



Northern Ireland  
Assembly

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**COMMITTEE FOR  
FINANCE AND PERSONNEL**

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**OFFICIAL REPORT  
(Hansard)**

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**Draft Programme for Government,  
Draft Investment Strategy and Draft  
Economic Strategy**

11 January 2012

**NORTHERN IRELAND ASSEMBLY**

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**Draft Programme for Government, Draft Investment Strategy  
and Draft Economic Strategy**

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**Members present for all or part of the proceedings:**

Mr Conor Murphy (Chairperson)  
Mrs Judith Cochrane  
Mr Paul Girvan  
Mr David Hilditch  
Mr William Humphrey  
Mr Ross Hussey  
Mr Paul Maskey  
Mr Mitchel McLaughlin

**Witnesses:**

Mr Colm Doran            )        Department of Finance and Personnel  
  
Mr Stephen Peover       )        Department of Finance and Personnel

**The Chairperson:**

I welcome Stephen Peover, the permanent secretary of the Department of Finance and Personnel (DFP), and Colm Doran, the acting finance director of the corporate services group. I invite you to make your opening remarks, and then we will have some discussion.

**Mr Stephen Peover (Department of Finance and Personnel):**

Thank you very much. I will be very happy to take questions.

DFP is largely an inward-looking Department, and it supports the other Departments in the delivery of their services. Our core business is supporting Departments. As a Department, we do not have a lot of commitments to the public in the Programme for Government (PFG), although there are a number, and you talked about one this morning — the small business rate relief scheme. We also deal with issues such as holding the regional rate at the level of inflation, and we are pressing for the devolution of corporation tax and other issues that were mentioned in relation to state aid. Just on that point, as I said to Colm, it might be useful for the Committee to have a briefing from the Department of Enterprise, Trade and Investment (DETI), as it tends to handle the policy issues on state aid as it is about supporting industry. It would be useful, as it is a complicated subject.

Air passenger duty is another issue. There will be a reduction in duty and, hopefully, an elimination of the higher level of duty for long-haul flights. There are issues around social clauses and procurement, which the Committee discussed in the previous mandate. There is a general responsibility on DFP corporately to help Departments to reduce the level of sickness absence in the Northern Ireland Civil Service (NICS).

Those are the core bits of DFP business that figure in a document such as the Programme for Government. We are not a Department that builds roads, houses or schools directly; that is done by other people. We are there in the background, supporting others through the Budget process, the policy development process, rate collection, and so on. The specific commitments in the draft Programme for Government are those that I have just mentioned, which are part of the package. I am happy to take questions on those. I am not sure that they are the most exciting commitments, but they are quite significant. Corporation tax is obviously the most significant, and that big process kicked off recently with the ministerial working group meeting in December, with another meeting scheduled for some time in the next few weeks to take the process forward.

**The Chairperson:**

You mentioned public procurement and social clauses. There sometimes seems to be a variation

in the DFP plan. The economic strategy refers, I think, to using social clauses in all public procurement contracts for supplies, services and construction. However, the PFG does not seem to be as definitive on the issue. Is DFP working to some clear explanations and guidelines on that?

**Mr Peover:**

Yes.

**The Chairperson:**

Is the Central Procurement Directorate (CPD) working proactively to ensure that other Departments are up to speed if DFP develops what we would hope to be defined guidance and benefits for including social clauses in all procurement contracts? There seems to be a slight variation in some of the documents in relation to your responsibility for that.

**Mr Peover:**

Through the procurement board, there already is a policy of promoting a number of social issues through procurement. The intention is that, when the procurement board next meets in May, it will, hopefully, agree a guidance note for issue to Departments and centres of procurement expertise (COPEs) and that Departments will provide returns on a six-monthly basis thereafter, the first one being due in November. There is an issue about getting guidance out.

The easy thing in all of this is probably dealing with the big construction contracts, where you spend £x million and you have a criterion that, for every £1 million, you employ so many unemployed staff, or you provide apprenticeships or whatever. Those are the ones that are easy to define. It is much more difficult to define how you are going to apply a social clause in a procurement contract to buy paper or a service. Many of those contracts are quite small, and the linkages between buying goods or a service and the employment impact are more difficult to establish in such contracts.

