



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

June Monitoring Round: DFP Briefing

6 June 2012

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Members present for all or part of the proceedings:

Mr Conor Murphy (Chairperson)
Mr Roy Beggs
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr David Hilditch
Mr William Humphrey
Mr Paul Maskey
Mr Mitchel McLaughlin

Witnesses:

Ms Janis Marynowski	Department of Finance and Personnel
Ms Brigitte Worth	Department of Finance and Personnel

The Chairperson: We have Brigitte Worth and Janis Marynowski from the finance branch of the Department of Finance and Personnel (DFP). You are very welcome. I invite you to make some opening remarks, and then we will allow you some discussion with the Committee.

Ms Brigitte Worth (Department of Finance and Personnel): I will keep it quite brief. As part of June monitoring, and as they do at every monitoring round, all our business areas undertake a review of where they are at with their expenditure and income positions. The position that has been presented to you is the result of that review. As you can see, we have identified £2.3 million of current expenditure and £0.8 million of capital expenditure that we feel should be handed back to the centre at this time for reallocation. There is some detail in the paper that I am sure you have seen, but I am happy to take any further questions you might have on the position.

The Chairperson: OK. Three projects are not going forward at this stage, which accounts for some of the surrendered money. Can you give us some detail on the projects and why they are not going forward? If they are being put back to later years, has funding been identified in the budgets for those years, or will DFP be forced to bid in monitoring rounds for money to complete the projects?

Ms Worth: As I said, three projects have been identified, and they are all in our properties division. One of those projects is the project at Coleraine County Hall, which was to refurbish an unused building to rehouse staff who are currently in poor accommodation on that site. However, we have decided to cease the work for the time being because there is some restructuring going on within the Driver and Vehicle Agency (DVA), the body primarily located there, and that may mean that the additional accommodation will not be required in the medium term. It was thought wise to postpone the project until there is clarity around that. At the moment, we do not have any plans for when that

project will go forward, but we will have to accommodate it within our budget at such a time. We do not envisage bidding for it. We would accommodate it within our existing allocations.

The Chairperson: If the restructuring might not be required, would the question not be whether you should go ahead with it or whether you should dispose of the building?

Ms Worth: The question would certainly be about whether we should go ahead and refurbish the building. I am not sure what the scope for disposing of it would be, given that it is on an existing site. I am not sure how that would work. We would certainly not want to spend money on refurbishing something that may not be used.

The Chairperson: OK. What about the other projects?

Ms Worth: There is a heating system project in Castle Buildings. That project had commenced, but, for obvious reasons, it can only take place during the summer months. Once work had started, it became obvious that it would not be possible to complete it this summer, so it has been put back until next summer and money will be set aside for it in next year's budget.

Finally, there is a replacement windows project at the Foyle jobs and benefits office. The project was programmed to take place quite late in the financial year. We assessed the risk of the project not being completed and, therefore, giving rise to an underspend this year, and we felt that we should push it back to 2013-14. Again, we will find money for that project in next year's allocation.

The Chairperson: OK. Thank you. Does anyone wish to ask any questions on the submission? Is everyone content?

Mr McLaughlin: I would not say that.

Mr Beggs: You indicated that there is about £1 million of reduced requirements as a result of a review of the estimated movement in the accrual of holiday pay and the reduced number of employees. Can you give us a breakdown of the reduction in employee numbers and the holiday pay reassessment?

Ms Worth: I believe that the holiday pay reassessment makes up most of that, at around £0.8 million. When we initially assessed the position on holiday pay, there was a lot of uncertainty about the underpinning data, and we were not sure how much it would move from year to year. We set aside £1 million in the budget for 2012-13, and, based on our experiences last year, we believe that £200,000 to £300,000 is all that would be needed in the current year.

As for the other couple of hundred thousand pounds, the issue is not really a reduction in staff numbers; it has arisen as a result of a number of vacancies across the Department. The timing of filling those vacancies means that we do not need as much funding as we would otherwise have needed.

Mr Beggs: I would have thought that, with HR Connect in place, you would have very good, centralised records of staff and their holiday entitlement, etc. Why has there been a sudden £800,000 reassessment of holiday pay entitlement?

