Northern Ireland
Assembly

COMMITTEE FOR FINANCE AND PERSONNEL

OFFICIAL REPORT
(Hansard)

Department of Finance and Personnel: Preparations for Budget 2011-15

10 November 2010

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Ms Jennifer McCann (Chairperson)
Mr David McNarry (Deputy Chairperson)
Dr Stephen Farry
Mr Paul Frew
Mr Paul Girvan
Mr Simon Hamilton
Mr Daithí McKay
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:
Mr David Orr)
Ms Deborah McNeilly) Department of Finance and Personnel
Ms Brigitte Worth)

The Chairperson (Ms J McCann):
I welcome David Orr, who is from the corporate services group; Deborah McNeilly, who is the finance director of the corporate services group; and Brigitte Worth, who is from the finance branch of the corporate services group. You are very welcome. Please make a few opening

remarks, after which I will open up the session for questions.

Mr David Orr (Department of Finance and Personnel):
Thank you for inviting us, Chairperson. I have just one main point to make. I hope that the Committee agrees that we have been very transparent and open with it in setting out the wide range of options for reduction. I stress that these are indicative options. They total about 16% reduction by year 4. As we know, the national spending review outcome, when it is translated down to Northern Ireland block level, was for an 8% reduction in year 4. I do not know what the Department of Finance and Personnel's final position will be until the draft Budget is agreed by the Executive, but my point is that we have identified options that are greater than are likely to be required. Therefore, in case the media or press are covering the session, I do not want the options to be reported as actual cuts that we are making. They are a menu of options for reduction that we may or may not have to take. We are willing to take the Committee's advice and view on the prioritisation of any of them. That is the only point that I wanted to make.

Mr McNarry:
Good morning, ladies and gentlemen. David, you really cannot have your cake and eat it, which is what you are asking. You have presented a report to us and are asking whether we agree that it is open and transparent. I accept that it is, and I am grateful for it being so. It is in front of a scrutiny Committee, and our entitlement is to scrutinise it. It would not be anything that we say that may be misrepresented by the media. I do not know whether the media have this document, but I will come to that.

You said that you would not want any of the options to be reported as being actual cuts. Perhaps you will help me with what your Department were briefing about a draft Budget to the media last night. Your Department were using the media very effectively. I nearly crashed the car when I heard Mark Devenport giving his report on the radio that a draft Budget can be agreed by next Tuesday, with a final Budget following in mid-February. You have put before us a very open and transparent paper that gives us no indications whatsoever because there is not one thing that you say will happen. There are a whole lot of options, and I respect them. However, last night, that is not what your officials briefed the BBC about. They said that we would have a draft Budget next Tuesday. If that is the case, David, why do we not have a better paper than this?

Mr Orr:

I am not aware of what briefing was given last night, but I am aware —

Mr McNarry:

Did you hear the report on the news?

Mr Orr:

I did hear the report on the news, but I am aware that the Minister spoke at length about the Budget process during Question Time in the Assembly. I think that he covered many of the points that you have made, including the February date and the process.

Mr McNarry:

He did not cover next Tuesday.

Mr Orr:

I am unsighted in that regard. I do not know the answer to that. Deborah's and my responsibility is to develop a budget for the Department of Finance and Personnel. Central finance group is dealing with the overall Budget process. I am not sighted on its proposals for the rest of the Departments. I do not even know what its proposals are for the Department of Finance and Personnel because, quite rightly, it treats us as another department in relation to our budget allocation. This paper makes the point that until the Executive develop and agree a draft Budget, I will not be in a position to know which, how many, or what proportion of these options will have to be cut.

Mr McNarry:

I accept that, David. I am just making the point. I would have been quite happy with that had I not heard Mark Devenport's report on the BBC. I have now received the transcript of his report. It very clearly indicated to me and the world that was listening that your Department expects to have a draft Budget agreed by next Tuesday. That disarms me. I am at a disadvantage because I suspect that there is another paper about the Budget, which must be in circulation somewhere, that led whoever the officials were to brief — it was not your Minister, it was officials — the

BBC last night. It is always very nice to see you. This may not be a question that you can answer, but, if no one is denying that we will not have a draft Budget by next Tuesday, when will officials be in a position to let the Committee see the draft Budget?

Mr Orr:

I cannot answer that question because it depends on the discussions at the Budget review group and on agreement —

Mr McNarry:

I sometimes think that you are sent here to take a tongue-lashing. It is nothing personal, but someone else should really be here instead of you.

The Chairperson:

I was about to suggest that we invite Richard Pengelly, or whoever is responsible for that, to the Committee to answer those questions.

