



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

October Monitoring Round: DFP Briefing

23 October 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Leslie Cree
Mr John McCallister
Mr Ian McCrea
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

Mr Mike Brennan	Department of Finance and Personnel
Mr Peter Jakobsen	Department of Finance and Personnel
Ms Brigitte Worth	Department of Finance and Personnel

The Chairperson: Good morning. We have some time constraints today. If it is OK with you, we will go straight into questions.

Mr Mike Brennan (Department of Finance and Personnel): That is not a problem, Chair.

The Chairperson: There was a lot of useful commentary at the start of the Minister's statement this week, which helped to set the current context. There was also reference to the local impact of the Treasury's 2013 spending review. What are the plans for the local Budget process to agree changes for the 2015-16 financial year? Do you have any idea of a timeline for that?

Mr Brennan: The Finance Minister wrote to his Executive colleagues about seven or eight weeks ago about the Budget process for 2015-16. He set out the fiscal envelope that is likely to be set by the Treasury for the Executive. He also set out a wide range of key issues that the Executive and the Assembly will have to address over the next year or so. Some Ministers responded with initial thoughts on things such as an efficiency agenda and what assumptions should be made, for example, about regional rates, should there be an uplift. Questions were posed about the reform agenda and what might be pursued by Departments. Ministers have come back with a wide range of questions.

The Minister has indicated that he would like us to start a pre-consultation engagement with key external stakeholders and to talk to them about the big issues for the Executive and Assembly to address. The Minister will then bring a paper back to Executive colleagues, probably in early January, that will set out the feedback from the key stakeholders. The aim is to start quite an early dialogue with the Finance Committee and to try to encourage other Ministers to start an engagement process with their Committees on what the priorities for 2015-16 ought to be.

The Chairperson: You expect some feedback by January. What will happen after that?

Mr Brennan: After that, there will be an iterative process of engagements between the various Committees and their Departments. There will then be a series of engagements, probably initially through the ministerial Budget review group (BRG). There will probably be a wide range of issues that are better teased out in the BRG, and then brought forwards and backwards between the Committees and the Executive.

The Chairperson: The Minister explained in his statement that the efficiency agenda need not simply mean cuts. Obviously, we have had that debate time and again. To what extent, at this stage of the cycle, is there still scope to drive genuine efficiencies within and particularly between Departments, especially given that efficiencies have been on the agenda for quite a number of years? We are aware of a number of cases in which efficiencies were cuts.

Mr Brennan: The efficiency agenda has been running for 10 years, since 2003. There has been a series of measures and a wide range of efficiency agendas. Efficiencies have evolved over the past few years. "Cuts" is quite an emotive term, but Departments have stopped doing the lower priority functions and services that they were doing a decade or two ago.

There are two things to say about the potential scope for further efficiencies. First, you will have noticed in the monitoring rounds that quite a lot of money is still moving around in Departments and coming back for recirculation through reduced requirements. That suggests that there is still a level of buoyancy in Departments; money that is not necessarily targeted at key strategically important front line services is coming back. Secondly, the Finance Minister is convinced that there is significant scope to drive efficiencies through what he calls his reform agenda. That may mean that, through negotiations that are under way on shared services, IT platforms, Account NI and HR Connect, it should be possible to widen access to those platforms and renegotiate them. That may mean that Account NI is used not just by the Civil Service but that it is open to the wider public sector and the new local authorities under the review of public administration (RPA). The reform agenda will go hand in hand with the efficiency agenda that the Executive will have to address in 2015-16.

The Chairperson: A lot of sweeties were handed out the other day in the Assembly in the 2014-15 capital reallocation. There was £177 million in allocations and £502.6 million in bids across the Departments. Some were quite ambitious; the Minister said that some were quite cheeky. The Committee Clerk has made informal inquiries that indicate that some Committees did not have sufficient oversight of the capital bids made by their Departments. Is there a problem in a lack of engagement between some Departments and their Committees? Obviously, work is ongoing to establish more formal protocols between the Executive and the Assembly to address issues such as that.