Ms Worth: We do have that now, but when we originally set the budget a couple of years ago, we were not in as fortunate a position. Although the HR Connect system had come in, that requirement was not known at the time the system was initially implemented, and some additional work had to be done to extract the data in a form that we could use. When we set the budget, we were not in as strong a position to assess that requirement as we are in now.

Mr Cree: Is nothing happening with the European programmes?

Ms Worth: I believe that some small technical adjustments are being made in the European programmes. However, those were not agreed at the time we prepared the submission. The budget for those programmes is held at the centre, and there will be some additional technical movements on that as part of this monitoring round. In DFP terms, those are quite small — they are only a few hundred thousand pounds.

Mr Cree: Were they not phased for the first quarter?

Ms Worth: It is only in the June monitoring round that we have had the opportunity to make the changes. The budgets are only now being realigned. Those areas would still have been able to go ahead and spend as planned in the first quarter.

Mr Cree: So the European programmes have not slipped. Is that right?

Ms Worth: No, not that I am aware of at this stage.

Mr Beggs: I am fascinated by the language in the "General Comment" section of the document that deals with the GeNI project. It states:

"this project should generate revenue in excess of its costs".

In the private sector, projects do not go ahead unless there is a three- to five-year maximum payback period and savings are brought in through that investment. You have not said that the project will generate revenue in excess of its costs, only that it should. What payback period did you estimate before starting that project? What exactly is the project?

Ms Worth: I will give you a bit of background to the project. It is a facility that allows you to research your family history online. You mentioned the use of the word "should" rather than "will". Obviously, it will be a demand-led service, and we have prepared a business case based on the likely demand. I think that that business case shows a payback period of about seven years. In government, we have to set our income levels for a service like this so that we only recover the full cost of providing the service. We will be recovering the cost of providing it plus an element of the departmental overheads in the charge that we set, when we finally set the charge to the public. Sorry, I am not being very coherent. Provided the demand levels are as projected in the business case, and provided we set the charge right, there will be a return, but there is an element of uncertainty as to how much that return will be, given that we have never done a project like this and we do not know what the demand levels will be.

Mr Beggs: You will have a user charge. Do you have an estimate of the additional income that will be generated by tourists? People tracking down their family and genealogy may come to visit. Is that part of your calculation, or is it purely based on your user charge?

Ms Worth: It is purely based on the user charge, but the service would be as available to people from overseas as it would be to people on this island. So, that has been factored in, but, as I said, the fact that this is the first time that this sort of project has been done here means that there is a degree of uncertainty about the estimates that we have used.

Mr Beggs: Finally, you have indicated that you are putting £700,000 back into the system. How much will the project cost?

Ms Worth: I think that there will be around £2 million in capital, but I am afraid I do not have the figures for the exact costs to hand. There will be ongoing running costs connected with that as well.

Mr Beggs: Is government best placed to take this risk or is this something that entrepreneurs in the private sector should be doing? Why do we have £2 million set aside to do this?

Ms Worth: That is something that the business case has considered. A number of options were considered, one being the option of the private sector entering into a gain share agreement with us, whereby it would provide some of the upfront capital investment. However, the returns for the public sector would be lower in those instances, as would the amount of overheads that we recover.

Mr Beggs: Would you accept that the experience of many public sector computerisation programmes has not been good? In fact, many have come in significantly over budget rather than under budget.

Ms Worth: In some cases. We believe that we have a business case and a strong project management team in place for this project. As I said, the business case has assessed all the options,

and this is currently the preferred option. Given that that is the conclusion in the business case, I would struggle to recommend an alternative.

Mr Beggs: I am just going by my experience on the Public Accounts Committee, where I heard about several computer programmes that went very badly wrong.

The Chairperson: Maybe the lessons have been learnt.

I want to take you back to staff reductions. What business areas are those in? Can you give an assurance that that will not affect front line services?

Ms Worth: Absolutely. Some of those are in my business area. As you know, I am acting finance director. They will not affect front line services. Some are in the central finance group, some are in my business area, and some are in the information strategy and innovation division. So, they will not have a direct impact on front line services. As I said, they are not actually reductions in post; they are simply amounts of money coming out as a result of vacancies, such as the vacancy for my own job. I am covering the post of finance director, and there is no one backfilling my role.

The Chairperson: OK, thank you very much.