Mr McNarry:

I would have thought that he, or whoever is responsible, should be here. However, given that you are here — you are very welcome — I have a couple of questions. It is blooming annoying that we go to the trouble of reading all the information when a one-liner on the news from somebody in your Department throws it completely haywire. I am, perhaps, about to delve into a question that you cannot answer. However, the Committee and I were very pleased, because we were pressing for more activity from the performance and efficiency delivery unit (PEDU) to assist people with their efficiencies and, in turn, their budgets. Are you aware of any effect of PEDU activity in the Department of Health, Social Services and Public Safety and in the Department of Education?

Mr Orr:

Again, that is not my area. However, as I understand it, the terms of reference have been put to the Departments and are with the relevant Ministers for agreement.

Mr McNarry:

Given that bodies have to make efficiencies and cuts, we thought that PEDU might help. There is no sign that that help has been utilised yet, and that tells me something. Again, that is perhaps Mr Pengelly's area.

I fully take on board your comments that you must not allow the media or anybody else to consider the proposals to be cuts. However, if I am allowed, and I have your Department's paper in front of me, I think that we are talking about 916 jobs being projected to go over four years. Is that incorrect, Deborah?

Mr Orr:

If we take up all the options, a total of 400 jobs will go by year four.

Mr McNarry:

The figures are 65 jobs next year, an increase to 185 the following year, up to 266 and then to 400.

Ms Deborah McNeilly (Department of Finance and Personnel):

No; the figures are cumulative. By the time we get to year four, the total will be 400.

Mr McNarry:

I hope that there will be a mechanism to create a retrievable situation by year four and that we will not be talking about job losses. However, I see why you have projected those job losses. Am I to take it from that that the budget assumptions for your Department and every other Department, and the draft Budget that we expect to see, will be based on the next four years?

Mr Orr:

That is our understanding and expectation.

Mr McNarry:

Therefore, it is clear that everybody is working to the same blueprint of a four-year expectancy.

Mr Orr:

Yes; that is what we have been asked to work to.

Mc McNarry:

On job losses: are you able to say how the Department will manage that and communicate with staff during a terrible time of uncertainty for them? Here we are only weeks before Christmas and your corrected figures show that 400 people will very shortly lose their jobs. Have staff of all grades in DFP had an opportunity to contribute to the development of the savings plans that we talked about? We have been talking, more or less, about people at a senior level.

Mr Orr:

I am sorry to repeat myself, but it is important that I first make the point that those 400 jobs will be lost only if a 16% reduction is imposed on DFP.

Mr McNarry:

Yes. It is important to make that point.

Mr Orr:

Were DFP to be faced with the same reduction as the block generally, about 200 jobs would be lost. That is important. We may not have to impose the full level of those savings.

My next point is that we have conducted four-year models with our Northern Ireland Statistics and Research Agency (NISRA) statisticians, and we reckon that more than 500 people will leave the Department over that period through retirement and general departures. In their models, the statisticians take account of the tighter employment situation and the fact that people will be less likely to leave their jobs. Therefore, we think that more than 500 people will leave DFP. Of course, there is no guarantee that the people who leave will be in the jobs that may have to go, so there will have to be a reconciliation exercise. We are consulting the trade union side, with whom we have another meeting on Friday.

To answer the question: people right across DFP have been involved in developing those plans because the options were developed by the business areas themselves. I do not guarantee that every person in DFP has had an input.

Mr McNarry:

I have two further points. I hear what you say, and I think that it is plausible and shows a caring attitude. The briefing from your Department states in black and white:

> "Given that some 43% of the department's gross expenditure is on staff costs, it is inevitable that a substantial level of savings will relate to reductions in staffing levels."

Therefore, on the one hand, you say what you have said, which is creditable, but then you say that DFP will actually have to cut staff.

Mr Orr:

I think that we say that we would cut posts and jobs. To be honest, that is inevitable. There will have to be job reductions, but, because of the turnover to which I referred, there is a difference between cutting a post and reducing staff.

Mr McNarry:

Perhaps one day you will be able to tell us how many jobs are going.

Mr Orr:

When the draft Budget is published, we will do all in our power to do so.

Mr McNarry:

That is what we need, because the people whom we are talking about are more than likely to be constituents of ours.

Mr Orr:

Yes, indeed.

Mr McNarry:

We have a duty of care for them. Finally, the Department's briefing paper states:

> “The ‘long list’ of options has not yet been ranked”.

What does that mean? How can you come here with a paper that tells us blah, blah this and blah, blah, blah that, but at the end of which, unless I am wrong, a sentence is included that states:

> “The ‘long list’ of options has not yet been ranked”?

Mr Orr:

Yes.

Mr McNarry:

Can we get a ranking? When can we get it? We do not really know the Department’s priorities or what it is doing.

