



Northern Ireland  
Assembly

Committee for Finance and Personnel

# OFFICIAL REPORT (Hansard)

Preventative Spending and Invest-to-save Measures:  
Department of Finance and Personnel

19 November 2014

# NORTHERN IRELAND ASSEMBLY

## Committee for Finance and Personnel

### Preventative Spending and Invest-to-save Measures: DFP

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**Members present for all or part of the proceedings:**

Mr Daithí McKay (Chairperson)  
Mr Dominic Bradley (Deputy Chairperson)  
Ms Michaela Boyle  
Mr Leslie Cree  
Mr Paul Girvan  
Mr John McCallister  
Mr Adrian McQuillan  
Mr Máirtín Ó Muilleoir  
Mr Peter Weir

**Witnesses:**

Mr Peter Jakobsen                      Department of Finance and Personnel  
Dr Bernie Stuart                        Department of Finance and Personnel

**The Chairperson (Mr McKay):** I welcome Dr Bernie Stuart, head of the public sector reform division, and Peter Jakobsen from the central expenditure division. Was there another witness?

**Dr Bernie Stuart (Department of Finance and Personnel):** No, that was a mistake.

**The Chairperson (Mr McKay):** OK. Do you want to make a brief opening statement? We will then go to questions.

**Dr Stuart:** Thanks for inviting us to talk about preventative spending and early intervention. We have read the research papers — one from 2011 and two from this year — that your Committee provided. They provide a lot of examples of early intervention and preventative initiatives, such as Time to Read and the homeowner flood protection grants and so on. Your papers tell us that, whilst there have been some moves in preventative spending, there is quite a lot more to do. Our Minister is very keen to move in the direction of preventative spending.

It is particularly important in light of the current financial climate that we do so. If we continue to spend on just the existing initiatives, we will never get a chance to move towards preventative spend. For that reason, we are very pleased to see the proposal for a change fund of £30 million for 2015-16. That will allow our ring-fenced budget to be focused on that type of initiative and maybe some thought to be given to that. The idea is that that fund will be used for issues that are innovative and cross-cutting or preventative. It is not a huge amount of money, but it will still allow some thinking to go in that direction.

The public sector reform division was set up about a year ago; we have a number of tools in our toolkit to assist people in reform. We have to be very aware of the financial climate, but reform is not only about budgetary cuts. Preventative spend is one of the things that we are looking at. We are working with a number of Departments, and we are looking at mechanisms that will help us to live within the financial climate and make the necessary changes. We have things in the innovation lab that we have done work on. I will not go into too much detail on it now because you have a session on it next week. It allows us to look at problems in a different way and come out with an outcomes-based solution that preventative spending is very much aligned with.

We are looking at demand management. One of the other issues that we have to look at as well as budgetary constraints is increasing public demand and expectation. We are looking at alternative funding models and partnership working with the voluntary sector and other areas. All those things take a while to develop, but such initiatives will help us to shape the public services of the future. The other emerging technologies will help with that as well. We are looking at all that type of thing.

As you know, the Organisation for Economic Co-operation and Development (OECD) review is about to commence, and it will look at benchmarking Northern Ireland's public services against international comparators. Again, I will not go into more detail on that because you have a session specifically on it next week as well.

We noted in your research paper on preventative spend that you defined early intervention slightly differently. We are looking at definitions as a whole in the change fund, but you define preventative spend as targeting the full population to prevent something from happening and early intervention as targeting people who have the early signs of something. However, I think that what we mean by "preventative spend" is both combined.

Another issue that arose in your research papers was the need to classify expenditure as preventative or otherwise. The Minister's response, if I can expand on it, is that while that is not explicitly done, the 'Northern Ireland Guide to Expenditure Appraisal and Evaluation' asks you to set out the reasons for doing something, so preventative spend should be included as one of the objectives if it is one of the objectives. To go backwards and classify things as preventative spend would be counterproductive, because that would mean that everybody would get into a flurry to try to classify what they are doing as preventative. We think that it is more about stating it as an objective up front.

