



Northern Ireland
Assembly

Committee for the Office of the First Minister
and deputy First Minister

OFFICIAL REPORT (Hansard)

October Monitoring Round: OFMDFM
Briefing

26 September 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Mike Nesbitt (Chairperson)
Mr Chris Lyttle (Deputy Chairperson)
Mr Colum Eastwood
Ms Megan Fearon
Mr Danny Kinahan
Ms Bronwyn McGahan
Mr George Robinson

Witnesses:

Mr Noel Lavery	Office of the First Minister and deputy First Minister
Dr Denis McMahon	Office of the First Minister and deputy First Minister
Mr Gavin Patrick	Office of the First Minister and deputy First Minister

The Chairperson: We are joined by Gavin Patrick, Denis McMahon and Noel Lavery from the Department. You are all very welcome. Noel, your departmental colleagues were just with us to discuss the Inquiry into Historical Institutional Abuse Bill. They sent papers to us at 10.00 am today, which meant that some members who sit on other Committees, who have to travel or who have other commitments were unable to study the papers before the meeting. I have just outlined to members that we also have an issue with your papers. Perhaps you would like to address that first.

Mr Noel Lavery (Office of the First Minister and deputy First Minister): Chair, all that I can do is apologise. We pride ourselves on getting the papers to the Committee on time, but they were not the right papers. It was an administrative error. Apologies.

The Chairperson: How does that happen — an administrative error concerning £27 million?

Mr Lavery: I do not think that is necessarily fair, Chair. That is to do with the social investment fund (SIF) issue, which is still under our consideration. There is not a material change in the rest of the papers.

The Chairperson: Right. From looking at my papers, I see that £27 million is going back from the social investment fund —

Mr Lavery: There is nothing in the new papers on SIF. That is not addressed, and it will have to be addressed separately.

The Chairperson: So what is the state of SIF?

Dr Denis McMahon (Office of the First Minister and deputy First Minister): The position is that the SIF profile is still under discussion within the Department. That is why the original papers that were sent to the Committee should not have been sent until that was agreed. That has not been discussed or finalised yet within the Department. There are obviously discussions to be had around the profile for the social investment fund and how much we will be able to spend this year.

The Chairperson: OK, but the papers you originally sent stated that £27 million was going back. Why was that? Why would anybody think that we are going to hand back £27 million?

Dr McMahon: There are two separate issues. One is about whether the paper should have been sent. The reason the paper should not have been sent is that it is a draft paper that has not yet been agreed. The issue around the social investment fund more generally is that it obviously has to be community led. Ministers have been very clear about that. That requires a certain process to be put in place, which includes the establishment of investment zones and groups. Those groups have to put together plans, which have to be agreed, and that then leads to individual projects being funded. That, of necessity, will mean that there will be a lead-in time.

The Chairperson: Which is currently what? A year and a half?

Dr McMahon: The intention is to have the groups set up and to have the —

The Chairperson: How much lead-in time have you had to date, Denis?

Dr McMahon: There has been a lead-in time since the original announcement.

The Chairperson: Of?

Dr McMahon: I do not have the exact date of the original announcement.

The Chairperson: Roughly.

Dr McMahon: There has been a significant lead-in time. I certainly would not argue that point at all. As I said previously, a lot of that reflects the fact that Ministers and the Department in general want to discuss and agree the detail of that. Ministers have made it very clear all along that they wanted to make sure that this was genuinely different and that it was not going to be a case of saying, "Well, we have the money, and we will put it out there in whatever form." It has to be community led and we have to set up the arrangements to make sure that it works. There is no doubt that that has required a lot of engagement and discussion in the Department about how to do that and how to make sure that we get the appropriate mix within those groups. What are the implications of that on funding? There is no doubt that that has had an impact. All that I am saying is, at this stage, that is not an official figure, it does not have any official status, and it has not been agreed by the Department.

Mr Lyttle: Chair, can I ask a brief supplementary question?

The Chairperson: Yes.

Mr Lyttle: I just want to check something you said. You talked about the work that has gone into creating a unique and different arrangement. I do not want to be pedantic, but it has taken one and a half years to identify zones and establish steering groups. Is that right?