Mr Orr:

Our briefing paper explains that the ranking has been done in business areas, but it has not yet been ranked at an overall departmental level. We have arranged a board meeting in the next month or so to do that. We are waiting to see how much we are allocated so that we can undertake that ranking and ensure that we get it right in the critical area of where to draw the line.

Mr McNarry:

At this moment in time, can you give us —

Mr Orr:

We have not ranked it at departmental level.

Mr McNarry:

Are you prepared to say, or even to give us a sweetener, about what your preferences might be?

Mr Orr:

Our preferences are to take what the business areas have ranked as low priority. We really do not want to get into some of the things that we marked as very high pain, and I am desperately hoping to avoid doing so.

Mr McNarry:

When we read the Hansard report, I am sure that we will see that all that will have been worthwhile. Nevertheless, thank you for your time.

Mr O'Loan:

Thank you, David, and your colleagues for your presentation and for your informative paper. I endorse the general comment that it is important not to scare the public and staff in your Department. The situation is clearly difficult, but it is important that we do not say that everything on your list will definitely happen because staff and their families are involved, so there is a heavy duty of responsibility on how we discuss those issues. I take it that, even in the worst-case scenario of a 16% reduction in your budget, which ought not to happen, in all probability, you could manage without compulsory redundancies.

Mr Orr:

I very much hope that that will be the case. However, I cannot give a guarantee, because I do not yet know — nobody does — the implications for other Departments. The Civil Service will try to manage it in the round. Therefore, losing a great number of posts in another Department will impact on our Department. Our hope and expectation is that we will not have to have compulsory redundancies.

Mr O'Loan:

DFP is conspicuous, among all the Departments, in having a very large cohort of Senior Civil Service (SCS) staff. Land and Property Services (LPS) is the only place that is addressing that matter. You talked about the ongoing review and the proposed reductions in LPS senior staffing. We are conscious of the pressures in LPS. Surely the huge proportion of Senior Civil Service staff in DFP is one area that should have been mentioned, with direct proposals to engage with the problem.

Mr Orr:

Our proposals cover two ways to reduce the SCS: one is in Land and Property Services and the other is in the Central Procurement Directorate. Details of that are in appendix 2. On the thrust of your question, since 1 March 2009, the start of the last financial year, we reduced the number of senior civil servants in DFP by 10%, and further reductions are to come. DFP's Senior Civil Service is smaller than it was 10 years ago, despite the fact that, during those 10 years, we took on a wide range of functions, including the construction service, rates collection, land registers, the Ordnance Survey and all the new shared services — Account NI, IT Assist, and so on. Indeed, most recently, a couple of SCS posts have been needed to provide a supply team and a legal adviser for the Department of Justice. You are right to say that it is an important issue. I agree with you, and we have been working hard to deal with it and to constrain the numbers of SCS in DFP.

Mr O'Loan:
Further work and analysis is needed in that area. I want to comment on your proposal to end the 10-day payment arrangement for suppliers. The Committee's view is that that is an important commitment, and we would be concerned if it were to be reduced. How will that save £500,000 in each of the four years, and what is the assessment of the effect that that will have on the private sector?

Ms McNeilly:
We have had to employ additional staff in the Account NI shared service organisation to improve our activity to meet and deliver on the 10-day prompt payment commitment. The Account NI shared service was originally set up on the basis that it would meet the legal commitment on prompt payment, which is 30 days or the terms that the supplier has agreed. Therefore, there are additional staff resources, and it costs the Department £500,000 each year to try to meet the 10-day prompt payment commitment.

That commitment is targeted at small and medium-sized enterprises to enable them to improve cash flow. Many of the Department's commitments and payments are to big companies such as BT and Fujitsu, and that gives rise to the issue that, even though we give them the money in 10 days, they do not necessarily pass that on to their small and medium-sized subcontractors. Given those issues on subcontractors, we are not clear whether we are achieving the objectives of the 10-day prompt payment commitment in that way. We are looking at that, but it does cost us £500,000 a year.

Mr O'Loan:

More work and thought may be needed to target measures to benefit the people whom we really want to benefit.

Has there been a participative process in the Department? We talked about the potential for media coverage, the implications of that and the need for responsibility. We do not want people to learn about certain issues from the media. Such media stories are, potentially, produced in a polemical fashion that might make people think that their jobs are even more at risk than they actually are. Therefore, has there been a participative process, or has it been a top-down management approach? What kind of process have you conducted and what kind of consultation will continue with staff so that they are kept on board? The matter has created morale issues across all Departments.

