions. Defence expenditure is prime example of this as it benefits the UK as a single entity rather than specific parts. This is referred to as 'non-identifiable expenditure'.

5. It is possible to apportion UK non-identifiable expenditure items such as defence and debt interest to Northern Ireland based on, for example, a population or GVA share measure. However, these estimations will vary depending on the methodology employed and will be subject to statistical uncertainty. The Centre for Economics and Business Research (CEBR), in its 'The State of the Nation' report, produced a public share estimate which 'scaled up' identifiable public spending to include non-identifiable items. The CEBR estimated that in 2008-09 public spending (including a share of these non-identifiable items) in Northern Ireland was 64.8 per cent of Gross Domestic Product (GDP)[2] and in 2009-10 the share rose to 71.3 per cent. The CEBR estimates that Northern Ireland's public spending share of GDP will be 71.2 per cent in 2010-11.

6. The 77.6 per cent figure for Northern Ireland's public spending share of GDP quoted by Owen Patterson[3] is sourced to research previously undertaken by the CEBR[4] in January 2009. The 77.6 per cent figure, which was for 2008-09, assumed that the increase in spending for all UK regions would be proportional to the increase in government spending in the Pre-Budget Report.

In reality, the increase in spending was lower for some regions, including Northern Ireland, as much of the spending increase related to financial sector products.

7. CEBR has now advised DFP that the more recent 'State of the Nation' report provides a more accurate evaluation of public spending as a proportion of GDP for all UK countries and regions. By its latest estimate therefore, Northern Ireland's public spending share of GDP is approximately 71 per cent.

[1] Source: PESA 2010; ONS Regional GVA statistics

[2] GVA + taxes on products – subsidies on products = GDP

[3] Source: http://cain.ulst.ac.uk/issues/politics/docs/nio/op161110.htm

[4] Source: The Times, ''Soviet' Britain swells amid the recession', 25 January 2009. http://business.timesonline.co.uk/tol/business/economics/article5581225.ece

Draft Budget Strategic Issues - Follow Up

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Mr Shane McAteer
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Stormont Our Ref: CFP116/10

20 January 2011

Dear Shane,

Draft Budget Strategic Issues

Follow the evidence session on 12th January 2011, the Committee asked for two pieces of additional information, a breakdown of proposed income from revenue raising measures already built into the budget and information on the impact of multi-year settlements on civil service pay scales and incremental pay progression.

Revenue Raising Proposals

A total of £842 million in respect of additional revenue raising measures has been incorporated into the draft Budget 2011-15. The table below provides a breakdown of these.

Revenue Raising Included in Draft Budget 2011-15

£ million

Resource	2011-12	2012-13	2013-14	2014-15
Rates Revenue (inflationary increase)	12.0	27.0	44.0	63.0
Belfast Port	-	-	15.0	15.0
Plastic Bag Levy	4.0	4.0	4.0	4.0
Total Resource	16.0	31.0	63.0	82.0

Capital	2011-12	2012-13	2013-14	2014-15
Identified Capital Receipts	121.6	113.1	104.1	103.5
Additional Capital Receipts	10.0	15.0	25.0	50.0
Capital carry forward from 2010-11	23.0	-	-	-
Belfast Port	5.0	-	-	-
Housing Associations	20.0	20.0	20.0	20.0
Total Capital	179.6	148.1	149.1	173.5

Grand Total 195.6 179.1 212.1 255.5

Public Sector Pay

In practice the Executive has little discretion in the area of public sector pay, with the majority of pay awards for the wider public sector being determined through national pay processes. The Executive does have the ability to alter the pay regime of the Northern Ireland Civil Service. However the Executive has proposed to mirror the restraint proposed by the UK Government in this area.

On 22 June 2010 the Chancellor, George Osborne MP, announced a two year pay freeze for public sector workers as part of his Emergency Budget. The Emergency Budget publication stated that:

- "A two year pay freeze will be introduced from 2011-12 for public sector workforces, except for those earning £21,000 or less, who will receive an increase of at least £250 a year. This will save £3.3 billion a year by 2014-15.
- Pay will also be frozen in 2010-11 for civil servants who are yet to agree a legally binding pay deal, except for those earning £21,000 or less, who will receive at least £250 a year. These civil servants will then exit the freeze ahead of other groups."

The pay freeze will be a total freeze in all elements (i.e. cost of living uplift, progression or performance pay), unless there is a clear contractual entitlement to an increase. Locally, the pay freeze will apply immediately to any public sector workforces that have not yet agreed a 2010-11 pay award, unless there is a legally enforceable agreement already in place.

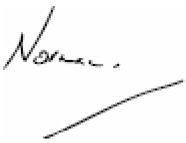
According to our records, there are four staff groups within the wider public sector (not including any arms length bodies sponsored by the recently devolved DOJ) that have multi-year pay settlements (from 2008-09 to 2010-11) in place. Details of each 2010-11 settlement, which has been gleaned from data submitted as part of the pay remit process, is presented in the table below.

Staff Group	FTE Staff	Baseline Paybill £(000)	ISP %	ISP £(000)
Teachers	19,084	948,898	3.63	34,444

Staff Group	FTE Staff	Baseline Paybill £(000)	ISP %	ISP £(000)
Teacher Related	117	4,587	2.43	112
FE Senior Staff	24	2,487	2.68	67
FE Lecturers	2,510	87,271	2.54	2,217

It is expected that these staff groups will be subject to the two year pay freeze from 2011-12, unless a clear contractual entitlement to an increase is demonstrated.

Yours sincerely,



Norman Irwin

Administrative Cost Controls

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Mr Shane McAteer
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Stormont Our Ref: CPF 115/10

21 January 2011

Dear Shane,

Administrative Cost Controls

Further to your letter of 6 January 2011 enclosing a copy of the Research briefing note, Resource DEL: Administrative cost controls, and requesting a breakdown of administrative and programme expenditure in respect of DFP business areas and overall NICS payroll, as referred to in the Research paper (pages 6-7).

