



Northern Ireland
Assembly

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

OFFICIAL REPORT (Hansard)

June Monitoring Round/2012-13 Provisional
Out-turn/Budget 2013-14: OFMDFM Briefing

29 May 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Mike Nesbitt (Chairperson)
Mr Leslie Cree
Ms Megan Fearon
Mr Alex Maskey
Ms Bronwyn McGahan
Mr Stephen Moutray
Mr George Robinson
Mr Jimmy Spratt

Witnesses:

Mr Stephen Boyd	Office of the First Minister and deputy First Minister
Dr Mark Browne	Office of the First Minister and deputy First Minister
Mr Gavin Patrick	Office of the First Minister and deputy First Minister

The Chairperson: We welcome Gavin Patrick, Stephen Boyd and deputy secretary, Mark Browne. Mark, we had two late papers today, one arriving at 1.30 pm. Is there any reason why those papers had to come so late?

Dr Mark Browne (Office of the First Minister and deputy First Minister): I apologise for the late submission of papers. We wanted to give the Committee the most recent financial position, and we are working in the Department to clear the accounts. The accounts have gone to the Northern Ireland Audit Office today. We apologise for the late submission.

The Chairperson: I think that we will take the view that we cannot endorse those papers. I have not had a chance to look at them. I am not sure whether any member has had a chance. One paper arrived at 1.30 pm, which is 30 minutes before our meeting was due to start. Would you do that to the First Minister and deputy First Minister?

Dr M Browne: We always endeavour to get papers to the Committee in as timely a manner as we can. As I say, all I can do is apologise again for the time that it has taken to get them here.

The Chairperson: Have you any opening remarks?

Dr M Browne: Yes. I will make some outline comments.

I am pleased to be here today to give an update on the financial position of the Office of the First Minister and deputy First Minister (OFMDFM). I apologise again for the late submission of papers to the Committee. Today, I will give a brief update on provisional out-turn, the 2013-14 opening budget position and the June monitoring round.

Provisional out-turn performance is measured against the January monitoring position after budgets have been adjusted to reflect easements declared or bids met through the in-year monitoring processes. OFMDFM recorded provisional out-turn underspend of 0.5% this year, which is £0.4 million on current expenditure. That means that we achieved our target of 0.5%. The Department also had a minimal provisional out-turn underspend of 0.1%, which is £8,000 on capital expenditure. Those are two very good provisional out-turns. The results are very encouraging, and it is a significant improvement on prior year out-turns.

As regards the 2013-14 opening position and June monitoring, following the Executive's agreement of the Budget for 2011-15, OFMDFM's opening total resource departmental expenditure limit (DEL) budget for 2013-14 is £73.9 million, compared with £80.1 million for 2012-13. That is a difference of £6.2 million, year on year. So, the Department faces a very challenging budget allocation for 2013-14.

In that context, we plan to put forward the June monitoring proposals that are before the Committee. Those include a number of bids that I will mention briefly. There is a bid of £3.8 million for the historical institutional abuse (HIA) inquiry. There is no budget allocation in the 2013-14 opening budgets for the costs associated with the inquiry. However, in December 2012, the Executive confirmed that the budget pressures from the inquiry would be met.

We also plan to put forward a bid of £1.3 million for the Hillsborough sites. As the Committee will be aware, those sites were gifted by the Ministry of Defence (MoD) under the Hillsborough agreement, with the intention of early sale to offset some of the pressures associated with the devolution of policing and justice. Due to the timing of the Hillsborough agreement, no provision was made for the maintenance and running costs of the site in the comprehensive spending review (CSR) 2010, so we are bidding for £1.3 million.

A bid of £1.3 million has also been made for good relations funding. Within good relations, the contested space funding is a three-year joint-funded programme between the Department and Atlantic Philanthropies, with each providing funding on a 50:50 basis. Again, no provision was made for that funding in CSR 2010, so the Department requires budget cover in 2013-14 to leverage the equivalent funding from Atlantic Philanthropies.

On the capital side, following a review of capital opening budgets, we are submitting a bid of £1 million for the Crumlin Road site. That is to enable the programme of capital works to continue at the jail to complement the previous investment and to allow for greater utilisation of that public asset.

In addition, there is one reduced requirement of £700,000. It has been agreed that Ilex will surrender £700,000 to the Department of Finance and Personnel (DFP) to assist in funding the Department of Culture, Arts and Leisure's bid for the UK City of Culture programme costs.

Chair, that is a brief outline of the opening budget, provisional out-turn and the June monitoring round proposals. I am happy to take questions from the Committee.

The Chairperson: Leslie has raised a point; the table in the letter dated 29 May to the Committee Clerk is headed "£m", which I think should read "£000". I take it that that is a typo?

Dr M Browne: Yes.