Mr Orr:

The development of the options started in May/June 2010 at a full-day board meeting at which board members put forward options for reductions. Over the summer, those options were refined, and middle management in each business area was involved in that process. The permanent secretary, Deborah and I had bilateral meetings with each grade 3 to refine those options further.

Mr O'Loan is right about the staff. We must strike a balance between not causing anxiety — some of the options may never happen — and, on the other hand, being realistic. At least every other monthly staff brief has covered issues such as the need to develop a savings-related budget, the process that we are going through and the fact that we have a range of options, some of which may be taken up and some of which may not, depending on the final Budget outcome. As I said, we are in touch with our trade union colleagues to share those points in the same way that we share them with the Committee.

Mr O'Loan:

As well as talking to the trade unions, do you have any process for engaging with the staff and asking how they feel about the consultation during this difficult period?

Mr Orr:

I will give an example. My senior managers and I meet groups of staff on a monthly or two-monthly basis, and we have an open forum at which staff from all grades can ask questions. You are right. People ask three questions: will they have a job, will they be redeployed or moved elsewhere, and they will get a pay increase? My practice is to deal with those questions as openly and as honestly as I can. I do not have all the answers, but, by discussing the issues with staff, that type of approach is appreciated.

Mr O'Loan:

I very much endorse that approach.

Dr Farry:

David, you are welcome. I appreciate the fact that your function is to deal with the DFP budget only. To build on David McNarry's comments: it is fairly common knowledge that an Executive subgroup is trying to wrestle with the Budget. There is an Executive meeting on 18 November, and they need some agreement. If the Executive are meeting, we can presuppose that they are discussing written proposals as opposed to sitting around and shooting the breeze without having anything concrete to discuss.

It strikes me that the option of ending the 10-day prompt payment commitment is a beggar-my-neighbour approach, which I find a little disappointing. We are trying to stress collaboration among Departments and, beyond that, the need for the public and private sectors to work together. Such an option comes across as DFP cutting its cloth, with the consequences for Government, the private sector and anyone else being secondary in its considerations.

Mr Orr:

That is a high-pain option, so we understand your issues and those that the Committee has previously raised with me. The payment of invoices within 10 days is a resource-intensive process. It costs £500,000 a year for DFP alone, never mind the other Departments. The standard payment terms for most businesses are 30 days. If you asked small businesses in your constituency whether they get paid by their higher-tier suppliers within 30 days, they would break their arm to get those sorts of reliable payment terms. It costs us £500,000 to achieve an 84% 10-

day prompt payment rate. Is that good value for money? I am happy to take the Committee's view on that.

Dr Farry:

I want to follow up on Deborah's point about the main government suppliers and their payments to subcontractors. When contracts are up for renewal, would DFP consider the introduction of clauses that require payment within at least 30 days? That would avoid a situation in which a subcontractor could be hanging on for 90 days or longer.

Mr Orr:

The 30 days is a statutory requirement and is already written into contracts. The law provides that payment must be made within 30 days unless the two parties — the main contractor and the subcontractor — have agreed otherwise.

Dr Farry:

What is the rationale or methodology for the distinction between low and medium pain, on the one hand, and high and very high pain, on the other?

Mr Orr:

It is not that scientific. We consider a range of factors. On the low-pain side, there are efficiency savings that we have identified and will make in any case. I have spoken to the Committee previously about our process of relocating staff into more space-efficient accommodation. We have already made £1·5 million a year in savings by doing that. If we continue with that process, by year four, we will make an additional £3 million a year in savings. We should do that anyway because it makes good sense.

At the other end of the scale are some very high-pain options. As I mentioned to Declan, we really do not want to contemplate those. Ending the digital inclusion work would not make sense. We would have to do that only if our backs were really against the wall. A high-pain option is to do away with my corporate improvement group, which tries to do continuous improvement work throughout the Department.

Dr Farry:

David, I am sure that you are more than capable of doing that yourself.

Mr Orr:

I am not so sure. However, the high-pain options are those that would impact on front-line services to the public or that require a massive effort to get them in for not much return.

Dr Farry:

It is a little simplistic and disappointing to consider where reductions can be made from the Department's existing baseline. Ultimately, the Department will get a certain amount of money with which to provide a required level of service. Within that, there should be scope for innovation or initiatives, such as starting new projects or programmes. We should not stop that process. Why do I see no evidence of new and different ways to do things that might be part of the mix to compensate for ceasing to do other things?

I have a long-standing concern about Land and Property Services, the 2007 baseline for which was clearly wrong. In almost every monitoring round, LPS sought additional resources. LPS may be viewed as a back office, but it is central to rates collection, which is another issue about which the Committee has voiced concern in the past. We are, again, tinkering at the edges of LPS in trying to make further cutbacks. I see no evidence in the Department's paper of the fundamental issue of the LPS baseline being addressed. I also rather suspect and fear that we will see more bids from LPS in every monitoring round over the next four years.

