Northern Ireland Assembly

Public Accounts Committee

# Report on Invest to Save funding in Northern Ireland

**Together with the Minutes of Proceedings of the Committee relating to the Report and the Minutes of Evidence**

**Ordered by the Public Accounts Committee to be printed on 2 March 2016**

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Mandate 2011/16 Thirty-Seventh Report NIA 325/11-16

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## PUBLIC ACCOUNTS COMMITTEE
MEMBERSHIP AND POWERS

**The Public Accounts Committee is a Standing Committee established in accordance with** Standing Orders under Section 60(3) of the Northern Ireland Act 1998. It is the statutory function of the Public Accounts Committee to consider the accounts, and reports on accounts laid before the Assembly.

The Public Accounts Committee is appointed **under Assembly Standing Order** No. 56 of the Standing Orders for the Northern Ireland Assembly. It has the power to send for persons, papers and records and to report from time to time. Neither the Chairperson nor Deputy Chairperson of the Committee shall be a member of the same political party as the Minister of Finance and Personnel or of any junior minister appointed to the Department of Finance and Personnel.

The Committee has 11 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 23 May 2011 has been as follows:

Ms Michaela Boyle[3] (Chairperson)
Mr John Dallat[5] (Deputy Chairperson)

Mr Roy Beggs[14]
Mr Phil Flanagan[13]
Ms Claire Hanna[16]
Mr Conor Murphy[17]
Mr Jim Wells[15]
Mr Trevor Clarke[8]
Mr Paul Girvan
Mr Ross Hussey
Mr Edwin Poots[18]

[1] With effect from 24 October 2011 Mr Adrian McQuillan replaced Mr Paul Frew

[2] With effect from 23 January 2012 Mr Conor Murphy replaced Ms Jennifer McCann

[3] With effect from 02 July 2012 Ms Michaela Boyle replaced Mr Paul Maskey as Chairperson

[4] With effect from 02 July 2012 Mr Conor Murphy is no longer a Member and his replacement on this committee has not yet been announced

[5] With effect from 07 September 2012 Mr John Dallat replaced Mr Joe Byrne as Deputy Chairperson.

[6] With effect from 10 September 2012 Mr Sean Rogers was appointed as a Member

[7] With effect from 10 September 2012 Mr Daithi McKay was appointed as a Member

[8] With effect from 01 October 2012 Mr Trevor Clarke replaced Mr Alex Easton

[9] With effect from 11 February 2013 Mr Sammy Douglas replaced Mr Sydney Anderson

[10] With effect from 15 April 2013 Mr Chris Hazzard replaced Mr Mitchel McLaughlin

[11] With effect from 07 May 2013 Mr David McIlveen replaced Mr Sammy Douglas

[12] With effect from 16 September 2013 Mr Alex Easton replaced Mr David McIlveen

[13] With effect from 06 October 2014 Mr Phil Flanagan replaced Mr Chris Hazzard

[14] With effect from 06 October 2014 Mr Roy Beggs replaced Mr Michael Copeland

[15] With effect from 18 May 2015 Mr Jim Wells replaced Mr Alex Easton

[16] With effect from 7 September 2015 Ms Claire Hanna replaced Mr Sean Rodgers

[17] With effect from 14 September 2015 Mr Conor Murphy replaced Mr Daithi McKay

[18] With effect from 5 October 2015 Mr Edwin Poots replaced Mr Adrian McQuillan

# List of Abbreviations Used in the Report

| | |
|---|---|
| the Committee | Public Accounts Committee (PAC) |
| C&AG | Comptroller and Auditor General |
| the Department | Department of Finance and Personnel |
| ITS | Invest to Save |
| DHSSPS | Department of Health, Social Services and Public Safety |

## Executive Summary

1. The 2009 Spending Review highlighted that the Northern Ireland Executive would continue to operate within a constrained budgetary position and consequently it needed to deliver sustainable cost reductions. One of the proposals to meet this challenge was the establishment of an Invest to Save fund in Northern Ireland. In total £311 million was allocated and £254 million spent over the period 2010 to 2015.