We are working with the Office of the First Minister and deputy First Minister (OFMDFM), which has responsibility for the sustainability strategy, to try to define a broader concept of social value. Hopefully, it will be possible to incorporate that into the guidance. However, we have

already made progress, and we would have been making progress anyway in response to the Committee's recommendations on trying to incorporate social value more fully into procurement decisions. So that is happening. I have mentioned the timescale; the guidance notes are to be issued to Departments by May, and Departments are to implement policy and make returns on a six-monthly basis thereafter on the impact of their procurement decisions.

**The Chairperson:**

Will the guidance note simply be on social value, or will there be any emphasis on the economic value? One of the documents is a draft economic strategy for the region, and, obviously, the Programme for Government and the investment strategy overlap. It is about the Executive's spend of public money and how that money can be used to bring not just social benefits but benefits for the local economy.

**Mr Peover:**

I do not think that it will be part of the guidance. That is an underlying theme of the procurement board. We are spending £3 billion a year or whatever it is on procurement, so there is the impact of that on the local economy, in a variety of respects. I shall digress slightly: we are involved in a thing with the Confederation of British Industry (CBI), and Deloitte is supporting it. It is called a commissioners network, and it is trying to bring ourselves, the social enterprise sector and the private sector together at a high level, not to talk about specific contracts but to talk about policy. At the last session of that, Terry Brannigan, who was then the chair of the CBI, made the point that one of the benefits of public sector contracts is that they provide a degree of stability for suppliers, if they can get one. By and large, we are quite good clients; we pay our bills and so on. So that introduces a layer of stability for the company, which can then, perhaps, develop a wider market on that basis, knowing that it always has our contracts to fall back on.

The second aspect of that is the use of public contracts — again, this is something that we are working on — in a pilot way. That will allow people to come to us and say, “We could sell you this service”. It may not be a service or a means of providing a service that we had thought of ourselves, but we can use the public contract to provide that trialling or pilot basis. If that is successful, that service may be capable of being sold either to the private sector in Northern Ireland or to a private or public sector contractor outside Northern Ireland.

There is full recognition in the procurement board of the power of procurement spend to stimulate the local economy and, hopefully, to stimulate and support innovation in the local community. That is happening in parallel with this work.

**The Chairperson:**

What will be the impact, if there are guidelines to all Departments? Will they be mandatory or advisory?

**Mr Peover:**

The procurement board's decisions are binding on COPEs. Getting everybody to implement them at the same time, at the same speed and in quite the same way is a bit more difficult, but the procurement board sets the policy. It is chaired by the Minister, and it has representation from all Departments, if they want to attend. It has a core representation of the big buying Departments such as the Department of Education (DE), the Department for Regional Development (DRD) and so on, which spend a lot of money. The main permanent secretaries, who are responsible for those Departments, are there when the decisions are made.

**The Chairperson:**

Thank you. Does anyone wish to raise any questions?

**Mr McLaughlin:**

Did you say, "Big buying" or "Big bang"?

**Mr Peover:**

"Big buying": it was poor articulation on my part.

**Mr McLaughlin:**

No. Happy new year.

**Mr Peover:**

Happy new year to you, too.

**Mr McLaughlin:**

The draft programme issues that I would like to talk about because they have such strategic import are around the corporation tax debate and the progress on that. At times, it appears that the goalposts are shifting in terms of the information that comes back from Treasury about how much it will cost and whether, if we had the power, we could afford to use it. What I have found particularly irritating is the fact that there always seems to be a discrepancy in our ability to calculate the outflows, so that we could have informed and mature decision-making. Has that situation improved? Are we now in a position where we know exactly what the implications are? Is that an issue that the working party is now able to crunch down on? I know that there has only been one meeting so far, but are we making progress?

