



Northern Ireland
Assembly

**COMMITTEE FOR
FINANCE AND PERSONNEL**

**OFFICIAL REPORT
(Hansard)**

**Performance to Date Against DFP
Business Plan**

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 Colm Doran)
Ms Deborah McNeilly) Department of Finance and Personnel
Mr David Orr)

The Deputy Chairperson (Mr Weir):

We will now take evidence from officials from the Department of Finance and Personnel (DFP) on performance to date against the DFP's business plan. I refer members to the response of 26 November from DFP to Committee queries in connection with this item, the DFP public service agreement (PSA) and business plan status reports, the red, amber and green (RAG) status guidelines, and PSA 21, which relates to enabling efficient government. We are certainly not short of acronyms. One reason why we tried to look at the areas in question is that a Public Accounts Committee report that relates to the agenda items was published last week. For that reason, the suggested issues that we looked at earlier do not refer to the PAC's report, and, from the point of view of protocol, we should avoid duplicating the work of the PAC, because that is

where the focus is.

I remind witnesses and those in the Public Gallery that the session is being recorded and will be published in a Hansard report and that all electronic devices must be switched off. I welcome David Orr, the director of corporate services, Deborah McNeilly, the finance director of the finance division, and Colm Doran, the head of business planning and corporate governance in the finance division. They are all familiar faces to the Committee.

We have a lot of questions to ask. Would you like to say anything by way of an introduction, or are you happy to begin answering questions?

Mr David Orr (Department of Finance and Personnel):

I am happy enough to do that.

Mr McLaughlin:

Good morning. I wish to examine the question of efficiencies and the validity of the efficiencies process. Efficiencies are normally defined as getting more out of the system for less input, or using less input to produce the same outputs. Some of the evidence that we have received has referred to parts of DFP's efficiency plan as merely transferring costs from one part of the public sector to another. The evidence taken by the Committee indicates that increased income from charging is not included in the efficiency programmes, for instance, in either England or Scotland. That clear distinction seems to have been made there.

It would appear that DFP's efficiencies will mainly be achieved by increasing charges and cutting staff and by new methods of accounting treatment. I have a series of queries about that. What definition of efficiencies was to be adhered to in the plan, and, in your view, are the proposals representative of proper efficiencies, as opposed to cost-cutting measures?

Ms Deborah McNeilly (Department of Finance and Personnel):

The Department's efficiency delivery plan was prepared in line with the central guidance that was issued at the time, although that differed somewhat from the guidance that was previously issued for the Gershon review in 2004, which dealt specifically with various strands of efficiencies. When preparing that plan there were concerns about the impact on front line services. The Department's plan was prepared in a way that would minimise the impact on front line services.

In the Department's role of monitoring the way in which it has been delivering on those efficiencies, the business areas have confirmed that there has not been an adverse impact on front line services as a result of the plan.

I accept that some of the efficiency measures outlined in the plan are probably better described as economies, but that is, perhaps, common across quite a few of the Departments, although that is no excuse for the measures being economies. It is about better ways of working —

Mr McLaughlin:

How did we end up facing that particular conundrum? At the political level, people are saying that front line services will be protected, but in fact the approach —

Ms McNeilly:

Front line services have been protected in DFP. Front line services in DFP are in the two key areas of Land and Property Services (LPS), which the Committee will be familiar with, and the General Register Office (GRO). No efficiency savings have been applied to the GRO; efficiency savings of £500,000 applied to LPS during this year. That was really to drive efficiencies in the organisation's corporate services because four agencies were being amalgamated. The agency has confirmed that it has realised £500,000 in efficiency savings by rationalising its processes in its corporate services. When the four agencies came together, LPS reduced the number of central finance and human resources staff down to a core number. In order to meet those efficiencies, it reduced staff numbers by 17 posts. It was one of the few front line areas that were affected.

Mr Orr:

I will give a concrete example —

Mr McLaughlin:

I want to bring the discussion back to the performance and efficiency delivery unit (PEDU) process. Has that process been compromised from the very beginning?

