



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Review of the Efficiency Delivery
Programme: DFP Briefing

6 March 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Paul Girvan
Mr John McCallister
Mr David McIlveen
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

Mr Stephen Barrett	Department of Finance and Personnel
Mr Michael Brennan	Department of Finance and Personnel
Mr Jeff McGuinness	Department of Finance and Personnel

The Chairperson: I welcome to the meeting Stephen Barrett, Michael Brennan and Jeff McGuinness. Michael, do you want to make any opening comments?

Mr Michael Brennan (Department of Finance and Personnel): Thank you, Chairman, for the opportunity to make a few opening comments. I want to touch on a few key issues, which, I think, will help the Committee by setting the context for the discussion that will follow.

The Department views this as a very timely report from the Northern Ireland Audit Office (NIAO), in that it draws attention to a number of particular concerns that the Finance Minister has. It also supports some of the concerns that the Committee has about the role of Assembly Committees and how they engage with their Departments.

In order to understand the efficiencies in the Audit Office report, it is important to put into context some of the ongoing work on the efficiency agenda in the Northern Ireland Executive over the past 10 years or so. It should be remembered that this whole efficiency agenda was initiated almost a decade ago, when Departments were under direct rule. It emerged out of the Treasury's Gershon report in 2004. Therefore, in that context, it is important to remember that when the efficiency agenda was set for Departments here, it was set under direct rule and that a very proactive role was seen for the Department of Finance and Personnel (DFP) to be able to challenge the Departments in the delivery of their efficiency agenda and to expect the Departments to adhere uniformly to any guidance on efficiencies that DFP issued.

Using resources more efficiently, which is what the Audit Office report is all about, is key to all Departments and public bodies. There have been a number of efficiency agendas over the past decade or so; for example, the Appleby report on reforming health and the Bain report on reforming education. It is important to note that efficiency delivery programmes (EDPs) were not created in some sort of efficiency vacuum as such. There was an ongoing process of efficiency evaluation across the Northern Ireland public sector anyway.

As I said, DFP welcomes the report, in particular, the Audit Office's efforts to seek to learn lessons that it can apply moving forward. A number of key issues were identified by the Audit Office, and I will highlight them briefly, as they will assist in some of the discussion that we are bound to have.

The first issue relates to what I call the wider political context, which is that, under direct rule, a uniform 3% efficiency target was imposed on all Departments. That was subsequently endorsed by the Executive when they came into power in May 2007. However, there was a subtle change with the re-introduction of devolution, in that responsibility for the construction and the policing of EDPs resided with individual Ministers, whereas previously, direct rule Ministers saw a very proactive challenge role for DFP. That changed with devolution, and it did not take long for individual Ministers to bite back at DFP's efficiency agenda. In fact, a matter of weeks after the restoration of devolution, we had one particular Department saying that its Minister — I cannot remember the quote, but it was something along these lines — refused to be bullied or controlled by DFP in the constructive EDPs. That will give you a sense of the change in context as we moved from direct rule to devolution.

DFP's role changed from one of challenge to one of pure co-ordination. There was no role given to DFP in EDP validation. However, it was important for DFP to provide guidance on monitoring EDPs, especially given the wider DFP role on value for money and assessing affordability within Departments. As I said, it is questionable whether DFP could have exercised a more robust challenge function. Even if it had wanted to, whether we would have got away with it or not is an important question. The Committee will be aware that considerable challenges have emerged from Departments on what is perceived as DFP interference. For example, the Finance Minister recently, as we were taking the Estimates through the Assembly, made specific reference to correspondence from a Minister in relation to the efficiency delivery agenda. That Minister very robustly bit back at what was seen as the DFP role in questioning efficiency delivery within Departments.

Our Minister, as you are aware — and it is a point that the Audit Office picked up in the report — takes the firm view that a key role for Assembly Committees now is to exercise a challenge function for the delivery of efficiencies within individual Departments. There should be some meaningful discussions there about how that could be proactively pursued.

A further issue to flag up is that the Audit Office made a number of comments about the nature of the guidance that we circulated. The guidance that DFP circulated was completely consistent with the guidance issued by Treasury to Whitehall Departments. We also ensured that all the relevant National Audit Office reports on the efficiency agenda were circulated to our Departments. The Audit Office makes the point that extensive guidance on best practice and the measurement of efficiencies was circulated, but the problem was that it was not actually followed. The key problem seems to have been that the Departments had the guidance from DFP, but there was a breakdown in communication around interpretation between Departments and their arm's-length bodies (ALBs).

There is also considerable debate about what is and is not efficiency. From the DFP perspective, we are focused on what is deemed to be an allocative efficiency, the definition of which has been in circulation since 2004 in the original Treasury guidance. An allocative efficiency is where a Minister takes a decision to move resources from a low-priority area to a high-priority area. For example, if the Minister of Education or Minister of Health were to decide to move resources within his departmental boundary to prioritise or protect front line services, that would be an allocative efficiency.