**Mr Peover:**

The short answer to your first question is no. We have not yet got to a definitive statement of the costs. The Treasury estimate, including all the elements that it has currently got, is around £500 million. We think and the Minister thinks that that is very high. The Treasury holds the information, and there is a process of discussion and dialogue, exploring the details of their estimates to see whether they are robust. The process has been going on for a while, but it was formally kicked off by the ministerial working group meeting on 15 December. That mandated officials to work in more detail on some of the issues. The current estimate is £500 million. That is, in a sense, the ballpark that we are in. Obviously, we want to try to get those figures down. The Treasury will want to maintain them if it can, but that is the ballpark.

**Mr McLaughlin:**

If this were about two competing businesses, you could understand why some people keep their cards very close to their chests. However, this is government; it is to do with taxes that are being paid in myriad ways. It is information that really should be shared; we are not handling commercially sensitive information here. Those are supposed to be audited accounts across the economic spectrum, so they should add up to the same amount no matter who is looking at the figures, either from here or there. In fact, however, that is not the case. Have we cracked the issue of full disclosure so that everyone is operating on a level playing field?

**Mr Peover:**

Again, the answer is probably no, we have not cracked it. However, that is the aim of the process of engaging with the Treasury. It has provided an estimate, and we will want to test that estimate and make sure that it is robust. It is quite a complicated process of estimation. The Treasury does not normally accumulate the figures for Northern Ireland specifically, so it has had to go through a process of estimation in order to do that. It was done at a time when the Treasury was running up to the most recent Budget and had other preoccupations. We will want to ensure that it has applied rigorous logic to the calculation of the estimates and that they are as low and as credible, from our point of view, as possible. The Executive have made it clear that this deal is doable on the basis of affordability as well as other criteria.

**Mr McLaughlin:**

Yes. Essentially, people need all the information. Are there issues that I am just not taking account of that would explain why there is a reluctance to share that information in an open and transparent way?

**Mr Peover:**

I do not think that there is any reluctance. It is just a matter of sitting down and going through it.

**Mr McLaughlin:**

There appears to be reluctance. It is as if we have to squeeze the information out of the Treasury, for some reason.

**Mr Peover:**

If I have given you that impression, it is unfair of me. I did not intend to give that impression; it is just that it is a complicated topic.

**Mr McLaughlin:**

Let me say that I am giving that impression. It is my impression. You did not give it to me; I am absolutely convinced that the Treasury is not being as open as it should.



**Mr Peover:**

If that is the case, I do not think that it is through any malicious intent. It is just that the subject matter is difficult, and it is possible to have different views. The estimates are provided by economists and others who are trying to calculate, on the basis of their tax take, how much of that is attributable to Northern Ireland firms, or firms located in Northern Ireland. It is a difficult piece of mathematics. I certainly would not suggest that there is any reluctance on the part of the Treasury to be open with us.

**Mr McLaughlin:**

Are we now at a stage in the process with this joint group whereby people on each side can sign off on the information on which we are going to proceed and can agree that it is properly benchmarked and that, if there is an element of estimation or judgement involved, everyone is agreed on the figure work and that the goalposts are not going to be moved? The figure jumped from £200 million to £300 million and then to £500 million, and it appeared to have the effect of dampening people's enthusiasm for this. It is either factually based, or someone is playing games. Which is it?

**Mr Peover:**

I think that it is factually based. The difference between the first estimate and the later one was the inclusion of branch plants and the taxes attributable to them. The intention is that the ministerial working group will be the vehicle through which there will be agreement on all those issues, including the amounts of money involved. The timescale that has been drawn up means that the group must complete its work by June 2012. The group, which is fully representative of the Executive, will sign off or not sign off on the figures. It is the final clearing house, and if Ministers in the Executive have concerns about the transparency of the data and the information that they are receiving or its reliability, they will have an opportunity to say that it is not right and ask for the process to be stopped. There is a formal mechanism for agreement on those issues, including the costs.

**Mr McLaughlin:**

From what you are saying, Stephen, it appears that you are reasonably satisfied that you are getting to that baseline position.

**Mr Peover:**

We have a fairly good working relationship with our colleagues in the Treasury. Obviously, we in DFP have a continuing relationship with them, and we always have had. We regard them as colleagues rather than enemies.