Mr Lavery: And to examine and put together a proper business case for what is a very big and unique fund, as well as to establish what the governance processes would be and get proper approvals. I am not dismissing the length of time that you mentioned, but a lot of work has been going on internally.

The Chairperson: Denis, I now understand that you are saying that the document that we received should not have been sent.

Dr McMahon: Yes.

The Chairperson: That is fine, but how did paragraph 70, which suggested that you were going to hand back £27 million, get into a draft in the first place?

Dr McMahon: There are discussions in the Department, and there has to be an agreed approach. The question is how much we are going to be able to spend this year. In reality, when you look at the process that we are going through, such as setting up the groups, it means that, in reality, we will be looking at spend happening towards the end of this year. As you say, the figure has not been agreed, but there is no doubt that we will not spend in the region of £28 million; we are absolutely clear about that. The question is just how much we can spend, and there are various options that Ministers and the Department will need to consider.

The Chairperson: Am I right in saying that you have until Wednesday of next week to inform the Department of Finance and Personnel (DFP) of your intentions with regard to the October monitoring round?

Dr McMahon: Yes.

The Chairperson: OK. So take me forward a week: what do you think you will say to DFP?

Dr McMahon: I cannot really say exactly what the figures will be because they have to be discussed and agreed in the Department, including with Ministers.

The Chairperson: You cannot tell me that you will not be looking at a £27 million easement.

Dr McMahon: I can say, here and now, that we are looking at the profiles very rigorously. I can say that we will not spend £28 million. Whether it is that big a reduction or a different amount has yet to be decided because a number of things could come into play. For example, if we were to decide that there were other ways to use the resource to achieve the same aim, that is a possibility.

The Chairperson: Plan B?

Dr McMahon: All those issues are for internal discussion. Ministers need to be given the time to think those through.

The Chairperson: To be clear, it is an £80 million pot of money that is to be spent over four years to tackle things such as deprivation and pathways to employment. This is absolutely critical for the people who are most in need in our society, and it is now moving rapidly from £80 million over four years to £80 million over two years because you cannot get the money on the ground.

Dr McMahon: There is still a commitment to spend £80 million during the Budget period, and —

The Chairperson: If you live in multiple deprivation or poverty, you cannot eat a commitment.

Dr McMahon: I cannot really argue the point about whether it would be good to have the money out sooner. It absolutely would; there is no arguing that point.

The Chairperson: You have zonal advisory panels. Is it true that the south Belfast panel is not fully populated?

Dr McMahon: We have agreement on most of the panels, but not all.

The Chairperson: Is it true that, in south Belfast, where you have four places for community representatives, you had only three applications?

Dr McMahon: I need to check that. I am not across the detail of that, but I can confirm that we do not have all the places filled.

The Chairperson: How many community groups do you support in south Belfast?

Dr McMahon: I do not have that information off the top of my head.

The Chairperson: Roughly. Dozens? Hundreds?

Dr McMahon: I do not have that off the top of my head.

The Chairperson: Three people to fill four places?

Mr Lavery: I do not think that there would be hundreds.

Ms McGahan: I have a separate issue about the updated e-mail that we received this morning, but I do not want to cut across any of the rest of the members.

The Chairperson: That is fine. I am sure we will come back to these issues.

Ms McGahan: I am getting my head around some of the terminology. It talks about a small increase in resource reduced requirement and an increase in capital reduced requirement. How did that come about? Will it come back for reinvestment?

Mr Lavery: Can I address the answer through the Chair? If I address the monitoring round submission, and then —

The Chairperson: Do you want to make a statement on the monitoring round?

Mr Lavery: Yes, if that is OK, and then I will come directly to your question, Ms McGahan. Is that OK?

Ms McGahan: That is fine.

Mr Lavery: Chair, just to go back, I apologise: our objective is to get the right papers to the Committee at the right time. That did not happen.

There are three monitoring rounds: June, October and January. We critically review forecasts right up until the last few days. These are our proposals. We have current expenditure reduced requirements at £1.47 million, admin at £0.45 million, and capital at £3.9 million. In essence, we have £2 million of resource in admin current expenditure and nearly £4 million of capital. Then, we have an EU reduced requirement.

If we say that that expenditure cannot be utilised during this year, it is our obligation to return it to the centre for reallocation. So that money would go from the Office of the First Minister and deputy First Minister back to the centre. The Finance Minister would then take proposals from other Departments and that money would be available for reallocation. Sorry, does that answer your question?