A breakdown of administrative and programme expenditure in respect of DFP business areas is provided at Annex A.

A breakdown of NICS administrative and programme expenditure on salary costs is provided at Annex B.

Yours sincerely,

NORMAN IRWIN

Annex A

Breakdown of administrative and programme expenditure in respect of DFP business areas. (Please see attached spreadsheet link.)

Department of Finance and Personnel
CFP 115/10

£'000

			DEL ADMIN			DEL RESOURCE		
Year	Business Area	Unit of Service	Final Plan	Provisional Outturn	Final Outturn	Final Plan	Provisional Outturn	Final Outturn
	Finance and Personnel Policy	A01	10,289	10,162	10,162	696	690	690
	NICS Financial Services	A02	11,891	11,850	11,850	2,762	2,695	2,695
	NICS Procurement Services	A03	3,077	2,535	2,535	67	67	67
	NICS Personnel Services	A04	11,263	10,271	10,271	326	290	290
	NICS IT Services	A05	22,079	22,882	22,882	784	670	670
	NICS Other Services	A06	14,395	15,073	15,073	155	117	117
2008/09	NICS Accommodation Services	A07	85,103	84,833	84,958	1,098	1,135	1,135
	Superannuation Services	A08	-	-	-	288	138	138
	Northern Ireland Statistics and Research Agency	B01	6,280	6,185	6,185	1,092	1,086	1,086
	Land and Property Services Agency	B02	549	445	445	20,183	20,029	20,029
	EU Programmes	B03				11,814	11,083	11,059
	Special EU Programmes Body	B04	73	72	72	1,304	1,293	1,293
	Secretariat, Tribunals and Other Bodies	B05	984	1,077	1,077	644	628	628
Total			165,983	165,385	165,510	41,213	39,921	39,897

								£'000
			DEL ADMIN			DEL RESOURCE		
Year	Business Area	Unit of Service	Final Plan	Provisional Outturn	Final Outturn	Final Plan	Provisional Outturn	Final Outturn
	Finance and Personnel Policy	A01	10,204	10,001	9,998	651	526	525
	NICS Financial Services	A02	15,653	15,329	15,327	46	46	46
	NICS Procurement Services	A03	5,251	4,584	4,592	60	59	59
	NICS Personnel Services	A04	9,682	9,157	9,157	-	-	-
	NICS IT Services	A05	22,713	22,370	22,368	-	-	-
	NICS Other Services	A06	17,948	17,751	17,729	107	106	106
	NICS Accommodation Services	A07	80,566	78,316	78,355	20	20	20
2009/10	Superannuation Services	A08	-	-	-	160	145	145
	Equal Pay Settlement	A09				7,688	7,688	7,688
	Northern Ireland Statistics and Research Agency	B01	5,388	5,115	5,115	2,965	2,933	2,934
	Land and Property Services Agency	B02	256	246	256	24,876	23,340	23,340
	EU Programmes	B03				2,273	1,783	1,755
	Special EU Programmes Body	B04	73	73	73	1,377	1,361	1,361
	Secretariat, Tribunals and Other Bodies	B05	1,089	810	734	734	635	634
	Equal Pay Settlement	B06				8,672	8,672	8,672
Total			168,823	163,752	163,704	49,629	47,314	47,285

The final plan position reflects the department's budget after February Monitoring.

Both provisional and final outturn positions are provided.

In both 2008/09 and 2009/10 the department's admin control total was updated as a consequence of in year monitoring, reflecting technical changes, in particular the transfer of shared services to DFP, the introduction of International Financial Reporting Standards and the NICS equal pay claim.

Annex B

Breakdown of NICS administrative and programme expenditure on salary costs.

The following tables shows the pay costs contained within departmental DEL Admin budgets and those pay costs falling outside the Admin budget. The proportion of Non Admin Pay costs that relate to NDPBs is shown separately for information.

This reflects the total pay costs of central government bodies, including departments and NDPBs, rather than NICS payroll costs. It does not include pay costs of other bodies such as public corporations.

The figures are based on the information provided by departments on the DFP database. Therefore, the best source of information on what is included within these pay costs would be the individual departments concerned.

				£million
	2009-10 Provisional Outturn			
	Admin	of which Pay	Non Admin Pay	of which NDPB Pay
AOCC	0.0	0.0	1.1	0.0
DARD	41.7	30.5	66.0	0.0
DCAL	6.5	5.5	41.4	36.6
DE	18.6	16.7	1,319.1	1,311.3
DEL	24.1	16.1	37.9	0.0
DETI	15.6	12.7	42.7	33.2
DFP	163.8	72.7	34.2	0.0
DHSSPS	32.8	33.8	2,856.4	2,222.2
DOE	56.4	58.8	2.6	0.0
DRD	87.6	75.5	53.3	53.1
DSD	26.1	21.7	182.1	1.3
FSA	0.0	0.0	1.6	0.0
NIA	0.0	0.0	22.7	0.0
NIAO	0.0	0.0	7.6	0.0
NIAUR	0.0	0.0	0.0	0.0
OFMDFM	16.6	13.2	15.7	11.1
TOTAL	489.7	357.2	4,684.6	3,668.9

Draft Business Plan

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
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Stormont

24 January 2011

Dear Shane

Please find attached the following two papers:

Annex A - Programme for Government Strategic Priority : Delivering High Quality Public Services Efficiently; and

Annex B - DFP Draft Business Plan 2011 – 12.

Officials will be available to discuss the content of these papers with Members at the meeting on Wednesday 26th January.