**Mr McLaughlin:**

I am not sure that I am in the same position. Given that it is the Committee's role to scrutinise the Department, will we be in a position to access that information any time soon?

**Mr Peover:**

I do not see the process being completed until June. Another meeting is being arranged and will, I think, take place rather sooner than expected — probably early February, depending on dates and diaries. It is such a big issue that I am sure it will run until June. I do not expect a final sign-off on any of the issues until all the cards are on the table and everyone has had their say. The Executive will then have to have a collective discussion, and I assume that there will be opportunities to have a wider public debate on all of this. It would be highly desirable to have a wider public debate, because, if you look at the summary of the consultation responses on the Treasury website, you will see that, although the vast majority of respondents were in favour of change, a significant body of people had concerns about the impact that it would have on the Budget here and on local society. So there needs to be a proper public discussion on the way forward.

**Mr McLaughlin:**

This is a separate issue, but it is a very important one. Having looked at the draft investment strategy and the draft Programme for Government, I am a bit concerned that there is not a greater emphasis on addressing internal or regional disparities and on using the levers, particularly the economic levers. In the discussion with the Chairperson, there was reference to procurement policy, which is one of those instruments. Obviously, globally, there are huge economic issues, and pressures on the regional economy have increased and multiplied. Perhaps, in the middle of all that, there is an opportunity to rebalance the economy in a different way and to start to use that spending power so that there is a social effect as well as economic development. I do not see that

being addressed in the draft documents.

**Mr Peover:**

I would need to look at them again. I know that in his bit of the statement introducing the draft Programme for Government, the deputy First Minister placed a lot of emphasis on equality and the need to engage the full population in the processes and to ensure that people are not marginalised or left out of any development. It is quite clear from his statement that he sees that as a key element of the programme, and there is a commitment in the programme to taking forward equality issues. DFP is at one remove from a lot of the issues, but I certainly made the assumption that equality has been a key theme of the Programme for Government and will continue to be so. Whether through the attraction of investment or the deployment of procurement spend, people will be looking for opportunities to use whatever resources we have to maximise social benefits across the community and not just in particular areas.

**Mr McLaughlin:**

You talked about the scale of some of the procurement contracts and how it has been difficult to address effectively things such as social clauses. That is just common sense, and we should agree whatever the threshold is. However, the other side of that is that, above that threshold, there should be a comprehensive and integrated approach to social clauses that affects every Department that wishes to set contracts and issue tenders. That type of homogeneous approach has not been achieved, and I do not know that that is reflected as a determination in the draft Programme for Government.

**Mr Peover:**

I think that it is. Obviously, we have to wait and see what guidance the procurement board delivers to Departments, but the intention is to provide common guidance on handling contracts of a reasonable size in an appropriate way.

To go back to the Committee's report on procurement, there is the countervailing issue of not aggregating contracts to too high a level so that local, smaller companies can tender.

**Mr McLaughlin:**

Yes, so that they can have a bite at it.

**Mr Peover:**

There is that issue as well.

**Mr McLaughlin:**

I understand that.

**Mr Peover:**

That point is well made, and we will bear it in mind. We are trying to apply EU policy to procurement in as reasonable a way as we can to make sure that we do not over-complicate the processes for those who want to tender for government contracts.

**Mr McLaughlin:**

I am sympathetic to that argument. Thank you.

**Mr Girvan:**

I appreciate that there is a commitment in the draft Programme for Government to monitor and evaluate programmes. What role does the performance and efficiency delivery unit (PEDU) have in the future implementation of those programmes? What will its input be further down the line? I know that its role is overriding and far-reaching, but I would like to know more.

**Mr Peover:**

PEDU has two functions, the first of which is monitoring. In the previous Programme for Government, we, through PEDU and OFMDFM, acted as the central co-ordinators of the information from Departments to provide a challenge to that information and to support the Executive in satisfying themselves that the Programme for Government commitments were being delivered. We have not had final sign-off on this PFG, but the same process is intended here. Again, we will co-operate with OFMDFM to underpin the monitoring of Departments' performance.