Mr Orr:

I will come back to PEDU in a moment. I want to give an example. Large efficiency gains in the property estate, which is run by DFP for the whole Civil Service, can be achieved by moving staff into modern, open-plan accommodation. We know that if we do that, we can save 25% on floor

space. We had a plan to do that under Workplace 2010, which, of course, came to nothing because of the financial crisis.

We have made some progress; approximately 1,500 civil servants have been moved into that type of accommodation in Causeway Exchange and Lesley Exchange this year and in Clare House in the previous year. However, we have not done as much as we would have liked to do because of the lack of resources. In that scenario and in order to live within our budget, we have to reduce maintenance costs. You are quite right; reducing maintenance does not represent an efficiency. Getting people into reduced floor space is an efficiency — that is our aim. We have to live within the resources and capital that are available to us. I hope that that is a concrete example of what we are trying to do.

Mr McLaughlin:

It is exactly the scenario that I am considering. However, we are looking at the Department's performance against its own PSA targets. No one knows better than you how the system operates. The PSA targets require you to develop the challenge function. There are precepts that continue to run contrary to the objective of delivering a leaner and meaner form of government, while at the same time developing and delivering the type of front line services that we seek. It seems to be compromised. I understand the efficiencies that would be realised by moving staff into open-plan accommodation. However, the responses to current circumstances that we receive from across the spectrum of the Department indicate that it is still working from the old rule book, and, to all intents and purposes, it is hard to see how DFP is challenging that effectively. Workplace 2010 did not go forward, but there are many other fronts.

Mr Orr:

I just wanted to give that as a concrete example. You mentioned PEDU. Would you like me to return to that?

Mr McLaughlin:

Yes. I want you to explain, in that context, how you are able to operate the challenge function in a way that has meaningful outputs.

Mr Orr:

Although PEDU is part of DFP, it operates right across the Northern Ireland Civil Service

(NICS). It operates in support of the Office of the First Minister and deputy First Minister (OFMDFM), which has the lead role on PSA targets generally. For example, when OFMDFM convenes accountability meetings with Ministers to examine PSA areas in which performance has been less than anticipated, OFMDFM will ask PEDU to examine that Department's area and produce a challenge, and that is worked out through ministerial and official-level accountability meetings, which are chaired by the First Minister and the deputy First Minister and sometimes by the head of the Civil Service.

The Executive delivery report outlines performance against PSA targets across the board. PEDU has a role to support and advise OFMDFM in the achievement of targets across the NICS. The third way in which PEDU performs that role is when it undertakes a comprehensive study of a particular area of a Department at the request of the relevant Minister. For example, the Minister of the Environment asked for Planning Service to be examined, and the Minister of Finance and Personnel asked for LPS to be examined.

Mr McLaughlin:

The Committee has already expressed concern that, although PEDU is a good initiative, it does not appear to be as developed as it could be. The talk of light-touch reviews undermines a powerful mechanism for identifying the whole range of issues that affect efficiencies, delivery and output.

PSA 21 3.2 outlines the target to deliver 3% per annum efficiency savings on Departments' budgets. Was that target achieved in 2008-09? Why did it take so long to assess performance in that financial year? The financial year ended in March.

Mr Orr:

Richard Pengelly was due to be here today, but I understand that that meeting has been deferred until the new year. He could give a comprehensive answer. The key assurance that that savings target was met lies in the fact that Departments did not have the 3% to start with. It was removed from their budgets at the start of the Budget period. The central finance group, in conjunction with the Executive, monitors the outturns of departmental budgets annually. It also asks Departments for twice-yearly updates to assess how they are achieving the savings that were taken from their budgets. Other processes operate in parallel, such as Committees' scrutiny of departmental efficiency savings and the quarterly monitoring rounds. The central finance group,

which is led by Richard Pengelly, works to ensure the delivery of efficiency savings in all those areas.