Mr Brennan: As you know, Chair, the Finance Minister is on record as saying that he is concerned that there has not been full engagement between some Departments and their Committees. We, as DFP officials, are concerned about that because it makes it difficult for us to get a sense of prioritisation in respect of some bids. I think that the ongoing work on developing the memorandum of understanding between the Executive and the Assembly can only help by ensuring that the Committees are given their proper place in the consideration of not just the capital bids exercise for 2014-15 and the 2015-16 Budget, but the monitoring process itself.

The Chairperson: As I said, the Minister referred to some of the bids as cheeky. Is it possible that some Departments just threw a case together without it being properly thought through? Perhaps that is part of the reason why they did not go through the Committees.

Mr Brennan: If all Committees had been given a genuine opportunity to challenge some of the bids that came forward, I believe that they would not have totalled £503 million; it would have been a lot lower than that.

The Chairperson: DFP does not appear to have advised the Committee of its capital bids for £2 million for the NI Direct project and £1.3 million for the NISRA IT project in 2014-15. What is the purpose of those bids and what is the timetable for that?

Mr Brennan: I will hand over to the finance director.

Ms Brigitte Worth (Department of Finance and Personnel): I would like to start by apologising; to my mind, those were fairly routine things that we have been doing for some time. The NISRA bid reflects its need to continue to update its IT systems to enable it to continue to produce high-quality statistics that underpin a lot of the policy development across the Northern Ireland Civil Service. The NI Direct bid is a continuation of the development of online digital services as part of that programme. Apologies for not bringing that to you. My main reason for not doing so is that they are a continuation of things that I believe the Committee already supports, although it is not my place to second-guess.

Mr D Bradley: The Chair mentioned efficiencies. The Audit Office report highlighted a number of issues around the making of efficiencies. Is the Department in the process of addressing those criticisms?

Mr Brennan: Yes. The Department has responded to the Audit Office on the efficiency delivery programme between 2008 and 2011, including a number of observations on the draft Audit Office report. The point that I made earlier is, I think important. As the efficiency agenda has evolved over the past decade or so, there has been an evolution from making pure efficiencies to an acknowledgement that what is happening now, as Budget restraints bite, is starting to cut into service delivery. Therefore, the key issue is to identify the priority key services to continue, and what Departments need to stop doing. There has been an evolution in the concept of efficiency.

Mr D Bradley: To my memory, one point made in that report was that there was a basic misunderstanding of the whole process of efficiency at departmental level. Has the Department addressed that?

Mr Brennan: A number of the observations that the Audit Office made related, for example, to the Department of Education, and the Department for Employment and Learning. I think that the other one was the Department for Social Development. The concerns were around the methodologies used to measure efficiencies. From DFP's perspective, we took a very purist approach to what Departments were doing. If a Department put a smaller amount of inputs in and got a bigger amount of outputs out, that was an efficiency. There were issues around what the Department for Employment and Learning was doing around the employment of teachers and the efficiency agenda that applied to them. We gave our views but it is up to those other three Departments to give their views on how they interpreted the methodology and the definition of "efficiency". We have expressed those views to the Audit Office.

Mr D Bradley: My memory is that some Departments understood efficiencies as meaning cuts. Has that mindset been changed?

Mr Brennan: The mindset has changed anyway because we are moving into an environment that we were in between 2008 and 2011, when there was an evolution of moving from how the Gershon review defined efficiencies into cuts. Cuts do not necessarily mean that you are not achieving efficiencies. It means that you stop doing lower priority things to make sure that you can continue to fund, or fund at a higher level, the high-priority things. To me, that is an efficiency. You are making sure that you are protecting and delivering your high-priority services.

Mr D Bradley: Is that in keeping with the original concept of efficiency?

Mr Brennan: Back in 2003?

Mr D Bradley: Yes.

Mr Brennan: The definition of "efficiency" is set out at a UK level by the Gershon review. That environment does not exist any more, so the whole concept of efficiencies in public service delivery has changed dramatically over the past 10 years.

Mr D Bradley: That did not seem to be the measure on which the Audit Office based its findings. Are you saying that the Audit Office got it wrong?