The Chairperson: Otherwise, you would have a total allocated budget of £78.642 billion.

Dr M Browne: If only that were true.

The Chairperson: That would make you very popular indeed.

I have a quick question on the HIA inquiry budget. I can guess the answer, but, for the sake of clarity, let me ask it anyway. You have obviously been asked to look at funding the HIA inquiry. Have you

been asked at any time to think about funding for another process involving victims of abuse who are not encompassed by the current inquiry?

Dr M Browne: That is not within the compass of that area. We have not been asked to look at that bid.

Mr Stephen Boyd (Office of the First Minister and deputy First Minister): We have not been requested yet to provide any bids in that area.

The Chairperson: Do you have a good handle on the running and maintenance costs of the Hillsborough sites?

Dr M Browne: The running costs for the Hillsborough sites are in the region of £1 million a year. We take various actions to try to offset the costs that we face there through interim use. At Shackleton Barracks, for example, we let some of the land in conacre. We also try to encourage, where possible, use of the sites for community activities, and so on. On the St Patrick's Barracks site, we have had the opportunity to sell off some of the houses and to get a capital receipt. So, attempts have been made to bring in income and to encourage interim use. However, we face unavoidable costs with the security and maintenance of the sites to make sure that, from a health and safety perspective, we keep them sound. There are listed buildings on some of the sites that have to be maintained, and in Shackleton, there is an issue with drainage that has to be maintained.

The Chairperson: It is below the water level. We had a very interesting visit to Shackleton. What is the annual cost of securing, maintaining and pumping at Shackleton?

Mr Boyd: It costs roughly between £500,000 and £600,000 a year.

The Chairperson: What is the best value if that were to be sold? Have you ever had a valuation or an offer for the site?

Mr Boyd: I believe that there was an offer when the Ministry of Defence asked for offers on the site. Over two years ago, there were offers on the site.

The Chairperson: What was the best price?

Mr Boyd: I am sorry, but I do not have that information.

Mr Gavin Patrick (Office of the First Minister and deputy First Minister): It was £1.5 million at the time.

The Chairperson: It was £1.5 million for the entire site, and we are spending £500,000 to £600,000 maintaining it. So, after three years, we have spent more maintaining it than we would have received for selling it.

Mr Boyd: We are looking to develop the site. That was the value, but they did not believe that it was a very good offer and thought that we could get more in the future.

Dr M Browne: The aim for all the sites is to try to develop them, but, in the meantime, to gain whatever interim income there can be from the use of the sites. With the recent downturn in the property market, prices are going in the wrong direction, and prices that might have been gained for the sale of some of the sites are much less than might have been hoped for at the time that they were gifted.

The Chairperson: Do you think that the MoD saw that coming?

Dr M Browne: I do not know how much foresight the MoD has, but it has been unfortunate.

Mr Boyd: It is a 742-acre site, and they just did not think that we would get good value from that offer.

The Chairperson: Before I bring Alex in, in your letter of 23 April, which we asked you about, there was some confusion in the Committee. You stated that the opening total resource DEL budget was £73.9 million as part of Budget 2010. There were delivery efficiency savings of £3.1 million for 2013-14, and the Executive imposed a further cut of £3.1 million. Does that mean that the DEL comes down to £67.7 million? If so, why does it not appear as such in your letter?

Mr Boyd: We sent a letter today, and our opening allocation from DFP for this year is £73.9 million. That includes all the cuts.

The Chairperson: Have you already taken out the two sums of £3.1 million?

Mr Boyd: Yes.

The Chairperson: There is a reference to a resource figure of £78.6 million.

Mr Boyd: That is explained in the letter that you received today. We assumed initially at the start of the year that the budget allocation for the HIA inquiry would be £2.7 million, and we had also over-allocated the budget by £2.1 million. If you add on the £2.1 million over-allocation and the £2.7 million that we assumed we would get for HIA at the time, that takes us to £78.6 million.

The Chairperson: Why did you over-allocate?

Mr Boyd: So that we could meet the commitments that Ministers had previously made. It is also based on experience from previous years when funding was surrendered in-year and is about trying to maximise our budget.

Dr M Browne: We are trying to manage the budget as effectively as we can and ensure that existing services are maintained. Because the HIA budget comes from the centre, we are anticipating that our bid will be met, and, therefore, we include that in what we call the allocated budget. That is not the actual budget that we have but the budget that we hope to have.

The Chairperson: Are you like an airline selling 110 tickets when there are only 100 seats on your plane and hoping that things will work out?

Dr M Browne: On the HIA, we have a commitment from the centre that the cost will be met, but it is not in our initial budget. It is a reasonable assumption that when we go there, we will get that allocation.

You asked about over-allocation. We know that, over the year, some funding will become available, but we also anticipate that, through the monitoring process, we will be successful in some bids. However, if we are not, we will put a contingency plan in place to make sure that we come back within the budget.

