



**Northern Ireland
Assembly**

**COMMITTEE FOR THE
ENVIRONMENT**

**OFFICIAL REPORT
(Hansard)**

**Revised Departmental Expenditure Plans
2010-11**

28 January 2010

NORTHERN IRELAND ASSEMBLY

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ENVIRONMENT**

Revised Departmental Expenditure Plans 2010-11

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Members present for all or part of the proceedings:

Mr Cathal Boylan (Deputy Chairperson)

Mr Roy Beggs

Mr John Dallat

Mr Danny Kinahan

Mr Daithí McKay

Mr Alastair Ross

Mr Peter Weir

Witnesses:

Mr Peter Aiken)

Mr Billy Hamilton)

Mr Leo O'Reilly)

Department of the Environment

The Deputy Chairperson (Mr Boylan):

I welcome Leo O'Reilly, the permanent secretary in the Department of the Environment (DOE); Peter Aiken, the acting director of corporate services in the Department of the Environment; and Billy Hamilton, the deputy director in DOE's central finance branch. I will afford the witnesses 10 minutes in which to make their presentation to the Committee, before opening up the evidence

session up to Committee members to ask questions.

I remind members that the departmental officials have also tabled a letter dated 26 January 2010. That letter details the Department's financial position for 2009-2010 and 2010-11.

Mr Leo O'Reilly (Department of Finance and Personnel):

Thank you, Chairman. I will assume that the Committee wants me to run through the in-year position and next year's position in my opening remarks.

DOE is facing financial constraints on a scale that I have never experienced in any Department. The source of those pressures is summarised in the letter that has been tabled, and although the numbers change between this financial year and next, the basic structure of the pressures is the same and consists of three areas. First, there is a range of what are referred to as routine internal pressures, and those are the sort types of pressures that arise in any Department from one year to the next. Those include new pressures that may arise and the easements that may be called for in some areas, and form the material that we would normally bring to the Committee routinely during the various monitoring rounds.

Secondly, and particularly for next year, there are the additional pressures that the Minister of Finance and Personnel highlighted on 12 January 2010 when he presented the Executive's revised spending proposals for 2010-11 to the Assembly. From that, members will know that DOE has a total pressure of £3.9 million plus £0.2 million capital next year. That is an additional and new pressure that will have to be managed next year.

The third and final element of the pressures that DOE faces both this year and next, and by far the largest issue, is managing the rapid fall-off in planning receipts for this year, which we also anticipate to happen next year. The figure for that shortfall is somewhere between £6 million and £7 million. If one takes it that the Planning Service's gross budget for the current year, excluding non-cash costs, is some £33 million, one is therefore talking about a pressure on the organisation's budget of 22%, which is substantial. That is the nature of the problem. As I said, we can go into detail in a moment.

As regards the Department's approach to managing the situation, the scale of the problem with planning receipts became apparent only in the early months of the current financial year. We had

a problem during the previous year. However, it was not as severe. When that sort of problem hits quickly and suddenly, which, as the paper highlights, is equivalent to 6.6% of the Department's gross budget for the current financial year, to remove that spending power rapidly over a few months is extremely challenging. Therefore, we have had to adopt a range of measures, the detail of which is included in the material that was sent to the Committee.

I will not go into that detail because members have it, and we can discuss it. At a high level, the main measures that we have taken are, first, to seek, wherever possible, not to fill posts and to reduce workforce costs as rapidly as possible; secondly, to reduce other operating costs, such as consultancy support, travel and subsistence, as rapidly as possible; and, thirdly, in some areas, we have had to reduce the level of grant payments that we were making to certain organisations. I know that members have made representations about that already.

The precise management position for next year remains somewhat uncertain. We are certain about some elements of next year's pressures, such as a £3.9 million pressure and the £2.4 million equal pay settlement, which are subject to Executive agreement.