Mr Orr:

Today's briefing paper deals with the reductions. The previous paper that was presented to the Committee dealt with the bids for the Department and included £5·5 million a year for LPS. I agree with you that that is important. I know that you were at Colby House a couple of weeks ago. LPS is a good organisation that is trying to get better. It has a difficult job, and it needs to be properly resourced.

Dr Farry:

You highlighted the fact that there are separate departmental papers on bids and reductions. Is there not a case to be made for bringing those papers together to say that this is the Department's view on the best way that it can deliver its services in cutback scenarios of 8%, 10%, 14% or 16%? We would then have a consolidated view. Rather than the Department considering reductions and hoping the best for bids, it could come back and say that, within certain overall parameters, this is what we need.

Mr Orr:

I take your points. We had a previous paper on bids. Sooner or later, I will have to bring all those papers together, and I will come to the Committee at that stage, once the way forward is clearer.

On innovation: you made the point that we are talking about reductions right across the board. I assure you that we in the Department try hard to ask ourselves what we can stop doing. That was the focus of the bilateral meetings that the permanent secretary held with each business area. It is more difficult than you might think.

For example, Deborah's division looks after internal audit, business planning, the production of the official accounts and financial management. Which of those four areas can I stop? The answer is none. We have identified and included some areas in the paper, but it is more difficult than might be thought. That is because, over the past three to four years, no allowance was made for inflation, so we have already stopped doing those things that we could. I am keen on innovation, and there are some innovative ideas in the paper that we can talk about if we have the time.

Dr Farry:

I stress again my point about integration. We almost get the sense that the bids are something that the Department hopes to get. I am disappointed that the two elements have still to be integrated. Consequently, rather than telling the Committee that a bid is important and the Department hopes that the Executive will allow it, I would like the Department to spell out internally how it feels that it could pay for a service by shifting things internally to enable it to realise a plan.

Mr McLaughlin:

The savings delivery plan guidance indicates explicitly that measures that simply shift costs and do not represent a true saving will not be considered, yet we hear of a proposal to increase charges for business consultancy commissions and legal services provided to other Departments. How can that be explained as representing new revenue?

Mr Orr:

Business consultancy is the responsibility of one of my divisions, the delivery and innovation division, and its business has increased because Departments are coming to our internal business consultancy rather than to external business consultants, such as PricewaterhouseCoopers and Deloitte. Consequently, we are seeing growth in our business, which is represented by the increase in fees and income. The Departmental Solicitor's Office introduced charges in this financial year, and the increases that you see for the next four years are just the outflow of that.

Mr McLaughlin:

So, it is a saving, rather than new revenue. In other words, Departments would have expended resources on external consultancy otherwise.

Mr Orr:

Yes, and I think that they would have expended more than the have on the very good value services that our business consultancy provides.

Mr McLaughlin:

Do you have a list of other government bodies and agencies that should be encouraged or enticed to use those services?

Mr Orr:

My internal business consultancy —

Mr McLaughlin:

Is this an organic process, or are you, in fact, seeking to bring business in?

Mr Orr:

We market our services across the NICS, and there are excellent examples of good work and co-operation between our business consultancy and the Health Department, the Education Department, and across the board. It is highly regarded.

Mr McLaughlin:

I am trying to figure out whether you answered my question.

Mr Orr:

We do market those services across the NICS.

Mr McLaughlin:

OK, but if government here has an overall efficiency goal, then I am trying to find out whether the process is voluntary, or whether Departments are being presented with targets to realise significant savings in current usage profiles on, for example, external consultancy?

Mr Orr:

I am not aware of any targets for reducing external consultancy across the board, other than the general advice that it should be used only when absolutely necessary. I can speak for my own Department, where the use of external consultancy has been reduced very considerably, from £4·5 million two years ago to £1·1 million last year. This year, the figure will be around £100,000 to £120,000.

Mr McLaughlin:

I want to talk about that, but, first, I will press you on this issue: is DFP not putting an onus on Departments to use in-house, instead of external, consultancy, and is it setting measurable goals?

Mr Orr:

DFP is not doing that, because it is a matter for individual Ministers and Departments. I know that some Departments have said that all external consultancies must be approved by their Minister. DFP has not set any goals.

Mr McLaughlin:

For instance, that particular measure, which I approve of, does not cut across the Executive's collective efforts, through the aegis of DFP, to set thresholds or benchmarks on performance.

