



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

December 2009 Monitoring Round

2 December 2009

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Peter Weir (Deputy Chairperson)
Dr Stephen Farry
Mr Fra McCann
Mr Mitchel McLaughlin
Mr David McNarry
Mr Adrian McQuillan
Mr Ian Paisley Jnr
Ms Dawn Purvis

Witnesses:

Mr Adrian Doherty) Department of Finance and Personnel
Ms Deborah McNeilly)

The Deputy Chairperson (Mr Weir):

I welcome Deborah McNeilly and Adrian Doherty from the Department of Finance and Personnel. Members have received a copy of the December monitoring paper. Deborah, would you like to highlight anything from that paper or are you happy to take questions?

Ms Deborah McNeilly (Department of Finance and Personnel):

I am happy to take questions.

The Deputy Chairperson:

I note that £3.1 million has been reallocated from other business areas to Land and Property Services (LPS). I also note that the total amount available for reallocation is £5.7 million. Is the

£3.1 million part of the £5.7 million or additional to it?

Ms McNeilly:

It is part of it.

The Deputy Chairperson:

Therefore, we know the implications. Finally, I note that there is reference to a bid for £1.5 million for LPS with respect to rates relief. Clearly, that is a monitoring round bid at this stage. What are the implications for LPS if that bid is not met?

Ms McNeilly:

It will be another inescapable pressure for LPS to manage. The £1.5 million that you are referring to relates to the new relief that has been introduced under the Rates (Amendment) Bill that has just gone through the Assembly. There is an obligation to pay that money to councils. We will not be clear on the total amount because it is part of the wider issue of penny product and rating income, but it will be another pressure for LPS.

Ms Purvis:

I have a couple of questions in relation to the bid for £1.5 million. It is linked to a reduced requirement from IT Assist. Is that allowed?

Ms McNeilly:

One can submit linked bids and bids for additional resources, but the centre may not accept that. We have put it to the centre for consideration.

Ms Purvis:

You requested the reclassification of resources at the September monitoring round but were not successful, and you have now reduced the amount that you are seeking to be reclassified. What are the implications if that is not accepted?

Ms McNeilly:

The clear implication is that if we do not get that reclassification we will do our best to try to reduce spend in administration resources. We have taken steps to mitigate and manage that pressure. Ultimately, it could be an overspend of a control total.

Ms Purvis:

An overspend?

Ms McNeilly:

Yes.

Dr Farry:

If memory serves me correctly, the figure sought for LPS in the September monitoring round was about £5 million. We are now talking about £3 million. What is the identified resource need for the LPS at this stage? Does the LPS now need £3 million, or are we still talking about £5 million?

Ms McNeilly:

We have been able to make some internal reallocations to LPS within the guidelines. The £3.1 million represents the amount that we have to put through as a proposed reduction and reallocation because of the quantum. We have been liaising very closely with the LPS. Based on all of the measures that we have taken, the pressure on it has been mitigated.

Dr Farry:

Will that £3.1 million address all of the pressures in the LPS, or will there still be a shortfall in the LPS in the future, which the system will have to address?

Ms McNeilly:

No. We will not face a shortfall in the current year, because that is one of the measures that we have in place.

Dr Farry:

Will there be a bid in the February monitoring round for the LPS?

Ms McNeilly:

No, not based on its current forecasts. If all of the measures go through, including the £1.5 million for the councils, that amount is the full remit of its requirement.

Dr Farry:

I appreciate that the £1.5 million is a short-term measure. I suppose that the Deputy Chairperson and I should declare an interest, given that we will get a fair chunk of it.

The Deputy Chairperson:

I have not asked any questions.

Mr Paisley Jnr:

You did at the start.

Dr Farry:

That is a short-term, one-off measure over one or two years. Is there still a fundamental problem with the baseline of the LPS? The £3.1 million is an in-year figure. When we come back next year, will the LPS have a considerable shortfall in the resources allocated to it?

Ms McNeilly:

Yes. The baseline for the LPS is effectively the baseline that reflects activities prior to the CSR period. It has been doing a lot of work in looking at its baselines and costs, and the sheer number of reforms going forward has had an impact. In relation to arrears action, we have significantly increased the number of court actions, and the costs have gone up.