The big uncertainty is around where we are going with planning receipts. As we note in our paper, we assume that next year's shortfall will be between £6 million and £6.5 million. Obviously, that could change for two reasons: there might be uptake of planning applications, in which case the level of receipts would increase; or we might get assistance from the Executive and DFP for additional cover during next year to deal with the sharp fall-off in planning receipts. That did not happen this year. We remain hopeful, however, that we will get some support next year.

We have taken two other actions already. First, we have undertaken an urgent review of the cost of delivering the Department's corporate services — finance, personnel and various common support services — in an effort to secure savings rapidly. Work that we have done to date indicates that we could save as much as £1.5 million next year, and £2.9 million in total when we have implemented the full range of measures that we have considered.

Secondly, we have, of course, looked at the Planning Service's operating costs. Even if there were a healthy increase in planning receipts, we do not anticipate that the return would ever reach the level that it was at a few years ago. Obviously, we need to continue to look at the question of

the Planning Service's operating costs.

That is an overview of our position for this year and next. I hope that the paper provides sufficient detail for members, who may now want to ask questions.

The Deputy Chairperson:

Thank you. I want to make a point about planning receipts. I put the situation down to area plans. Believe it or not, people want to develop, but land is not zoned. That might be hard to believe in the current economic climate, but I certainly know of such people. We need to look at that. I welcome our recent meeting. If, arising from that, some financial pressures have been identified, that may be something that we can examine. I now invite members to ask questions on the monitoring round.

They all appear quite happy; they must have enough money in their own budgets.

Mr Kinahan:

I note that many the reductions are listed as being staff reductions. Did you consider pay cuts or other ways in which to achieve the cuts other than staff reductions? In the Planning Service, for example, you list that £700,000 of savings were made through staff reductions in 2009-2010.

Mr O'Reilly:

The figures for staff reductions are primarily the effect of not filling any vacancies, or filling very few vacancies across the system. The question of pay in the public sector is, of course, a centrally managed negotiating position. The lead Department for negotiating Civil Service pay in this instance is DFP working alongside NIPSA.

National and local media have speculated about how quickly something such as a freeze on public sector pay could deliver savings. One way in which to deliver rapid savings in workforce costs is to place a severe limit on pay increases or have no increase at all. Reducing staff numbers does that more effectively in the medium term. However, there can be up-front costs in seeking to reduce staff numbers quickly. The figures you have quoted are primarily the effect of not filling vacancies in the Department.

Mr Beggs:

Does the figure of £2.4 million for the equal pay claim represent the ongoing additional running costs as a result of the equal pay pressure or a one-off payment?

Mr O'Reilly:

It represents the ongoing running costs.

Mr Beggs:

The increase in salaries as a result of the equal pay claim?

Mr O'Reilly:

Yes.

Mr Beggs:

You indicate that the Department's total resource pressure for 2010-11 is £15.28 million. I see no response to that pressure other than the savings of £9.03 million. What has happened to the additional £6 million? How is the Department balancing its budget? Sorry, I got that wrong — the £9.03 million is the figure for 2009-2010. How are you achieving balance on the pressure of £15.28 million?

Mr O'Reilly:

That is a breakdown of our estimate of the total pressure facing the Department in the next financial year, starting 1 April 2010.

Our approach to managing that is to break down the problem into its component parts. Our biggest single planning pressure is the £7.05 million for the Planning Service. Our approach to that is a twofold strategy of continuing to seek to reduce the Planning Service's operating costs to bring it more into line with the level of planning receipts that we are now getting compared with previously. The Committee will no doubt want to follow up on that in due course.

The second strand is to get assistance from the Executive during the next year to manage the transitional effects of that very sharp reduction in planning fee income. We did not get any assistance this year, but we are hopeful that DFP has recognised that the sharp reduction in planning fee income is an acute problem in the system.

Although the internal DOE resource pressures that have been identified add up to a large amount — £11.38 million — they are, individually, relatively small amounts of money. Our current approach is to allocate those pressures pro rata across the various business areas in the Department at a fairly detailed level. At departmental board level, we now ask each business area to identify how it will seek to live within those reduced requirements.