Ms McGahan: Talk away. I am listening to what you are saying.

Mr Lavery: So that is expenditure. If, for instance, the capital expenditure cannot be utilised in the current year on Ilex, we would seek to fund that capital project next year and would have to re-prioritise within our capital budgets. Our objective is to meet our Programme for Government and business plan targets. We are still saying that those are on target. What we are saying is that we do not need all the finance that we currently have. I am not sure whether that has fully addressed your question.

Ms McGahan: That is OK.

Mr Eastwood: To go back to the social investment fund, we do not know the figure for this monitoring round, although we will find out soon enough. How much did you give back in previous monitoring rounds?

Dr McMahon: Last year, we had £8 million and gave back over £7 million of that. I do not have the exact figure in front of me.

Mr Eastwood: Can people out there — community groups that are struggling to keep the doors open — be confident that £80 million will still be made available?

Dr McMahon: Yes.

Mr Eastwood: Absolutely? There will be £80 million and it will be spent within the period that you have set out?

Dr McMahon: They can be absolutely confident that there is £80 million available. As I said, the profile has to be finally agreed. Whether it is over two years or goes beyond that, Ministers have made a very clear commitment that —

Mr Eastwood: Within the four years since it was announced, you are comfortable that it can be spent?

Dr McMahon: I think it will be very challenging, if I am honest. Whatever profile we spend, the reality is that we have to get the arrangements and rigorous plans in place and the projects approved. That process will, inevitably, take us a while to ramp up. That said, there are things we can do. We are actively exploring what other options there are. The Chair mentioned a plan B. We are looking at whether there are other options and ways to accelerate the amount of spend over the period. There is no doubt that allocating £80 million over that period is challenging, but Ministers have made it clear that they want to see that happen. However, they have also made it clear that they want to make sure that that money is put out in a way that is led by communities and achieves the best possible outcome for them.

Mr Eastwood: That is fair enough. A lot of people are waiting for that money as if it will be a magic bullet. I am not so sure about that. My concern is that if you commit to £80 million and you leave it until six months before you try to spend it, you will waste it. We have seen that happen before. You need to be made aware from my perspective, and, I am sure, from other people's perspective, that there is a grave concern that this was announced with great fanfare and has not been delivered in any real way. All that people care about is the money getting spent on the ground. We need an assurance that that will start to happen, and happen quickly. I understand that you have to deal with your internal processes, but people out there do not care. They want to see the money on the ground being spent. I still have not heard anything to make me feel comfortable that that will happen any time soon.

Mr Lavery: In respect of the funding being made available to deliver the outcomes, your concern was that it would be thrown out there in the last six months, but that will not be the case. The objective is to get expenditure on the ground, making a difference, within agreed processes and protocols and to meet agreed targets.

Mr Eastwood: I understand that that is the objective. My concern is about how possible that will be, the longer it is left.

Dr McMahon: You are not going to get any disagreement from my colleagues and I about the need to get decisions made. Decisions need to be made around the groups, and the Department needs to do that very quickly.

The Chairperson: Right. Denis, where is the blockage?

Dr McMahon: You cannot distinguish between different parts of the Department.

The Chairperson: Go on.

Dr McMahon: Obviously, it is between Ministers and officials. We all have to make sure that we are getting the decisions made.

The Chairperson: Where is the ball? Is it on the Minister's desk? Is it on your desk? Is it on Noel's desk? Where is it? Where is the blockage?

Dr McMahon: As I said, I cannot make that distinction. Anything that is on Ministers' desks is on my desk, and vice versa. That is the way it is.

The Chairperson: Ultimately, the Ministers make the call.

Dr McMahon: All I would say is that there are a number of different elements to this that need to work hand in hand. There is obviously a technical element to it, and we have talked about that. There is also a political dimension to it that needs to be agreed as well. Therefore, all of that needs to work together. We are not quite there yet, but there has been a lot of progress to get to this point.

The Chairperson: A year and a half on, in respect of the £80 million over four years, how much has actually been spent?

Dr McMahon: I accept that very little has been spent on the ground.

The Chairperson: How much?