Dr Farry:

What is the overall budget for the LPS?

Ms McNeilly:

It has a net budget of £16 million, but the gross spend is probably about £36 million.

Dr Farry:

An allocation of £3.1 million for the LPS is like a 20% uplift. That is considerable.

Ms McNeilly:

The £16 million is net of the income that it generates. Its gross spend is about £34 million or £36 million, so the £3.1 million uplift is on the £30 million, but it is still significant.

Dr Farry:

There is still a substantial problem in the system with respect to the LPS. You said that £5.7 million had been identified, £3.1 million of which will go to the LPS. How will the £2.6 million that is left be accounted for?

Ms McNeilly:

Within the de minimis rules, we will be able to allocate the majority of that to the various LPS lines by internal reallocations. We have no more scope under de minimis rules to put any more money into LPS ourselves, which is why we have to seek approval to do that with the £3.1 million.

Dr Farry:

Does the £3.1 million need to be approved by the Executive?

Ms McNeilly:

Yes.

Dr Farry:

Will additional money go to the LPS?

Ms McNeilly:

Yes. It will be part of the £5.7 million balance.

Dr Farry:

Will all of the £2.6 million go back to LPS, or are there other —

Ms McNeilly:

The lion's share of it will go back. We have had to put some funding into central finance group for work that it had to undertake without a baseline being in place. There are other bits and pieces like that, which tend to be for amounts like £100,000 and £200,000. There has been very proactive action in reducing the spend across the Department simply because of the forwards bids and limited flexibility in-year monitoring.

Dr Farry:

Therefore, everything going from the Department to the Executive is revenue neutral. There is no

net surrender or request for additional resources. It is all basically authorisation for reallocations.

Ms McNeilly:

Yes, it is authorisation for reallocations.

Dr Farry:

It is probably not your direct responsibility, but will there be a net amount of money to reallocate in the monitoring round, or will Departments have to surrender further resources to meet ongoing needs?

Ms McNeilly:

I am not sure about that. I have not seen the figures for the other Departments.

Mr McLaughlin:

Your paper states that:

“HR Connect has identified some capital slippage of £1.6m due to delays”.

Will you explain that?

Ms McNeilly:

That is the rolling impact of the slippage. The milestones that they will be content to authorise have fallen into next year with respect to the contract. However, that slippage stems from the initial delays and the rolling impact of those delays.

Mr McLaughlin:

Is that a difficulty with the contractor, and are any sanctions or cost recoveries involved?

Ms McNeilly:

There have been contractual negotiations with the contractor about managing the contract to ensure that the contractor is responsible for services delivered. That is part of ongoing commercial negotiations on the settlement and the way forward.

Mr McLaughlin:

Are those negotiations indicating that the issue is with the contractor?

Ms McNeilly:

I do not know the detail of the commercial negotiations. HR Connect has identified that the capital milestone falls into next year, with respect to delivery of the contract.

Mr McLaughlin:

OK, that is a consequence. Is the contractor responsible for some of the difficulty, with the Department carrying responsibility for the remainder?

Ms McNeilly:

The capital milestone is a specific issue. However, sensitive contractual commercial negotiations have been going on with the contractor, and I cannot comment on those.

Mr McLaughlin:

I am not inviting you to get into that. I just want to know whether the Department is accepting any responsibility for the impact on the delivery of the programme, and the missed milestone.

Ms McNeilly:

That is tied into the wider commercial negotiations, and I am not able to comment.

Mr McLaughlin:

For that reason, I will not push the issue further, although I am not entirely satisfied with the answer. With regard to general economies in the Department, how was the 10%-20% reduction in the travel budget on the 2008-09 expenditure level achieved?

Ms McNeilly:

The spend for the first seven months of this year is 50% of last year's figure. Therefore, we are ahead of our target. There has been pressure on business areas to manage their travel better and look at whether journeys are essential. Approval to travel abroad has been necessary at senior level, which has also cut down on the likes of air travel.

