Northern Ireland Assembly

COMMITTEE FOR FINANCE AND PERSONNEL

OFFICIAL REPORT
(Hansard)

October 2011 Monitoring Round

28 September 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Conor Murphy (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr Paul Maskey
Mr Mitchel McLaughlin

Witnesses:

Ms Deborah McNeilly	)	Department of Finance and Personnel
Mr Stephen Rusk	)	

The Chairperson:
Ms Deborah McNeilly, head of the finance branch in the Department's corporate services group, and Mr Stephen Rusk, a finance branch official, are here to talk about the Department's approach to the October monitoring round and about some of the Department's bids and any easements that they may have offered up.

Ms Deborah McNeilly (Department of Finance and Personnel):
The briefing paper that we submitted to the Committee shows that the business areas across the Department have robustly reviewed their income and expenditure forecasts to and for October monitoring, as members would expect. To put things in context, those forecasts are based on the

latest information available on actual spend up to the end of July and the beginning of August and, going forward, a range of forecasting assumptions based on planned activities and trends over the next few months. It is about setting the line according to the information that they are working on.

One of the key drivers for us and for the business areas as part of the October monitoring was to make sure that, as far as possible, they identified any reduced requirements from their planned activities at this stage of the year. As members will see, that has resulted in reduced requirements coming forward of quite substantial amounts: £4·2 million in current expenditure, and £3 million in capital.

The briefing paper outlines six key areas from which those reduced requirements have come. We have had lower than anticipated accommodation costs, part of which is due to vacating some leasehold accommodation earlier than planned. As members will know, one of the Department’s key priorities is to try to consolidate leases and make as much use of property as possible through open-plan working. There has been a reduction in leasehold costs, associated running costs and, in the earlier part of the year, fuel costs, which were lower than forecasted.

Forecasts of staffing costs have also seen reductions across business areas. There are quite a few vacancies at the moment, and there have been delays in filling some of those vacancies across business areas. Income has increased in some of the demand-led services, such as the General Registry Office and in the business consultancy service, which has been subject to increased demand. We sold the Andersonstown social security office building, which realised £1 million in capital for return to the block.

There is a technical issue relating to employee benefit accrual, which is about putting a value on untaken annual leave. Finally, there have been reduced requirements in relation to a number of projects, in particular NI Direct and internet protocol (IP) telephony. In the run-up to central finance group’s October monitoring deadline, which is next week, we will continue to liaise with the business areas between the timing of this paper and next week. I think that there may be some more reduced requirements to come out of the system in a few business areas, because they have more information. They have September out-turn, and they can work on that as well. Therefore, it is possible that there could be more reduced requirements of around £500,000 from those business areas. We are seeing some nervousness from business areas as they try to meet financial targets and reduce or minimise the level of underspend and ensure that there is no overspend.

That brings me to my final point. We are working in a changed system at the minute with the three monitoring round move, and we will try to do final forecasts much earlier in the year to determine the Department's final budgets. That will be a significant challenge for business areas across the Department, particularly given that when we are doing it for the December/January monitoring round, they will be using November actuals if they are lucky, and they are not really due until the middle of December. Therefore, there will be issues for them, and there will be forecasting over an increased number of months. There are challenges and risks for us in managing that to ensure that the Department meets its financial targets in relation to underspend and ensuring that there is no overspend. I just wanted to articulate that to you. What I am seeing across the Department is nervousness about taking risks and about whether they are going to be sitting with money, which is why the response in some business areas is that money is coming back now at this stage of the year if they think that they are not going to spend it. I am happy to take questions.

The Chairperson:

Thank you. Nervousness or reduced risk-taking can be good on one hand because you will not waste money, but, on the other hand, it can actually stop things happening. Thanks for your elucidation, particularly as the paper that was given to us was quite scant, especially for a new Committee having to pick up some of the trends of spend in the Department from the previous Committee. I think that we required more information in relation to some things that have either not gone forward or areas where there have been reduced requirements, so that we could follow through. Although we are happy to take the information from you, for future monitoring rounds I suggest that we require more information in the paper that is provided to the Committee.

On the reduction in accommodation costs, you explained some of the expenditure that has not arrived, such as fuel costs and the like, but there was an issue around repairs and maintenance work. Has that not gone ahead, particularly given that construction is suffering very badly and that we have reduced accommodation costs? Is there maintenance work that should be happening but is not happening?