Mr McLaughlin:

PSA 21 3.2 details the Department's role in ensuring that efficiency plans are produced and approved. The Department advised us previously that there are more than 80 separate efficiency plans. Why are there so many efficiency plans? Is DFP ultimately responsible for that? Is it responsible for the fact that there may not be a common understanding of the difference between cost savings and efficiencies?

Mr Orr:

Richard has more expertise in that area, and he is the senior person who is responsible for it. The efficiency plans are developed by Departments rather than by DFP for Departments. There are so many separate plans because Departments have developed that many. Advice and guidance was given to Departments when they were developing their efficiency plans prior to the 2008 Budget process.

Ms McNeilly:

That reflects the Treasury's change in tack between what was required under the 2004 Gershon review and what it fed through in the 2007 comprehensive spending review (CSR) and the 2008-2011 Budget process. The Treasury provided significant guidance about what it expected. The tactics that have been used have changed. The previous round of efficiency savings under the Gershon review included qualitative analysis of strands, such as procurement and shared services, and another key strand was non-cash-releasing savings. Quite a change in the guidance has taken place.

Mr McLaughlin:

That adds to the confusion. It is to be assumed that change is part of the programme and will, ultimately, prove to be beneficial, but the Committee has discovered that even the assessment of performance against PSAs is a subjective process that is without common criteria. Occasionally, the Committee has challenged the conclusions of initial assessments. Can you give an assurance that a much more defined and uniform approach will be taken that will allow us to genuinely address the question of whether efficiencies are being identified or a cost-based approach is being taken?

Mr Orr:

The next opportunity to do that will be when the next Budget is set and the next efficiency plans are developed. I will take away your point about the definition of efficiencies as opposed to economies or other types of savings.

Mr McLaughlin:

On 26 November, the Committee received a response that stated that one Minister had been offered the use of PEDU, should he choose to avail himself of its services. Does that raise some doubt about the assertion that, overall, 3% efficiency savings are on track for achievement? Has a similar offer been made to any other Minister, or have other Departments identified potential difficulties that would impact on the achievement of the overall target?

Mr Orr:

There is a standing offer of the use of PEDU to all Ministers.

Mr McLaughlin:

I am aware of that, but the offer of the use of PEDU to that Minister appears to have been made in response to a problem.

Mr Orr:

It was, and those problems come out of the accountability meetings. PEDU is available to assist Ministers in making efficiency savings in their Departments, and it is ready, willing and able to do that.

Mr McLaughlin:

There may be a case for the Committee to return to consideration of the role of PEDU and the potential role that it could have. I am quite concerned by the fact that individual Departments can interpret existing guidelines and about the way in which that applies to an overall requirement to demonstrate value for money and efficiency.

The Deputy Chairperson:

That is a valid point. Adrian McQuillan also has some issues to raise about PEDU.

Mr McQuillan:

You mentioned the forthcoming accountability meetings. What role does PEDU have in the accountability meetings, and can you talk about them in general?

Mr Orr:

I will tell you what I know about accountability meetings, but they are organised by OFMDFM. I do not mind providing the Committee with my knowledge on that matter, but I am not the expert.

The Deputy Chairperson:

We appreciate that there is a limit to what anyone can say on the issue, but we want to get as much knowledge as we can from DFP's perspective.

Mr Orr:

If you wish to hear what I know about it, I will provide you with that. OFMDFM leads on the accountability meetings, and, primarily, the meetings are chaired by the First Minister and deputy First Minister, but some of them may be chaired by the head of the Civil Service. Their purpose is to examine in greater detail any area of delivery against the targets in the Programme for Government where progress is less than anticipated.

The lead official at the accountability meetings is usually the senior official who is responsible for the PSA. As members will know, each PSA has been allocated a senior official who is responsible for it. On occasions, if the meeting takes place at ministerial level, the relevant departmental Minister and the Minister of Finance and Personnel may attend. The areas that are typically chosen for an accountability meeting depend on the number of the Department's PSA targets that are classed as red or amber. As I understand it, OFMDFM has scheduled five accountability meetings this year so far. Some have taken place, and some have yet to be held.