Mr Orr:

DFP has issued guidance to the whole Civil Service on the use of external consultants. That guidance does not set a target for how much a Department can or cannot use. However, one of the first points in the guidance states that Departments should have first considered the internal business consultancy service. The second point is that there must be business case. Those are the controls that are in place at the moment.

Mr McLaughlin:

I presume that there was some engagement with other Departments or potential clients about the increased charges and their impact on departmental running costs? What was the general outcome of that discussion?

Mr Orr:

It was discussed by the permanent secretaries group, and it is fair to say that some of the increased charges were not welcomed. In the case of business consultancy, there has been no adverse reaction, mainly because Departments come to us to ask us to do a job of work, and we can do it for a certain amount of money, which they know probably provides comparable value than using outside services.

Mr McLaughlin:

Will you repeat the savings that have resulted from the 75% reduction in 2009-2010 in external consultancy?

Mr Orr:

In 2008-09, external consultancy cost £4·5 million in DFP. In 2009-2010, it cost £1·1 million, and this year to date it has cost £62,000. However, I estimate over the year that it will perhaps cost £100,000 or £120,000. Part of the explanation for those figures is that, as the Committee will remember, we introduced new shared services to the Department, and, therefore, three years ago, there was high spend on external consultancies as we tried to set up contracts and introduce the services. That has diminished as the services have come on stream.

Mr McLaughlin:
Who now undertakes the functions that were previously franchised?

Mr Orr:
In the case of the new shared services, the need for consultancy has largely gone, because that was associated with the build-up and the implementation process. However, in many cases we can now carry out the other consultancy functions in-house through business consultancy services. The first thing that we ask ourselves is whether we really need to use consultants at all and whether we can do the work in-house with our own staff in our own business areas and Departments.

Mr McLaughlin:
Are you saying that the development of the shared services project has, as a consequence, reduced the need for external consultancy, or are you making a virtue of something that happened?

Mr Orr:
No, it is a simpler point. When we were setting up HR Connect, we had to employ a lot of external consultants to advise on the contractual terms and so on that we would settle with the main contractor. Therefore, the very act of establishing the shared services meant that we needed a bit of external consultancy advice. Now that those services have been established, we no longer need that external consultancy because the work is done and the shared services are running in a steady state.

Mr McLaughlin:
This could be important in trying to understand how other Departments are responding. There was a specific need for consultancy, and although there may be an argument about whether there was or not, that was the explanation at the time. When the project was up and running, that need

disappeared. However, that does not set an exemplar for other Departments. Therefore, the 75% headline is perhaps meaningless for some Departments.

Mr Orr:

I agree. DFP may be a special case because of that work.

Mr McLaughlin:

It makes good PR.

Mr Orr:

I am only answering the question.

Mr McLaughlin:

Let me deal with something that may give us a sense of the issue. There was reference in your report to savings in air fares, mileage and hospitality. The media are constantly examining that issue. How much how are we talking about? I notice that you do not give us the benefit of a percentage figure in that statistic.

Mr Orr:

I have the figures here. As regards air fares; in 2008-09, we spent £291,000; last year, we spent £225,000; and, this year, I project that we will spend £120,000. As regards hospitality; the figure for 2008-09 was £209,000; in 2009-2010, it was £91,000; and, this year, my projection for the full year is £50,000.

Mr McLaughlin:

The 2008-09 figure seems a big one. Were external consultants getting fed and watered?

Mr Orr:

We have waged a bit of a war on hospitality, and we have tried to reduce costs as much as we can. It is hard to put a finger on —

Mr McLaughlin:

If you were to offer a systemic explanation for the downward slope, which I welcome, how have you achieved the savings?

Mr Orr:

In August last year, we had to reduce our budgets because of the general pressures on all Departments. At that stage, we, as a board, made a number of decisions. We decided to cut out attendance at external conferences, which are largely in England. We set targets for air fares; we have a target to reduce air travel as part of our sustainable action plan. There was a big focus on that across the Department and it seems to have paid off.

Mr McLaughlin:

Thank you very much. I briefly return to the 10-day payment issue. We have discussed the cost to the Department. Is there, in the economic modelling, an assessment of the effect on the private sector, particularly the contractors who rely on the work and on prompt payment?

Mr Orr:

I am not aware of any modelling. Are you, Deborah?

Ms McNeilly:

I think that it is one of the issues that enterprise shared services is looking at in relation to the 10-day commitment. It has had some meetings with business representatives, but we need to clarify the position.

Mr McLaughlin:

I suspect that you will get a very hostile reaction from the Assembly to the proposition. Perhaps it is included to demonstrate that all options are being considered. Quite clearly, economic planning and projection was involved in developing the proposition in the first instance. There may well have been more associated costs or difficulties. There has been a level of achievement, but I think that people would like to see it improving further. We have uncovered a particular issue, which is that there is nearly constipation in the process of transferring from main contractors to subcontractors. I do not know how that will be addressed, whether it can be part of a contractual obligation going forward, but there may be contracts that are already set.