Secondly, there seems to have been a slip in the timing of the NI Direct project, which was one of the Department's key projects. I was not on the previous Committee but, from my own experience, I know that it was a key project for the Department. What is the problem there? Is there a difficulty in developing that project?

Ms McNeilly:

To answer your first question about the accommodation, they are not returning anything in respect of maintenance money. They have a planned programme of proactive maintenance work for the year, and they also have a budget for the reactive work that they have to do. Obviously, coming into the winter, they will have an increased budget for that. Their problem is that, if additional money becomes available because of changes or earlier savings, their ability to get new money out and to respond to the planning and delivery can be constrained because they already have their plans in place to deliver their existing programme of maintenance. They are considering ways of shifting the planning to see how they can respond more quickly should additional money become available in-year.

The Chairperson:

Do they plan only the exact level of maintenance in accordance with what you anticipate your budgets to be, or do they have further plans sitting on the shelf that can be brought forward if more money becomes available?

Ms McNeilly:

They have some level of contingency and a longer list of plans, but in respect of being content that they get that money out and spent by the end of March, there is a reluctance or nervousness when they are making their decisions — they have to be sure that they are going to get the money out the door and spent before the end of March.

The Chairperson:

What about the NI Direct project?

Ms McNeilly:

At the minute, NI Direct is going through the procurement process. There has been a three-month delay in ramping up, because that was not able to happen in April, as intended, because the project was awaiting the outcome of the Budget to see how much it would have to spend. Now, it is working that process, which was planned to deliver a new procurement for IP telephony services and some other ICT infrastructure next July. It is still on track to deliver and implement that next July, but it does not have the required level of implementation staff at this stage of the year, because it is still working through the procurement processes. It is, therefore, still on target to deliver the new contract and the new telephony services for the major piece of work next July. It is also on track with regard to a number of other deliverables for some continuing services. It will be able to provide information on some of the services provided by other Departments.

I think that we had envisaged that NI Direct would have a bigger project team from an earlier point in the year, and it has gone into catch-up mode on the major piece of work, which is around procurement.

Mr McLaughlin:

Chairperson, you asked the two questions that I was going to ask; thank you.

The Chairperson:

I do not know whether it is a case of great minds or fools seldom differing. *[Laughter.]*

Mr McLaughlin:

I think that you saw me marking my page.

Mr D Bradley:

I am wondering about the fifth reduced requirement: the change in the value of untaken annual leave. Why is there untaken annual leave? How does the value of it change?

Ms McNeilly:

As part of the international financial reporting standards, which you probably do not want to know anything about, Departments are required to reflect the value of staff's untaken annual leave and flexi-leave, for example, as at 31 March. That is conducted in-house. If staff have not taken their leave at 31 March, the Department has benefited, because it has had more days of staff work. A cost for that, therefore, has to be reflected in our accounts.

At the end of March 2011, we were able to get data on staff leave from HR Connect. That was the first time we were able to get more data from HR Connect. Last year, we put through a major adjustment for leave of about £750,000. That took account of the number of days that staff had remaining. Previously, we were working on the basis of staff having an average of, say, seven days left at 31 March. Now, we are working on about 10 days. Going forward, we think that the average of 10 days is not going to jump up very much. We are looking at putting a value on taking leave in terms of the pay award, which went through in August. That was about 3·5%. Therefore, we do not think that we will have a big jump in the change in the value of leave owed to staff at the end of any particular financial year. That is why we have that money coming back to the centre. It is one of those standards that people wish had never been introduced.

Mr Girvan:
There is an indication that there are staff vacancies and that some savings have been accrued due to the non-filling of those posts. How has that impacted on the situation? Is there an overall impact? Will those posts be required to be filled, and can that be made an ongoing saving?

Ms McNeilly:
There will be a combination across the business areas. Some of the posts will be filled, but it is a question of when. Perhaps they were projected on the basis that the post would be filled earlier than it actually will be, for example. I think there is a general trend around the business areas that, when a post becomes vacant, someone is not automatically put straight in. I think they reassess it and ask whether they need to fill the post or whether there are other ways of delivering the service. They also ask if the non-filling of the post could be one of their savings. At one level, there is a combination of both. Also, at the moment, with the embargo having been lifted across some of the admin grades, we tend to find that posts are becoming vacant because there is a bit of movement going on. It may then take a few months to get those filled again, if it is the intention of the business area to do so.

