



Northern Ireland
Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

June 2020 Monitoring Round:
Department of Finance

17 June 2020

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Dr Steve Aiken (Chairperson)
Mr Paul Frew (Deputy Chairperson)
Mr Pat Catney
Ms Jemma Dolan
Mr Seán Lynch
Mr Maolíosa McHugh
Mr Matthew O'Toole
Mr Jim Wells

Witnesses:

Mr Stewart Barnes	Department of Finance
Ms Janis Marynowski	Department of Finance

The Chairperson (Dr Aiken): Hello, Stewart and Janis. How are you?

Mr Stewart Barnes (Department of Finance): Fine, thank you.

The Chairperson (Dr Aiken): The meeting is being recorded by Hansard. Over to you, Stewart.

Mr Barnes: I will take you through the briefing that we sent through at a high level.

The Chairperson (Dr Aiken): Yes, please.

Mr Barnes: The Department's opening resource baseline is about £169 million. We were looking at how we could manage that. That was a joint process between June monitoring and the reprioritisation exercise, which we explained when I was last here.

The Department looked at the pressures that it had, which we reckoned amount to £39 million. They are set out in the table. The biggest is the rate rebate. That is a consequence of an increasing number of people being on universal credit, where a cash amount is paid to them or there is a reduction in their rates. The number of people on universal credit is going up all the time, so we cannot be specific about the figure. It could be in the range of £14 million to £24 million.

The next pressure is Land and Property Services (LPS) income. Part of that is because of the land registry building being closed and the housing market not operating at the moment. That accounts for about £7 million, with a further £1 million coming from Ordnance Survey and the commercial side not operating. There is also a smaller amount coming from valuation.

We have other smaller pressures. A relief fund for suppliers, almost like a form of furlough, is to keep firms that are carrying out maintenance work going so that they do not go to the wall and will be available to go back to that work after. To be clear, a firm cannot claim furlough and from that fund.

The General Register Office NI (GRONI) is another pressure. Again, that is a consequence of the public office being closed. People can still go in and register births etc, but GRONI's income is made from certificates, which the office is not able to produce at the moment. The estimated loss of income in the first quarter was about £700,000. Looking forward, the total loss could be up to £2.4 million. We are keeping an eye on that.

There are some other, non-COVID-19 pressures, which include keeping IT systems up to date.

The Chairperson (Dr Aiken): Hopefully not from BT.

Mr Barnes: Not all of them.

The Chairperson (Dr Aiken): Maybe they can give us some of the £30 million back.

Mr Barnes: We are working on some of that. We are having discussions.

The Chairperson (Dr Aiken): I apologise for my slightly flippant remark.

Mr Barnes: You are fine. I would fully expect questions to be asked after the headlines in the papers.

There are exit costs from contracts and some other amounts relating to IT in smaller areas.

We therefore have, as I said, about £39 million of pressures. We are looking to meet as many of them as possible, and we have identified total savings of in and around £18 million. A large chunk of that comes from vacancy management. The number of processes to fill vacancies will be slowed, so we have asked people to reprioritise when they bring people in and to relook at processes and ask themselves, "What can we do without? What is important at the moment?".

Another chunk is general and administrative expenditure (GAE), at about £6.1 million. People are not in, so they are not travelling. There are other expenses not being incurred. There is slippage in some programmes because of the current situation, so that adds another chunk to the savings. We also went back to Departments. Total savings come to about £14 million. Given the situation, we have asked other areas to bring forward another £4 million of savings, based on further slippage in programmes. Overall, we have identified about £18 million of savings. The approach agreed with the Minister was, at this stage, to meet the pressures that we can meet with the £18 million but to flag up the amounts for rate rebates and the LPS income. We cannot be definitive about those amounts. We have not bid for them, so we just flagged up the high-level pressures with the centre. Those amounts could go up or down depending on the way in which universal credit and the housing market go. We cannot bid when we do not know what is happening.

That is the resource side. The capital side is a bit more straightforward. We had about £28 million. We started with an opening capital pressure of £2 million, which we thought that we would probably be able to cover through a slight slippage in programmes, as is generally the case in large capital programmes. However, further pressures have been identified, the main one being the purchase of laptops for the Civil Service to try to cope with the current position. The COVID situation has shown that there are areas that we need to cover by enabling more people to work from home should such a situation arise again. The use of laptops has enabled people to work from home and, in many cases, carry on business as usual. That pressure is around £3 million but, on the other side, there has been slippage in smaller projects and programmes such as NOVA and shared services. Overall, it is a net position of some £1.3 million pressure, which, added to the £2 million at the beginning of the year, means that we have about £3.3 million pressure in capital. Again, we have not bid for that because we are looking to absorb it in-year and see how programmes go. If there is any further slippage, we hope to be able to meet that or review it in October monitoring.

