Northern Ireland Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

October 2014 Monitoring Round: Department of Finance and Personnel Briefing

1 October 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Daithí McKay (Chairperson)
Ms Michaela Boyle
Mrs Judith Cochrane
Mr Paul Girvan
Mr John McCallister
Mr Ian McCrea
Mr Peter Weir

Witnesses:

Ms Preeta Miller	Department of Finance and Personnel
Ms Brigitte Worth	Department of Finance and Personnel

The Chairperson: Brigitte and Preeta, you are both very welcome. Do you want to make some opening comments before we go to questions?

Ms Brigitte Worth (Department of Finance and Personnel): OK. Thank you, Chair. As I am sure that you will appreciate, we have considered our position at this monitoring round particularly carefully. We are always mindful of the pressures being faced by the wider Northern Ireland public sector that are being dealt with by the Executive. However, the equal pay liability is a matter that relates to staff who have worked across the Northern Ireland Civil Service (NICS), not just in DFP. I thought that it was important that that should be recognised, which is the reason why we have put that bid forward. We have also bid for depreciation, which cannot be contained in our existing baseline. I understand that the block underspend in that area was around £18 million last year, so some funding is likely to be available this year that cannot be used for other priorities because it is ring-fenced. That probably gives you some feel for the logic behind that bid. My submission also reflects the fact that we have set aside £3·6 million to be surrendered at this monitoring round. It was indicated that that amount would be required as part of June monitoring to make up the level of overall reductions to the Department to 4·4%.

That gives you a brief overview of the paper. I am happy to answer any questions.

The Chairperson: Thanks very much. In your documentation, why are depreciation costs and inescapable pressure on the one bid form? There does not seem to be any priority attached to it or any impact on statutory equality obligations or anti-poverty. I presume that that might be applicable with the legal case.

Ms Worth: To be honest, we put it on a single bid form simply for convenience for you so that you had only one piece of paper to look at. We will aggregate it into two separate forms when we make our submission to DFP supply. It was not intended to be anything particularly sinister.

I am sure that you can appreciate that there are not really any equality implications with our depreciation bid. With the equal pay issue, we would be paying those amounts of money to the people who are legally entitled to them, so there are not really any equality impacts associated with that. We will not be making a judgement as to a person's particular circumstances. If people are entitled to the payment, they will get it. For that reason, we assessed it as not having any equality impacts.

The Chairperson: Was there any gender analysis of the people whom we are talking about? Was there no impact?

Ms Worth: Again, people who are legally entitled to money will get it, regardless of their gender. It is not as though we are looking at whether a payment is more favourable to men or women. If someone is legally entitled to it, it will be made, regardless of race, gender or any of the other section 75 groups.

The Chairperson: Why is no priority attached to them?

Ms Worth: We will need to prioritise the bids when we submit them to the centre. Given that one is for non-cash and one is for near-cash, they will both be the first priority in those categories. They are equally inescapable, so we need to make a judgement on that.

The Chairperson: So they are inescapable —

Ms Worth: Both are inescapable.

The Chairperson: The bid for £700,000 for the equal pay claims states:

> *"The Department has been working to contact any remaining individuals who could potentially bring a claim".*

Given that this is a cross-cutting issue arising from a legal obligation, is the bid likely to be met? You said that it is inescapable.

Ms Worth: Obviously, I am conscious that the Executive are experiencing severe financial pressures at the moment. The payment will need to be made, but we, as a Department, do not have a high expectation, given the amount of money, that the Executive will be in a position to meet it. On that basis, we have contingency plans in place as to what we will need to do to ensure that we can make the payment should that bid not be met. It is a legal obligation, and we would not put ourselves in a position whereby we cannot make the payments to the people who are entitled to them.

The Chairperson: What assurances can you give us that all potential claimants have been identified? The Committee has also raised issues concerning the PSNI/NIO grievance. Is there any need for the Department to bid for resources to address those other equal pay issues?

Ms Worth: I will take those in turn. I understand from my colleagues in corporate HR that they have made contact with all the people who are entitled. They used the latest address information that we had available to us. They have made every effort they can to contact those people. They are people who have left the Civil Service, so once we have tried to contact them at their last known address and have not got them, it becomes more difficult to locate them, but we are making every endeavour to get in touch with everybody who is entitled to one of those payments.

I understand that a paper on the DOJ/PSNI issue is with the Executive. Given that it is a matter for the DOJ, any financial consequences would fall to that Department. It would be for that Department to bring forward a bid for the required resources, should the Executive take a decision to make payments on the issue.

The Chairperson: Can you elaborate on the depreciation bid? The £2·3 million refers to Enterprise Shared Services (ESS). Why is it associated only with ESS rather than other parts of the Department? Why is it coming up only now? I have not seen it referred to before.

Ms Worth: ESS is by far our largest capital spending business area. Traditionally, we have a baseline of around £20 million, and some £17 million or £18 million of that is spent by ESS, so the majority of our depreciation requirement lies in ESS. Over the past few years, we have been spending a good portion of money in making improvements to our office accommodation in particular. Coupled with that is the fact that we are starting to see a recovery in the property market. We revalue our estate every year to market prices, which then has an impact on depreciation and increases it. Our depreciation has risen from £31·7 million in 2011-12 to £33·9 million in 2013-14. That was an increase of £2·2 million, and it has increased slightly in the current year. Last year, we would have dealt with that by converting reduced in-year requirements from near-cash into depreciation, but, as you will appreciate, our ability to do that this year has been limited by the reductions to the budget. That is why we are bringing this bid forward.

The Chairperson: How long has this pressure been on your radar?

Ms Worth: In 2013-14, the depreciation was at a similar level to where we expect it to be this year. We have known about it, but we have always planned to deal with it through in-year reclassifications. I suppose that that plan has been somewhat limited by the reductions that we are experiencing to the budget this year.

The Chairperson: Do members have any questions?

In the June monitoring statement, administration costs for DFP increased by £3·4 million up to £155 million between the opening position and June. DFP was one of only three Departments — DFP, DSD and OFMDFM — to record an increase. What was the reason for the significant increase in administration costs, given the importance, as DFP would outline, of bearing down on those costs in the financial circumstances we are in?

Ms Worth: There are two main reasons for that. First, if you recall, the Executive had approved our bid for the asset management strategy in June monitoring. That was an additional £3·6 million of funding to enable us to establish a team in the Central Procurement Directorate (CPD) to take forward collaborative procurement, with the aim of driving savings across the NICS in certain areas of procurement. The second part of that was to resource the asset management team and to undertake property surveys to enable us to identify the best way to take forward the asset management strategy and to drive savings by reducing the size of the estate. That £3·6 million has increased the Department's administration costs initially, but it is designed to drive reductions in administration costs through better procurement and reduced rents and rates and so on by reducing the footprint of the office estate.

Secondly, in June monitoring, additional DOJ services were transferred, and Account NI took the DOJ on board. Again, our administration costs will increase, but we would have expected to see a reduction in the DOJ administration costs at some point to account for the fact that we are taking on that shared service on its behalf.

The Chairperson: When will we see a reduction in DFP costs?

Ms Worth: Very shortly, if the budget reductions keep going the way they are going.

The Chairperson: Thank you both very much.