Yours sincerely

NORMAN IRWIN

Annex A

Programme for Government Strategic Priority : Delivering High Quality Public Services Efficiently

PfG Measure	Supporting Departmental targets	Owner
Improved access for citizens to government services via NI Direct single website and telephony.	C2.1 NI Direct targets C2.	David Orr
Robust information on the make-up of the NI population through the 2011 Census to help shape the future of policy making and resource allocation.	R3.1 NISRA targets R3.2	Norman Caven
Efficient and effective delivery of Enterprise Shared Services.	C1.1 ESS targets	Paul Wickens
Effective strategic management of public expenditure including maximising the collection of rates revenue.	R1.1 CFG targets R1.2 R4.1 LPS targets R4.2	Richard Pengelly John Wilkinson

PfG Measure	Supporting Departmental targets	Owner
Reduction in the footprint of the NICS office estate with an increased number of staff working in modern space efficient accommodation.	R5.1 CSG – Properties Division targets R5.2	David Orr
Support to departments in maximising the benefits of effective procurement.	R1.3 CPD targets	Des Armstrong
Support to departments in the good management of the NICS workforce and reductions in sickness absence levels.	R2.1 CHR targets R2.2	Derek Baker

Annex B

RESULTS

DFP Value: RESULTS: Working to Deliver Best Value

Ref	Departmental Objectives	Measures	Target ref	Targets	Owner
R1	To secure, plan, manage and monitor public expenditure in line with the Executive's priorities, supporting departments in maximising the benefits of effective procurement.	Developing spending plans in line with the Executive's budget timetables.	R1.1	▪ Support the DFP Minister and the Executive in the effective strategic management of NI public expenditure within Treasury control totals.	Richard Pengelly
		Review existing spending plans in accordance with processes determined by Ministers, including in-year monitoring rounds.	R1.2	▪ Maintain a framework of guiding principles and delegations which support decisions on the management of public expenditure, maximise the achievement of value for money and promote accountability.	▪
		Procurement Board Strategic Plan 2011/14.	R1.3	▪ Support the Procurement Board in developing a strategy to maximise the value for money benefits from public procurement expenditure (by July	Des Armstrong

Ref	Departmental Objectives	Measures	Target ref	Targets	Owner
				2011) and lead the implementation.	
R2	To ensure that corporate NICS Human Resource policies and services support the achievement of business objectives across the NICS.	Reduction in the levels of sickness absence.	R2.1	▪ Support departments to achieve overall NICS sickness absence target of 10 days by 31 March 2012.	Derek Baker
		Progress against HR Annual Business Plan 2011/12.	R2.2	▪ Implement the actions in the NICS People Strategy in line with the agreed HR Annual Business Plan 2011/12.	▪
			R2.3	▪ Complete the NICS Pay and Grading Review by 31 March 2012.	▪
			R2.4	▪ Complete the preparatory work necessary for implementation of reform of the Principal Civil Service Pension Scheme (Northern Ireland) as agreed by Ministers by 31 March 2012.	▪
R3	To deliver key Northern Ireland Statistics and Research Agency (NISRA) targets.	Progress against NISRA targets.	R3.1	▪ Achieve National Statistics designation/re-designation for all products assessed by the UK Statistics Authority for compliance with the Code of Practice for Official Statistics, where an assessment outcome is declared within the year.	Norman Caven
		Accountability meetings with Agency Chief Executives.	R3.2	▪ Complete the fieldwork and data capture from the 2011 Census.	▪

Ref	Departmental Objectives	Measures	Target ref	Targets	Owner
			R3.3	▪ Achieve no less than 96% of customers (who respond to the customer satisfaction survey) rating NISRA's services and products as satisfactory or better, of which 75% overall are 'very satisfied'.	▪
R4	To deliver key Land and Property Services (LPS) Agency targets	Progress against LPS targets.	R4.1	▪ Collect XX % of the net collectable rates based on April 2011 assessments.	John Wilkinson
		Accountability meetings with Agency Chief Executives.	R4.2	▪ Reduce year end debt from £Xm to £Ym.	▪
			R4.3	▪ Develop a Northern Ireland portal to meet INSPIRE legislative requirements with Publication services, Catalogue services and View services to be operational by 31 October 2011.	▪
R5	To manage the size of the NICS office estate and increase the number of staff working in modern space efficient accommodation.	Reduction in the footprint of leased office space.	R5.1	▪ Vacate 10,000 square metres of leased office space by 31 March 2012.	David Orrw
		Increased level of staff in modern space efficient accommodation.	R5.2	▪ Increase the number of workstations in modern space efficient accommodation by 400 by 31 March 2012.	▪
R6	To ensure effective management of DFP budget in support of Departmental objectives.	No overspend and management of underspends.	R6.1	▪ Within DFP, avoid overspend and ensure less than 1.5% underspend compared to final plan.	David Orr Co-ordinating for all Business Areas

Customers

DFP Value: Customer – Focused on Service

Ref	Departmental Objectives	Measures	Target ref	Targets	Owner
C1	To improve the effectiveness and efficiency of the enterprise shared services provided to all customers.	Customer satisfaction levels. Costs. Expansion of shared services.	C1.1	▪ Deliver the Enterprise Shared Services Business Plan as agreed with the Shared Services Strategy Board by 31 March 2012.	Paul Wickens
C2	To improve access to public services and information in Northern Ireland.	Improved access for citizens to government services via NI Direct website and telephony.	C2.1	▪ Launch telephony based citizen information services by 31 December 2011 including: ▪ a range of rationalised service numbers for NI government services ▪ a 101 general enquiry number ▪ a SMS text message service	David Orr
			C2.2	▪ Increase the number of calls handled by the accredited NI Direct contact centre to 5 million by 31 March 2012.	▪
C3	To provide high quality services which are responsive to and meet the needs and expectations of our customers across all areas of the Department's responsibility.	Improved customer relations and satisfaction levels.	C3.1	▪ Implement the prioritised customer service improvements identified through the DFP Quality Programme by 31 March 2012.	David Orr Co-ordinating for all Business Areas
			C3.2	▪ Monitor customer satisfaction levels in key customer facing business areas by 31 March 2012.	▪

