



Northern Ireland
Assembly

**COMMITTEE
FOR THE OFFICE OF THE
FIRST MINISTER AND DEPUTY
FIRST MINISTER**

**OFFICIAL REPORT
(Hansard)**

Departmental Saving Plans

9 February 2011

NORTHERN IRELAND ASSEMBLY

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DEPUTY FIRST MINISTER**

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Members present for all or part of the proceedings:

Dr Stephen Farry (Deputy Chairperson)
Mr Allan Bresland
Mr William Humphrey
Mrs Dolores Kelly
Mr Danny Kinahan
Mr George Robinson
Mr Jimmy Spratt

Witness:

Mrs Jackie Kerr) Office of the First Minister and deputy First Minister

The Deputy Chairperson (Dr Farry):

Hello, Jackie. You are very welcome. Hopefully, you are feeling much better.

Mrs Jackie Kerr (Office of the First Minister and deputy First Minister):

Yes, I am. Thank you.

The Deputy Chairperson:

If you would like to make some opening comments, please go ahead. This session will be

reported by Hansard, as usual. After your initial comments, we will have a number of questions for you.

Mrs Kerr:

Thank you. Just to put the savings delivery plans in context, you will be aware that the Office of the First Minister and deputy First Minister (OFMDFM) has been set formal savings targets as part of the Budget process. Those annual targets are £3.8 million, £6.9 million, £10.3 million and £13.8 million. You may have noticed that the savings proposals and the savings delivery plans go beyond those target sums. The reason for that is that the Department must also manage a range of pressures during the Budget period due to unfunded spending requirements. As a result, the Department has developed savings proposals that address not only the formal targets but the shortfall created by the unfunded spending requirements.

Members will also notice that OFMDFM has not received any additional funding allocations in the first year of the Budget period. That is quite significant for the Department. Savings delivery plans have been prepared for each of the measures that are proposed. There is a £1.7 million reduction in the victims and survivors' funding programme. That is reflective of the greater awareness of the needs of victims and survivors as a result of the move towards a needs-led approach for the funding or provision of assistance and support. The victims and survivors' service will also come on line during this Budget period, and savings and efficiencies will be realisable as a result.

There is a £1.9 million reduction in funding for the Strategic Investment Board (SIB). That is reflective of the overall impact of the Budget reductions across Departments and the impact that that will have on the support that SIB provides to Departments in meeting their spending requirements during the Budget period. The Committee will be aware that the Department undertook a major restructuring exercise that concluded towards the end of the last financial year, and we will be able to realise savings quantified at £950,000 per annum as a result.

I believe that the consultation on the play implementation plan actually closed this week. Work on the development of play policy is at the stage where the focus is on providing capacity to the sector. We can realise further savings of £550,000 per annum in that spending area during this Budget period.

As the Committee will be aware, there has been a review of the Civic Forum. It is apparent now that, if the Civic Forum is reconstituted, the body will not have the same operating costs as its previous form, leading to savings of £320,000 per annum.

The wind-up process for the Economic Research Institute of Northern Ireland (ERINI) is nearing its conclusion, and £900,000 per annum is realisable in this Budget period as a result.

There are also proposals for a 3% reduction in the Department's administration and operating costs, over and above the savings realised as a result of last year's restructuring exercise and, correspondingly, a 3% reduction in the administration costs of the Department's arm's-length bodies. A further measure, which has not been quantified at this point because further work is to be undertaken, relates to the rationalisation of the arm's-length bodies, their support functions and back-office services. There will obviously be a lead-in time before any savings can be generated from that measure, so it is assumed that those savings will be realised in the final years of the Budget period, years 3 and 4.

Finally, the Department has undertaken two consultation events: one in Londonderry on 2 February, and the other in Belfast on 7 February. We have also met the chief executives and accounting officers of the arm's-length bodies that the Department sponsors to discuss the Budget proposals and savings measures. There has been consultation with trade union side about the staff savings measures and with staff in the Department generally about what is proposed.