2. Invest to Save (ITS) was introduced to fund departments for activities that they would not normally take forward and that would generate significant savings in the budgetary period from 2010 to 2015. The aim was for funded projects to have a clear link between the investment made and the savings generated. In practice, however, the schemes did not deliver in the way that they should have and many projects were approved which did not generate any quantified savings. Even where projects did deliver savings, there was an absence of monitoring arrangements across the three schemes and there was no consistent collation and validation of reported savings.

3. The three separate Invest to Save schemes were designed and delivered within relatively short time-scales. As a result of this, the respective schemes did not learn lessons from each other, nor did they seek to tap into experience elsewhere. Such short timescales to apply for funds did not enable departments to develop the best or "most genuine" Invest to Save projects. It is the Committee's view that the poor design of the three Invest to Save schemes resulted in a lack of buy-in by senior officials in departments and impinged on successful delivery.

4. One lesson from the experience of similar schemes in England and Wales is that schemes of this nature have the potential to promote managed risk-taking; encourage innovation in service delivery; provide stimulus for reform; and identify new, joined-up approaches to the delivery of public services. This did not happen in Northern Ireland – conversely, innovation and risk-taking took a back seat.

5. Invest to Save was a novel programme initiated by the Executive to do something different and to drive future savings. This funding stream needed to have clear objectives and selection criteria; and should have been thoroughly appraised, monitored and evaluated. It is clear, however, that the Invest to Save schemes lacked these basic procedures.

6. Although the Committee recognises that individual accounting officers need to be accountable for their own spending, there also needs to be central oversight and control in a ring-fenced scheme of this nature. The lack of formal targets, and the absence of central monitoring, reporting and evaluation, means that it is not possible to assess the overall effectiveness and value for money of Invest to Save or to validate reported savings.

7. The Committee welcomes the Department of Finance and Personnel's acknowledgement that it has accepted the recommendations in the Audit Office report and has learned lessons from the Invest to Save schemes. It is also encouraged by assurances that the Department has tightened up guidance on ring-fenced funding and introduced more rigorous evaluation and monitoring arrangements for the £30 million Change Fund and other cross cutting reform programmes. The Committee fully expects that this more robust central oversight will be the norm in future schemes and initiatives of this nature.

## Summary of Recommendations

### Recommendation 1

It is clear that many projects funded by the Invest to Save schemes did not generate quantified savings and were not truly additional in nature. The Committee recommends that, where ring-fenced monies are made available in schemes of this nature, clear selection criteria are established, SMART objectives are established and a detailed assessment of costs and benefits is carried out.

### Recommendation 2

No clear targets were set for the individual projects, or for the schemes as a whole. Savings were not monitored or reported on by departments or centrally to the Assembly. The Committee recommends that there must be clearer accountability for central initiatives of this nature. There needs to be a focus on measuring achievements more clearly, and mechanisms must be in place to regularly report back on and validate outcomes and savings achieved.

### Recommendation 3

Change initiatives of this nature should not be introduced hastily, or without sufficient planning. The Committee recommends that future schemes are designed in consultation with those likely to be delivering projects and provide sufficient lead-in time to ensure high quality proposals can be developed and funded.

### Recommendation 4

The Invest to Save schemes represented an ideal vehicle to make a real difference and add value to service delivery as well as generating savings. This was an opportunity lost. The Committee recommends that ring-fenced funds of this nature have a clearer focus and are used to encourage and promote well-managed risk-taking, innovation and joint-working with a goal of ultimately improving outcomes for citizens. Funding of this nature should not simply be used to off-set pressures in mainstream budgets.