Internal Processes

DFP Value: Accountable – to Citizens and their Represenatatives

Ref	Departmental Objectives	Measures	Target ref	Targets	Owner
IP1	To ensure appropriate level of information assurance through compliance with Data Protection legislation and implementation of compliant security practices.	Leadership to NICS on Information Assurance and Information Management.	IP1.1	▪ Develop a new web security framework by 30 June 2011	Tom Kennedy
			IP1.2	▪ Review and streamline all information assurance policy and practice into a web based NICS framework by 30 September 2011.	▪
		Level of assurance on DFP's Information Management and Security procedures.	IP1.3	▪ Implement the DFP Information Assurance Action Plan.	Gerry Cosgrave
			IP1.4	▪ Establish and ensure the effective operation of the Information Governance Board by 31 March 2012.	Stephen Peover
IP2	To put in place governance arrangements for the effective delivery of services in customer facing areas of the Department	Effective governance arrangements.	IP2.1	▪ Review the governance arrangements for all customer facing areas of the Department by 31 March 2012.	Stephen Peover
IP3	To rationalise the delivery of support services across DFP.	Rationalisation of support services.	IP3.1	▪ Review the findings and implement the priority recommendations emanating from the review of support services across DFP by 31 October 2012.	David Orr

Organisation and People

DFP Values: Leadership: Strong with Clear Direction and Ethical – Honest, Fair, Equal

Ref	Departmental Objectives	Measures	Target ref	Targets	Owner
OP1	To promote a culture of continuous improvement within DFP through visible leadership to sustain the delivery of the Departmental objectives.	Staff engagement in the identification and implementation of improvements.	OP1.1	▪ Implement the prioritised improvements identified through the DFP Quality Programme by 31 March 2012.	David Orr Co-ordinating for all Business Areas
		Recognition of the positive difference made by the improvements implemented.	OP1.2	▪ Undertake DFP Staff Attitude Survey by DD MM YYYY and analyse results to test improvements arising from the DFP Quality Programme.	▪
OP2	To support Business Areas in the effective management and development of the DFP workforce to support delivery of the Departmental objectives.	Effective workforce planning. Reduction in levels of sickness absence.	OP2.1	▪ Provide regular reports to the Departmental Board on the size and composition of the DFP workforce to support Business Areas in effective workforce and succession planning.	Gerry Cosgrave Gerry Cosgrave Co-ordinating for all Business Areas
			OP2.2	▪ Reduce sickness absence in DFP to 9.1 days by 31 March 2012 in line with agreed Ministerial target.	▪
			OP2.3	▪ Following agreement of NICS training priorities, develop and publish DFP Corporate training priorities for 2011-12.	▪

Monitoring of Departmental Efficiency Delivery Plans - September 2009

Background

As part of the 2008-11 Budget process, the Executive agreed that departments should work to deliver cumulative efficiency savings of 3% a year over the period 2008-09 to 2010-11. The purpose of this report is to provide details of the level of savings achieved by departments for the first six months of 2010-11.

2010-11 Efficiency Savings

In the first six months of 2010-11, departments have achieved £619 million of efficiency savings (equivalent to 77.9% of the target for the full year). DEL is the only department not to have achieved at least 50% of the target level of savings for 2010-11 within six months. Three departments (DARD, DETI and FSA) have already achieved their full year target - see Table 1 below.

Table 1: 2010-11 Departmental Efficiencies Achieved by the end of September 2010

Department	2010-11 Target (£m)	6 months Savings (£m)	% of 2010-11 Savings Achieved
DARD	18.07	18.07	100.0%
DCAL	9.36	5.21	55.7%
DE	183.97	173.77	94.4%
DEL	59.23	26.72	45.1%
DETI	23.70	23.70	100.0%
DFP	15.80	8.00	50.6%
DHSSPS	343.05	265.58	77.4%
DOE	11.42	5.71	50.0%
DRD	65.38	43.90	67.1%
DSD	56.30	41.91	74.4%
OFMDFM	7.65	5.74	75.0%
FSA	0.65	0.71	109.2%
Total	794.58	619.02	77.9%

Notes:

1. The % of savings achieved for FSA is more than 100% of its target due to its plans to deliver more savings than in its original plans.

2. OSNI moved from DCAL to DFP during 2008-09, the efficiency target was moved from DCAL to DFP as a result (£1m in 2010-11)

2010-11 Efficiency Savings

In addition to examining the actual level of savings delivered by departments, it is also important to monitor the latest projections in respect of the achievement of planned savings. Table 2 sets out the DFP assessment as to whether the targeted level of savings for each Efficiency Delivery Plan (EDP) will be achieved for 2010-11 using the following three categories:

- On Track for Achievement;
- Not on Track for Achievement; and
- On Track for Achievement but with a significant risk.

The latest assessment is that the majority of EDPs are on track for delivery without any risk, with 16.6% being significantly at risk or not on track in 2010-11.

DHSSPS and FSA have indicated that whilst they will not meet planned efficiencies in the areas originally stated, they will over-perform in other areas in order to meet their efficiency target for 2010-11. OFMDFM has also stated that it will not meet all its efficiencies from the intended areas but it has created a new efficiency to replace those that cannot be met. DE has not provided any detail regarding not meeting planned efficiencies but it has given an assurance that in agreeing Departmental allocations for 2010-11 the Minister has introduced a range of further measures to ensure that the Department's overall efficiencies target in 2010-11 is achieved in full.

In terms of the percentage of savings, 83.4% are on track for achievement in 2010-11 compared to 52.5% at the same point last year.

There are seven departments (DCAL, DEL, DETI, DFP, DOE, DRD, and DSD) who have 100% of both their efficiency plans and savings on target for delivery in 2010-11.

Table 2: Planned Savings by NI Departments - Assessment of Current Position

	Not On Track	On Track with Significant Risk	On Track
% of EDP's			
2010-11	7.9%	0.9%	91.2%
% of Savings			
2010-11	16.3%	0.3%	83.4%

Note: Savings may total more than 100% due to some departments planning to achieve savings in excess of their target.