All savings are important in their own right as part of an eventual composite figure, but they are relatively minor in the scheme of things and the type of budget quantums about which we are talking. The issue that I am raising is that I think that it is incumbent on the Department to be able to demonstrate that the downstream effect on the economy of abandoning the 10-day commitment will not, in fact, cost more.

As regards the economic plan, although, given the Minister's approach, perhaps this is not surprising, the process in which we are involved with the Budget with respect to responding to imposed cuts on the block grant requires us to measure impacts and to begin to bear down on how we can sustain the widest possible range of what are regarded as essential services. Nevertheless, your paper indicates, fairly enough, that there are staff implications to all of that. Indeed, according to the model that was produced, it appears that people at the lower end of the salary scale will be considered. At least, it was presented to us that a £1 million reduction would have staff implications. The point is that the approach must be more about managing the economy than managing cuts.

For instance, the reference to LPS does not take into consideration any proposals to generate revenues that the Executive may consider in order to pay for essential programmes. For example, retrofitting homes as part of the green new deal may have implications for NEETS and be an effective way to get subscription out of not just the social housing sector but the private rented sector. Therefore, proposals to streamline LPS before the Executive have had time to consider how to manage the economy might, in fact, be a retrograde step. I agree with the comments about teething problems, but LPS were asked to do a lot in a very short time, so I have grudging admiration for the way in which it coped with that significant task.

I see no strategic consideration of revenue generating initiatives in proposals to further streamline relatively new structures that are, nonetheless, travelling in the right strategic direction because they take account of, in particular, modern IT technologies. Do you have a comment on that? There is no scope in your plan to accommodate some of your structural and staff proposals, which might cut across the Executive's ability to cope with revenue generating ideas.

Mr Orr:

Our aim is not to cut across any of the Executive's initiatives. LPS is a good example of that, because it has implemented the many rating reforms that it has been asked to introduce. That will continue to be our focus, and, if necessary, we will reprioritise in order to support the Executive's revenue generating initiatives. That would be a high priority for us.

The Chairperson:

Given that another couple of members wish to ask questions and the fact that we are running way behind time, I apologise to the departmental representative who is waiting for the next session. I suggest that we send officials a list of issues concerning the Audit Office, which we can discuss for five or 10 minutes. Is that OK? At the end of the session, members should ask any pressing questions that they might have. If not, we will send them in writing. We are really running behind time, and we have two more evidence sessions to get through.

Mr McQuillan:

I shall be very brief. I thought that the paper was not bad at all. It was a genuine attempt to address a difficult problem that will face the whole of the Civil Service. One thing that caught my eye was car parking charges for staff. You characterised that as "high pain". In order to save £0·5 million, high pain as a result of those charges would be felt across the Civil Service, from junior to senior staff. On the one hand, we will be asking people to take a pay freeze and, on the other, we will be sticking the arm in by asking them to pay for car parking. That will be a difficult one to sell and to justify.

Mr Orr:

Yes. It will be very difficult for staff, but it is something that we need to think about and at least develop as an option, even if it is a high-pain one.

Mr McQuillan:

Is there anything concrete on that yet?

Mr Orr:

Not yet. It is a proposal that has been put forward more to scope the sort of income that would be generated. Sometimes, people think that tens of millions of pounds would be generated, but it is in the order of £500,000.

Mr McQuillan:

It is not a big deal for all the pain that that would cause.

Ms Purvis:

Would that be introduced irrespective of ability to pay? Would it be across all grades, or has consideration been given to charging those in senior grades more?

Mr Orr:

The proposals have not been developed in depth, but I fully expect that it would be progressive so that the higher grades would pay more than junior grades. That would be likely.

Mr Purvis:

On the proposal to reduce the number of leased car parking spaces, what consideration has been given to the need for car parking spaces for essential business for senior civil servants?

Mr Orr:

Those spaces are leased by properties division on behalf of all Departments. They are only for people who need them; for example, essential users, such as valuers, who need to be in their offices and then go out. We have been reducing the number by 10% this year and we hope to get another 10% out of it by 2012-13 by constantly questioning and challenging whether people are essential users and whether we can reduce the number. They should only be for people who need a parking space because they are going out and using their car for business purposes.

Ms Purvis:

Table 1 refers to standing down the pay and grading review team when the project is completed. You said earlier that you differentiated between posts gone and jobs gone. If the pay and grading team is stood down, that means that the posts will be gone but the jobs will not. Will the people be redeployed elsewhere? If so, is that really a saving?