We are trying to strike a balance. Ministers are responsible for their Departments, and it is up to them to get on and deliver their commitments. The commitments are public commitments that are made corporately by the Executive, and they will be in the Programme for Government when it is finalised. So there is a level of ministerial responsibility, in that people need to get on with things and do things, but there is also monitoring at a corporate level to make sure that what has been committed to is being delivered and that, if there is a need to shift resources, support particular areas of activity or move money around the system, we and OFMDFM have an opportunity to challenge that. That will happen. That level of monitoring will be part of the routine process of following up on the Programme for Government commitments.

Secondly, PEDU is available to any Minister and any Department. It can come into a Department and do specific work. It has already done quite a lot of work in various Departments over the last lot of years: Education, Health, Environment and DFP itself. It comes in as an external resource or critical friend to work with Departments to help them to identify opportunities for more efficient and effective working. That work will continue as well.

**Mr Girvan:**

We have seen a reluctance in some Departments to engage and take on board the PEDU approach. I wonder how that will be overcome. I have been here for only a short time, but it was evident that there was a reluctance on the part of departmental officials to engage with PEDU, bring it on board and work with it to effect change and, probably, efficiencies. Is there a mechanism to encourage or ensure commitment and buy-in from all Departments?

**Mr Peover:**

I am not sure that there is a mechanism, but it is a resource that is available. PEDU is reasonably widely used. I have been on the receiving end of it twice. I speak as someone who has invited PEDU in. It is a slightly daunting experience; nobody is perfect, and you know that PEDU will find deficiencies in your performance. However, in the case of the Planning Service, it turned out to be a very helpful study. We had a review of Land and Property Services (LPS), which was very helpful, and it has changed the way in which we operate that business. Recently, PEDU has worked with the Department of Education on support services in the education system. That has been a very constructive engagement, and I think that both the Department of Education and DFP

found that experience to be helpful.

The more that people become used to the fact that the resource is there and the more that they see it as a positive support to Departments rather than a threat, the better. When you are doing the day job, it is difficult to stand back from what you are doing and challenge your fundamental assumptions or the policies that have been in place for five, 10, 15 or maybe 20 years. If you have somebody who can ask the hard question or simply ask, “Why are you doing it this way?”, that is a valuable resource, as long as you treat it in the sense in which it is meant. It is becoming a more recognised phenomenon.

We will certainly support the Executive in exercising the challenge function around the Programme for Government. I hope that Departments will see or are already seeing the benefits of having that resource. For them, it is a free resource: we do not charge for PEDU’s involvement, although maybe we should. I think that there is an inherent fear of exposing your weak flanks to anyone from the outside. I do not blame Departments.

**Mr Humphrey:**

Thank you for your presentation. You mentioned that PEDU works with Departments. Can it or does it work with arm’s-length bodies or government-owned companies?

**Mr Peover:**

It has not done so directly. Take the Department of Education, for example. It does not spend a lot of money directly; it spends it through the education and library boards, the Council for Catholic Maintained Schools (CCMS) and so on. Some of the things that PEDU looked at in that Department were transport and school meals, which are provided by the boards. In that sense, it has a purchase through the core Department into the organisations that are spending money. It is not restricted to looking at the spending of the core Departments; it can reach out into how services are provided to the public. In fact, that is the intention behind it.

**Mr Humphrey:**

Do you expect that government-owned companies and arm’s-length bodies will use PEDU’s services in the future?

**Mr Peover:**

I am not sure whether they would do so directly. Departments will commission the work, but it will reach out beyond their day-to-day work and into the work of their sponsored bodies.

**Mr Humphrey:**

Thank you.

**The Chairperson:**

OK. Thank you very much for that; it was very useful. I do not think that there are any issues that we need to follow up on. However, you were privy to our discussion on the state aid issue. We will be coming back to you for some advice on that.

We will forward you a paper that the Committee staff compiled from DFP responses to all three papers. We look forward to a written response on that, and, on the back of that, we may have further discussions.

**Mr Peover:**

Thank you, Chairman.