Dr McMahon: I do not have the exact figure in front of me, but it is minimal.

The Chairperson: You do not know how much has been spent. You do not know where the blockage is. You do not know about the zonal advisory panel. Goodness gracious. Noel, you used to work at a high level in the private sector. If you had an £80 million project, you would be all over the detail of that. You would know exactly who was in charge of project A, who was delivering B and who was doing C.

Mr Lavery: I am sorry to use the word "processes" again, but we now have all our approvals in place that are required to roll out the funds, which, if we had been having this conversation a month or two ago, we would not have had. Those are the processes. I absolutely take your point about money on the ground and the expenditure, but we have made progress in respect of our ability and authority to move forward. Therefore, I think that you are going to see things accelerated, Chair.

The Chairperson: We go out into areas of multiple deprivation in this city. What reaction do you think you are going to get from people who thought 18 months ago that the £80 million social investment fund was a beacon of hope?

Dr McMahon: We cannot argue with any of that, Chair.

The Chairperson: They are not going to give us a big hug and invite us in for a cup of tea, are they?

Dr McMahon: The only thing I can say is that Ministers were very clear that they wanted something that was going to be different, and they wanted something that was going to deliver in a different way. If we had been running a straightforward scheme where we were putting out an advertisement and telling people to go ahead and bid and go through a selection process, frankly, we would have had a lot of the money out by now. However, that was very clearly not what Ministers wanted. Also, in fairness, experience has shown that some of those sorts of schemes in the past have not necessarily delivered in the way that people wanted. The sort of feedback that we were getting was that communities need to be very much involved in the design of it because only they can tell us what they want and need. It needs to join up with the statutory services. That is the argument.

The Chairperson: You fund hundreds of community groups, and you liaise and consult with them endlessly. You are not reinventing the wheel. It is all there.

Dr McMahon: As I said, the view was that we should have a process that explicitly built nine zones, with groups actually leading on the development of plans.

The Chairperson: Was it eight or nine zones? I got a letter saying that it was not eight; it was nine.

Dr McMahon: Nine. That is correct. That was a decision taken —

The Chairperson: So that was not an error; it was a decision.

Dr McMahon: Yes.

The Chairperson: You may not be able to comment on this next point — you might be able to deny it, but I would not ask you to confirm it. Somebody in the Department took a look and said, "We are in big trouble here. We better put the £27 million back into the pot in this October monitoring round, because we cannot spend it". Then, somebody else saw that and said, "OMG. We cannot have that in the public domain. Withdraw that letter. That is politically unacceptable."

Dr McMahon: In fairness, one of the things that we have to do as part of our role is to be pragmatists: to basically say where we are, where we are going, and to set out options for Ministers. One of the things that we have to do is to say, "Here is the worst-case scenario", or, "Here is where we are at the moment." It is unfortunate that we made the mistake and sent that paper out because it is highlighting one possible scenario, and it is doing so before there has been a chance for a proper discussion with Ministers.

Mr Lavery: As you highlighted, Chair, the final position has to be in place by this time next week, so we will be able to update you.

The Chairperson: I heard Denis say that he had a duty to highlight the possibilities to Ministers, so I am making an inference from that that it was a political decision —

Dr McMahon: Sorry, Chair —

The Chairperson: I am not saying that you said that.

Dr McMahon: That is not what I said, or what I meant. I do not want to give the wrong impression.

The Chairperson: I absolutely accept that you did not say that, Denis, but I am allowed to make inferences.

The Chairperson: All I meant to say and to imply is that there are many papers that we produce in draft form that, if they were taken out of context, could be interpreted in many ways. This is one of them. That said, I am not trying to deny that there is an issue about the profiling. There absolutely is.

The Chairperson: The paper did not say that it is a possibility; it said that the £27 million will be handed back.

Dr McMahon: It said what it said.

Mr Eastwood: Following on from what Mike said, have Ministers seen the paper that we have seen? You said that you have to present the possibilities to Ministers and then they have to make a decision. Have you already done that?

Mr Lavery: They will have seen the October monitoring papers.

Mr Eastwood: There is a decision due next week, so I suppose they will have seen it by now, but do they know about the figure of £27 million?

