



Northern Ireland
Assembly

Committee for Culture, Arts and Leisure

OFFICIAL REPORT (Hansard)

Review of Arm's-length Bodies: DCAL
Briefing

7 June 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Miss Michelle McIlveen (Chairperson)
Mr William Irwin (Deputy Chairperson)
Mr Dominic Bradley
Mrs Brenda Hale
Mr David Hilditch
Mr Oliver McMullan
Mr Robin Swann

Witnesses:

Ms Deborah Brown	Department of Culture, Arts and Leisure
Mr Paul McAllister	Department of Culture, Arts and Leisure
Ms Cynthia Smith	Department of Culture, Arts and Leisure

The Chairperson: Cynthia, Deborah and Paul, you are very welcome. Cynthia, I believe you want to make an opening statement. That will be followed by questions.

Ms Cynthia Smith (Department of Culture, Arts and Leisure): Thank you for inviting us here this morning to give the Committee an update on the arm's-length bodies (ALB) review. I will take the Committee through an introductory statement. Following that, I will be happy to answer questions.

I am heading up the ALB review as the senior responsible officer. Deborah needs no introduction: she normally comes here in her role as director of finance, but she is here today in her role as senior supplier in the ALB review. The Committee will remember Paul from last December, when we were last here. He is the project manager for the ALB review.

Our most recent attendance at the Committee was last December, when we outlined our approach to taking forward the ALB review. We indicated then that the review would start off with looking at Sport NI and National Museums Northern Ireland. Each of the reviews that we will be carrying out will be taken forward in three stages. They start with an analysis of the functions and the performance of the body. As part of the second stage, we will go on to an analysis of the future delivery options for those functions, and it will conclude with recommendations and a report.

Stage 1, which is an analysis of the functions and performance of the body, focused on, first, how the functions of Sport NI and National Museums fit in with our Programme for Government (PFG) and ministerial priorities. Secondly, it looked at the respective roles and responsibilities of the Department and the ALB. Following that, it looked at the effectiveness of the accountability systems that are in place in the ALB and then looked at the performance of the ALB in delivering its functions. Finally, we asked whether the body provided value for money. We have completed our detailed fact finding on

Sport NI and National Museums. Our approach included interviews with board members and chief executives and their senior staff. We have also talked to sponsor branch staff in the Department of Culture, Arts and Leisure (DCAL) and other staff in DCAL who have a critical role in the governance and accountability arrangements with our ALBs. The team has also completed a limited consultation exercise with Sport NI and National Museums stakeholders.

First, I will look at Sport NI. In the paper, you will see details of the emerging findings from the review of Sport NI. First, and this is no surprise, the functions of Sport NI are in alignment with the PFG and ministerial objectives, and they are essential for the successful delivery of those objectives. That is important, because we want to ensure that the ALB in question is delivering on Programme for Government and ministerial priorities and objectives. Secondly, as the Committee is aware, each of our ALBs has a management statement and financial memorandum. That sets out the framework within which the ALB operates. Sport NI has its own management statement and financial memorandum, which clearly sets out the respective roles and responsibilities of the chair, the Minister, the board and the chief executive. However, it is not always clear that those are clearly understood and discharged as set out in the management statement and financial memorandum.

I turn now to the business planning process, which we have also examined. Our emerging finding there is that we should look again at the business planning process. We want to ensure that the costs are attributed to all of the objectives and that they provide clarity on how they are funded, whether the funding comes from the Exchequer or lottery funding. There are also lessons for the Department with regard to our business planning process, to ensure that it aligns with that of our ALBs.

Turning to respective roles and responsibilities, clearly the board has a very important role in providing strategic leadership and in holding the chief executive and staff to account on the delivery of objectives and doing so in an appropriate way. One of our findings is that that should be clearly evidenced in the records of the board and its various committees.

The emerging finding on the risk-management framework is that Sport NI should review its risk-management procedures to ensure that there is a clear link between the identified risks and objectives and ensuring that the risk is being appropriately managed. We also feel that the risk rating for Sport NI should be reviewed by the Department and that its sponsorship arrangements should be adjusted where appropriate.

Another finding in relation to the Department is that we must ensure that our quarterly assurance and accountability procedures fully reflect the role of the chair and the board. In conclusion, we made a finding on the performance of Sport NI in achieving its objectives. We have measured its level of performance against the objectives that it set itself in its business plan, as agreed with the Minister.