That is a quick summary. I am happy to take questions.

Mr Catney: Thanks very much for your presentation. Can you help me with vacancy management? Is that money still in the Department?

Mr Barnes: Yes. In the budget, there is a certain amount of money for staff costs that will include staff whom you intend to bring in at certain times during the year. Those salaries will be funded. Those staff should maybe have started work in April but, of course, did not do so. Some may not start at all this year. However, the money is allocated.

Mr Catney: There is £5.1 million for vacancy management. Will that come back to the centre?

Mr Barnes: No. We are using the £18 million to offset the £39 million of pressures, so we are not bidding for those pressures. We are using that as an internal way of filling those pressures.

Mr Catney: Some £4 million needs to be found. From where will that come?

Mr Barnes: We have gone back out to business areas to ask them to take a further look at vacancies and so on. We have now moved on a bit. Will many more vacancies be filled this year? With general admin and expenses — travel and other day-to-day expenses — there will not be the same level of expenses. We are asking business areas to take a closer look and come back with better estimates.

Mr Catney: I do not know whether you can answer this question. Are pressures mounting on finances for the hardship fund, which is for sole traders? Is that OK?

Mr Barnes: You can ask the question, but I cannot answer it. That is more for the Department for the Economy.

Mr Catney: I understand that, but the Department of Finance will be asked for the money. Has money been requested?

Mr Barnes: I do not know.

The Chairperson (Dr Aiken): Pat, we are talking about that next week.

Mr Catney: OK.

Mr Wells: I am intrigued by what you said about the increase in rate rebate applications. I thought that that was annually managed expenditure (AME) money that came directly from London as social security payments. If someone applies for a rate rebate, do we take the hit locally?

Mr Barnes: Yes.

Mr Wells: It comes out of the block grant.

Mr Barnes: Yes, and it scores on DEL. The money is transferred from the Department for Communities to the Department of Finance.

Mr Wells: You have not yet seen the full implications of the coronavirus increase. There was a dramatic increase in the number of people applying for universal credit, and the knock-on effect is a huge increase in rate rebates.

Mr Barnes: Yes.

Mr Wells: The bills, of course, do not have to be paid until the start of July. Have you any idea of what sort of bill you will be landed with at the end of all this?

Mr Barnes: No. We have an estimate of £14 million to £24 million, but that is based just on the current figures. The number of people claiming universal credit is going up, so we expect that figure to go up as well. There has been an extrapolation for that £14 million to £24 million estimate, but that is the best information that they have at the moment.

Mr Wells: Do you feel that you can cover the worst-case situation for the full financial year?

Mr Barnes: No, we do not have it at the moment, which is why we have flagged it up to the centre. We estimate £14 million to £24 million. The Department cannot possibly cover it if it goes up to £24 million. We are doing our best to cover the other pressures. We had estimated that £16 million would be the cost of rate rebates this year. Now we say that it could go up to £40 million; hence the potential pressure of £24 million.

Mr Wells: Surely, that hit should not be taken by the Department. That should come out of the coronavirus funding that is coming from Westminster.

Mr Barnes: What we are saying — this was part of the whole reprioritisation exercise — is that the Executive are under pressure to fund everything that is required under COVID. That is why the reprioritisation exercise was started.

Mr Frew: Stewart, thank you very much for attending and Janis, too, of course.

We have received three pages, and it just seems to be on the monitoring round. Stewart, at the Committee two weeks ago, you explained that you had to delay because of the work for the June monitoring round and the reprioritisation position. The very next day, I was at the Justice Committee and received 40 pages of financial detail, of which, I think, five were on June monitoring. Why have we received three pages?

Mr Barnes: It is called a "brief". I am not sure that 40 pages is a brief.

Mr Catney: I am glad that it was not 40.

Mr Barnes: It depends on the level of detail that the Committee wishes to receive.

The Chairperson (Dr Aiken): Stewart, thank you for providing a degree of levity. We will make sure that that one is recorded. A civil servant who does not do briefs.