You also mention the invest-to-save schemes of the past and asked whether they had been monitored and appraised. The Departments that received that money should be observing the guidance and doing post-project appraisals and setting out lessons learned from all projects. You suggested that the criteria should be specifically tailored for the change fund and what we wanted to do, and that is what is planned at the moment. The Minister will consider exactly how to take that forward.

That is a brief summary of where we are. I am happy to answer any questions.

**The Chairperson (Mr McKay):** It is an interesting area. Would it be of benefit to have an overarching definition of preventative spend? Each Department will have a definition that suits it and its objectives as they are now and have been for the past five years, for example. Would that be of benefit?

**Dr Stuart:** There will be something like that in the guidelines, but your research paper has highlighted the difficulty with that. There are lots of definitions, but the most recent paper provided a fairly good definition. It will be a guideline, but, when somebody is applying for the fund or saying that their project needs to meet the criteria, that could include a couple of lines to explain the general direction of what preventative spend is and they could then explain exactly how it is classified as preventative spend. Even in the definition that you have provided, it is still very wide. Preventative spend can refer to something that can prevent something from happening in this budgetary period where you would have payback in the budgetary period, or it could be an intervention taken now that you might not get the benefit of for 10 years. It is quite loose, but I think that there would be benefit in some guidance.

**Mr McQuillan:** I welcome the £30 million set aside for the fund, but, realistically, how much can you do with that amount in the grand scheme of things?

**Dr Stuart:** In the grand scheme of things, £30 million can seem like a small amount of money, but it is quite a large amount of money to spend in one year. There is potential to see how that goes, and the Executive could then consider whether they want to extend that kind of outcomes-based approach. It is a move towards an outcomes-based approach as opposed to an input-based way of funding

projects. Given the timescale for expenditure, it is quite tight to spend something in a year if you know that, when the draft Budget is made into a final Budget in, say, January time, money is allocated then. It is quite an ask to spend something as big as that in a year, so while it is not huge, it could make some difference.

**Mr McQuillan:** Say that, this time next year, we are looking back at it again and considering your outcomes, what do you expect to come here to tell us?

**Dr Stuart:** Each individual project will have to be measured against the objectives that were set. We may know something more next year. If a project is within a one-year timescale, we might be saying — I am only surmising — that one year is not long enough to do it; we might be saying that we got two or three good projects out of it and this type of project is good. It is hard to tell at this stage until we see what comes in.

**The Chairperson (Mr McKay):** What are the criteria and timetable for assessing the effectiveness of the change fund?

**Dr Stuart:** Do you mean for setting the criteria in the first place?

**The Chairperson (Mr McKay):** Yes.

**Dr Stuart:** The three overarching criteria that I mentioned were in the Budget paper. Over the next number of weeks, we will have to get the criteria against which people will apply, because the allocations have to be made in the final Budget. You also asked about the assessment. According to the appraisal guidance, every project has to be assessed and a post-project evaluation done after a certain time following completion, depending on the size of the project. I suppose that it depends on how long a project is. I imagine that most of them will not be finished early in the year if we only get the allocation in January or February. They will probably not be up for appraisal until year-end.

**The Chairperson (Mr McKay):** What evaluation has been done on the invest-to-save initiative?

**Mr Peter Jakobsen (Department of Finance and Personnel):** There have been three invest-to-save schemes over the past four or five years. All the initial projects that bid for those will have been ameliorated at a certain point after they were completed. The time will have depended on the type of project, but it will have been more than two or three years after. The evaluation of the schemes will have happened at project level.

**The Chairperson (Mr McKay):** How did that inform the change fund?

**Mr Jakobsen:** The change fund is a separate thing, as I see it. Bernie explained it. It is more about preventative spending, whereas the invest-to-save fund is not really about preventative spending but about saving money. It is a different type of fund.

**Dr Stuart:** In setting the criteria, we will, of course, be looking at all previous criteria to see how well they match. It is to focus on the three criteria of being innovative, cross-cutting and preventative, and on how we can best measure how a project will meet them. The things that we have learned from previous schemes will inform that, but I do not think that it is directly related.