Conclusion

This update highlights the need for all departments to continue to monitor the implementation of their plans to deliver 3% per annum, cash releasing efficiency savings, and to make adjustments where necessary. The next round of monitoring will be undertaken at the end of the 2010-11 financial year. This will then provide an assessment of the actual delivery of efficiency savings for the full year.

Department of Finance and Personnel
January 2011

Response to Research Paper on Draft Budget 2011 - 15

Assembly Section

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Mr Shane McAteer
Clerk
Committee for Finance and Personnel

Room 419
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Stormont Our Ref: CFP120/2010

27 January 2011

Dear Shane,

In response to your letter of 17 January 2011, please see attached the Departmental comments on the issues raised in the research briefing note on the Draft Budget 2011 – 15.

Yours sincerely,

Norman,

NORMAN IRWIN

Departmental Response:

1. The Executive has since agreed to extend the consultation period by a further week to the 16th February. This leaves an even more compressed timetable for the Executive to consider and then agree a final budget before the Assembly recess.

2. At the Executive meeting of 14th December 2010 which endorsed the draft Budget, all ministers were tasked with publishing their individual spending and savings plans within seven days. The failure on the part of some ministers to achieve this is disappointing. The underlying work on savings delivery plans etc within each department should have already been completed so it is difficult to see what the reason for the delay was.

3. Reviews of the budget allocations are routinely done as part of the in-year monitoring process.

4. A number of individual ministers have been tasked by the Budget Review Group to ascertain what specific revenue raising proposals are deliverable by final budget stage. The draft budget position has already factored in some £842 million of additional revenue. This has been detailed to the Finance Committee in an earlier submission (CFP116).

5. The Social Investment Fund and Social Protection Fund are initiatives to be delivered by OFMDFM. It is for that department to bring forward further detail on the operation of these funds.

6. These bodies have recorded significant underspends in the past. Furthermore, the in-year monitoring process would always provide a mechanism to ensure that the bodies had access to whatever funding was necessary. No bids previously made have been left uncovered.

Corporate HR Issues

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2 February 2011

Dear Shane,

Thank you for your letter of 18 January 2011. The Committee has raised four issues, three relating to sickness absence and one relating to Senior Civil Service pay. The Committee was provided with a detailed progress report on actions being taken to manage sickness absence across the NICS prior to its session on 12 January. I will not rehearse the content of that report again in this letter. The specific questions which you raised are addressed below.

What is DFP's assessment of the effectiveness of the actions taken by Departments following the NI Audit Office Report on Sickness Absence (May 2008) and the subsequent Public Accounts Committee Report (Sept 2008)?

DFP (Corporate HR) has conducted a number of NICS-wide monitoring exercises in which Departments have been asked to report on progress in implementing the recommendations made in the NI Audit Office Report on Sickness Absence and the subsequent Public Accounts Committee Report. The various recommendations have been consolidated under a number of generic themes to permit the development, implementation and monitoring of a NICS work programme. DFP's assessment is that good progress has been made across Departments in implementing that programme, and that is reflected in the progress report that has been submitted to the Committee. The overall level of absence has reduced from 15.5 days in 2003/04 to 11 days in 2009/10, a reduction of 29%, which represents good progress, but the final outturn for 2009/10 shows that more needs to be done. New targets have now been set for the period up to March 2015 and the analysis shows that efforts need to be focused on the frequency and the duration of long term sickness absence cases, where a relatively small proportion of staff account for the vast majority of working days lost.

It is encouraging to note that the proportion of staff with no recorded absence has increased consistently over recent years from 34.5% in 2003/04 to just over 50% in 2009/10. This suggests that the continued priority given by management to addressing sickness absence is having a positive impact.

What further actions could be taken to meet the NICS target of reducing absenteeism to the PSA target of 9.5 days?

The five year strategic target for reducing sickness absence levels in the NICS expired in March 2010. A number of Departments have made good progress towards and some have achieved their individual targets. All Departments have reduced their levels of sickness absence since

2003/04. However, the 2009/10 headline absence rate, which was published by NISRA in November, and which was made available to the Committee, revealed that the outturn figure was 11.0 days. This meant that the overall target for 2010 of 9.5 days had not been achieved.

New targets have now been set for the period 2010 to 2015 and agreed by the Minister. I understand that Minister Wilson has recently written to the Committee advising of the new targets.

The evidence shows clearly that it is both the frequency and duration of long term absences that are primarily responsible for the high overall rate of absence in the NICS. The analysis for 2008/09 (detailed secondary analysis of the 2009/10 absence figures is currently under way and will be available next month) shows that over 70% of all absence is accounted for by 10% of staff on long term sickness absence. Consequently we know that if further inroads are to be made into NICS sickness absence levels the focus needs to be on the frequency and duration of long term absences. For this reason, specific targets for these two dimensions of sickness absence have been set both for the NICS as a whole and departments individually.

In general terms, DFP is satisfied that the core NICS policies and practices reflect the best of what is done in the wider public and private sectors. We consider that the current work programme has helped to deliver the improvements to date and the new targets will serve to re-focus our efforts in order to achieve the desired outcomes. The detailed progress report submitted to the Committee prior to the session on 12 January describes existing and planned actions to address sickness absence. From detailed analysis of other organisations and sectors it is clear that there is no single action or magic formula which delivers a radical result in this area. Continuing to reduce sickness absence requires a relentless and dogged focus by management on each and every case, dealing for the most part with long term cases which often present complex and difficult issues.

In a previous evidence session the Committee was advised by the CBI that annual savings of £45m per annum can be achieved by reducing the cost of public sector absence through sickness leave, to the same average level as that which currently exists in the private sector. What is DFP's view of this claim?