Mr Barnes: We are happy to work with the Committee on the level of detail that you want from us. We also want to keep it so that you can understand and get through it. I thought that we had attempted to do that. If you feel that we are wrong about that, I am happy to take that back to the Department

Mr Frew: I take your point. We will not be unreasonable. My follow-on question is valid and sincere: what is in those three pages that could not have been supplied two weeks ago?

Mr Barnes: We are talking about the estimates and loss of income, and work is still being carried out in those areas. That is why I said last time that June monitoring and the reprioritisation had to go hand in hand. You are right: it is a June monitoring exercise, but with the reprioritisation added to it. That is why we could not do one without the other.

Mr Frew: I just feel underwhelmed by the reprioritisation. I was expecting to see big figures and big things. I was expecting to ask questions about aspects of your budget that were slowing down or being stopped.

You mentioned total savings of £17.7 million. One area is maintenance, with savings of £1.1 million. Many people, when tightening their belt, stop maintenance, but that is usually a false economy. Can you give us more detail on the maintenance procedures that have ceased, are stopping or have slowed down?

Mr Barnes: This has as much to do with the fact that we are now into June, and some maintenance has not been carried out. They are very clear in saying that there is funding to cover the statutory and health and safety elements of maintenance. There is no doubt that we could spend twice as much as the budget that we have on maintenance.

You are right: sometimes, stopping things that are more easily stopped can have more long-term effects, but we will certainly look at that. This was very much an exercise that asked us all to tighten our belt, so we had to look at every aspect. That is why *[Inaudible.]* We would not want to go any further than that because we do not want to start impacting on statutory or health and safety requirements.

Mr Frew: How can you assure the Committee that this is not just a salami slice of savings? Is a strategic prioritisation process under way that looks at the priorities of the Department and says, "Look, we have been doing this for so long that the cost benefits are minimal. Things have moved on, and it has aged. We just need to cease this programme or policy"? Has there been anything like that in the reprioritisation process?

Mr Barnes: All areas were asked to look at what that they could stop in the short term. What you are talking about is a longer-term strategic plan, which is something that the Department needs to do. This was not done in a short time; it was a reasonably quick look at what could be stopped and given up. You are right that the Department should constantly look at what it is stopping. This Department provides services to other Departments. Around 60% of our budget is staff costs, and we have a lot of contract costs. Together, they account for around 90% of our budget. Yes, we can always do better things. A number of IT projects are looking at how we can save money and produce things better, and that may result in more staff reductions. I see that you are smiling at that.

The Chairperson (Dr Aiken): The words "IT" and "cost reduction" do not quite go together in the same sentence when talking about the Northern Ireland Civil Service.

Mr Frew: I could be wrong, but I was expecting to see the £100 million pressure that the Minister referred to. So far this year, the planning puts us in the red. We will have overspent by £100 million. That is mostly down to the decision on the domestic and non-domestic rates holiday. Does rates collection not go through the Department of Finance?

Mr Barnes: No. It does not go through the Department of Finance's budget; it is held outside the Department of Finance. That £213 million does not hit the Department's budget per se. It hits the block costs, if you like, but rates are outside.

The Chairperson (Dr Aiken): Mr Barnes, I am very sorry, but we have a time constraint and some SL1s still to do.

Mr Frew: The last question is about the £8.8 million of LPS income. We will probably have to come back to this due to the media interest. Can you give us a brief answer on how you got this figure and what impact it will have?

Mr Barnes: That is based on looking forward and the income that we would have had for the first quarter. We project that and estimate how the housing market will go, and it looks like there will be a downturn. Some £7 million of that is Land Registry costs, which is very dependent on transactions in the housing market. If that goes down, the income will fall back. As you probably know from the papers, the income is raised through transactions.

The Chairperson (Dr Aiken): I cannot let you go, Stewart, without mentioning the Comptroller and Auditor General's report. We had LPS officials before us, and they did not mention what the problems were. We had the permanent secretary in front of us, and she did not give any details on it. For the Committee to discover at this stage that we have been basically subsidising BT to the tune of £30 million, which I do not think anybody on the Committee will be particularly happy about, raises a question when we look at LPS. The Comptroller and Auditor General's report clearly states that many of the people of Northern Ireland have been overcharged and would be entitled to their money back. That will be another pressure. Maybe, when you go back to the Department, you will get us some detail on that.

Stewart and Janis, thank you very much.