The Chairperson: Does every Department over-allocate?

Dr M Browne: The practice in most Departments is to try to ensure that they maximise their spend within their budget and to try to reduce underspend. There may be different ways and there will be different circumstances, but some may choose the same route.

The Chairperson: Is that a "maybe"?

Dr M Browne: I do not know the practice in every other Department. Some may well do the same thing. I do not want to commit.

Mr Maskey: I heard you say earlier that you came in under budget. Did I hear that right?

Mr Boyd: Last year.

Mr Maskey: You itemised a number of costs that have not been budgeted for in the incoming year. If you expend that, will that still allow you to meet your targets and commitments within budget?

Mr Boyd: We submitted three revenue bids, one of which was for the HIA, and we assume that that will come in. The other two bids are for the Hillsborough sites and the good relations funding of £1.3 million. If those were not met, the Department would have to develop a contingency plan on the areas in which we could cut back on expenditure. We are reliant on getting those bids met. If they are not met, we will have to develop a contingency plan and come back to Ministers and the Committee on where we have to put cuts through in our budget for this year.

Mr Maskey: Could that potentially mean that what you are now bidding for could displace something that has already been agreed?

Mr Boyd: Potentially, yes. Ministers may ask us to resubmit bids in a later monitoring round.

Dr M Browne: We are seeking to avoid taking that action until it is necessary. If we can put in the bids and they are successful, we will not have to take that action, but we are preparing some proposed actions should the bids not be successful. At that point, we would have to make some reductions to budgets to make sure that we stay within our overall budget. In an effort to maintain existing services, we are not taking that action now.

Mr Maskey: I am wondering about the efficacy of having prioritised projects and spend when, six months later, you might say, "Thanks very much, but we have had to do something else and so you are going." I am trying to work that out in my head. You are obviously trying to make sure that that does not happen.

Mr Boyd: That is what we are working on.

Dr M Browne: We are trying to make sure that we can maintain our full programme through a combination of a bidding strategy and hoping that those bids are successful but being prepared if they are not and knowing that, in some other areas, for various reasons, spend may not go as quickly as possible. There will be an option to redistribute spend within the Department and, in that way, make sure that we maintain the services.

Mr Maskey: I presume that that almost mercurial process might be an ongoing dynamic?

Dr M Browne: It is one that we manage throughout the year. We make bids in a number of monitoring rounds. Of course, we monitor spend, and we have the opportunity to reallocate funding.

The Chairperson: Do you have a target for out-turn as a percentage of your opening budget for this year?

Dr M Browne: Out-turn is expressed as a percentage of the January monitoring budget. That target is 0.5%, which is the target that we actually met this year.

The Chairperson: I am looking at the table for previous years and out-turn as a percentage of your opening budget. In 2007-08, it was only 71.8%. It has gone up to 79%, 93% and 95%. For 2012-13, there is a provisional figure of 92%. Do you have a percentage target for this year?

Dr M Browne: We have not set a target as a percentage of our opening budget. What we seek to do is to ensure that we can maintain the services that we have set out to maintain and for which we have obtained the necessary budget cover. Inevitably, during the year, things will emerge that will mean that spending will not proceed as planned. It is an important part of the overall financial management process that we are able to give up money and either reallocate it within the Department or give it to other Departments to allow them to take on their projects. Clearly, all things being equal, we would like to be spending a higher proportion of our opening budget.

The Chairperson: Your best year, according to those figures, was 2011-12, when you hit 94.5% of your opening budget. The provisional out-turn for last year, 2012-13, is 92%. Are you concerned that you have dropped three percentage points?

Dr M Browne: There were some quite specific reasons why that occurred. Stephen, do you want to mention a few?

Mr Boyd: One of the reasons was that the contracts for the new car park in Ilex took longer to get in place, so we had to surrender about £4.4 million last year. That should not happen this year, because those contracts are now in place for Ilex, meaning the spend will continue. We do not expect to have the same amount of capital underspend this year. Also, with us over-allocating the revenue budget at the start of the year, we do not expect to surrender quite as much back to the centre — back to DFP. So, out-turn should be higher than the past couple of years.

Mr Cree: I think that this whole process is long overdue a reshuffle. Indeed, you will remember that we tried, some years ago, to get the new financial appraisal scheme, which is currently blocked in the Executive. You really cannot read any of this directly across. That is the problem with it. I appreciate that you have probably shown a little bit more here than is the case in some Committees. At year end, presumably all the reinvestment and reform initiative (RRI) moneys have to be repaid in full with interest at 31 March; is that right?

Mr Boyd: We do not actually have any RRI money, so I cannot answer that question. We will check with DFP and come back to you.

Dr M Browne: It does not impact on our budget.