Mr McLaughlin:

That is an area on which the media would concentrate. Have those efficiencies been achieved by cutting out foreign travel, or are we talking about the normal travel expenses of civil servants from home to place of work?

Ms McNeilly:

It is a combination of the two as regards mileage.

Mr McLaughlin:

How significant is foreign travel in that balance?

Ms McNeilly:

Expenditure on foreign travel for the first seven months of this year has dropped significantly from the previous year. The first seven months' spend represents 33% of last year's expenditure. The drop in mileage has not been as significant, so the larger portion of the savings is in foreign travel.

Mr McLaughlin:

Did the Department, when a target of 10%-20% was set, identify likely areas where those savings could be achieved?

Ms McNeilly:

Each business area in the Department was required to adopt that target, manage their mileage and monitor it closely.

Mr McLaughlin:

A laudable menu of options is being pursued. However, I was interested to know how the targets were achieved, what is now happening that did not used to happen, and whether there were significant extravagances in the system. I can see that you are not going to respond to that.

Mr F McCann:

I declare an interest as a member of Belfast City Council. My question may have been partly answered earlier, but if the £1.5 million of rates relief to councils is not realised, will there be a reduction in the amount of money going to councils or will it come out of departmental funds?

Ms McNeilly:

There is a legal commitment to pay that money to the councils. They will have to get it.

The Deputy Chairperson:

Finally, we have the man with nothing to declare with respect to double-jobbing. He is like Oscar Wilde in that he has nothing to declare but his genius.

Mr McNarry:

I want to pick up on one point about the LPS. You said that it was spending more on court cases.

Ms McNeilly:

Yes. Activity in pursuing arrears has gone up significantly, and the cost of lodging a case has risen from £6 to £30.

Mr McNarry:

Is that a double binder? Is the LPS taking more cases to the courts; and have the costs of the court cases gone up too?

Ms McNeilly:

The fees charged have risen and the volume of cases has gone up. The number of people being taken to court, according to figures from the LPS, was 50,000. For each of those, there would be a £30 charge to lodge the case.

Mr McNarry:

Are there 50,000 court cases?

Ms McNeilly:

Yes.

Mr McNarry:

The figure that we were given a few weeks ago was 23,000.

Ms McNeilly:

The number of summonses has increased to 50,000 a year according to the LPS figures.

Mr McNarry:

That is very interesting. Has anybody looked at the cost of recovery of non-payments through the courts? Is it justified?

Ms McNeilly:

According to the LPS statistics, the estimated legal costs are £1.7 million.

Mr McNarry:

There are £1.7 million in legal costs for 50,000 cases?

Ms McNeilly:

Yes. The other issue is that they have benchmarked against other agencies who take recovery action, and that benchmarking has been favourable.

The Deputy Chairperson:

Deborah, just to make sure that we do not get the wrong impression; if there are 50,000 summonses going out, presumably not all of those will result in a court case? For some people, it may be the shot across the bow that makes them pay up. The figure of £1.7 million, if it were for court cases, would be an extraordinary rate of return.

Ms McNeilly:

That is right. It is the first shot; the first letter.

The Deputy Chairperson:

Might that explain some of the disparity between the figure of 23,000 court cases and 50,000 summonses?

Mr McNarry:

I am glad that you pointed that out, Chairperson. Approximately 50,000 people are not paying and are being pursued for arrears. Less than half of those cases then turn into court appearances. We have lost 27,000 people along the line. I hope that that is because they did not need to go to

court. If that is the case, it makes one wonder how the LPS got 27,000 people so wrong. It might have been challenging them and then summoning them without just reason. That leaves the figure that I have been working on of 23,000.

I am trying to establish whether the pursuit of 23,000 people is cost-effective. We have been told that the LPS will receive money back in approximately 30% of actions. How should we assess the £1.7 million that is required for 50,000 summonses against the actual figure? Does it include the fee for prosecuting?

Ms McNeilly:

I understand that it is the initial £30 fee only. Follow-up action and appearances at court are not included.

Mr McNarry:

Is the LPS represented in court?