As I said earlier, the efficiency agenda has been in operation for over a decade in Whitehall and in Northern Ireland Departments. DFP is firmly of the view that the finance directors in Departments should have a very clear understanding of what efficiency is and how it should be constructed and reported to Ministers. If, for example, the Audit Office believes that there is a problem with interpretation in Departments, to be honest, I find it very worrying that finance directors are in that position.

Another point to flag up is that the context of the efficiency agenda is changing at this time. As I said, it has been running for a decade now, and I think that any of the narrow or purist interpretations of efficiencies have been driven out of departmental baselines. The efficiency agenda is moving to a

different place, and it will increasingly do so over the next few years as we move into the next spending review period. Budgets are going to become ever tighter and that will mean that there will be greater emphasis on allocative efficiencies, where Ministers have to move the existing resources that they have towards what they believe to be the fundamental high-priority areas in their budgets.

The Executive are acutely aware of that, and Ministers in the Budget review group have commissioned a series of work streams, which are ongoing, to look at driving out what I call new forms of efficiencies that lie in, for example, asset rationalisation, collaborative procurement across Departments, asset disposal and estate management strategies. The Executive will want to put a range of new measures in place over the coming years, and, to me, that is the next tranche of efficiencies that Departments will be asked to deliver. The difference this time is that the efficiencies that Departments will be asked to deliver will not be delivered in the narrow silos of individual Departments. For example, the Department of Education (DE) will not be asked to construct an efficiency delivery agenda for DE, and the situation will be similar in Health. The efficiencies that the Executive will be looking for in the coming years will be pan-departmental efficiencies such as, for example, collaborative procurement across Departments, Departments sharing accommodation spaces and Departments agreeing to transfer assets across departmental boundaries and then dispose of them. The efficiency agenda will move out of the very narrow departmental silos into what I call a pan-efficiency agenda across all Departments. That is a brief canter through some of the key issues. I am happy to take questions.

The Chairperson: You picked up on the question that I was going to ask on joined-up working between Departments. It is encouraging that we will move forward with cross-departmental working. What is your view of Departments working together up to now? It seems that there is very little evidence that Departments have been working together to deliver efficiency savings.

Mr Brennan: To be honest, as I said, Departments tended to construct their EDPs and the successor to EDPs — savings delivery plans — in splendid isolation and sought to move resources within their departmental boundaries as best they could. Under direct rule, it would have been very easy for the Secretary of State to tell Departments a, b and c to co-operate, because they would have followed that instruction. Devolution creates a different context, where it is more difficult to encourage cross-departmental co-operation in those areas. We have got to a position now where all Ministers at the Executive are acutely aware of how tight the budget constraint will be as we move forward, and the Budget review group has identified a number of areas where Departments have agreed to co-operate on a range of issues. To me, they are all completely consistent with the efficiency agenda.

The Chairperson: What is your assessment of the £1.6 billion of savings? There are public concerns that a lot of that will be cuts as opposed to efficiencies.

Mr Brennan: From a DFP perspective, we take a very simple view in that the £1.6 billion was effectively removed from departmental baselines at the start of the efficiency agenda exercise. Ministers then had to prioritise their services and adjust for that 3% cut. Effectively, by taking money out of the baseline at the start, Ministers were forced to prioritise what to spend the envelope that they had left on. So, it was not a question of cuts. Ministers prioritised their key front line services and allocated resources to them. The £1.6 billion that was taken out by the Executive at the start, before the efficiency agenda was put in place, was then reallocated to what the Executive agreed to be the high-priority areas. For example, in this period, most of the £1.6 billion that was taken out went to Health and Education. The remaining Departments were left with an efficiency agenda, and the key imperative was to protect front line services. So, it was not a question of cuts but a question of prioritising front line services in individual Departments and then taking the £1.6 billion that was removed at the start of the exercise and allocating it to the key priorities of the Executive. It was not a cuts exercise.

The Chairperson: What is your assessment of how the £1.6 billion to Health and Education went to front line services?

Mr Brennan: In DFP, we are effectively one step removed, but you will note that the Executive, over recent monitoring rounds, have continued to give money to Health and Education, and we are all aware of the issues with hospital waits and trolley waits and the pressures in Health and Education such as, for example, the recent decision by the Education Minister to prioritise money to the aggregated schools budget. The fact that the Executive are continuing to give money to those areas means that they must deem them to be urgent high priorities.