It is widely accepted that the level of absence in the public sector is higher than that of the private sector, although the difference is less apparent in larger private sector organisations. DFP is responsible only for NICS sickness absence policies and not therefore in a position to comment on the analysis underpinning the CBI claims, which relate to savings across the whole public sector. The CBI has not provided a disaggregated figure for the NICS. However, we continuously monitor absence rates in other public sector organisations and it is interesting to note that according to the Chief Local Government Auditor (2009/10 report), the average absenteeism rate for NI Councils was 12.39 days, higher than the NICS figure for the same period (11 days). NICS figures are also lower than those in the NI Housing Executive (13.60 days) and the Health Service (12.59 days).

The direct paybill equivalent cost of absence in the NICS (2009/10) was £22.9 million, down from £26.1 million in 2003/04. In assessing the costs associated with sickness absence, it is important to note that while reducing sickness absence will improve efficiency and productivity across the service, it will not necessarily create direct cash releasing savings. Therefore any claim that reducing sickness absence levels will automatically generate cash savings needs to be treated with caution.

Officials have considered the CBI Report entitled "Time for action - Northern Ireland – delivering public services in a time of austerity", specifically the comments on sickness absence, and can confirm that many of the examples of good practice cited by the CBI are already in place within the NICS and have been for many years. The CBI has highlighted what it describes as "exceedingly generous" occupational sick pay policies. It is, however, worth noting that occupational sick pay schemes represent a significant difference between the public and private sectors, with public sector schemes across the United Kingdom generally providing for 6 months sickness absence on full pay followed by 6 months on half pay. Occupational sick pay schemes in the private sector vary significantly but generally would not be as generous as those in the public sector.

Please provide an update on the Minister's consideration of both the Senior Salaries Review Body (SSRB) report on Senior Civil Service Pay and Bonuses and the Committee's response to the SSRB report, including when the Minister is likely to make his decision on the way forward on this issue.

The Senior Salaries Review Body report on Senior Civil Service pay arrangements and the associated responses received from the Committee and the trade unions representing Northern Ireland Civil Service staff are currently under consideration. The Minister is currently considering Senior Civil Service pay awards in the context of the Executive's proposals for public sector pay set out in the Draft Budget 2011-2015. The Committee will be informed when the Minister has made his final decisions on the future pay arrangements for senior civil servants in the NICS.

Yours sincerely,

NORMAN IRWIN

Accommodation Efficiencies

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Stormont Our Ref: CFP125/10

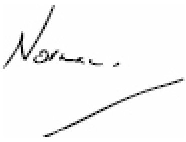
31 January 2011

Dear Shane,

Accommodation Efficiencies

Further to your letter of 20 January, a response to each of the issues raised is incorporated in the note attached below.

Yours sincerely,



NORMAN IRWIN

Accommodation Efficiencies: Issues

1. Capital Assets Realisation

In December 2007 the Capital Assets Realisation Taskforce Report recommended that a comprehensive, mandatory central asset register for all public bodies should be established. In its report on the Preliminary Inquiry into Public Sector Efficiencies the Committee for Finance and Personnel recommended that this should happen without any further delay. However during Oral Questions on Tuesday 30 November 2010 the Minister of Finance and Personnel expressed surprise that no such register exists.

- Please provide an update on the development of the ePIMS database; any progress towards establishing a register of publicly owned capital assets; and details of the scope of this register (e.g. whether it is to include capital assets held by local councils, NDPBs, other public bodies etc).

The ePIMS database is located within, and managed by, the Interim Asset Management Unit (AMU) within SIB. The SIB is an Arms Length Body of OFMDFM and questions on progress with ePIMS should be directed to that department. All property-type assets of DFP have been entered onto the system.

- Please update the Committee on any meetings that DFP has had with the Capital Assets Management Unit.

DFP Properties Division (PD) has been working closely with the AMU in SIB since September 2010 on the DFP ePIMS pilot project. During this period AMU allocated a member of its staff on a part-time basis to work very closely with the PD team.

- Table 2 of the Draft Budget 2011-2015 document (p.52) indicates that £100m will be realised through the sale of capital assets during the budget period. Mindful that a comprehensive register of assets does not currently exist, can DFP clarify the following:

i. How suitable assets have been identified and valued?

ii. How the realisation of the disposal of assets will be tracked?

iii. The timetable for the realisation of assets, given the current property climate.

This is a matter for AMU through OFMDFM/SIB and we understand the Committee has asked them the same question.

2. Costs for Rent and Rates

- In its Indicative Savings Options Paper, seen by the Committee in November 2010, DFP highlighted that in 2009-10 £32 million was spent on rents and rates across all NICS departments. The DFP Draft Budget 2011-2015: Spending and Savings Proposals, currently out for consultation, highlights a bid of £2m of inescapable costs for rent and rates per annum. In other evidence to the Committee local economists recommended that these figures should be revisited to ensure that the best possible value can be obtained. What steps has DFP taken to ensure that these costs have also been subject to rigorous appraisal for the forthcoming budget period?

PD reviews costs associated with rent and rates on a continual basis.

The following steps have been, and continue to be, taken to reduce the costs associated with renting accommodation:

- Seeking to accommodate staff at higher density in order to reduce the amount of accommodation required;
- Initiating negotiations with landlords to re-gear leases (i.e. offering to extend a lease in return for reduced rental costs).

These steps have resulted in a reduction of rent and rates expenditure by some £1.7m p.a. over the past two years and the current accommodation plan for the next three years projects further savings in excess of £2m p.a. when fully implemented.

3. Depreciation

- During an evidence session with local economists on 17 November 2010 the Committee heard that depreciation periods could be "rolled back" as a way of achieving savings. The Committee seeks clarification on the calculation of depreciation costs and what consideration has been given to extending the length of time for depreciation.

Depreciation on buildings is calculated to write off the cost, less estimated residual value, on a straight line basis over the estimated useful life of the asset.