Recommendation 5

For central initiatives of this nature, it is unacceptable that there is no central monitoring, reporting and evaluation. The Committee recommends that, while individual accounting officers remain accountable for their own department's spending, the Department of Finance and Personnel must exercise a proportionate but robust role in setting objectives, monitoring progress, reporting to the Assembly, evaluating outcomes and disseminating lessons to be learnt.

## Introduction

1. The Public Accounts Committee (the Committee) met on 3 February 2016 to consider the Comptroller and Auditor General's report "Invest to Save funding in Northern Ireland". The main witnesses were:

    - Mr David Sterling, Accounting Officer, Department of Finance and Personnel;
    - Mr Michael Brennan, Public Spending Director, Department of Finance and Personnel;
    - Mr Jeff McGuinness, Central Expenditure Division; Department of Finance and Personnel;
    - Mr Kieran Donnelly, Comptroller and Auditor General; and
    - Ms Alison Caldwell, Treasury Officer of Accounts.

2. The 2009 Spending Review highlighted that the Northern Ireland Executive would continue to operate within a constrained budgetary position and consequently it needed to deliver sustainable cost reductions. One of the proposals to meet this challenge was the establishment of an Invest to Save fund in Northern Ireland. An initial fund of £26 million was set up in 2010-11, followed by two further schemes over the 2011-15 budget period. In total £311 million was allocated to Invest to Save projects and of this £254 million was spent by departments on projects as intended.

3. In its evidence session, the Committee examined the operation of the three Invest to Save funding schemes in Northern Ireland and considered lessons learned to inform any future ring-fenced programmes. In particular, the Committee examined:

    - the extent to which savings were delivered;
    - the design and introduction of the Invest to Save schemes;
    - the scope for innovation and risk-taking in such schemes; and
    - the oversight of the schemes by the Department of Finance and Personnel.

## Many projects failed to deliver savings

4. Invest to Save (ITS) was introduced to fund departments for activities that they would not normally take forward and that would generate significant savings in the budgetary period from 2010 to 2015. Projects were to be additional – that is, outside the routine interventions that departments would undertake anyway – and were expected to deliver genuine monetary savings.

5. ITS projects should have had a clear link between the investment made and the savings generated. In the initial £26 million scheme, the Department of Finance and Personnel (DFP) rejected a number of proposals, on the reasonable grounds that, for example, no savings were identified in the submission; or the proposed project was simply a bid for additional mainstream funding rather than an Invest to Save project.

6. Subsequently, however, the Department appeared to abandon such decision-making criteria. A significant number of projects, almost a third, were approved that did not quantify or forecast any savings and which never subsequently reported any savings as being achieved. For example, projects such as NI Direct and the City of Culture, while no doubt having their own merits, did not meet the stated objectives of the Invest to Save schemes in Northern Ireland and contained no forecast financial savings. In other cases, approved projects simply funded ongoing mainstream activities to help them survive a budget cut.

7. In practice, the Invest to Save schemes did not deliver in the way that they should have and did not, in fact, live up to their name. Many projects were approved which did not identify any quantified savings. Departments simply rebadged old schemes as new, and repackaged conventional projects as Invest to Save, even when there was no basis for doing so.

**Recommendation 1**

**It is clear that many projects funded by the Invest to Save schemes did not generate quantified savings and were not truly additional in nature. The Committee recommends that, where ring-fenced monies are made available in schemes of this nature, clear selection criteria are established, SMART objectives are established and a detailed assessment of costs and benefits is carried out.**

8. At the session, and only a month after the Comptroller and Auditor General's (C&AG's) report was published, the Department now claims that the schemes delivered some £456 million of savings, as opposed to the £150 million reported by departments to the Northern Ireland Audit Office. Such figures should have been provided to the Committee in advance and the failure to do so breaches protocol and means the Committee must remain sceptical of such claims.

9. Whilst the Committee acknowledges that some additional savings may exist it is not in a position to accept the savings retrospectively provided by DFP as the evidence base for the claimed savings is unclear. The submission by the department subsequent to the session contained limited detail. This reinforces the Committee's opinion that there was an absence of monitoring arrangements across the three schemes and further points to the need for consistent collation and validation of claimed savings.