Mr Cree: OK. At year end, was there any overcommitment or any money held in the centre? You did mention the centre at one stage; it is an interesting transit camp. Was there any money held there?

Mr Boyd: At the centre of OFMDFM?

Mr Cree: Yes.

Mr Boyd: No, we held no money back. Basically, to make sure that we lived within the budget during the year, we had to redistribute moneys between different areas to meet pressures. There was absolutely no money held in the centre at year end.

Mr Cree: It was cleared out then?

Mr Boyd: There was about £5,000 or £6,000 in capital. I think that was all that we held at the centre.

Mr Patrick: We cannot hold money back for end-year flexibility anymore. That would have happened in the past, but end-year flexibility ceased three or four years ago.

Mr Cree: You did not have to hand any back. How much were you able to carry on under the budget exchange scheme?

Mr Patrick: That is managed centrally by DFP.

Mr Cree: You did not have any?

Mr Patrick: No, it is held centrally by DFP. Departments themselves cannot —

Mr Boyd: We are not allowed to hold any money now from one year to the next.

Mr Cree: Did you have an overcommitment?

Mr Boyd: No. We had underspent at year end by £424,000.

Mr G Robinson: My question is about Shackleton. You mentioned at the very beginning that the farming community has had some land there for quite a number of years. Apart from that, the Department of Agriculture and Rural Development (DARD) is proposing to move its headquarters to Shackleton in the next couple of years or so. In the meantime, have there been any expressions of interest from other businesses to locate to Shackleton, which could offset some of the costs that you alluded to earlier?

Dr M Browne: We referred to the farming aspect, which brings in about £40,000 a year in conacre. We have looked at the possibility of other events being held there, mainly through community-based organisations, for which there is a very nominal charge. I think that there was a recent event there involving motorbikes.

Mr Boyd: There is a £1 nominal charge for those community events.

Dr M Browne: We usually make the site available on the basis that there is some sort of charitable aspect to the event. Some of the other events held to date have included raising money for the local hospice and Ballykelly Community and Youth Association.

Mr G Robinson: I was alluding more to businesses wanting to locate there. Several spoke to us, and we fired them off to OFMDFM.

Dr M Browne: Obviously, we are looking at the DARD element. Some interest has been expressed by bodies such as development trusts, local businesses and inward investment. The type of arrangement that is being proposed ranges from community-asset transfer through leasing and joint development to sale. They are all commercially confidential at the moment. The proposal is still in development. Some interest is being expressed.

The Chairperson: I am just getting a look at the late paper. The Attorney General has gone from £1.4 million to nearly £1.5 million. Why does he need an extra £90,000?

Mr Boyd: I believe that there was a small underspend in his budget at year end. I think that the main increase in this year is the salaries increase for the pay deal for this year.

The Chairperson: £90,000?

Mr Boyd: As I said, he slightly underspent his budget last year.

Mr Patrick: That is the closing budget compared with the opening budget. There may be changes throughout the year.

Dr M Browne: We can get the detail and come back to you on that.

The Chairperson: There is one that leaps off the page to do with equality. The closing resource last year for age was £401,000. The opening budget for this year is £276,000. That is a big drop.

Mr Boyd: It was the European year of the elderly last year. There was a scheme of £100,000. That is the big reason for last year's amount for age.

The Chairperson: Is there a budget for Together: Building a United Community?

Mr Boyd: At present, the Department has not been allocated any budget. We are working with the other Departments on plans, including budgets, budget profiles and what the total cost of the programme will be. We will liaise with DFP on the cost of the programme.

The Chairperson: So, there is no budget line for Together: Building a United Community?

Mr Boyd: Not yet.

Dr M Browne: It has not been formally allocated to the Department as yet, because the proposals need to be shaped. The detailed implementation plans are being drawn up in discussion between our Department and others.

The Chairperson: Are you holding back a pot of money?

Dr M Browne: It is something that will come out of our discussions with DFP. It will not be out of our budget.

The Chairperson: Do you have it in the bank?

Dr M Browne: As I said, it is a ministerial commitment to take forward, so the money will be found for whatever proposals are agreed. At this point, we are working up the proposals in conjunction with Departments. Until we have the detail of that, we will not have the costs and, therefore, the consequential budget.

The Chairperson: What are you going for in the June monitoring round? What are you pitching for or giving back?

Dr M Browne: We have a number of bids in: £3.8 million for the historical institutional abuse inquiry; £1.3 million for the Hillsborough sites; £1.3 million for good relations funding; and £1 million for the Crumlin Road site on the capital side.

The Chairperson: Is that quite a lot for OFMDFM in one monitoring round?

Mr Boyd: Yes. Based on previous monitoring rounds, since I have been here, these are probably the highest bids.

The Chairperson: Gentlemen, thank you very much.