The useful life of a building can range up to 60 years. The initial useful life assigned to an owned building is dependent on the condition of the building and the planned period of usage. Professional revaluations of owned land and buildings are undertaken every five years with an interim valuation performed in the third year of every five year cycle. The remaining life assigned to a building is reviewed as part of the revaluation process and is conducted on an individual building basis.

The most recent professional revaluation of owned buildings within the NICS Estate was completed in November 2010.

4. NICS Accommodation Strategy/Workplace NI

- In the DFP paper presented to the Committee in March 2010 the departmental officials noted that "many of the buildings in the regional estate (outside Belfast) will be affected by RPA plans". What impact have the changed circumstances surrounding the Review of Public Administration had on the NICS Accommodation Strategy 2011- 2014?

DFP Properties Division had been engaged with the team considering the various aspects of the implementation of the RPA. Prior to the DoE Minister's announcement in relation to the RPA process, DFP had presented the transition team with proposals to deal with accommodation issues arising from the process. The accommodation strategy is not affected as it had been assumed that even if staff located in DFP buildings transferred to local councils they would not have transferred physically out of their current offices before 2014. The proposals presented to the transition team were framed on this basis.

- Previously DFP has identified that up to 30% of existing NICS Accommodation is in "poor" or "very poor" condition with substantial investment required or a replacement building sought within the next five years. How feasible is this target now given the reduction in capital expenditure in the forthcoming budget period?

The limited amount of capital available to PD over the budget period, as reflected in the Department's Draft Budget 2011-15 consultation paper, means that it will not be possible to deal with all of the estate's 'poor' and 'very poor' accommodation during this period. Properties Division will identify the offices where upgrade work will be possible and agree a timeframe for achieving this within the level of funding available.

As part of a wider Asset Management Plan, PD has been working with SIB to consider alternative funding mechanisms and specific projects that could potentially be implemented without the need for conventional capital allocations. It should be noted however that such options (e.g. 'sale and leaseback' arrangements) come with a price in that the capital released in the short-term must be paid for from the revenue budget in future years, and PD's revenue budget is also under pressure.

- What impact will the Draft Budget 2011-2015 have on the maintenance of the NICS estate and what do you perceive to be the short, medium and long-term implications?

Properties Division will continue to prioritise resources to ensure that all Health and Safety and statutory duties associated with maintaining the buildings are undertaken. Planned and reactive maintenance activities will also be carefully prioritised to focus on higher priority requirements. The reduced maintenance funding will result in a small increase in the risk of building failures over the period and will also lead to increased maintenance costs in the medium and longer term.

- Have DFP officials considered how the Green New Deal proposals might be integrated into the NICS Accommodation Plan for the forthcoming budget period?

It is our understanding that the initial phase of the Green New Deal (GND) relates to housing. Plans to expand the GND concept to commercial buildings in a subsequent phase do exist but are not as advanced as those relating to the housing sector. Implementation of subsequent phases of the GND will depend on the success of the initial phase.

For these reasons, it is not currently anticipated that the GND will impact significantly on the management of the NICS estate over the 4-year budget period. This will be kept under review as the first phase of the GND progresses.

- Is the NICS still committed to the key Workplace NI principles as outlined in the paper presented to the Committee in March 2010? If so, how and when are these to be realised?

The NICS remains committed to the WPNI principles and continues to increase the number of staff housed in WPNI-standard accommodation.

It is anticipated that a further 400 workstations at the new standard will be added in financial year 2011/12. This incremental change process will continue as budget becomes available.

- What progress has been made on the implementation of the NICS Homeworking Policy? What targets have been set, including in terms efficiency savings? How many staff have taken up this way of working and what has been the initial assessment of its impact?

The draft NICS Homeworking Policy has been agreed with the Central Trade Union Side but is currently the subject of scoping and costing prior to implementation on the HRConnect system. A decision will be taken on its prioritisation within the overall HRConnect change programme when costs are known. As the policy has yet to be implemented, no targets have been set and no staff have taken up this way of working under the policy.

5. Relocation of Public Sector Jobs

- In a recent article (AgendaNI September 2010), Neil Gibson from Oxford Economics suggests that proposals for the relocation of public sector jobs should be revisited as a way to stimulate the economies of local towns. What consideration is being given to the relocation of public sector jobs in the current economic climate?

The position of the Minister for Finance and Personnel in respect of the Review of Location of Public Sector Jobs has been set out clearly on a number of occasions in response to Assembly Questions and during a debate in the Assembly in January 2010. The Minister indicated that he was coming to the conclusion that spending £40 million on relocating public sector jobs is simply not affordable at present. No consideration is therefore being given at present to a centralised programme of relocating public sector jobs. However, individual public bodies, departments and Ministers can of course consider the relocation of public sector facilities and jobs subject to the normal requirements of business need, value for money and affordability.

PMS Response

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Mr Shane McAteer
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Stormont Our Ref:CFP122/10

2 February 2011

Dear Shane,

During the Committee meeting on 19th January 2011 members requested further information on the Presbyterian Mutual Society. A response to each issue raised is outlined below.

Proposed solution

Through the Ministerial Working Group, the DFP Minister alongside the First and deputy First Ministers and DETI Minister managed to secure from the Government the resources necessary for a £175m loan and a £25m contribution to the Mutual Access Fund. The Executive's Budget 2010 proposals also include provision for the Executive's £25m contribution to the Mutual Access Fund. It is expected that the Church will contribute at least a further £1m to the Fund

Out-working of proposed solution

The basis of the proposed solution is that the loan will allow time for the PMS assets to recover sufficiently to allow everyone in the PMS to get their money back, including the contribution made by the Executive. In this way other public services here will not have to be diminished.

The Administrator's business plan suggests that this can be done and it has been subjected to a detailed independent due diligence and risk assessment. It is intended therefore that the contributions to the Mutual Access Fund are to be repayable at the end of the work out period. However, this is dependent on a recovery in the PMS assets over some 10 years meaning we cannot guarantee a 100% return to the PMS Members.