Mr McQuillan:

Do you know what Departments or what PSAs were involved?

Mr Orr:

A meeting was held with DEL and the Department of Education that related to the STEM subjects — science, technology, engineering and maths. However, I stress that this is an OFMDFM responsibility, and I am doing my best to tell the Committee what I know. I am

conscious that we may be straying into another Department's territory.

Mr McQuillan:

How is PEDU accepted among other Departments? Is it an accepted mechanism that can produce savings, or is it seen as Big Brother looking over the Departments' shoulders?

Mr Orr:

That is a good question. If PEDU is sent into a Department to be critical and to find fault, obviously there may be some resistance to it in that scenario. That is why Richard Pengelly and DFP say that PEDU is there to help Departments, and it wants to be invited in by Departments, so that it can then work much more constructively and have a partnership relationship. I am aware that PEDU was involved with Planning Service and LPS, and that was a collaborative and constructive venture that paid dividends.

Mr McQuillan:

There does not appear to be a big uptake of it, if only two Departments are involved.

Mr Orr:

That is something for the Committee to ask other Departments.

Dr Farry:

I will move away from PEDU and give you a break at long last. I want to move on to the payment of invoices and the 10-day prompt payment pledge that has been made by the Department. What percentage of invoices is now paid in 10 working days?

Ms McNeilly:

According to the six-month performance that has been recorded, 76% of invoices were paid.

Dr Farry:

If I may drill down a little further, one of the things that we hear from the business community is that it is not seeing payment hurtling down to it. The purpose of the 10-day prompt payment pledge was to ensure that cash flow was available for the business sector, particularly in the recession. Many businesses are subcontractors of a main contractor who is paid by DFP or other Departments. What measures can be taken to ensure that prompt payments filter down through

the system?

Mr Orr:

The prompt payment target does not apply to that particular aspect. You are asking how we can make sure that the main contractor pays his subcontractors in good time. The contractual relationship is with the main contractor, and there is no contractual mechanism to deal with subcontractors. However, Des Armstrong and Central Procurement Directorate (CPD) say that the key is supply chain management. We are no longer looking only at the main contractor. We have to have conversations with the main contractor as to how the whole supply chain is being paid and performs; for example, it not only relates to payment of invoices down the line but to health and safety. We are looking at supply chain management with the whole supply chain and not just the main contractor. We do not have contractual redress at the moment for the issue that you mentioned.

Dr Farry:

In its response of 26 November, the Department set out the responsibilities for the processing of invoices. However, it did not provide any detail about the measures that have been taken to improve performance. Will you update the Committee on the measures that the Department is taking to improve performance in that area?

Ms McNeilly:

One key measure is about giving information to the suppliers. The remaining Departments moved to the system in the summer, and the emphasis on Departments and suppliers to send the invoices to Account NI has increased. That message and reminders are on the CPD website, and Departments are reminded about that at monthly meetings. In our Department, we have team briefs, at which we have highlighted the importance of prompt payment.

Furthermore, we have highlighted the importance of processing to staff. When a payment comes onto the workflow, we must process it within the timescales. In my division, staff phone and chase other staff who have not processed the payments within the timescales. The suppliers, the Departments and Account NI are the key aspects. Account NI has been considering its processes and systems to determine whether it can do more to shorten the key processes. Much work is ongoing, and the issue is of high priority at the finance director's monthly Account NI meetings.

Mr F McCann:

The Department's response of 26 November says that the status for R6.2.1, which is about the collection of rates, has been changed to red. Why is that the case, given that the same response states that LPS predicts a 95% collection, which, in line with central guidance, warrants a status of amber/green? Is there doubt that LPS will achieve the predicted 95% collection rate?

Mr Orr:

The LPS target is 98%, which equates to £985 million. At the moment, LPS is predicting a 95% collection, which is slightly more than £960 million. Therefore, it seems likely that the 98% target will not be met. It is now included in our risk register as a red risk.

Mr F McCann:

How much does the 3% equate to?