**The Chairperson (Mr McKay):** In early October, the Committee requested information on the invest-to-save initiative. Have you any idea when that will be available to the Committee?

**Mr Jakobsen:** I hope that it will be with you soon; it is being pulled together as we speak. Hopefully, it will be cleared to get to you very soon.

**The Chairperson (Mr McKay):** How soon?

**Mr Jakobsen:** I cannot say.

**The Chairperson (Mr McKay):** Today is getting very frustrating. Will it be with us before Christmas?

**Mr Jakobsen:** I hope so, yes.

**Mr McCallister:** You are on a good run today, Chair. In the earlier session, we heard that some of the invest to save had been used for, say, redundancies. That was one of the criticisms of it. Are you absolutely certain that the new change fund will go to targeted places, such as early-years education and prevention strategies in health, for example, when you move to it?

**Dr Stuart:** The criteria for the projects are that they should be innovative, cross-cutting and preventative. According to the Budget, the early-exit scheme is to be funded by a different pot of money. After the change fund happens, and a number of people are no longer in the system, the transformation that will be required to make public services work could be the likes of organisational change or some sort of transformation of service. That will be separate from the scheme.

**Mr McCallister:** They will be separate from the change fund.

**Dr Stuart:** Yes. The change fund is for change in the system, not for the exit scheme.

**Mr McCallister:** Will it end up at the front line, affecting changes in people's lives? When you talk about preventative spend I tend to think about upstreaming where you would intervene, and some of the research presentations to the Committee have looked at that. Is that where this will try to target?

**Dr Stuart:** Yes. As I said earlier, it ties in with the outcomes-based approach. Say, for example, that you want an increase in literacy across the population. The interventions can come earlier. So, yes, it is to be targeted at the citizen. Exactly how that works will have to be spelt out, but each project will have to explain what the preventative element is. The fund is also to be used for innovative and cross-cutting matters. For example, it could be used to help a service innovation that will affect citizens; the citizen has to be at the centre of the process. Whatever the money goes to should be aimed in that direction, whether an organisational change, a service delivery change or whatever.

**Mr McCallister:** That is probably the bit that I am keenest to watch to see whether it actually changes lives.

**Mr Girvan:** I sometimes see a lot of these as changing titles. You have preventative spend, invest to save, the change fund and all those issues. They are all trying to do the same thing, which is to save money and ensure that we get good delivery for money. I appreciate that we still have a silo mentality; a cultural change needs to take place. I am thinking of organisations and groups such as the performance and efficiency delivery unit (PEDU). There was a lack of engagement in Departments to embrace that process and save money. I appreciate that it should also be preventative expenditure, but, unfortunately, it is not because we find that Departments have not got rid of any of the staff who would have been doing that function. I have not noted any change. There is some reluctance in those areas to engage in the process.

I will give you an example of what I see as preventative spend, although some people might have a different impression. Will you clarify whether I have this right? It maybe deals with annually managed expenditure (AME) funding as well. Somebody waiting on an operation is receiving benefits because they cannot get to work. As a consequence, they are a burden on AME funding. However, the attitude seems to be, "Because that's not part of our budget, we don't really care". That person is not contributing because they are not working or paying taxes, and their employer might have to let them go. They are not necessarily civil servants; I am on about the wider public. How broad will the process be?

*(The Deputy Chairperson [Mr D Bradley] in the Chair)*

**Dr Stuart:** You raised a number of issues. The old PEDU is in the public sector reform division; it is the economic advisory unit, which is an advisory service. The thrust is very much on Departments working together and —

**Mr Girvan:** I appreciate that the thrust might well be, but the silo mentality still exists. It is alive and well in the Civil Service.