Mr D Bradley: Michael, you said earlier that there was quite a body of information around from the time of the Gershon report in 2004 and thereafter from Treasury about exactly what efficiency was and how it should be achieved. You said that you passed that guidance on to the Departments here and that, in some cases, they possibly ignored it, misinterpreted it or whatever, and what came out at the other end was not, let us say, what you expected. Is it possible to establish, across Departments, a common understanding of what efficiency is and how to achieve it?

Mr Jeff McGuinness (Department of Finance and Personnel): I think that you are quite right: efficiencies had been given a very clear definition in the 2005-08 period after Gershon. That definition was in our Budget document. When we were constructing basic delivery plans at that stage, we were in the second year of that document. Indeed, NIAO acknowledged a very important point when it said that DFP had previously published guidance that broadly replicated that which Treasury issued to GB Departments. So, Departments had a fairly good and robust definition of efficiency. The problem is that if you try to strictly define that and tie it down as much as possible, you may limit Departments' scope for delivering true efficiencies. For instance, the Audit Office mentioned that a possible definition could be that you do not include capital asset sales. If you combined two schools and sold the surplus one, that, to the man in the street, would be an efficiency, but it would not be an efficiency within that strict definition. So, it is about giving the Departments latitude to know their own business and to define efficiencies within a wider, higher definition of efficiency. I think that if we tie it down too much, we restrict Departments' ability to deliver genuine efficiencies.

Mr D Bradley: I understand —

Mr Brennan: Sorry; I just want to add to that. The very simplest definition of an efficiency in respect of net cashable savings is that after you allow for the net cost, you have something left over. That is the very simplest understanding of what an efficiency should be.

Mr D Bradley: You mentioned that the direction of travel will be — I think that this is what you called it:

"a pan-efficiency agenda across all Departments."

If it has not been possible to get the Departments to a position where they are all singing off the same hymn sheet on efficiency or something similar, how do you hope to achieve that pan-efficiency agenda in the future?

Mr Brennan: I think that Ministers individually are now aware of how tight budget constraints will be as we move forward. As I said, the Ministers on the Budget review group (BRG) have already endorsed an agreed way forward on, for example, an asset management strategy, which is solely about driving out efficiencies in the management of assets across the public sector, not just the Civil Service. As I understand it, that paper, which sets out a range of efficiencies, will very shortly go to the full Executive for endorsement. So, the individual Ministers represented on the Budget review group have set aside their departmental view and grasped the need to sign up for this pan-departmental efficiency agenda.

I think that the numbers are forcing individual Ministers to realise that they have to think outside their departmental boundaries on this one. As I said, there is already evidence that Ministers, through the BRG, have got to that position. I suppose that they are acutely aware that, as we head into the next spending review, the Executive have a couple of options for efficiency to consider. The blunt approach would be to turn round and say, "We will just continue and instead of top-slicing 3% off everyone's budget, we will top-slice by 4% and share the pain equally." However, that would start to hit front line services, because the old concept of efficiencies no longer exists. There is not the fat, as it were, in the system anymore.

The other approach that the Executive will, hopefully, embrace is a more targeted focus and co-operative approach to driving out efficiencies.

Mr D Bradley: You said that you have seen some of that taking place already. The example you gave, if my memory serves me right, was that some capital assets could cross departmental boundaries. Will you give us a concrete example of the type of thing you mean?

Mr Brennan: There are proposals around Lisanelly and the asset that exists there. The task is to get as many Departments as possible to buy into it as somewhere to provide their facilities, such as the

Department for Social Development, DE and the Department of Agriculture and Rural Development. So, the issue is getting a range of Departments to agree to locate functions there. Similarly, with Desertcreat, there are different Departments involved, and they are agreeing to the utilisation of that asset.

There is a flip side to that. The old Tor Bank School site, which is quite close to here, is effectively a redundant asset as far as DE is concerned, but the Department of Health, Social Services and Public Safety (DHSSPS) needs the site for an additional car-parking facility. There are a range of issues like that.

With regard to the disposal of assets, for example, there is a view that the Strategic Investment Board (SIB) and the asset management unit in the Office of the First Minister and deputy First Minister would identify assets that could be brought out of Departments, brought to the centre and disposed of centrally. The receipts would then be allocated across all Departments. That collaborative approach is the only way to move forward. As I said, there are concrete examples of that working at present.

Mr D Bradley: It sounds very much like common sense. Are you saying that the era of efficiency savings around service delivery is over?

Mr Brennan: No. The scope to drive out efficiencies in individual Departments on service delivery is close to being exhausted, if it is not already. When it comes to services, such as provision of IT services and procurement services across the Northern Ireland Civil Service, there is a range of services that will have to be taken forward. There will be a more centrist approach instead of Departments being allowed to do their own thing.