Mr Spratt:

Thanks for your presentation, Jackie. I have two or three questions. First, is there a ready-reckoner figure for the cost of arm's-length bodies? Given that they are cross-cutting across most Departments, it is very difficult to get a handle on just how many of them there are and what sort of spend is involved. Take policing and justice, for instance, where there is a Policing Board that now costs something like £8.5 million a year, a Police Ombudsman's Office and a number of other bodies, such as the Criminal Justice Inspection. Those bodies are substantial spenders, as is the Children's Commissioner and the other new commissioners who will be coming on board. We have been told that there should hopefully be some cost savings through having a more joined-up approach to administration as opposed to having stand-alone bodies operating all their own admin in their own silos. I wondered where we are with that.

There have been discussions with quangos and they are aware that they are being reviewed so, hopefully, a lot of them will disappear into the ether in the not-too-distant future. I am not sure whether you can answer those questions at the minute, but it would be helpful. It is hard to get a handle on what these arm's-length bodies are and what is their overall cost. There must be some sort of helicopter view that the Executive can take to find out exactly where we are. There must be some sort of information about that, and it would be helpful if Committees were more aware.

Is there any redundancy spend in relation to the wind-up of ERINI, apart from the £900,000 that has been mentioned? As far as I am aware, there are some staff involved. Also, regarding the Victims' Commission, we have copies of a letter from Brendan McAllister and Bertha McDougall, which states that:

“The Commission has sought a rationale from the Department as to how the savings of £1.7 million per annum will be achieved.”

It appears that the commissioners are not very clear on that. I wonder whether you had any comments on that particular issue, because you specifically mentioned it.

Mrs Kerr:

As you were speaking, I was flicking through the draft Budget paper to see whether it quantified spending on arm's-length bodies. It provides a figure for an arm's-length bodies budget of approximately £7 billion across all the Departments. The Executive's budget review group is looking at the whole area of arm's-length bodies and spend, so that is being addressed at that level.

Work is already under way in OFMDFM. We met arm's-length bodies last week and discussed quite extensively the potential for realising efficiencies through shared working and shared back-office and support services. The review that OFMDFM is taking forward will look at its own arm's-length bodies. Some of our sponsored bodies already share things such as personnel or accounting services, and there is also some sharing of accommodation. We want to look at the area of accommodation more carefully to consider whether there is potential for bodies to come together. Some have spare capacity in the buildings that they occupy, and some would like to move to more cost-effective locations, so we will consider everything to see the potential to deliver savings.

The overall wind-up cost of ERINI is around £1 million, and that is more than just pure redundancy costs. I can find out whether we have forecast what the specific redundancy element of that would be, so I will come back to the Committee on that, if that is OK.

Your final question on the Victims' Commission raised the issue of the £1.7 million. That saving is from overall victims and survivors' sectoral funding. As I mentioned at the outset, there are a number of developments. The Northern Ireland Memorial Fund and its administration of funding to individual victims and survivors is moving to a needs-led approach. That will also be the approach for the new victims and survivors' service. That obviously increases the level of data and knowledge that we have on the needs of victims and survivors and the financial consequences of those needs, which gives us greater certainty in financial planning.

The victims and survivors' service itself will lead to efficiencies and savings in how support is delivered to victims and survivors. As part of that process, we will be looking at the future of the Northern Ireland Memorial Fund, because its role will be overtaken on a phased basis by the new service. Therefore, the £1.7 million is the figure for what we have tried to achieve in the savings measures overall. That is to be delivered through efficiencies or delivering services in a more effective way. In the savings measures, both we and the Ministers have been very keen to avoid any form of cuts or arbitrary reductions to programmes. We have tried to look at using the knowledge that we have from the current Budget period and the status of various programmes and progression to calculate our requirements in the Budget period and where we could effect savings as a result.