In light of those emerging findings, which I have briefly outlined, the Minister has concluded that the review of Sport NI should be postponed for six months to allow Sport NI to address these issues. The review will then resume. Sport NI has indicated that it will carry out its own governance review, and we have asked it to provide us with its terms of reference and, indeed, to incorporate these relevant issues into the terms of reference for its governance review.

I turn now to National Museums. The analysis of the information that was gathered during the fact-finding exercise for National Museums, which I mentioned earlier, will be completed this month. We are still in the process of analysing that information. On the emerging findings, the Department has been refocusing on the need to appropriately recognise the respective roles and responsibilities of the chair and boards to provide assurances to the Minister that the ALB is operating effectively. I will speak more about that later. That is under way.

Where do we go from here? During the postponement of the review of Sport NI, the team will carry out a review of the Northern Ireland Museums Council (NIMC). The reasoning behind this is that, as the Committee is aware, the functions of NIMC are included in the RPA, which recommended that its functions should transfer to both local and central government. As the review will include consideration of future delivery of NIMC functions, it will consider which functions can be transferred to local government and which should be retained centrally. Therefore, including consideration of NIMC as the next review seemed to be the most appropriate way forward.

I will now talk about the implications for the project plan. The timescales set out in the project plan were certainly ambitious, and there has been some slippage in our programme. However, the experience that we have gained in carrying out the review of Sport NI should enable the team to complete the remaining reviews more quickly, having learned from that experience and taken into

account the experience gained in these early reviews. We are hopeful that the full programme of reviews can be completed by May 2013. That is a brief run-through of the main findings. I am happy to take questions from the Committee.

The Chairperson: Thank you very much. A first reading of the emerging findings does not look very good for Sport NI, based on what is said about overall governance, particularly around the roles of the chair, board and chief executive, the fact that the business planning process needs to be reviewed and the question of accountability between the board and the chief executive on risk management. That begs the question as to whether the Department has been found wanting in how it has allowed Sport NI to continue in its current working process.

Ms Smith: The purpose of these reviews is to provide assurance that the functions of the various ALBs that we are examining are still required and are being delivered in the most appropriate and effective way. We should welcome the fact that there are lessons coming out from the reviews, and we would expect learning points to come out of them. Clearly, there are lessons for the Department, and we need to take forward emerging issues that have been identified.

I will give the Committee an example of one of the lessons, which is to do with the whole process of getting our quarterly assurance statements and our accountability meetings. As members know, we operate a series of quarterly assurance statements, by which the Department gets its assurances about the operation of all our ALBs. That is complemented by accountability meetings, which are held with the Department.

In the past, however, the accountability meetings and the quarterly assurance statements were signed off by the Executive. If you examine the processes, the assurance should be, first of all, to the board of the respective ALB, and the accountability should come from the board satisfying itself about processes and then satisfying the Minister that all the appropriate operational and accountability arrangements are in place. In the past, the chief executive provided that assurance. We have changed that process so that the chair of each ALB will take that forward in this financial year. Those individuals will also sign the quarterly assurance statement and will attend our accountability meetings with the Department. That follows a more appropriate line, so that the chairs get assurance from their executives, and, in turn, provide it to the Minister and the Department. That is one example.

Another example is to do with business planning processes. Clearly, there are lessons about how we jointly operate them. We need to start those processes earlier in the cycle, so that the ALBs come into the hierarchy of business plans, which goes from the Programme for Government through to the Department's business plan, which reflects the PFG and the Minister's priorities, and feeds down to the ALBs. We need to look at the cycle and the programme, and there are learning points for us in all this.

The Chairperson: Looking at this, it is worrying that Sport NI was given the role of looking after stadia development. When Colin Watson came to the Committee a number of weeks ago, I asked him whether it was more than just a coincidence that that role was taken from Sport NI and brought back into the Department. He was very quick to say that it was not the case that it was as a result of the findings from the review, but, looking at the findings, it was a very wise and timely move to bring that role back into the Department.

I have a question for Deborah with her finance hat on. At this stage, has the Department calculated the savings that would accrue to the public purse by bringing the functions of Sport NI back into the Department? I realise that you are not at the stage of making a recommendation to do that, but even at this early stage, have you looked at those calculations?

Ms Deborah Brown (Department of Culture, Arts and Leisure): We have started to look at some of those calculations, but because we are now postponing this, we have not looked at them any further. Obviously, there would be a payback period associated with bringing an ALB back into the Department, and there are some costs there that will be substantial. We know, from having brought the Fisheries Conservancy Board back into the Department, that there was a deficit on the pension scheme. We would anticipate similar issues with any ALB that we might bring back into the Department, so there will be a period over which we would not see any savings because we will still be in a payback position. We have not finalised any of those costings in this review at this stage.