However, a caveat must be applied. In making those pro rata reductions, we have excluded some areas of the Department's budget. The most important area that we have excluded is the general grant money to be paid to local government, which is £45 million next year. Under current plans that the Minister of the Environment has agreed, that money will not be touched; it will be left where it is. Obviously, that is positive for local government. However, the downside of that is that larger pro rata reductions have to be applied to other areas of the Department to allow us to seek to live within the indicative allocations for next year.

Mr Beggs:

To keep Committee members on the other side of the table happy, I declare an interest as a member of Carrickfergus Borough Council. You indicated that half of your pressure comes from the reduced fee income for the Planning Service. That has dropped since probably July 2007, so you have had reduced fee income for two and a half years. There has also been a reduced workload for two and a half years. Are you telling us that a large number of planners are not being employed fully? Can you see any signs of improvement or is the situation ongoing?

Mr O'Reilly:

I would not say that the staff are not employed fully. However, I take entirely the point that you are making, which is that if we have known that this issue has developed over the past number of years, have we been taking action quickly enough to realign the costs of the Planning Service, particularly in respect of fee income? The answer is that we have sought to take steps, but we acknowledge that a substantial issue still needs to be addressed in the Department. That is what we have been working on over the past couple of months. The scale of the problem is known, and the fact that planning fee receipts do not look as if they will increase rapidly means that we need to continue to consider the issue.

Mr Beggs:

Is there scope for transferring employees to other areas in the Civil Service? That option has to be looked at seriously, because we continue to pay for those employees even though work is not coming in at the same rate. Has that been considered? If we choose not to do something like that, we are choosing to cut other programmes, because there will not be any money available for them. That is what will really happen if we choose to do nothing about this issue.

Mr O'Reilly:

Yes. Of course, Planning Service staff are not just planners; a great deal of administrative support is provided. I hope that it is obvious that we want, as far as possible, to retain the core Planning Service professional staff in the service, because that is what they are there to do and are best occupied doing. We seek to secure savings in other areas, the first of which will be among administrative staff. That also has a benefit, because those types of grades are much easier to move around the system, and to other Departments if necessary.

Mr Beggs:

We are now two and a half years down the line. Have you taken any decision on other administrative staff?

Mr O'Reilly:

No final decisions have yet been taken.

The Deputy Chairperson:

The onset of Planning Policy Statement 14 (PPS 14) in the middle of 2007 may have stopped the growth, but I will not say too much about that. *[Laughter.]* Many of the staff have been transferred to the enforcement division, because the number of enforcement cases has risen.

Before I call Mr Dallat, I want to ask you about balancing your books. We heard from the likes of the Belfast Hills Partnership and the Lough Neagh Advisory Committee, and I know that funding for many such groups has potentially been withdrawn. Obviously, you have to balance the books, but withdrawing funding has a long-term impact, so will you continue to withdraw it from various groups?

Mr O'Reilly:

Members may wish to raise specific cases, but I can comment only generally. We are conscious that the Department of the Environment is responsible for funding a wide range of groups, each of which does very valuable work. When deciding how to allocate any reductions, particularly in the current financial year, our approach, wherever possible, has been to do two things. First, if we have given a funding commitment, we will at least seek to spread the funding over two years. In other words, the body will still get the money, but it may receive it a little later than expected.

Secondly, although members may be able to come up with a few examples for which they think that this is not the case, we have sought, wherever possible, to reduce funding for organisations that do not rely entirely or significantly on that funding stream or organisations that have a variety of funding streams. Given that the Northern Ireland Environment Agency (NIEA) is the primary source of those funding streams, a great deal of work is going on there to manage the situation over the end of this financial year and into the next.

Mr Dallat:

I shall start with the NIEA, which is my pet agency. Are you satisfied that it has the staff numbers to deal with the worst excesses of illegal dumping? I am referring to the Craigmore landfill site, to be honest. It seems that either adequate staff numbers are not available or the procedures are all wrong. Even on the coldest day in December, the local community is stunk out. Has the NIEA requested staff, or have you made cutbacks to its staff numbers?