Mr Girvan:
Is a business case made for every post? I appreciate that, when a post becomes vacant, the automatic indications are that you want to fill that post and advertise it again. Is a re-evaluation made after a number of months — because some of the posts are empty for several months — given that they have functioned without filling the position, to ask if there is really a necessity for it?

In another organisation that I work with, we believed that we needed to fill two posts, and we were having some difficulty in doing that and getting the right people. Then, after a period of time, it was identified that others within the organisation were taking up the slack — I say slack, because obviously there was some — and that the posts were no longer needed. Is a business case made, not necessarily right away, but after a period of time? If a post has not been filled after three months, is there an evaluation after the three-month period to ask whether they really need to fill that post?

Ms McNeilly:

There is an ongoing re-evaluation of whether they need to fill posts and how they fill posts. Each directorate manages its own staffing level within the business areas. That is delegated to them. One day, they could have nine vacancies, the next day 10 and the day after that seven, because people are re-evaluating whether they need to fill the post, or whether they can do something different. I do not see an automatic process whereby, if somebody goes out the door, somebody else comes straight in. People are using an awful lot more caution in relation to that, because, in future years, budgets will get more constrained, so there is active consideration.

Mr Girvan:

Can the £3 million capital saving that was identified be transferred to other areas, or does it have to remain within capital? I know that there is a mechanism, and that revenue can be slightly more flexible, but if it has been drawn down as capital funding, can it only remain as capital funding?

Ms McNeilly:

The central finance group would obviously seek to manage that in the context of the overall control totals available to the Northern Ireland block, but my understanding is that it is more difficult to get it moved from capital to resource than the other way around.

The Chairperson:

OK, but that capital surrender would go back in for reallocation across the Departments?

Ms McNeilly:

Yes.

Mr Cree:

On the financial requirements, I think that you were fortuitous — to say the least — in this round. Was the sale of the building at £1 million anticipated and phased into this quarter? Were the other projects for which the timing was changed, including the £2 million for the telephony project, phased in during the same quarter or in an earlier quarter during the current year?

Ms McNeilly:

There have been ongoing negotiations in relation to the building disposal. They had thought that it would be disposed of even last year, for example, but the transaction did not go through at that stage. Therefore, they have been anticipating it this year. I think that they have waited until it happened before identifying it. I am not sure of the date on which the transaction was completed, but they waited until it was done before they put it through.

Mr Cree:

It was fortuitous then.

Ms McNeilly:

In relation to the other two projects, the NI Direct one in particular relates to infrastructure investment, and the procurement for it will largely be next year, so they have reprofiled that into next year. They are in the procurement process at the moment, and will have a better idea at this stage of their planned delivery milestones, and so on. They have a better picture of the timeline for the project, and are therefore saying that they cannot spend that this year. I am not sure whether they were going to spend it in the first quarter or last quarter of this year, because they did not give us that detail. They are saying to us that, until the end of the year, they will not spend that amount of capital.

The IP telephony project has been subject to a major review. The original project was to roll out IP telephony to 20,000 users. They have since reviewed it and want to roll it out to 28,000 users. Therefore, they have had to re-profile their roll-out and expenditure plans and get another approval in place, and that is now all through. Therefore, that reflects the re-phasing of their project to take account of their new delivery model and all those reassessments.

Mr Cree:

So is it replaced later in the current year?

Ms McNeilly:

No, they will not spend that amount of money this year. That is the amount of money that they had thought they would spend up until the end of this year. Now, because they have re-profiled some projects and the roll-out will happen at different stages, they will want to re-profile that spend into future years. So, they will have to manage it within future years' budgets.

Mr Cree:
So the question is whether it should have been in this year at all. In effect, projects of that nature work as a cushion in your budget. Are there any others coming up?

Ms McNeilly:
It would not have been a cushion in the budget in that respect. They are planned projects, and they have reassessed the roll-out of those projects. So, the projects will go ahead, and the delivery will be re-profiled. For example, the IP telephony project will run over five years and, given the way the contract works, they can accelerate and decelerate within certain parameters. They will seek to manage the delivery of the whole project within the total capital costs of the whole project, but with a different roll-out period.

Mr Cree:
Does it start in the current year?

Ms McNeilly:
Yes. Some of it has already been done.

The Chairperson:
As I said at the start, it would be helpful if you could provide some more detail on reduced requirements or bids that are met or unmet. I am not talking about a page on each of them, but some more detail would be useful because this is a new Committee that is picking up the work of a previous one. That will allow us to track projects as they go through over this period to see which have moved ahead and which have not. Thank you very much.