Mr D McIlveen: The briefing paper was very helpful, and I want to touch on a few of the recommendations that were made. I will try to keep my comments very brief. In recommendation 3, you mentioned the provision of basic financial and performance information and said that there were clearly deficiencies around that when it came to what you are receiving from other Departments. In answer to the Chairman, you touched on the culture that, perhaps, exists in some Departments. Is it fair to say that the argument to convince Departments to distribute that information has largely failed? Therefore, do we now need to look at how we can, for want of a better term, force Departments? Would you be averse to talk of sanctions for a Department that is not providing the information that is required? Have we reached a point where we need to have a discussion about that?

Mr Brennan: The Committee will be aware that our Minister is becoming increasingly exasperated by the lack of transparency on what is going on in some Departments. He is also becoming frustrated by the fact that some Departments are reluctant to engage with DFP and provide it with information. Sometimes, we really need that information to provide the Executive with a view on what is going on, particularly on the movement of resources. The difficulty — and it is a problem for the Executive to address — is getting the Executive the degree of assurance, insight and transparency that they need on resource allocation. That is an Executive problem; it is not really a Finance Minister's problem.

The key is that there is an issue about the degree to which Assembly Committees get the information that they need to exercise the role that they have been given and whether they can play a more proactive and robust role when it comes to challenging Departments. If, for example, the Executive had assurance that there was a genuine challenge function being exercised by Committees, it would give them a significant degree of comfort. There is an issue about ministerial autonomy, the role of the Committees and how individual Ministers perceive DFP's role. As I said, our Minister is becoming increasingly exasperated about that.

Mr D McIlveen: That leads me quite nicely to my next question. Recommendation 9 concerns the use of Committees as a centralised challenge function. You will obviously be aware that, up to this point, the role of Committees has been largely that of scrutiny with a tiny bit of advice to Ministers and Departments tagged on at the end. What makes you think that Committees are well enough placed to take on a challenge role? That would change the current dynamic of Committees.

Mr Brennan: It is one area in which DFP and the Audit Office are in exactly the same place. I read the evidence of Mr Eddie Bradley to this Committee. One of the things that he brought out is the role that Assembly Committees could play, specifically in exercising their challenge role in respect of the efficiency agenda. The key is Committees knowing that they effectively have a mandate to exercise that challenge role. If the Committees were getting all the information that they need about what efficiency programme is in place within each Department, the Executive would draw considerable

comfort from that and the Audit Office would draw some comfort from it. From a DFP point of view, in the case of efficiency delivery plans, it would certainly make our life easier in reporting at a very high level how we are meeting the very high-level target of £1.6 billion.

Mr D McIlveen: Recommendation 11 concerns arm's-length bodies. There seem to be issues around the governance of arm's-length bodies and the way that information is filtered back. Mitchel McLaughlin mentioned in the previous session that the vast majority of government spend is on arm's-length bodies. What do you think we can do? Are we in a position to issue more concise guidance to arm's-length bodies that would help that process and move it on further?

Mr Brennan: There are a couple of things that will probably help efficiency scrutiny. The first, as I said, is that, from a DFP perspective, we feel that the finance directors in the core Departments have been around long enough now to understand what an efficiency is and what it is not. The breakdown is in how they are disseminating that information to their arm's-length bodies. So, there is a role for DFP in making sure that finance directors are fully aware of the Audit Office's criticism about the breakdown in information. That is an action point that we will follow up on.

I also think that it might be helpful if, in future, as, for example, the work with the Executive on the next spending review goes forward and the efficiency agenda for the Executive emerges over the coming months and years, we could give this Committee an insight into where we think that it is going and what we think the efficiency agenda might look like. This Committee could then engage with the other Assembly Committees, give them the guidance and tell them what their expectation should be and what an efficiency agenda should look like in Department a, b or c. So, there are two ways to come at that issue.

Mr McCallister: I want to make some general comments. Michael, it seems that what you are saying is that, broadly, DFP has had a problem with how to keep a tight control on Departments and how to get a balance and that there has been an unwillingness in that regard, particularly since devolution returned. Is that a broad criticism of our structure of government? How does this compare with other devolved Administrations or with how the Treasury handles Whitehall Departments?

Mr Brennan: The fundamental difference is that, in Whitehall, the Treasury exercises a very robust challenge function in respect of efficiencies. However, it can do that because the Ministers in the Whitehall Departments are all Ministers of the same Government. So, they have, effectively, a collegiate responsibility to deliver efficiencies. It is similar in Scotland and Wales. If the Treasury tells a Whitehall Department to do something, it has to do it. If it does not do it, the Cabinet Office and the Cabinet will want to know what is going on.

Mr McCallister: But Whitehall has a coalition Government.

Mr Brennan: It does, but —

Mr McCallister: But they have an agreement. That is the point that I am getting at. In the system here, we are not getting anywhere near that level of collective ministerial responsibility across Departments.