The Chairperson: Thank you.

Mr D Bradley: Was the Northern Ireland Events Company an arm's-length body of the Department?

Ms Smith: Yes, it was.

Mr D Bradley: How much public money was lost because of the way in which that arm's-length body operated?

Ms Smith: Chair, given that the Northern Ireland Events Company is subject to a review by companies inspectorate, it would be inappropriate to comment further at this stage.

Mr D Bradley: Chair, I do not think so. That information is public knowledge.

The Chairperson: I will leave that open for comment.

Mr D Bradley: It is public knowledge and has been through this Committee before.

Ms Smith: I am just saying, Mr Bradley, that the current position with the Northern Ireland Events Company is that the companies inspectorate, as we have previously reported to the Committee, is undertaking an independent evaluation.

Mr D Bradley: How long has that investigation been going on for?

Ms Smith: As you know, the investigation has been conducted separately from the Department. It has been led by —

Mr D Bradley: By the Department of Enterprise, Trade and Investment; I know. How long has it been going on for?

Ms Smith: I think that the original time frame was to complete it this year, Mr Bradley, but I do not have any further information.

Mr D Bradley: To be quite honest with you, it is ridiculous that we are discussing these issues again after what happened with the Northern Ireland Events Company. Reports were carried out on the Northern Ireland Events Company and commissioned by your Department, and, at the end of the day, you almost spent as much on investigating and reporting — although we still do not have a report — as the company lost originally. The recommendations from the KPMG report show that the issues that led to the demise of the Northern Ireland Events Company are the very issues that you are highlighting in Sport Northern Ireland. The Department told us that those issues would be addressed and that it would be very unlikely to happen again, yet the same thing is emerging with another arm's-length body of the Department. So, the only conclusion that one can draw is that the whole debacle of the Northern Ireland Events Company was meaningless to the Department and that it learned nothing from it and did not take any action to avoid similar happenings recurring. The evidence of that is clear, and that is, quite frankly, scandalous.

Ms Smith: I have outlined emerging findings from an ongoing review. Can I put this into perspective please, Mr Bradley? We are talking about a series of reviews that the Department is undertaking as part of its normal process of reviewing all its ALBs, and we have a position where the first of those —

Mr D Bradley: I thought that this was asked for by the Office of the First Minister and deputy First Minister.

Ms Smith: It is a normal process. Good practice and Treasury guidance is that all ALBs should be reviewed at regular periods.

Mr D Bradley: My understanding is that their operations are supposed to be reviewed on a quarterly basis between the Department and the arm's-length body.

Ms Smith: The Treasury guidance requires that all arm's-length bodies in all Departments should be subject to periodic and regular review. This is what we are carrying out —

Mr D Bradley: Is there not a mechanism for a certain degree of liaison between the Department and an arm's-length body on a quarterly basis?

Ms Smith: That is the process that I referred to earlier in my opening address, Mr Bradley, whereby the Department meets regularly with its arm's-length bodies and gets a quarterly assurance statement. It has an accountability meeting with those bodies. I want to make it clear, Mr Bradley, that I have given an outline of emerging findings, and those are very different. What I described are issues in relation to risk management and business planning processes.

Mr D Bradley: Risk management was relevant to the Events Company, and the report highlighted that.

Ms Smith: I described the issues on risk management, and what we are describing here is giving a sharper focus to risk management. Sport NI has a risk-management regime. We are simply saying here, as an emerging finding, that it is appropriate that those risks are set out more clearly. It is not saying that there is not a risk-management framework; indeed, there is, and it is a requirement. What we are saying is that it should be more clearly defined and linked to the objectives of the body concerned. I hope this is —

Mr D Bradley: You are saying in the report that the very basic things — the respective roles of the Minister, the board of Sport NI and its chief executive — are clearly defined in the management statement and financial memorandum. Then you say:

"it is not clear that the roles of the Chair, Board and Chief Executive are fully understood and discharged."

How much more basic can you get than that?

Ms Smith: I gave an example. To put this in perspective, we are doing this with all our ALBs, and it is appropriate that we do that, so that the respective roles and responsibilities are absolutely clear and are clearly understood. So, the role of the Minister in the setting of objectives and the broad policy in the Department is clear, as are the respective roles and responsibilities of the chair, the chief executive and the board of Sport NI. We are saying that we need to ensure that there is a sharper focus. I gave an example of one of the ways in which that is being addressed.