Dr McMahon: We meet very regularly. We have a programme board that meets on a monthly basis, comprising both officials and Ministers' advisers. We regularly discuss these issues, which is why I was saying that, in a way, this was one paper that was — understandably — taken out of context. We have been discussing the issues of profiles and how we manage the impact of decisions. That is part of what we do at all those programme board meetings anyway. I do not want to give the impression that it was a one-off paper or one-off engagement. As I said before, Ministers were very keen that this was not just going to be another scheme for which we would put an advert out and get tenders in, and that does make it difficult.

Mr Eastwood: Some of us were cynical at the time and a lot of us are even more cynical now. I just hope that we are not having the same conversation next time. We have had this conversation a number of times.

Mr G Robinson: On a side issue, could a church, for example, apply to the social investment fund for renovation work?

Mr Eastwood: As long as it is not urgent. *[Laughter.]*

The Chairperson: Now, now.

Mr Eastwood: Sorry.

The Chairperson: We take the point.

Dr McMahon: If it is part of a regeneration scheme or fits the criteria, there is no reason why one of the steering groups could not bring that forward. As far as I can see, that would be funded.

Mr Lavery: It depends on the criteria. I am not sure about that but I think that it would have to be part of a regeneration project.

Dr McMahon: I could not see that being an issue.

Mr Lavery: We would look at additionality criteria and other funding sources.

Ms McGahan: The aim of this session is to consider, among other things, resource pressures. What do you perceive to be the biggest weaknesses going into next year?

Mr Lavery: There are a number of pressures in the Department's budget that we are able to fund ourselves. We look at individual areas in which there are pressures and easements, and there are a number of reduced requirements. We can meet all our pressures in the current year, and we have a net reduced requirement. It is a bit early to say about next year. We have limited funding — Gavin will tell me exactly how much — for the historical institutional abuse inquiry. However, historically, we have given up money in-year and should be able to fund some of those pressures. We do not have a separate budget for the historical institutional abuse inquiry.

Mr Gavin Patrick (Office of the First Minister and deputy First Minister): There are no budgets for that next year.

Mr Lavery: First, we have to seek to meet pressures from within our budget. We have significant resources. So far this year, we have reduced requirements of £7 million. Last year, it was £4 million, as was the previous year. There is some leeway in the budget to meet those pressures.

I should make one other point. As I said earlier, the fact that we have given up money in Ilex this year creates a capital pressure next year because we want to proceed with the car park project. We will then have to look at prioritising our other capital projects, and we are doing that. My view is that we will still be able to fund all our projects. The reduced requirement this year means that there will be a pressure next year, but I am pretty confident that we can manage that.

Mr Eastwood: You mentioned Ilex. Can you explain a wee bit more about what happened with that £4 million? You said that you are confident about next year, but people in the city are relying on Ebrington as an opportunity for regeneration.

Mr Lavery: There are a number of projects at Ebrington. In fact, we approved two projects of about £800,000 in the past couple of weeks that are within Ilex's budget; you would not necessarily have visibility of those. The Committee has a couple of issues with the car park. Additional site investigations are required, and there is a timing issue and a procurement issue. We have to procure again, but I give the Committee assurance that we will go forward with that. We did not want that delay to happen. The work on the parade ground has made a difference. We were working on buildings 80 and 81, and some work is to be done on building 11 as well.

Mr Eastwood: Have you read the Academy of Urbanism report that was released recently?

Mr Lavery: I have not.

Mr Eastwood: The architects basically said — I have not come to a view on this — that the plans for Ebrington are not the right plans, that we should consider putting a university there and that any cultural activity should be put into the heart of the historic city. You have not read the report so I will not ask you to comment on it. I want to know whether people are aware of it. I will speak to Ilex about it separately.

Mr Lavery: Thank you for that. I will be at Ilex on Friday, and I would be interested in that report. Obviously, we had the Organisation for Economic Co-operation and Development report on what Ilex was doing, which was generally positive.

Mr Eastwood: It is the Academy of Urbanism report. Those things should be considered when we are spending that amount of money.

Mr Kinahan: I want to explore the £208,000 figure for the Strategic Investment Board (SIB). I am intrigued that procurement delays is the reason given for the £100,000 and £45,000 figures that are quoted in the papers. Does that mean that the same money will be needed again next year because the procurement is ongoing? Also, I love the idea of the Department for Social Development having surplus funds. I would like to know a little more about that.