Mr Brennan: It is just a reflection of the form of governance that we have here. Individual Ministers have a considerable degree of autonomy in terms of how they are accountable to the Executive. It is the nature of the Executive. It is fundamental to how devolution works in Northern Ireland; it is radically different from elsewhere in the UK.

Mr McCallister: Perhaps we might need more robust checks from the centre.

Do you think that service quality has suffered? What evidence would you base that on? You do not seem to have any key indicators to determine that.

Mr Brennan: Jeff will probably go into greater detail, but, at a very high level, all we really had to go on was the pro forma information that Departments provided us with. The difficulty is that, for example, the Audit Office looked at 42 case studies, but only one of those had a business case that actually came to DFP, which was the DHSSPS/RPA one. Even then, that business case was approved in 2005, which was before EDPs were in place. The problem is that the efficiency agenda case studies that the Audit Office was looking at were all below what is called the delegated limit.

That information would not have come to DFP as a business case, so we had very little insight from the very start about what individual Ministers were doing. All we really had — it goes back to the fact that our role changed from challenge to co-ordination — was the very high-level aggregated information, where Departments said that they were delivering x, y and z, but not really the meat of what was getting them to x, y and z.

Mr J McGuinness: The guidance that we issued at the time clearly stated that efficiency delivery plans should include monitoring arrangements and examples of possible indicators. We provided some examples of those. We did not go into complete detail, because we recognised that Departments would need some latitude in assessing what examples and indicators were needed for an efficiency.

Mr McCallister: Was it a mistake not to go into more detail?

Mr J McGuinness: I honestly do not think so, because I think we would have restricted the Departments. We were clear that they should have monitoring arrangements and indicators in place. We were consistent right across that period, at ministerial right down to official level in various guises, that information should be published and made clear and available on departmental websites. The Executive encouraged that as well. So I do not think so, but I might be wrong.

Mr McCallister: It seems that you had no real control over what a Department would do, how you would hold it to account to keep the priority on front line services, what it regarded as efficiencies, or whether there were any quality indicators to measure that.

Mr J McGuinness: The Finance Minister was very clear: he said that it was up to the Departments to decide how to deliver their efficiency delivery plans. That kind of developed our role, which was then to allow the Departments that freedom to do that and put in limited monitoring after that. It was very much the responsibility of the Departments to provide that information, as the Finance Minister said at the time.

Mr Brennan: To give you the context of where individual Ministers were in monitoring efficiencies, I will just quote from a ministerial letter back to our Minister on the efficiency monitoring:

"any attempt by DFP to monitor the delivery of savings would be contrary to the Executive's approach in agreeing the Final Budget proposals. Further, I would question the added value that any monitoring by DFP would have and do not believe that this is an efficient use of resources".

That was the sort of bite-back that was coming back to us about the monitoring process.

Mr McCallister: Is Minister Wilson now thinking that he needs more control or a more collaborative approach? In some way, it needs to be much more tightly managed.

Mr Brennan: That is the benefit of the efficiency agenda being driven largely by the Budget review group. It is not the Finance Minister setting the way forward; it is BRG Ministers bringing an agreed way forward to the Executive. That is where the efficiency agenda will largely rest in the future.

The Chairperson: Annex B of the submission states that DFP supply branch scrutinised the plans as part of its routine engagement with Departments, and there is also a reference to its being involved in:

"a greater degree of challenge and interrogation with respect to those EDP's where implementation is proving to be difficult".

That being the case, why did DFP not identify the problems that we see in the Audit Office report before now? Was the Department asking the right questions?

Mr Brennan: I will start, and Jeff can follow up. On the routine challenge role, DFP supply officers, as part of their regular stocktake process with the Departments will ask, for example, where they are with their EDP, how it is progressing and whether it is on target. There is that high-level commentary or challenge in EDP delivery. The difficulty was that if Departments would not proffer up concerns or be forthright about any non-delivery issues, DFP would not have been aware of them. In the early days, we tried to exercise a robust challenge function when the guidance issued, but, as I said, that was knocked back pretty quickly.

Mr J McGuinness: The initial guidance that had that rigorous scrutiny role for DFP was produced under direct rule.

Mr Brennan: That was in October 2006.

Mr J McGuinness: Yes, in October 2006. When we came to having a devolved Administration, the Departments and their Ministers began to question how much DFP should get involved in this. The actual monitoring framework that we produced after the efficiencies were agreed in the Budget had a more collaborative approach to how DFP's engagement with the Department should be. We did still engage with Departments, but that was basically when Departments flagged up risks in a red/amber/green approach to their EDPs. Where they flagged up significant risks to efficiency delivery plans, we worked with them to try to identify how to move forward through that, or maybe to identify replacement efficiencies. We did have a challenge role and a monitoring role, but it was very much based on Departments identifying risk to us. Once that was identified to us, we worked with the Department to try to ensure that the overall efficiency agenda continued to be delivered.