Mr D Bradley: But you are saying that it is not clear that they are fully understood.

Ms Smith: The important words are "fully understood". I am not saying that they are not understood. The emerging finding is not that they are not understood; it is that they should be more fully understood. None of us should be surprised that there are issues emerging from a review.

Mr D Bradley: The point that I am making, with all due respect, is that, after what happened with the Northern Ireland Events Company and the reports and the recommendations that arose from that investigation, we should not be in this position and the Department should not have allowed us to be in this position.

Ms Smith: I am trying to give proportionality to our emerging findings. I am giving examples of the sorts of issues that we are talking about. It should not be a surprise that issues are coming out of a review of arm's-length bodies. The purpose of the review is to —

Mr D Bradley: To be quite honest with you, it was a surprise to me. I have been on this Committee before, and I went through the process regarding the Northern Ireland Events Company, and it was a surprise to see that the same or similar issues are still there, considering the money that the Department spent on supposedly trying to eradicate this type of thing.

Ms Smith: We are committed absolutely to implementing the findings of the independent review, which we await.

Clearly, we want to ensure that we make improvements, where they are necessary, in how we operate our ALBs. ALBs are very important to the Department to ensure delivery of all our functions. It is absolutely critical that we periodically review them to ensure that we are improving performance where improvement is needed. Part of that involves clearly understanding roles and responsibilities. I have

outlined a way in which we are moving forward with the full co-operation of Sport NI, which has recognised that there are issues that it wishes to address. Sport NI is instigating its own governance review and will take account of the emerging findings as part of that review.

The Chairperson: Why can you not just move to stage 2, in relation to future delivery for Sport NI, rather than going through a process of delay for another six months?

Ms Smith: Sport NI is instigating its own governance review. There is a new board in Sport NI, so it is important that it is given time to address those issues in the review. At the end of that process, we will resume the review of the ALB.

The Chairperson: If a similar report comes out for, for example, the Arts Council or National Museums, will you afford them the same luxury of a further six months?

Ms Smith: We are not anticipating postponing the review of National Museums Northern Ireland. I have described where we are with that review. As I described already, we are hoping to complete that first stage later this month.

Ms D Brown: Could I just say —

Mr D Bradley: As I said earlier, all this ground has been gone over in the light of the failure of the Northern Ireland Events Company. The recommendations in the KPMG report were discussed by this Committee. The permanent secretary came before the Committee and assured us, even though no one in the Department was held to account, that the lessons in that report would be fully implemented, there would be regular scrutiny, holding to account of arm's-length bodies and that the issues that led to the difficulties in the Northern Ireland Events Company would not be allowed to emerge again. What we see today is that the lessons and recommendations in the KPMG report were not fully acted upon and that we could have been heading in a similar direction as was the case with the Events Company.

Ms Smith: I reiterate that the Department is absolutely committed to implementing the findings of the independent inspectorate's review of the Events Company. Equally, we are absolutely committed to improving performance on accountability arrangements in all our ALBs. That is the reason behind us undertaking this review.

Clearly, there will be areas where we can make further improvements, and that is what we are talking about: making further improvements in performance and sharpening focus. That is really the perspective that we want to come from. We are making further improvements in processes that are there and we want to make sure that they are operating absolutely as effectively as they could do. That is the background.

Mr D Bradley: All I can say is that I am not convinced.

Mr Swann: Have the issues raised about the risks and concerns been raised by any review of Sport NI prior to this review?

Ms Smith: A number of processes are going on in parallel, Mr Swann. For example, the Department was already looking at roles and responsibilities. The Department has already been looking at its business planning processes and we have been working closely with Sport NI, for example, on its business plans. Just taking that example, we have been working closely with Sport NI with regard to its business planning processes. Indeed, many of the issues that have been highlighted here have been addressed with regard to the business plan that is now being presented.

Mr Swann: Then surely going into the review you were aware of the processes. If you were already helping them with their business plans and everything else, surely you were aware of the status of Sport NI's business planning processes when you commenced this review.

Ms Smith: That is right. We were aware that we all needed to ensure that our business planning process is as tight and as good as it can be. Clearly, there are ways in which it can be further improved. We have a good process operating but there are always ways in which we can further improve that process, and we are working closely with Sport NI, as we are with all our ALBs, to ensure that we get our processes and arrangements working as well as we can.