**Recommendation 2**

**No clear targets were set for the individual projects, or for the schemes as a whole. Savings were not monitored or reported on by departments or centrally to the Assembly. The Committee recommends that there must be clearer accountability for central initiatives of this nature. There needs to be a focus on measuring achievements more clearly, and mechanisms must be in place to regularly report back on and validate outcomes and savings achieved.**

## Invest to Save was introduced in a hasty manner

10. The three separate Invest to Save schemes were designed and delivered within relatively short time-scales:

- the first scheme required departments to put forward applications and to be ready to spend monies within a 3 to 4 month period;
- the second scheme followed so closely from the first that it would not have been possible to evaluate the outcomes of the first scheme; and
- the third scheme was commissioned without an evaluation of the second scheme.

As a result of this, the respective schemes did not learn lessons from each other, nor did they seek to tap into experience elsewhere. This is unacceptable given that Invest to Save funding of over £300 million was being made available. A greater degree of care and diligence should have been taken to design the respective schemes.

11. In the Committee's view, such short timescales to apply for funds did not enable departments to develop the best or "most genuine" Invest to Save projects. In addition departments were put off from putting forward schemes that were capital in nature, due to the longer lead-in times for these types of projects.

12. Although Invest to Save was a novel and new funding idea in Northern Ireland, similar schemes had already operated within other administrations in England and Wales. It is therefore unacceptable that the Department did not consider the lessons learned from similar schemes in those administrations. It is equally concerning that it did not evaluate the outcomes from its own initial £26 million scheme before investing a further £290 million of limited public funding. Lessons learned from the first scheme could usefully have informed the operation of subsequent tranches of funding.

13. Despite the magnitude of funding, the three Invest to Save schemes seem to have been designed and delivered in haste. The lack of forward thinking and lack of clarity around the overall objectives of the schemes was unhelpful. Departments did not have the necessary time to put forward projects which were truly additional in nature. In such circumstances there can be no guarantee that the best projects were chosen. It is the Committee's view that the poor design of the three Invest to Save schemes also resulted in a lack of buy-in by senior officials in departments and impinged on successful delivery.

**Recommendation 3**

**Change initiatives of this nature should not be introduced hastily, or without sufficient planning. The Committee recommends that future schemes are designed in consultation with those likely to be delivering projects and provide sufficient lead-in time to ensure high quality proposals can be developed and funded.**

## The schemes lacked ambition and there was a lack of managed risk-taking, innovation and joined-up working

14. One lesson from the experience in England and Wales is that schemes of this nature can be about more than just saving money. Implemented successfully, they have the potential to promote managed risk-taking; encourage innovation in service delivery; provide stimulus for reform; and identify new, joined-up approaches to the delivery of public services.

15. This did not happen in Northern Ireland. Indeed the Committee found it difficult in some cases to identify the boundaries between Invest to Save funding and conventional funding. Often it appeared that departments simply saw the schemes as a way to obtain increased funding in a time of otherwise reducing budgets.

16. This is particularly evident in the case of the £108 million funding provided for DRD's Roads Structural Maintenance programme which received 35 per cent of available Invest to Save funding allocated. Although the Department highlighted that such spending generates savings in the long run, there is little by way of innovation in expenditure of this nature and, in the Committee's view, the amount of funding allocated seemed purely to be an attempt to offset budget cuts in mainstream funding.

17. While not disputing the individual merits of the projects funded, it is clear to the Committee that wider Invest to Save principles such as innovation and managed risk-taking took a back seat. This suggests a lack of ambition and a low risk appetite to the Invest to Save initiative. As a result, there was a high degree of risk aversion in identifying suitable projects. In a time of austerity and change, this was regrettable.