The Chairperson: Obviously, four Departments are highlighted in this report. Is there any specific evidence of supply officers providing critique and advice to those four Departments in the report? I ask that so that the Committee has a clear picture. Can that evidence be provided to the Committee?

Mr J McGuinness: I am sure that we have some papers on that. The degree of challenge was exercised through regular stocktakes, so efficiency delivery plans were on as an item on regular stocktakes. Supply officers will have been challenging Departments regularly on what they were doing. We also worked with, for instance, the Department of Health to replace an efficiency. When that was flagged up to us, we worked with it to find an alternative efficiency, and it provided more detailed information in how much confidence we could have in that replacement efficiency. In fact, it provided us with its departmental board paper on that, and we can probably provide that. I am not sure.

Mr Girvan: My question is quite simple. It is on the guidance that was issued to Departments. How can there be such variances in interpretation of that guidance, and where did the guidance come from?

Mr Brennan: As I said at the start, our guidance mirrored guidance that was used. It started off as Gershon guidance, but it mirrored exactly the Treasury guidance and was supplemented by, for example, National Audit Office reports. Things around definitions and completing pro formas was all very, very clear. As the Audit Office flagged up, the problem does not seem to be in how the finance directors in individual Departments interpreted the guidance that we circulated. It seems to be that, when they went one step removed and effectively pressed the forward button and circulated the guidance to their ALBs, the problem is with how they interpreted it.

Mr Weir: A lot of my questions have been covered, so I will be relatively brief. It seems to me that there could be consistent guidance and consistent definition, as far as is practical, of what constitutes an efficiency saving, although I take the point that you do not want to straitjacket Departments so much that they are acting ineffectively because they feel it will not be counted as genuine efficiency savings.

You mentioned, obviously, a key role in a strengthened provision for departmental Committees in monitoring that. It also strikes me that that is at least a large part of the solution. To what extent does there need to be cross-Executive agreement on greater levels of monitoring and consistency of approach? Mitchel McLaughlin made that point in the previous session. It seems to me that different interpretations have been put on things.

Secondly, it seems from what you have said that a number of Departments have, at varying levels, either refused to supply information or essentially taken the view that this is none of your business. If you are not even getting the information, there cannot be that level of quality assurance. What role do you see from an Executive or cross-Departmental point of view to allow that greater scrutiny of the efficiency side of things to ensure that it actually is being properly delivered?

Mr Brennan: One step that could be taken immediately would be to improve and expand on the quality of the information that we provide to this Committee. At the moment we provide reports to this

Committee that are really just high-level commentaries on what Departments are up to. If, for example, we could produce more narrative around what we think is going on in each Department, we could give it to this Committee to circulate it to the other Committees. That would provoke questions, for example, that the Education Committee or the Health Committee could put to their Ministers about where the efficiency agenda is. There is an issue there about what more information we can give this Committee, subject obviously to our Minister's approval, that will prompt questions elsewhere in Departments.

I will hold my hands up and say that the information that we give to this Committee, which is, effectively, the information that we have, does not provide that much insight into what is going on out there. You see the savings delivery programme reports on a six-monthly basis, but other than telling you that there is a headline target number, they do not really tell you what is going on in a Department. If we can get any more material information ourselves that we can factor into the papers that we give to this Committee, that would be a tangible improvement.

Mr Weir: The Audit Office report raised some concerns about the Department. Having said that, I think that some of those concerns are unfair. They have obviously, if you like, done a snapshot of 42 projects, but the vast bulk of those — there may be some dispute as to whether it is one or more that do not deliver — fall below delegated expenditure limits.

Mr Brennan: All but one, yes.

Mr Weir: To what extent is the delegated expenditure limit set right? Is a lower level needed, or is there a danger that, if there were an examination of lowering that limit, there would be an element of micromanaging and that, really, the responsibility and the flexibility should lie with the Departments, although it is ultimately up to them to step up to the plate to deliver that efficiency?

Mr Brennan: That takes us straight back to the core issue of the role of DFP and how some Ministers perceive it. You could reduce the delegated limits, which would allow DFP to have greater insight, but there are a couple of downsides to that. Some Ministers will undoubtedly kick back and say no. They will say that it is additional DFP interference and that they are not having it and that is the end of it. Secondly, it obviously generates additional scrutiny work for DFP.

The other issue is that Departments have accounting officers who are supposed to stand over and validate what happens in their Departments and vouch that what they are doing, for example, represents value for money and is regular and consistent with what the Assembly wants. We need to be careful that we do not effectively emasculate Departments and undermine accounting officers and ministerial autonomy.