**Dr Stuart:** You are absolutely right. That is one of the reasons why the other criterion in the change fund is cross-cutting. You are right to say that there are many examples of funds where people have tried to take a bit out to address the immediate acute problems. The invest-to-save initiative was probably a more money-focused one; as Peter said, it was to save money. That is why the criteria for

the change fund will be different. It means that we have to have cross-departmental and cross-boundary working as well as the transformation. Whilst the money available in the system as a whole is reducing, we still need to change the way we do things. I hope that projects that meet the criteria that you are talking about, where they encourage people to think about the impact on other Departments and bodies, score highly. That is what is planned. As you said, however, it is very difficult to get something that meets exactly what you want it to do.

**Mr Girvan:** I just wonder how wide the engagement will be in Departments and what the buy-in will be to ensure that we see the big picture. These are maybe buzz things, but I genuinely think that a lot of people are looking at only very small portions of the picture; they do not see the big picture that we are trying to achieve.

**Dr Stuart:** The fund is focused on people working together. If we get some success with it, as Adrian said earlier, it could be a model that is rolled out more widely. It could be used to see what the obstacles are to doing that kind of working. Until we see what kind of projects come forward, it will be hard to tell whether they are as cross-cutting as you would hope. People across all public bodies face financial constraints and increased demand, so they have to do something.

**Mr Girvan:** I agree that they are faced with financial constraint, but I see a certain amount of protectionism going on, which is where I have a difficulty. It does not necessarily mean that the public gets any better service, but there is protectionism going on in a whole network. If they are out to frustrate the process, they can and they do. They may not adopt change, and by not adopting change, or being unwilling to change, they can make this look as if it is not necessarily going to be anything. They will eventually come forward and say: "Unfortunately that did not work. We tried it, but it was not necessarily the right route to go down." Unless we get proper engagement and buy in, it will not happen.

**Dr Stuart:** If all the members of the Executive agree to this fund and agree that the arm's-length bodies in their Departments will participate, at least it should go into the melting pot for consideration at the start.

**Mr Girvan:** I have absolutely no problem with it being in the melting pot, but I think that there is a cultural change that needs to take place. We are great at trying to protect culture in this country, but I think that there should be cultural change in the public sector bodies that —

**Dr Stuart:** I mentioned the innovation lab earlier. One of the issues that we are looking at in that is how we can encourage an innovative culture in the Civil Service. We recognise that problem. Maybe our systems and processes do not make it easy to innovate —

**Mr Girvan:** They definitely do not.

**Dr Stuart:** — and how we can change that. It is one of the interesting areas that we are looking at.

**The Deputy Chairperson (Mr D Bradley):** I notice from the research paper that there are not many studies in Northern Ireland on what, for example, early intervention and invest to save have actually achieved or what the outcomes have been. However, I remember that, in our debates about early-years education, the early years organisation brought an economist from America who had studied the impact of investment in early-years education. Not only did it save money, it also prevented people who were involved in it from becoming involved with the law, the courts and prisons later in life. They were probably the more important outcomes. Have you looked at international research on such initiatives and how they might inform us on how best to implement them?

**Dr Stuart:** We have read your papers on international research and have done some scoping of international reform initiatives across the board. The innovation lab, for example, came out of international research. As part of the OECD review we developed themes to consider; there are three overarching themes with nine sub-themes, one of which is preventative spending. Therefore are asking the OECD to benchmark us internationally against that, and we hope to get some recommendations from that.

We have also done research on the basis of that on the various approaches that we might take to preventative spending; that has helped us to inform our thinking on what the criteria might look like. However, I think that there is much more to do in that field. The Carnegie Roundtable work, which is coming to fruition at the moment, looked at well-being outcomes and various outcome measures. It is

looking along the lines of what the Scottish Government did, and the very issues that you mentioned have been highlighted. A very early intervention and preventative approach has a big impact downstream: a small amount of money spent now saves a lot of money. We are looking at how that can be fed into it.

How do our business case process and our approval process impact on how people think? As Paul said, our system does not encourage us look at the long term because of our short-term budgetary outlook, so we are reviewing how it looks on an international basis. Again, it is not an easy problem to solve because of the system that we have.