Mr Orr:

There is a particular pay and grading exercise that will come to the end of its life, and there are four people engaged in that exercise. Once the project ends, as would happen anyway, those people will be redeployed. They are very good people, and we will try to keep them in our Department.

Ms Purvis:

Is that really a saving?

Mr Orr:

It is a saving because we are paying for four salaries to do that work at the moment.

Ms Purvis:

Would you not still be paying for four salaries somewhere else in the Department?

Mr Orr:

We hope to find them other jobs in the Department. We said earlier that there will be a number of job reductions and post reductions, but it may well be that natural wastage and turnover will give us a bit of headroom to keep and redeploy those people to some of the jobs that are retained.

Ms Purvis:

I see that the options include ending the digital inclusion programme, ending the 10-day prompt payment of suppliers, reducing survey work and reducing improvement activity. Do all of those savings relate to staff? There are quite a number of them, and I wonder how much you can rely on redeployment if you do not know how much natural wastage there will be.

Mr Orr:

Appendix 2, which is the detailed list, gives the number of posts that would be affected by each measure. In many cases, there is none, but there are some in other cases.

Although I am sure not sure that it is the case, let us say that DFP suffers the same sort of reduction as the block grant in general, namely an 8% reduction by year four. That means that we would be reducing by about 200 posts. Our prediction over that four-year period is that around 500 people will leave the Department. That will give the Committee an idea of the scale. We might try to take out 200 posts, but 500 or so people would leave, and I hope that that will give us some scope to redeploy.

Mr Girvan:
Thank you for your paper, David. What was the rationale behind the decision to front-load a lot of the cuts in the first two years? The presentation seems to suggest that we will take a big hit. Why did you calculate the figure at 16% when we know, realistically, that the figure will be 8%?

Mr Orr:
The 16% came about because of the indicative options that we were asked for by the centre during the summer. Therefore, it arose when we were making our preparations. A lot of that work was done before 20 October when the national spending review was announced. The central finance group asked us to make 16% savings by year four, and that is what we have planned for. I hope that I do not have to take up all of the options.

The savings are fairly evenly spread over the four years, and we can go into that in more detail if the Committee wishes. By and large, we have shown 4% savings in year one, another 4% in years two and three, and they will build up to 16% in year four. They are evenly spread.

Mr Girvan:
That 4% is at a decreasing level because it is front-loaded. It will equate to 4% of a larger budget in the first year and then 4% of a slightly smaller budget in the second year.

Mr Orr:
That is a good point. The percentage reductions that we and central finance group are talking about are based on a comparison with the baseline expenditure in this financial year. Therefore, when we talk about a 16% reduction by year four, we mean a 16% reduction in year four compared with this financial year. It is not a 16% reduction between years three and four. I am

sorry if I did not make that clear.

Mr Girvan:

I appreciate that, to come forward with some of the figures and positions that are listed in the paper — and I appreciate that there are sensitivities around those — some thought has gone into areas of waste. I use that word because I know that there are definitely opportunities to make savings. We do not want to tell people that they will lose their jobs. That is not what we are trying to do. We are trying to make sure that we get the best for our money by ensuring that we achieve maximum efficiency from the existing staff.

In light of that, the Department must have done some negotiation to come forward with this paper. It has not merely sat down and looked at a spreadsheet. Has any discussion taken place with staff on any of these points? I know for a fact that, from looking at this in another forum, people are offered voluntary redundancy. Names are put forward, and management decisions are made on which people an organisation can afford to lose and in what areas cuts can be made. Has that process already been engaged in?

Mr Orr:

We are not in a voluntary redundancy situation.

Mr Girvan:

No, I appreciate that. However, some people might want to take early retirement.

Mr Orr:

We are not in an early retirement situation either otherwise I might not be here. In the context of this Budget exercise and the build-up of the spreadsheets, the discussions have, to be honest, taken place mainly at senior management and middle-management level. However, I recognise that the best allies in a war on waste are the front line staff.

They are the people who see where processes can be improved and money saved. Although DFP’s quality programme is a different exercise, it feeds into that. We are engaging with staff throughout the Department to see where efficiencies can be made, where things might be done differently and where we can innovate in order to make the best use of our money. That is an ongoing project, which is quite structured and will feed through into next year.

Mr Girvan:
I am always fearful when only senior management is involved in a process, because it tends to protect itself and forget about others.

Mr Orr:
It is the people on the front line who are important.

The Chairperson:
Thank you very much, David, Deborah and Brigitte. I am sorry, particularly to Colm, for your having to wait. We will send additional questions to you.

Mr Orr:
That is fine.