Mr Mitchel McLaughlin: Thank you very much, Chair. I was starting to think that you had forgotten about me. We have had a look at these efficiency delivery plans for some years now. Last week, Sammy was asked about it in the Chamber. He gave an interesting answer. He said that Departments were required to look for efficiencies before they would move to cutting services. It was a very interesting juxtaposition, because I do not think that that is what we actually meant when we said "efficiency plans"; we were talking about preserving and protecting. Nevertheless, if the Finance Minister can make a statement like that, it would not surprise me if other Ministers have similar misunderstandings of what is expected.

If we look at issues such as ESA and RPA, and just how difficult it has been to get those projects delivered and finalised, we cannot be surprised if the efficiency delivery programme runs into problems, nor should we be particularly surprised that you would start by taking a look at the baselines if you had to introduce or were kind of dealing with imperatives. I happen to support that approach. From looking at the Westminster PAC's criticisms of Treasury, my sense of it is that it said that it simply was not enough to reduce baselines and then walk away from that and leave Departments to wrestle with the problem. It actually indicated that a more centralised monitoring and control process would work best. However, earlier, the Audit Office actually indicated to us that even there, where, perhaps, there is a more streamlined or centralised — not centralised, but, maybe in terms of, say, the parties that make up the Government would have a more cohesive and corporate kind of view — even there, individual Ministers were taken aback. There is, in fact, now a drift towards a more decentralised system.

So, it is clear that, in examining our options, we should look at a number of options. Clearly, one is the one that we have spent a bit of time talking about: DFP's having a more assertive role in requiring

performance and evidence of performance. In my view, quite clearly, given our multi-party Assembly and Executive, that would just run straight into the wall. We could spend a lot of time, as we have seen with RPA and ESA, arguing over what has been done and what should be done.

Were other options presented, such as encouraging — maybe even providing — a bit of training or capacity development for scrutiny Committees in terms of delivery?

Mr Brennan: You touched on a couple of key issues, which, I think, have to be resolved if the efficiency agenda is to be meaningful here. The first relates to the role of DFP in the past and moving forward. Given where some Ministers are in perception of DFP, DFP cannot be entrusted solely to deliver the efficiency agenda. That just will not work. What is very encouraging — and I referred to it earlier — is DFP's working with, for example, the asset management unit and working with SIB —

Mr Mitchel McLaughlin: You have the pan-departmental approach, which is encouraging, yes.

Mr Brennan: If you take that to the six Ministers on the Budget review group, and you get the group to accept the papers that are coming through — they are not DFP papers or SIB papers — it is an agreed way forward on, for example, delivering efficiencies on asset management or centralised procurement. Then it is not tainted with the DFP badge, as such. It is something that the Executive can buy into collectively. There is a subtle change in roles whereby DFP will have an important role to play in shaping the efficiency agenda moving forward, but it will not have the DFP badge. Hopefully, other Ministers will, then, quite happily, buy into something because BRG has considered it and thought that it was appropriate to bring to the Executive. That is the smoother way to go.

In training and making sure that people are aware of what is expected of them in Departments, and also keeping the Assembly and Committees informed, the encouraging issue that I have noticed is the way in which BRG work has been taken forward over the past six or seven months. I have been closely involved in that. For example, on the asset management strategy, a permanent secretaries' subgroup was set up to work directly to produce a paper. The finance directors have all been involved in that. So there has been a communication process whereby everyone who needs to know has been brought into the loop. At a later date, they cannot turn around and say, "We did not know that this was what you wanted to do." They have to deliver it.

As I say, the missing link still is that I do not think that we have quite got our heads around the role that Assembly Committees should have. Peter made the point earlier about making sure that there is complete transparency and that we can give enough information to this Committee to try to facilitate or help the other Assembly Committees to exercise that challenge function.

Mr Mitchel McLaughlin: Yes. This Committee is part of the learning curve, too. We have looked at this issue over a number of years, and previously have taken the view that DFP should be promulgating those lessons and, in a sense, ensuring that Departments continue to follow them. In your earlier answer, you indicated that experience had taught you that it just was not going to work and that it was a head-butting exercise more than an effective delivery of a required programme target.

Also, in answer to one of my colleagues, you indicated that it was surprising that there seemed to be some different interpretations or understandings of what is entailed in efficiency, as opposed to simple service cuts. There may be a capacity issue, as well as other cultural and political issues, bubbling about here. If this Committee were to consider in its own discussions that, in fact, we should be making the accounting officers more accountable on this particular issue — that is, while we have the development of the departmental plan and the Budget review process ongoing, and that should be encouraged — there will still be departmental issues, particularly as we drill down to arm's-length bodies, where the spend is, and where efficiencies can still be found. So we are not moving out of one phase completely by any means. I do not think that we have actually achieved what we can in genuine efficiencies in programme spend.

This Committee could maybe help to address this issue by coming up with a recommendation that the Committees should recognise that they have powers, and they can work off 10 agreed efficiency protocols.