Mr O'Reilly:

We have not been proactive in making cuts. Our emphasis has been on that at present. We are conscious that elected representatives prioritise particular areas in the Department, and NIEA enforcement activity is one such area in which we have sought at least to maintain staffing levels. Nevertheless, we could always do more if we had more staff, and we recognise that there is scope to improve performance with a relatively small number of additional staff. However, at the same time, enforcement actions continue in the various agencies. Even in recent days, the NIEA environmental protection personnel have been involved in various enforcement activities.

Mr Dallat:

I know that you mean well, Leo, but scope to address the problem is hardly the priority that I was thinking of. Does such a recognition exist, and do you have the money to do it? We shall leave it

at that.

Mr O'Reilly:

The recognition exists, and we will seek to get money to lessen the impact of cuts. We will, however, need to look at other areas in the Department to ensure that functions are covered.

Mr Dallat:

To what extent do you use the unit that can detect rates collection irregularities using IT? There is a famous case in which, some time ago, somebody was detected claiming benefits owing to a sight problem at the same time as she passed her driving test. Similarly, somebody was claiming housing benefit while three or four civil servants, paid from the public purse, were living in the same house. However, I should not be highlighting any particular case. To what extent is your Department using IT to ensure that it gets maximum receipts from rates, empty houses, and so on? A few years ago, bin men were submitting fraudulent claims. Have we moved on a bit?

Mr O'Reilly:

Lead responsibility for collecting rates falls to DFP, for which, fortunately, I do not have to answer directly today. The second point that you made is important. Last year, the Northern Ireland Audit Office (NIAO) introduced an initiative under new legislation that allows public bodies to do data-matching exercises.

Mr Peter Aiken (Department of the Environment):

That initiative compares the databases across government of people who are claiming benefits, and so on. Any duplicate claims are focused on and reviewed to see whether any illegality is involved.

Mr Beggs:

You talked about reducing grants. It would be useful to have a picture of what effect reducing those grants has on the savings programme. It would also be useful to know for which organisations you are planning cuts and how much those cuts will amount to. I know that the budget must be balanced. Nevertheless, you have a reduced workload in parts of your Department and, in not taking decisions, you are getting the easy savings by cutting off outside bodies. I suspect that bodies involved include Conservation Volunteers Northern Ireland and the Belfast Hills Partnership. Those who run Lagan Valley Regional Park will probably also be

affected. Those bodies can assist members of the public who have not been transferred to another Department but are unemployed. As a route back to employment, those people could do some voluntary work. However, if we cut off funding from such voluntary bodies, that route to engaging in a constructive activity would be lost.

Many of those bodies contribute to other aspects of people's well-being by providing a local interest such as walking, which is also good for their health. Reducing grants would impact on a range of activities linked to well-being.

Decisions must be made, but we must be careful when making them. We must not take the easy option, which is to cut off the money to those organisations outside the Civil Service, while it continues to look after itself. I would appreciate an accurate picture of how your outside grants are being cut to achieve your savings.

Mr O'Reilly:

I acknowledge your well-made point. As the position has become clear over the past week or two following the statement from the Minister of Finance and Personnel, we are working through the details of next year's position. We will respond to your request by providing a further paper. I will check with my colleagues to see when that can be made available.

Mr Aiken:

Ultimately, we are talking about the Environment Agency. As a board, we will have to sit down and agree how it will contribute to its reduced budget. I suppose that should take —

Mr O'Reilly:

Given that we need to inform organisations of where they stand from the beginning of next year, I expect that that should be over the next few weeks.

Mr Beggs:

Have there been any discussions with those organisations?

Mr O'Reilly:

Yes, there have, and we have received representations from them in response to those discussions. However, we will provide the information that you requested.

The Deputy Chairperson:

Thank you very much.