Mr Brennan: No; we are not saying that the Audit Office got it wrong. In fact, we had a session with this Committee when we set out our concerns about how the environment had changed. That is why, for example, the Executive changed even the definition. We moved from what were called efficiency delivery plans to what are now called savings delivery plans. The environment changed, and that is a

point that we made previously at this Committee. Indeed, when evidence was taken from Audit Office officials that day, we responded in detail at this Committee on why we thought the environment and what was being measured had changed.

Mr Peter Jakobsen (Department of Finance and Personnel): It is also important to recognise that the Audit Office was talking about 2008 to 2011. Mike made that point. They may have been right at that time, but we have now moved on and are in a different time.

Mr D Bradley: OK. Thanks.

Mr McQuillan: Part of the £19.9 million to DARD was for the rural development programme.

Mr Brennan: That is right.

Mr McQuillan: I understood that that was winding down, rather than more money going into it. That said, I am glad that more money is going into it.

Mr Brennan: My understanding is that that is for axis 1 and axis 3 measures in the rural development programme. The programme is coming to the end of its time frame but, as you come to the end, all the letters of offer that went out to farming communities or rural development work groups are starting to be activated. People now want to draw down the money. As DARD reaches to end of that programme period, an accumulation of offers from previous years are materialising, so DARD needs the money to meet commitments that it entered into in previous years.

Mr McQuillan: A sort of back pay.

Mr Brennan: Exactly.

Mr Cree: On the question of efficiency savings, which are now just savings, last time some Departments just did not do some work that they had budgeted for. Has that been resolved or is it likely to happen again?

Mr Brennan: Most Departments are still complying with the Executive's requirements to complete a six-monthly template known as the savings delivery plan. Education is the only Department that does not comply, but a six-monthly report goes to the Executive that shows how Departments are delivering against what was the savings delivery plan targets set three years ago. What is happening now is that some Departments are asking for a bit of latitude. If they cannot deliver the savings in, say, spending area A, they are coming back and saying, "We will meet the target but we need to cut money from spending area B to meet it." Departments are being allowed a bit of flexibility to make sure that they can deliver their aggregate target in the savings delivery plans.

In 2015-16, there will have to be a reassessment of what we mean by savings delivery/efficiency delivery plans. That is when the Minister's aim of trying to rapidly roll out a reform agenda and getting Departments to buy into it will become vital.

Mr Cree: If there is in-year monitoring, at least you can see what is happening. It cannot come to near the end of the period when a Department will say that its savings were x, because it did not actually do that.

Mr Brennan: I think we now automatically copy to the Committee the reports that go to the Executive on what individual Departments are doing on savings delivery. You will see that, both at a block level and at departmental level, we are on target. All Departments are very close to, or even above, what they were required to deliver. The Committee gets those reports. What will have to change is how we monitor that, moving forward, because what we will be asking them to monitor will be a radically different beast.

Mr Cree: My second question is on the capital. Obviously, that is different from resource because of the nature of it, the gestation period and all the rest of it, and the fact that other projects cannot be that well-worn phrase, which is, of course, rubbish, shovel-ready, because they have to go through procurement. Are there any plans or any thoughts on how we can move capital projects up the ladder so that you do not have this debacle at the end of the year, with money not spent and then returned?

Mr Brennan: Trying to fast-track the capital procurement process is an issue that Ministers and the BRG have been looking at. Indeed, DFP officials have now been tasked, with the Strategic Investment Board, to find ways in which we can expedite that whole process so that, when large tranches of capital become available, it is not a question of saying, "That is OK; we will build in nine months to get through vesting and planning". We are trying to shorten that process and also shorten the time that it takes for the business case process to start its gestation period and then get final approval. There is a range of works under way to try to fast-track the whole capital delivery system, not just procurement. There is a range of issues.

Mr Cree: So it will increase productivity?

Mr Brennan: Yes.

Mr Mitchel McLaughlin: My interest is around the efficiencies and the question of productivity. If we have 10 years' experience, is anyone evaluating that? I imagine that a Department can absorb whatever is the flavour of that particular financial year or month, and then say that it is a saving or not — we can have an argument afterwards. The important thing is to get some control over it and make genuine improvements in service, and, at the same time achieve efficiencies.