**The Deputy Chairperson (Mr D Bradley):** I noticed last week the figures for children awaiting diagnosis for autism, and there were something like 1,800 throughout Northern Ireland. One of the constant themes in respect of autism is early diagnosis and early intervention. It is almost like a mantra, and we keep repeating it, but we do not seem to do it very effectively. Hopefully this initiative will encourage some Departments to do that.

**Mr Ó Muilleoir:** Dr Stuart, thank you. I want to echo what Paul Girvan said about preventative spending. Many of the Ministers would argue that almost all of their spending is preventative. The example that I have, which probably will not get into this fund, is that, standing with families whose homes had floods flooded again on 16 October, the Minister of Environment kindly issued an emergency relief grant of £1,000. However, it would cost a small amount of money to actually fix the problem, which is a drain — a collapsed culvert — behind homes in south Belfast. That would be preventative funding, and it would be focused on the citizen, because it is not easy to raise a family when your home floods with foul water and rainwater every two years.

That said, I want you to take me through the timeline of the £30 million for the change fund. When will it be triggered, and when will people be able to apply? You talked about the criteria being cross-cutting, innovative, creative, interdepartmental and so on. When will that be assessed? I take it that the summer will intervene in some of this. When do you expect moneys to be paid, and when will those moneys be spent?

**Dr Stuart:** The money is for 2015-16. The Budget paper actually specifies that the applications will be before the final Budget is agreed, so it is a very short timescale. I am talking about getting the criteria agreed in the next number of weeks, with a call for bids to be assessed before the final Budget is agreed, with people then knowing that they are getting the money at the time of the final Budget. Expenditure has to take place in a very tight timescale within the year. Therefore, schemes will really need to be able to spend pretty much up front.

**Mr Ó Muilleoir:** Do you see these as schemes or projects? Are these going to be —

**Dr Stuart:** Schemes, projects, initiatives — I am using the word "scheme" in the broad sense. What you have described is a preventative project, and it is citizen-focused. John mentioned earlier that it is important to focus on the citizen, so I think that it is important for people in Departments and in the various bodies to think about the kind of things that they could spend it on now that are innovative, cross-cutting or preventative, because the timescale for return will be very short. I recognise that this is not the panacea for all ills, but it is a start to fund that kind of thinking. As you have all mentioned, it is a cultural change to think about prevention in the longer term, rather than in the short-term budget period.

**Mr Ó Muilleoir:** I share your confidence in the ability of our Departments to bid, to obtain and to spend before 31 March 2016.

**Dr Stuart:** It is a challenge; there is no doubt about that.

**Ms Boyle:** Thank you, Dr Stuart. If you cannot answer this, I understand. There has been a lot of discussion and debate recently here and across the water on the Rotherham case and, indeed, on our own sexual exploitation issues here with regard to vulnerable young people and children. We talk about invest to save to have better long-term outcomes, and you talk about a citizen focus. Coming out of those issues, something that was very much in people's mind was the lack of leadership shown across all the agencies and the people who should have been involved in the protection of children and young people who were sexually exploited. What are the Departments doing collectively to address that here? Are there schemes or programmes included in the innovation labs for those

individuals and families who have been affected? I know that there are a lot of family intervention programmes, but is that specific issue being addressed in invest to save?

**Dr Stuart:** The invest-to-save schemes are now closed. The change fund is just about to start. The way in which the innovation lab works — you will get a fuller presentation next week — is as a facilitation of solving a problem that some Department or public body brings to us. A piece of research is done up front, you get some experts in and you come forward with a number of recommendations. That specific issue about the Rotherham outcomes would need to be brought to the group particularly to look at. Again, we see ourselves as having a toolkit to assist people.

As I mentioned earlier about culture, leadership is one of the issues that has been looked at across the public sector. There are initiatives in leadership for public leaders. I think that that is slightly separate from what you are asking me, but there are initiatives to look at leadership. However, a specific issue such as that has not been brought to our lab at this stage, but there may be work going on that I do not know about.

**The Deputy Chairperson (Mr D Bradley):** There are no further questions. Thank you very much, Dr Stuart and Peter.