Ms McNeilly:

I am not sure of the details.

Mr McNarry:

Are there additional legal fees?

Ms McNeilly:

I am not sure.

Mr McNarry:

Will you find out for me?

Ms McNeilly:

Yes; we will come back to the Committee on that issue.

The Deputy Chairperson:

I assume that many of those cases could be cases of strict liability. Therefore, there is no legal issue to answer. In that sense, it is simply a matter of providing proof rather than arguing the case

in court. Mr McNarry is right about cost-effectiveness. Ultimately, if the courts do not pursue people, will that send a signal that, frankly, they should not even bother paying because they will not be pushed? We must strike a balance in that regard. Given the implications, it would be useful to get more information on that.

Mr McNarry:

The Department is spending more money on court cases. Therefore, it is looking for more money, which, in turn, is eating up money. I am sympathetic to the argument that has been raised by colleagues that not all people deserve to be pursued. I was forgiving in my thinking that the number is minimal. However, if the figure is in the realms of 50,000 summonses and 20,000 cases go to court, that leaves 27,000 people. How many of those 27,000 people may have been wrongly pursued? It is bad management if a high proportion of that 27,000 is being wrongly pursued.

The Deputy Chairperson:

It would be useful to get more information. The other factor is that more people could ultimately end up in court. Moreover, there is sometimes a time lag with such issues. If a large number of summonses are issued and, a couple of months down the line, court cases are pursued, there may be an issue about the sheer volume of cases that a court can deal with or, indeed, the speed of applications.

Mr McNarry:

You are absolutely right. However, 50,000 people are being pursued by a summons. That is incredible.

The Deputy Chairperson:

That may be the situation at some point down the line. Some people may not pay until — for want of a better phrase — their feet are held to the fire. Rather than engage in speculation, and I am as guilty of that as anybody, it would be useful if we could get a breakdown of the figures.

Mr McNarry:

A breakdown of the associated costs would be useful also.

The Deputy Chairperson:

Yes, for example, how many of those 50,000 people have gone to court; how many will go to court, and how many cases have been settled when the person has paid belatedly.

Mr McNarry:

Deborah said that the Department estimates that £1.7 million is needed to cover 50,000 cases. Is there a cycle that shows that £1.7 million is not required because fewer than 50,000 are being pursued or that more than £1.7 million is required because more than 50,000 people are being pursued? What happens when we sift that figure and return to the figure of 23,000 that the Committee was given previously? The Department estimated that to be worth a good return of about £130 million of arrears, of which it thought it would reclaim only 30%. A £1.7 million investment for a £130 million return is good business. A £1.7 million investment for a return of 30% of £130 million is very different. I would like confirmation on the issue.

The Deputy Chairperson:

It would be useful if a short paper were drawn up to explain the details.

Mr McLaughlin:

The Committee had generally approved the ideal of identifying and pursuing defaulters because of the impact on service delivery, particularly for councils. It would be useful to have an evidence session on the matter. The issue is not only about what is recovered but the benefit of people coming back into the system because it will be very difficult for them to drop out again, and ongoing revenue will have been achieved.

The Deputy Chairperson:

I suggest that —

Mr McNarry:

From your legal experience, Peter, how are 50,000 summonses presented?

Mr F McCann:

By post.

The Deputy Chairperson:

Some are delivered by post, and some are served on people.

Mr McNarry:

It would end up with 20,000-odd people going to court. Would they go to the small claims court or another court depending on the size of the indiscretion? Would a solicitor walk in with a box?

The Deputy Chairperson:

I suggest that a paper be drawn up to explain all the facts and figures in more detail. We need clarification on what is a slightly confusing picture. We may need to have an evidence session on the matter after that.

Mr McLaughlin:

We should take an invest-to-save approach on the issue.

The Deputy Chairperson:

I will save the Committee time by not going into the matter in any more detail now. However, we will need to go into it in more detail at some stage, and it would be helpful if the various facts and processes were set out clearly. I thank Deborah and Adrian for their evidence. Deborah was here all morning and, indeed, was almost demoted to the status of an honorary Committee member. I draw this session to a close.