I have found over and over — it is becoming a bugbear for me — is that there is a huge amount of work involved in form-filling for both civil servants and the community and voluntary sector organisations that are public-facing and help to deliver services. There is duplication and replication of filling in forms. There are mountains of paper. For instance, if a group is working for the community at that level, there is an amount of money that it has to spend to simply fill in forms for the system.

The procurement people at least were exploring pre-populated forms. If you are a qualified bidder and you are on the tender list, you put in your identifier and up come your details. You are invited to update them or proceed if they have not changed since the last time. It seems to me that that could be applied right across that whole public-facing aspect of our government with huge savings and efficiencies, which would allow more resource to be directed towards those kinds of social issues that are pressing down.

Every year in the spending round, there are bids for IT enhancement or whatever, all of which would be a good investment if it led to the point where we were all speaking the same language and those huge amounts of data that we have are not being developed or processed on a silo basis. If we capture the information once, give us a facility to keep it up to date, but we do not need to keep putting in the same details over and over. You do not need to talk to the same clients and ask them the same questions over and over, because it all costs money, whether you are working for a local community organisation or you are a civil servant — or a civil servant who is reporting to a civil servant. Everybody is filling in papers along the way.

Mr Brennan: You touched on two important points. On the aggregate level of measuring efficiencies and the definition of efficiencies, I think that the environment will change dramatically because, as the Minister said on Monday, we now know that resource departmental expenditure limit (DEL) is going to be constrained quite significantly, so there will be less money around to go to Civil Service departments.

Mr Brennan: That is an automatic efficiency cap; that bites automatically. The second thing to say is that is that resource DEL has become increasingly constrained over the past five years, and the wheels have not fallen off the wagon; the Department has not come to a shuddering halt because it does not have money. The efficiency pressure has been internalised within Departments, and I think that that will become more so as we move forward, when the resource DEL starts to fall in real terms. Departments will start to bite the bullet; they will not have to fill in savings delivery plans and try to explain to the Executive what they are doing. They will have to do it automatically, once they get their funding envelope.

The second point was on the bureaucracy. I agree entirely. However, there is a tension, because civil servants are conservative creatures. They live in fear of being hauled in front of the Public Accounts Committee, as you know.

Mr Mitchel McLaughlin: Not any more, because I am not on it any more.

Mr Brennan: As you know, they will have as many forms as they need to make sure that their accounting officer is protected, but there is an acknowledgement from the likes of the Central Procurement Directorate and wider Departments that the bureaucracy required is out of hand, particularly for the voluntary and community sector, for example. We have been doing some work with Departments in the finance directorate's network. It is being led by the Department for Social Development, working in conjunction with the Audit Office, and is trying to find standardised templates, for example, that groups could use. Therefore, when the form is done once, they will not have to do it repeatedly. That form will be applied across a wide range of groups. There is an acknowledgement that something needs to be done. It is about finding the right balance. As I said, having the Audit Office involved gives the Departments comfort, because they know that the Audit Office is involved in setting and agreeing the template. If the Audit Office is happy, it brings confidence to Departments in trying to simplify things. It means that they are not worrying about stepping offside, or about the lack of protection for their accounting officer.

Mr Mitchel McLaughlin: In the reform agenda, while we might not step back completely from the whole quest for greater efficiencies, I suggest that we should focus on greater productivity. Let us use people's time more profitably. There are brand new services. Let me give an example, without going into specifics. The Victims and Survivors Service has been in existence for just 18 months. The amount of form-filling that goes on there by the service, the clients and the service providers, who are in between, is unbelievable. They may do a first assessment, and, as people move deeper into the service and, perhaps, access more support, they fill in the same information over and over, depending on whether it relates to emotional support or a physical disability. There is a form every time, and you are putting in the same information that you did on the first day you were introduced to the service. That is Dickensian practice for a brand new service. It has just picked up where everybody else has left off.

Mr Brennan: The Minister is very keen for those issues to be addressed in his process reform agenda. In the meeting with the Organisation for Economic Co-operation and Development, for example, one of the areas that the Minister wanted to look at was governance reviews. I think that there was a clear acknowledgement that we are overgoverned at that micro level.

Mr Mitchel McLaughlin: OK. We will watch this space. If he puts that on his reform agenda, he can count on me as a supporter.

The Chairperson: Thank you.