Mr Spratt:

Thank you for the answers that you have given, which have been very clear. I want to ask about the arm's-length bodies. I use the Policing Board as an example for no other reason than it is the arm's-length body that I know best. The problem in the Policing Board applies across arm's-length bodies — it is something that has to be tackled and it is a legacy of direct rule. The Policing Board's structure includes a chief executive officer, a deputy and four directorates. It has 22 or 23 deputy principals, 22 or 23 staff officers, nine administrative assistants and one typist. I would like to hear anyone tell me that that structure would be sustainable in a plc. That is a scandal.

A £7 billion bill for arm's-length bodies is scary, because a lot of that money that could be far

better spent in health, in enterprise, trade and investment and, indeed, in some of the areas that we have to deal with ourselves. There needs to be a very clear look at those bodies. I am using the Policing Board merely as an example, but I suspect that every other arm's-length body has the same type of structure. That is a culture that was allowed to creep in during direct rule, and a blind eye was turned to it by direct rule Ministers.

Mrs Kerr:

The figure for total spend on arm's-length bodies across the Executive obviously includes quite significant spending in health through its bodies.

Mr Spratt:

I understand that.

Mrs Kerr:

As far as the structures are concerned, one of the savings measures being proposed by OFMDFM is the 3% efficiency target in the administration cost of the arm's-length bodies. That is in addition to looking at the rationalisation of the bodies and how they could share services and so on. The arm's-length bodies will be looking at how they can deliver those savings. It is likely that, in doing so, they will look at staffing structures as part of that process.

The objective is to ensure the most efficient delivery of services from those overheads, for both the Department and the arm's-length bodies, whilst minimising or avoiding any impact on the delivery of front line services.

Mrs D Kelly:

I am tempted to say that the Executive have not exactly taken some of the tough decisions on the review of public administration: the 26 local chief executives, and God knows how many directors at local authority level.

We advertised for one victims' commissioner, ended up with four, and we are now down to three. When is the term of office for the victims' commissioners up for renewal? Are there any plans now that we are, hopefully, a more mature political establishment, to opt for one victims' commissioner?

Mrs Kerr:

I do not have the detail on the terms of office. Would it be acceptable for me to come back to the Committee with an answer to those questions?

Mrs D Kelly:

Yes. I think it is next June.

Your assessment of the winding up of ERINI is that it had no negative impacts on the public. I find that hard to believe. What mitigating factors are there with regard to work that ERINI was commissioned to do? Nothing is in place that I can see to cover that work now.

Mrs Kerr:

The assumption is that Departments will commission work if required. Many Departments have their own capacity for economic research. It will be for Departments to determine whether they want to commission further support in that area from within their existing budgets. A number of organisations exist that can also provide the form of independent challenge that ERINI was established to deliver. Therefore, we are satisfied that the role to be performed — what was to be achieved through ERINI's establishment — is still achievable, albeit in a different form. Financing the cost of that will now be for Departments to take forward in a value-for-money context.

The Deputy Chairperson:

I just want to intervene on that point, Jackie. Concern has been expressed at large — not necessarily here, but elsewhere — that there is a qualitative difference in the level of interaction between civil servants in Northern Ireland Departments and the wider academic community on a host of issues, not least financial and economic issues. That is different from what you would see in major capitals such as London, Brussels, Washington and, arguably, Edinburgh. That may occur due to the lack of a formal structure. I appreciate that we are in difficult times and that ERINI needs to be reviewed. However, to follow on from what Dolores has just said, there may well be concern about a lack of structure to that engagement, given that we are starting from a low base with regard to that interaction occurring.

Mrs Kerr:

I am not in a position to comment on that. However, I will take those views back to the

Department as part of the process.

Mrs D Kelly:

That would be useful. However, it would also be helpful if the outline that you have presented to the Committee with regard to how the Department sees that function being fulfilled is given to us by Ministers and is set out clearly.