Treatment of smaller savers

The court has decided that the creditors must be given first consideration in any legal settlement. However, the Mutual Access Fund would ensure that the smaller savers have access to their money as soon as possible. In that context the Executive's Mutual Access Fund would give them immediate access to as much as possible of their money. I understand that the DETI Minister is in discussions with the Church about the size of their contribution and it is our desire that PMS Members with less than £20,000 should receive most of their money back.

However, the exact details of how the proposed solution, including the Mutual Access Fund will be implemented have not yet been finalised and any final solution will be subject to the agreement of the Executive, the Assembly, the EU, and PMS creditors and members.

Business plan / Administrators fee

The Business Plan underpinning the proposed solution includes provision for the Administrators fee.

Both the Administrator's Business Plan and the due diligence / risk assessment were commissioned by DETI. Therefore any request for these should be directed to that Department.

RRI Repayment

We would also like to take this opportunity to clarify an issue that was raised during the evidence session on the 19th January 2011. In response to a question from Mr McKay regarding RRI repayments, Mr Bill Pauley indicated that principal and interest payments would be made on a bi-annual basis. To be clear, RRI requirements payments are normally made twice a year over the course of the loan.

Yours sincerely,

Norman.

NORMAN IRWIN

Industrial Derating - Recycling of Manufacturing Rates Revenue

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BT4 3XX 7 February 2011

Dear Shane

Industrial Derating – Recycling of Manufacturing Rates Revenue

As you know the Committee requested officials to undertake further work in respect of the original proposal suggested by the NI Manufacturing Focus Group (now NIM) and Amicus during the final months of direct rule for a Skills, Training and Reinvestment (STAR) initiative, as a way of recycling manufacturing rates.

The Department replied to the Committee on 7 December 2010 with some further detail on this.

The Committee has confirmed its interest and now wishes the Department to examine the matter in detail, particularly around the practicalities of introducing such a scheme. It is understood that the Committee is attracted to it as a way of targeting support to the sector should it be decided to increase rates liability for manufacturers at some point in the future. As the Committee will be aware the draft budget provides that manufacturing rates are to be held at 30% over the next four years.

The Minister has considered the Committee's request but is not convinced on two counts. The first is that there is already recognition of training, etc in the funding allocation that is given to DEL. DEL have advised that manufacturing is a priority sector and as such already receives a lot of attention, funding and support from that Department. This includes support through the Business Improvement Techniques programme (aimed at assisting companies with upskilling staff to improve productivity and reduce costs), in addition to various Sector Skills Councils funded projects.

In addition, the Minister is of the view that even were there a 10% increase in manufacturing rates this would not raise a great deal of money (at present around £4.5m in regional rates revenue). He also considers that increasing manufacturing rates at this time would attract considerable opposition. However, he is not dismissing the Committee's idea out of hand, nor is he suggesting that manufacturing rates should remain pegged at 30% beyond the budget period. However, he now wishes to take the view of the Executive Sub Committee on the Economy before deciding whether or not to take the matter forward. In any event, any change would take time (a minimum of around two years) due to the need to work with other departments, to consult with business and to change legislation.

I will advise the Committee further in due course.

Yours sincerely,

Norman

NORMAN IRWIN

Credit Review Office

Department of
Finance and
Personnel

From the Office of the
Minister for Finance & Personnel

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Telephone: 028 90529140

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Your reference:
Our reference: COR/74/2011

Alban Maginness MLA
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31 January 2011

Dear Alban

Thank you for your letter of 18 January regarding the DETI response to Archbishop Harper's correspondence which outlined the Churches support for the creation of a Credit Review Office in Northern Ireland.

As the DETI response indicated, bank regulation is a reserved matter and therefore the Assembly does not have the power to call the banks to account in the manner suggested. However, the British Bankers Association October 2010 *Business Taskforce Report* details 17 recommendations to strengthen and improve the relationships between banks and their customer base (which are attached at Annex A for information). These include a specific recommendation to establish a transparent appeals process.

As indicated in your letter, I met with representatives of the local banks, the British Bankers' Association and the Institute of Directors on the 6 December 2010 to discuss how this and the Taskforce's other recommendations could be implemented in Northern Ireland. While some of the recommendations are more relevant to Northern Ireland than others, the banks advised me that they would be making progress towards implementation of the Taskforce report recommendations during January and would report back to me on this.

My officials have also discussed this recommendation with Treasury and the Department of Business Innovation and Skills. Our view of the importance of having such a UK mechanism was made clear to them and it is our understanding that this need is recognised by all. I also asked the local banks to consider whether a need exists for a separate appeals process for Northern Ireland at the meeting on 6th December 2010. I will raise this with them again during February when their progress report is received. A formal announcement of the way forward on all of the 17 Taskforce recommendations will not however be made until the UK Budget.

Yours sincerely

Sammy

SAMMY WILSON MP MLA

ANNEX A

BUSINESS FINANCE TASKFORCE REPORT RECOMMENDATIONS

To improve customer relationships the Taskforce will:

1. Support a network of business mentors
2. Improve service levels to micro enterprises
3. Publish lending principles
4. Establish transparent appeals processes
5. Initiate a pre re-financing dialogue 12 months' ahead of any term loan coming to an end

To ensure better access to finance, the Taskforce will:

6. Establish and invest in a new £1.5 billion Business Growth Fund
7. Support the Enterprise Finance Guarantee Scheme
8. Help mid-sized businesses access syndicated debt markets
9. Improve access to trade finance
10. Signpost alternative sources of finance
11. Help improve the supply of credit to the wider economy

To provide better information and promote understanding, the Taskforce will:

12. Fund and publish a regular independent survey
13. Enhance the cross-industry lending dataset
14. Hold regional outreach events
15. Improve customer information
16. Host a dedicated website
17. Establish a Business Finance Round Table