Mr Brennan: I do not think that we should torture ourselves over what is or is not an efficiency, or the definition of the word. I had a very simple understanding that an efficiency is an allocative efficiency;

in other words, you move resources around based on priorities. However, I read through the Hansard report of Mr Bradley's evidence to this Committee and there is a brilliant quotation in it. He says:

"the core definition of an efficiency is that it should not impact negatively on the quality of service delivery".

That is the key issue that accounting officers should be focused on, moving forward.

Mr Mitchel McLaughlin: Yes, but accounting officers, maybe under pressure from a Minister, could use other tactics that a scrutiny Committee could drill into, such as maybe moving spend, switching it and then pointing to a reduced spend in one area in a particular year, but it might pop up in another year.

Mr Brennan: That is the problem with lack of transparency.

Mr Mitchel McLaughlin: So I think that we could do some work to help in this.

Mr McQuillan: I was going to talk about the guidance and stuff like that, but I think you have covered that fairly well. It was very encouraging to hear your opening remarks. If that is the road to travel, that is the way that we should be travelling. You say that the guidance was issued by the Treasury, and was distributed through the Departments. Was it clear enough? Sometimes different people reading it can read something different into it.

Mr Brennan: I think that the Audit Office itself acknowledged the fact that the guidance was clear. The guidance issued from DFP to the Departments was OK; it was understood and accepted. It was when they went that next step, out to the ALBs. Take one Department — the Department of Culture, Arts and Leisure (DCAL), for example — where you have a multitude of ALBs. The potential for misinterpretation —

Mr Mitchel McLaughlin: A lot of them have quite enormous autonomy.

Mr Brennan: Exactly. The difficulty is you have finance directors out there in all those ALBs who take subtle differences in interpretation, but that could have quite significant impacts on how they feed the material through to, say, DCAL, and DCAL has to construct an aggregated EDP to present to the Executive.

Mr McQuillan: Could they take the view that that is more for centralised government and that they are not part of that — they are arm's-length, so they can do what they want?

Mr Brennan: The difficulty is that it is taxpayers' money that goes to them.

Mr McQuillan: I understand that, but they need to understand that as well. You said to Peter — or maybe it was Mitchel — that you need a bit more information to bring to the Committee to drill down a bit further. How do you envisage getting that from the Departments to bring to the Committee?

Mr Brennan: On a six-monthly basis, the Finance Minister provides an update to the Executive, and then he clears a submission to this Committee on where we are with the delivery of efficiencies. It is at quite a high level, which is just departmental lines across and where they are against target. If, for example, Departments come to us and say that they want to change a specific item on their efficiency agenda — Jeff referred to changes that the Department of Health made — we could start to flag up those changes. If we know that changes are coming through, we could flag those up in the narrative that goes with the table, so that the Committee could see what is happening in Departments. You could then relay that information to the Health Committee, so that the Health Committee could ask departmental officials why they were changing their efficiency agenda from a to b.

Mr McQuillan: Will DFP always know about that at Executive level?

Mr Brennan: We hope that when supply colleagues have their normal stocktake process, they will pick that up. We also have regular finance director meetings, and the efficiency agenda comes up time and again. Therefore, if there are issues, the imperative is on the Department to alert us to those problems.

Mr Stephen Barrett (Department of Finance and Personnel): As part of the biannual monitoring exercise, we ask Departments to highlight any issues in front line services being affected, and that is something we highlight to the Executive, but possibly not to this Committee. There may be scope for that information being made available.

Mr McQuillan: Do Departments always highlight that, if that is the case, then? Would they be willing to do that?

Mr Brennan: I would like to think that they do. As I say, we do not have the transparency to know their problems.

The Chairperson: In closing, what assurances can the Department give that the shortcomings that have been highlighted in the report are not being replicated in the savings delivery plans in the current Budget period?

Mr Brennan: I have a couple of points to make. First, with regard to the EDPs, it is not a question that money was lost. As I said, £1.6 billion was taken out at the start of the exercise when baselines were reduced and moved towards the Executive's high-priority issues. Therefore, no money was lost. Secondly, even the terminology reflected the change in the Executive's thinking, so we went from efficiency delivery plans to savings delivery plans, because the Executive acknowledged that we were moving into a different environment where we were going to have to effectively start suspending low-priority services or functions to protect key service delivery functions. Moving forward, that will bite even more, because the Budget constraint will become even tighter.

The comfort that we can give at the minute is that the Executive are aware that the agenda will have to change and that efficiencies — large quantum of money — will be delivered only by Departments co-operating with each other. That is where DFP would like to get the Executive to move to, and over the coming months as we start to gear up for the next spending review, that is where the efficiency debate will be for the Executive.

The Chairperson: OK, members? Thank you very much.