On victims and survivors, I know that, in the past, other members have expressed views on the victims' service and how to tailor it to the needs of individual victims as opposed to groups. Although I do not want to downplay the valuable work that many organisations do, the vast majority of victims and survivors often fall outside certain groups. Therefore, I must express my disappointment that the needs assessment is delayed further. You talked about value for money. What evaluation or reviews have been commissioned that allow you to say that the Department does not want to make any arbitrary cuts to programmes, yet there may well be some programmes that do not actually deliver for individual victims? Surely, so many years on, we should actually look at whether they are doing a good job and provide a valuable service, as anyone would in evaluation and auditing? That does not seem to be the case.

Mrs Kerr:

The stage that we are at as far as victims and survivors' funding is concerned is that the move to the needs-based approach now focuses very much on the needs of individual victims and survivors, both with regard to award schemes that are in operation at present and how the victims and survivors' service itself will operate. However, as with all savings proposals, including that one, as we move forward in the Budget period, obviously, the assessment of impact is not done at a single particular point in time. If any sort of feedback emerges from the operation that raises concern or there are fundamental changes to programmes as a result of what is proposed here, there are, obviously, processes that we have to go through to assess the impact of that.

Therefore, we are not saying that we are coming to an assessment now and that we will not consider impact as we move along. Obviously, many things will be tested as we implement measures. However, based on our assessment at this point in time, we are satisfied that the measures that we are taking have neutral impact. However, if anything emerges as we enter the next Budget period, the Department will, obviously, respond to that.

Mrs D Kelly:

I have two final points. One is that, obviously, the paper — in fact, its headline — suggests that the Budget is not adding up. With regard to the capital project spend and the dispute between the Executive, OFMDFM, the British Treasury and the Con/Dem coalition on the £18 billion investment strategy, the figures do not add up. There are severe shortcomings in projected capital spend.

The Deputy Chairperson:

That is probably slightly outside our remit, Dolores. It is probably an issue for the central finance group in DFP to address.

Mrs D Kelly:

Surely it is has an impact on the ability of ISNI and the capital projects to meet their targets.

Mrs Kerr:

OFMDFM has quite a significant reduction, £3.8 million, to funding of its capital programmes in year 2. The Department has borne a 30% reduction in capital spend in the current financial year, but the objective and the Ministers' priority is to try maintain momentum across the projects. Based on what has been allocated to OFMDFM, the allocations that are proposed in year 1 are focused largely on existing capital contractual commitments. Years 2, 3 and 4 are focused largely on Maze/Long Kesh and Ilex. The draft Budget refers to the facility for Ministers to seek approval to switch some current expenditure to capital. We are addressing that, and we will take forward some proposals to DFP to switch some funding to resource to Crumlin Road jail, for instance, to increase its overall spending capacity. We have not come to final proposals on that but, once we do, we will bring them back to the Committee for your information. That is being taken forward as part of the draft Budget process.

The Deputy Chairperson:

Is there no intention of trying to shift money from capital to current?

Mrs Kerr:

There is the opportunity to do that, but OFMDFM does not propose to avail itself of that.

The Deputy Chairperson:

That is a relief. I would frown on such an attempt as bad budgeting.

Mrs D Kelly:

Where does the baseline for the Commissioner for Older People feature in the budget proposals?

Mrs Kerr:

The 3% reduction that is being applied to arm's-length bodies is being applied to the budget for the Older People's Advocate. We have yet to develop what the budgetary requirement for the Commissioner for Older People will be. There is funding in our baselines for the Commissioner for Older People. We need to determine what the requirements will be and look at that from the point of view of value for money.

Mr Spratt:

What savings will be realised from the winding up of the Sustainable Development Commission?

Mrs Kerr:

I have the figure in my head that the running costs are in the order of £250,000. Can I come back to the Committee on that?

Mr Spratt:

That would be good.

The Deputy Chairperson:

Jackie, can you explain the rationale for a flat line of 3% savings across the Department and the arm's-length bodies, and whether any consideration was given to varying that? How does that 3% compare with what other Departments are seeking to save in administration costs?