Mr Swann: I just do not understand how you could be working with an organisation such as Sport NI to improve its business case in a number of other areas, start a review and then decide that those business plans are not up to scratch and that you are going to have to stall it for six months to give Sport NI an opportunity to get up to the standard where it should be, so that you can review it again and then decide whether it is up to scratch, which could have been done six months earlier.

Ms Smith: It is about trying to ensure that we have further improvements. As I explained, the reasoning behind postponing the review for six months is to give Sport NI an opportunity to address the issues that have emerged. We will then resume the review in six months' time.

Mr Swann: Is the six-month delay solely because of the new board?

Ms Smith: That is one of the factors. It is appropriate that we allow a new board time to address those issues, to satisfy itself that the processes are working absolutely as well as they can, and, if further improvements are necessary, those are given a chance to be implemented.

Mr Swann: Do you think that six months is long enough for a new board to come in and implement the necessary changes to turn around an organisation such as Sport NI to your satisfaction?

Ms Smith: We feel that six months is a reasonable amount of time to allow them to complete the review. As I said, we have been discussing the emerging findings with them and Sport NI is happy to share its terms of reference with us so that we can ensure that the emerging findings are taken on board in its own review.

Mr Swann: Is your six-month delay a Trojan Horse? Have you made up your mind?

Ms Smith: No, absolutely not. Clearly, we were seeking to ensure that Sport NI is given the opportunity to take forward its review. Sport NI welcomes the emerging findings as well. We are jointly committed to working to ensure that our accountability arrangements and all of the factors we have discussed are working as well as they possibly can. What we are talking about is making further improvements and refocusing. That is what we are talking about here.

Mr Swann: What is the time frame for Sport NI's own governance review?

Ms Smith: Within the six months.

Mr Swann: How long within that?

Ms Smith: We have not finalised it. We are still discussing it with Sport NI. We have not yet got the terms of reference finally agreed. We will have a time frame as part of that, but we are anticipating that it will be within the six months.

Mr Swann: So its governance review might not be until month four within the six-month period, and then you are going to give it two months to implement its own review.

Ms Smith: We are still discussing the terms of reference with Sport NI. Part of that will involve the time frame for completing the review. We would be very happy to share those terms of reference with the Committee.

Mr Swann: So, the review is enough? You do not need to see implementation for its internal governance review?

Ms Smith: Sorry?

Mr Swann: For Sport NI's own governance review, do you just need to see the review, not any results following from that?

Ms Smith: As I said, we are still working through the terms of reference, but, just as with our own review, we are not waiting for the outcome of the review to start implementing further improvements where we feel those are necessary, and I imagine that the same process will be followed here.

Mr Hilditch: Cynthia, thanks for your presentation. You started by indicating that the review was to ensure that things were operating appropriately and whatnot. I have a simple question: has Sport NI been functioning in an inappropriate way? Yes or no?

Ms Smith: No.

Mr Hilditch: It has not been?

Ms Smith: No. What we are talking about is making further improvements —

Mr Hilditch: Obviously there is a bit of emotion around the table on past performance of other ALBs. I just need to nail it one way or the other, and I think that is an important question this morning.

Ms Smith: As I said, we are talking about making further improvements and having a sharper focus in the processes that we have in place. There are already processes in place. We just want to absolutely ensure that they are working as well as they can be and that, where further improvements are necessary, those are implemented.

Mr Hilditch: On the six-month postponement, would it not have been better to continue on and work in tandem with the new board, to introduce the appropriateness that we are trying to achieve with the ALBs? Would that not have been a better mechanism, rather than postponing it for six months? I think that sends out a wrong message, if the answer to the other question is no.

Ms Smith: By ensuring that the emerging findings are fed into Sport NI's accountability review, I think we will achieve that objective, in that the emerging findings will be built into its own review.

Mr Hilditch: That is the way it is being presented this morning, but it certainly sends out another message.

Ms Smith: Sport NI has indicated that it is happy to take on board the emerging findings. Indeed, it will share its terms of reference so that we can comment on those and we can jointly ensure that the emerging findings are taken into account in the ongoing review.

The Chairperson: Cynthia, you can tell that people around the table are not happy in relation to what has been going on in Sport NI. This is an opportunity to rectify issues one way or another in the forthcoming months. We have probably been distracted a little bit by Sport NI. As a final question, do you have any initial findings that you could share with us in relation to the review of National Museums NI?

Ms Smith: Not at this stage; we are still at the stage of compiling those findings. We have not yet had an opportunity to discuss those internally, so I would prefer not to at this stage, but I am very happy to come back to the Committee and do as we are doing today.

The Chairperson: Thank you very much.