Mr Orr:

The difference between 98% and 95% is about £40 million. The Committee will acknowledge that 2008-09 has been a difficult financial year for ratepayers, and it has been difficult to chase all the debts. LPS has been working hard on that matter. Moreover, it has made significant arrangements with ratepayers who are having difficulty paying their rates to allow them to spread the payments out, perhaps even into next year. It is a difficult situation, but we do not think that the 98% target will be met.

Mr F McCann:

Will that impact on the money that will go to councils?

Mr Orr:

The amount that will go to councils has been estimated and advised to them as the estimated penny product. To my knowledge, that amount has been set against the lower, more realistic assumption. I will come back to the Committee on that point; it is my not my area.

The Deputy Chairperson:

It is unfair to press you too hard on that issue. It potentially has an impact on the actual penny product and, consequently, on the finalisation of figures.

Mr F McCann:

The target C1.1 has a green rating despite the fact that the survey to assess customer satisfaction has not been completed. What was the customer satisfaction rating for 2008, and what substantial work was undertaken to address issues with the findings of that survey? Why is the Department confident that it will achieve the target of a 75% customer satisfaction rating for 2009?

Mr Orr:

I will give the Committee the figure for 2008 in a moment. We have been looking at implementing a process called customer service excellence. Properties division, which is my area, has been undertaking that initiative. We are looking at all of the relationships that we have with our customers in DFP and the processes and procedures through which we interact with them, identifying areas for improvement and ways in which to achieve such improvements. Promoting the idea of customer service across the wider Department is something that we focus on in our senior managers' forum. The customer satisfaction level in 2008 was 68%.

Ms Purvis:

What is your response to the argument that the reporting system being used is a subjective assessment of performance and lacks substance when it comes to underlying data? I will give a couple of examples. The comment to target R3.6 states that:

“Current indications suggest that the target will be met.”

However, the Committee has no idea what those current indications are. The comment to target R4.1.1 states that:

“Quarterly provisions of competition are provided to HRConnect.”

However, it is not fully clear how that is contributing to the implementation of the resourcing plan.

Mr Colm Doran (Department of Finance and Personnel):

According to target R3.6, the procurement directorate take-up for this year has been 96% so far, according to central procurement directorate.

Ms McNeilly:

The second target you mentioned has green status at the moment because the target date is February 2010. They are saying that they are on track to meet that target.

Ms Purvis:

I understand that, but how can the Committee tell that from the subjective assessment in the commentary as opposed to having specific underlying data that we can analyse?

Mr Orr:

The answer is that it is up to us to give you more information, and we are willing to do that. The Committee asked us for additional information, and we responded on 25 November. Perhaps, we should be putting in more detail, but we are happy to come back to the Committee if members have a specific query about any of this.

Ms Purvis:

I will make a general point. Some of the commentary is subjective assessment, and that makes it difficult for us to assess and measure the Department's performance against targets.

Mr Orr:

Point taken: it is up to us to give you as much as we can in the reply. If we have not done so, or if members are uncertain, by all means come back to us, as the Committee did when it got the end-of-September report. Members asked us a series of questions, and we have come back, and we are happy to do so.

Mr Paisley Jnr:

The Committee previously asked for interim milestones to be included on DFP performance reports. In light of our concerns and the reference to interim milestones in the RAG guidance, why are they not being included in this report? Their inclusion would allow members the opportunity to assess the Department's commentary on each target?

Mr Orr:

I think that interim milestones are something that would be built into a plan, so that if, at the start of the year, one said that LPS, for instance, would have 98% at the end of the year, we would

build into the plan that at the end of the first quarter it should have 50%, and at the end of the second quarter 60%, and so on. That is certainly something that we want to build into our plan for next year on the foot of the Committee's comments. I agree with the Committee's point that the targets have to be smart, measurable and realistic, and we will build that into our plan.

Mr Paisley Jnr:

When will that plan be available?

Mr Orr:

The plan is being developed at the moment and will be available prior to the start of the next financial year: it is the 2010-11 business plan.

The Deputy Chairperson:

Thank you.