Mrs Kerr:

It is not a flat line saving. It is a cumulative, 3% year-on-year saving. The Department looked at a number of variables starting from 3% upwards, but, because of the cumulative impact, the view was that 3% was the optimal level at which to set it, rather than going beyond that because of the impact that that would have on the organisations.

The Deputy Chairperson:

An argument can be made that some arm's-length bodies or even the Department are operating at varying levels of efficiency and by simply adopting a 3% saving for all, no judgement is being made on the existing efficiency of an organisation or, indeed, on the potential for significant change to take place. There is no creativity around that at all. Everyone is getting 3%, irrespective of what they are starting from.

Mrs Kerr:

The savings being applied to SIB are much greater than 3% because there is also the £1.9 million reduction in its enabling budget. That is one example of where we looked at the operating environment for the organisation moving forward and also its spending history over the current Budget period. A uniform figure of 3% is being applied to all bodies.

The consultation process provides an opportunity for any of the arm's-length bodies to come back to us on the impact. Obviously, we will be working with them through the Budget process on their plans for taking the savings measure forward.

The Deputy Chairperson:

I believe that the consultation process closes next week for the Department's plan, as well as for the overall Budget. How many responses have been received by the Department so far?

Mrs Kerr:

About 10 responses have been received, largely from two different sectors. We have had quite a number of responses from the Northern Ireland Childminding Association, both individual and a formal response. The response has been fairly minimal, but quite often consultation responses tend to come in towards the end of the consultation period.

The Deputy Chairperson:

What assurance can you give that that consultation process will be meaningful? Where is the scope for different thinking, bearing in mind that we are locked into 3% across the board. No doubt you will say that to reduce the burden in one area, you have to increase it elsewhere. Is there scope in the Department to do a proper exercise of assessing those consultations and producing a revised spending plan?

Mrs Kerr:

With regard to the 3% savings being applied to arm's-length bodies, we got them together last week to talk about the overall draft Budget proposals, and the discussions moved into the area of how the individual bodies would deliver those savings and how they could work together in some areas to deliver the savings — for example, phasing, timing, and so on. Each body will develop its own plans and proposals which it will bring back to the Department. They will all have to be looked at, both individually for each body and collectively. Obviously, if one body comes back and says that it can deliver the savings of 12% cumulative by year 4 but that it cannot deliver in year 1 or year 2, we have to assess the overall impact of that on another body that comes back and says that it can go a bit further in earlier years within the context that we have our own savings requirements and pressures to meet and what the impact of that will be.

The Deputy Chairperson:

You mentioned discussion and potential collaboration. When the Department was drawing up its proposals, were you involved in any discussions with any other Northern Ireland Department? For example, was the decision over play policy taken in isolation or did you take on board the views of the Department of Education and what it was doing with its budget to try to see whether there were synergies that could be found within what the Departments were doing. That is only one example, and there may well be others. Was there any attempt at collaboration with other Departments over efficiency savings?

Mrs Kerr:

The individual programme areas with budgetary responsibility are engaged in discussion with their counterparts in other Departments on an ongoing basis. Their assessment of the potential to deliver savings in their programmes is reflective of that level of understanding. The proposals coming forward are in the context of the stage that the Department's responsibilities for the play implementation plan and the play policy have reached at this point and what our requirements will be in the next Budget period. The outworking of the play implementation plan involves a number of other Departments and district councils. The work that the Department has been doing in that policy area to date has been taken into account in coming forward with the proposals.

Mr Kinahan:

You are all happily talking about arm's-length bodies and, as I am quite new to the Committee, I was wondering whether there is a list of all the arm's-length bodies.

The Deputy Chairperson:

You will probably come across most of them in the detailed savings plan.

Mr Spratt:

They are worth £7 billion, Danny.

Mr Kinahan:

That is why I would like to see them.

Mrs Kerr:

That is across the Executive, not just OFMDFM.

The Deputy Chairperson:

If we are all done, I will thank Jackie once again for coming along. No doubt, we will see you again in the very near future. Thank you very much.

Mrs Kerr:

Thank you.