Mr Lavery: The SIB's work in this area tends to be in support of Departments, and it depends on the timing. You need not read any more into that than to say that the Department's project does not require as much SIB support as it did at the time. The SIB would have sufficient resources to support that in the future. I do not think that it is any cause for concern.

Mr Kinahan: It is simply the way in which it is written. Delays are mentioned, which I thought meant that you were going to have to do it again at some stage in the future.

Mr Lavery: Yes, but there is also sufficient resource in the SIB in flexibility. If it needs extra resource, it can turn it on pretty quickly.

Mr Lyttle: Overall, aside from the exceptional circumstances — to be polite about it — in the case of the social investment fund, how do you assess the reduced requirements that are being made, or is expenditure more or less meeting planned expenditure? Is there a delivery plan for the older people's strategy?

Dr McMahon: The older people's strategy is still in development, but there will certainly be a delivery plan. We are keen to use the same approach that we have been talking about in the Delivering Social Change framework, whereby we go for a smaller number of more strategic objectives. Some of the things that we have been looking at in considering issues to do with children and young people may well apply to older people. Family resource hubs, for example, is one idea that we are looking at. We have not developed a delivery plan for that strategy, but we are in the process of doing so.

Mr Lavery: I will address the rest of Mr Lyttle's question. My approach is this: if money is to be given up, it should be given up early so that it can be redistributed. As I said earlier, as long as we can meet our targets, that is what we have tried to do.

I will deal with resource funding separately. Our reduced requirements in previous years were £3 million and £4.5 million, and we are at £3 million to date, leaving aside EU funding. Our expenditure for the first five months on resource is about 4% ahead of previous years, which is a good sign.

I would say, however, that forecasting resource expenditure is a tricky business. You mentioned the number of community groups, Chair. We are targeted to get this to 99.5%, which is a challenging target, but that is our job and that is what we are paid to do.

At present, I am content with where we are. Our processes are better, for which I congratulate my colleague Mr Patrick. We have some way to go. I have described this situation as trying to land an aircraft on an aircraft carrier with one engine in stormy winds with no lights. There are so many moving parts. This will be judged by the provisional out-turn in May. We are in better shape now than we were last year.

The capital side is lumpy in projects. We will come back to the Committee on that in January. You have some big decisions to make when you come to each monitoring round and that is more difficult.

I am happier about where we are than I was at this time last year.

The Chairperson: Gentlemen, in conclusion, I have two points. Denis was here on 12 September briefing us on Programme for Government delivery. His colleague Mr Johnston said:

"To date, the money for the strategic investment fund has been ring-fenced and rolled forward. I do not know whether that will happen again."

That puts doubt in my mind, Denis, about the £27 million, if it has to be handed back in this monitoring round.

Mr Lavery: Henry said that, but it is not in his gift.

Dr McMahon: We have to go through the October monitoring process, go to DFP, and a decision has to be taken; that is fair enough. A process has to be gone through. All I can say is that, at the same time, Ministers have been very clear about the need to make sure that this money goes out to communities. Henry is right to be cautious, but at the same time, Ministers have been quite clear about the commitment.

The Chairperson: As it happens, we have scheduled a briefing for next Wednesday on the roll-out on the social investment fund. Given that that is the deadline for submissions to the October monitoring round, the Committee would clearly wish you to send officials who will update us on exactly where we are with the issue that we discussed today.

Mr G Robinson: Is there any danger that that £27 million could go back to the Treasury?

Mr Lavery: No; it would be within the Northern Ireland block and for the Northern Ireland Administration to allocate.

The Chairperson: It would be reused within our own allocation.

Mr G Robinson: I hope so.

Mr Lavery: May I ask one thing? This is my mistake, but I thought of it only when I arrived. Last year, we gave the Committee a half-year governance update. I do not know whether that is in the forward work plan, so my apologies for raising it. My apologies, if it is not. I think that it is still appropriate that we do that. Last year, members said that they found it helpful.

The Chairperson: It was useful. I do not think that it is due until nearer Christmas, perhaps in November.

Mr Lavery: I am sorry, I am probably breaking all sorts of processes.

The Chairperson: We will welcome that report. Thank you for attending this afternoon's meeting.