**Recommendation 4**

**The Invest to Save schemes represented an ideal vehicle to make a real difference and add value to service delivery as well as generating savings. This was an opportunity lost. The Committee recommends that ring-fenced funds of this nature have a clearer focus and are used to encourage and promote well-managed risk-taking, innovation and joint-working with a goal of ultimately improving outcomes for citizens. Funding of this nature should not simply be used to off-set pressures in mainstream budgets.**

18. The Department accepted that Invest to Save was undermined by a silo-based mentality within individual departments. In future schemes of this nature there is

therefore a need for Permanent Secretaries to be more co-operative to ensure better use of public funds in a cross-cutting manner. The Committee notes the acknowledgement by the Accounting Officer that departments need work more collaboratively across government and in partnership with others (such as the community and voluntary sector, local government and the private sector). It is positive to note his assurances that this practice is now more evident.

## DFP oversight was insufficient

19. Invest to Save was a novel programme initiated by the Executive to do something different and to drive future savings. This funding stream needed to have clear objectives and selection criteria; and should have been thoroughly appraised, monitored and evaluated. Such an approach would have ensured that limited public funds were put to the best possible use, and would have satisfied the need for public accountability. It is clear to the Committee, however, that the Invest to Save schemes lacked these basic procedures:

    - there were no overall savings targets set for each of the schemes, nor for many of the individual projects;
    - the process for the selection of projects was unclear, lacked a structured assessment methodology and also suffered from inconsistency in the application of criteria;
    - the monitoring and reporting processes put in place by DFP fell far short of what was required to assess the schemes in terms of outcomes, benefits or savings delivered; and
    - there was a lack of formal evaluation of the schemes and consequently no learning of lessons or dissemination of good practice.

20. The lack of oversight by DFP was starkly illustrated by the situation which arose in the Department of Health, Social Services and Public Safety (DHSSPS). Despite Invest to Save funding allocations being ring-fenced for expenditure on approved projects, DHSSPS reallocated £52 million to other “priority areas” within its department.

21. The Public Accounts Committee has previously reported[1] and highlighted the importance of tracking and monitoring ring-fenced funding. The reallocation by DHSSPS of this ring-fenced funding to other areas within its department meant the monies were not used for the purposes intended by the Executive. DFP was totally unaware of this and it was left to the Audit Office to uncover this unapproved expenditure.

22. The Committee recognises that individual accounting officers need to be accountable for their own spending. In a ring-fenced scheme of this nature, however, there needs to be central oversight and control. In the Committee's view, DFP should have done more to ensure that the Invest to Save schemes had robust procedures. The schemes should have been monitored on an ongoing basis and reported to the Assembly. The lack of formal targets and the absence of central monitoring, reporting and evaluation mean that it is not possible to assess the overall effectiveness and value for money of Invest to Save funding.

**Recommendation 5**

**For central initiatives of this nature, it is unacceptable that there is no central monitoring, reporting and evaluation. The Committee recommends that, while individual accounting officers remain accountable for their own department's spending, the Department of Finance and Personnel must exercise a proportionate but robust role in setting objectives, monitoring progress, reporting to the Assembly, evaluating outcomes and disseminating lessons to be learnt.**

23. The Committee welcomes the assurances from DFP that it has accepted the recommendations in the Audit Office report and has learned lessons from the Invest to Save schemes. It is encouraged by the Department's assurances that it has tightened up guidance on ring-fenced funding and introduced more rigorous evaluation and monitoring arrangements for the £30 million Change Fund and other cross cutting reform programmes. It also welcomes the use of scoring matrices and ranking of projects to ensure standardisation of selection and consistency of approach for each application. The Committee fully expects that this more robust central oversight will be the norm in future initiatives of this nature.

1 Report on the Transfer of Former Military and Security Sites to the Northern Ireland Executive and Ilex Accounts 2010 – 2011

## Links to Appendices

Minutes of Proceedings can be viewed here

Minutes of Evidence can be viewed here

Correspondence can be viewed here

Other Documents relating to the report can be viewed here

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