



Northern Ireland
Assembly

Committee for Finance

OFFICIAL REPORT (Hansard)

Departmental Budget 2024-25:
Department of Finance

22 May 2024

NORTHERN IRELAND ASSEMBLY

Committee for Finance

Departmental Budget 2024-25: Department of Finance

22 May 2024

Members present for all or part of the proceedings:

Mr Matthew O'Toole (Chairperson)
Ms Diane Forsythe (Deputy Chairperson)
Dr Steve Aiken
Mr Phillip Brett
Miss Nicola Brogan
Mr Gerry Carroll
Mr Paul Frew
Mr Eóin Tennyson

Witnesses:

Mr Stewart Barnes	Department of Finance
Ms Gillian Blair	Department of Finance

The Chairperson (Mr O'Toole): I welcome Stewart Barnes, director of finance at the Department of Finance, and Gillian Blair, who is in Stewart's finance division team. Thank you very much for coming to see us. I ask you to make a brief opening statement, and we will then ask you some questions.

Mr Stewart Barnes (Department of Finance): First, I apologise for the late briefing. As may have been explained, we are still working through the process. I will briefly take you through the paper.

You will have seen the first page already. When I came here previously, we talked about initial pressures of in and around £25 million and the savings to match those. That was a high-level estimate of where we were at that stage. Many of the savings were also high-level estimates, and we were not sure how deliverable those were. We have had a bit more time to go through it. We now have our allocation. You can see from the table that we got allocations specifically for housing benefit, Integr8 and Nova. Those are being called "earmarked" allocations, meaning that they cannot be used for any other area. That allows us to take forward Integr8 and Nova, but it does not really provide any easement on any other areas across DOF, because the allocations are specifically earmarked for those projects. It gives us the benefit of being able to take them forward, however.

Housing benefit, as I mentioned before, is a budget that used to sit in DFC. DFC used to transfer the money to us during monitoring rounds, which caused some problems in the past financial year because we were short of money from DFC and had to find an extra £3 million from within DOF to subsidise that. We now have the full budget. The £40 million is an estimate of what it will be. If it goes above £40 million, we may have to bid for the extra. That allocation is for housing benefit, and a lot of it depends on the uptake of universal credit, which we are not sure about at the moment. That will be monitored as it goes along.

In essence, we got an, if you like, "unearmarked" allocation of £1.5 million. Outside Nova and Integr8, we have a budget of around £150.1 million. The Minister is keen that we use some of the additional allocation to fund the fiscal framework and the budget sustainability teams to get that work moving forward. As you are aware, it is important work to get done.

The Chairperson (Mr O'Toole): Do you know how many people that takes?

Mr Barnes: That is still being worked out. An equivalent team in Wales, for instance, has about 13 people. That is for only one of the teams there. We hope that it will not be anything to that extent.

We took a slightly more detailed approach and went out to business areas to ask them how they could live within their budgets and what the pressures would be. The outcome of that is in table 4, at the bottom. After taking off the additional allocation, we now assess that to be a total of around £18.7 million. That is a slightly more informed position than we had the last time we came to you.

The Chairperson (Mr O'Toole): The pressures are £7 million lower than you thought they would be, because Integr8 and Nova are being funded.

Mr Barnes: Yes, although that causes problems with the savings; I was coming to that. Savings for Nova and Integr8 were included as part of our savings last year. Now that they are being funded, we will not use them as savings any more. We had to find additional savings to offset the savings that we lost from Nova and Integr8.

We went through a process with the business areas to come up with an amount with which we could meet the pressures across the area. We have come up with a figure of £18.7 million to match those, but that includes anticipated money such as Windsor framework money and, potentially, some transformation money. We also require an overcommitment of about £1 million to enable us to meet the £18.7 million. We are reasonably comfortable with the overcommitment, because, in most Departments, there will always be an element of underspend at the end of the year, no matter what the cuts are. People will always cut back money, and we always have pockets of money across each business area, so we are reasonably comfortable with a small overcommitment of £1 million. That is all predicated on the fact that the Minister still has to go over them in detail and agree to them.

That is my initial presentation. I am happy to take questions.

The Chairperson (Mr O'Toole): Thank you very much, Stewart. You gave us two tables on 10 April: one showed the pressures, and the other contained the measures to address the pressures. The second table included the measures that you were going to take to address the pressures, amongst which were the consistent application of accounting treatment; increased income, which, I presume, is across a range of areas, including Land and Property Services (LPS); and estate rationalisation. Which of those are you still doing? You are not stopping Nova or Integr8. What are you doing?

Mr Barnes: We now have a better idea of the increased income that we will have. Some of that income is internal, and about £1 million of it will be from outside the Northern Ireland block. That is coming from the Department for Work and Pensions (DWP) and some work that is being done there; NICS HR will obviously provide the service. That is the only one that is external. Most of the other stuff, apart from a small element of Ordnance Survey of Northern Ireland (OSNI), will be from increases in charges to services out to other Departments. That is still going ahead. We have been looking at stopping projects. The bulk of that — about £1.2 million — was for services that IT Assist provided for people to work at home. It was for docking stations and various bits of IT equipment, but we have reached the stage at which, I think, most people have that equipment, so there is no requirement. Any further costing for that will be paid for by their own Departments. That is the biggest saving. The rest are smaller areas of reducing and stopping services. We have been looking at them to make sure that, one, they do not impact on the public, and, two, they have a smaller impact across the Departments.

We are maintaining estate rationalisation; that has not changed. We are still looking to save £2 million on that. The application of accounting treatment remains the same. On vacancy management, we are looking to make sure that we fill our priority posts, but, with the number of vacancies sitting at around 361, there is a recognition that not all of them will be filled. The process will not allow them to be filled. We are allowing an element of savings there but making sure that we prioritise the main posts. Some small additional savings are still to be guaranteed, but we have a list. They may be as small as £50k or £25k from each of the business areas. The anticipated additional income is around £1.6 million. As

I mentioned before, some of that is probably to do with the Windsor framework, as we are expecting to get money in from that from last year, and some of it will, potentially, be from the transformational savings.

The Chairperson (Mr O'Toole): OK. That is really helpful, Stewart. Thank you.

I will now open it up for questions. The Deputy Chair, Diane Forsythe, will begin.

Ms Forsythe: Thanks for that. I am going through the tables, and the auditor in me will probably come out now. I will run through the questions that come to my mind. In table 4, you identify the pressures, totalling £18.7 million. Does that include all pay award settlements, including all backdated pay and backdated pensions? Or, are there outstanding pay awards yet to hit the DOF accounts?

Mr Barnes: No, there is nothing to hit DOF. That table includes last year's pay award and the contractual pay award, which will be in people's increments; they are natural and in their contracts. The table also contains a planning assumption of 3%. I emphasise that it is a planning assumption. I think that all Departments are using 3% as a planning assumption. There are no backdated ones that we are aware of.

Ms Forsythe: It is good for the Department of Finance that settlements have been agreed within the Department's remit.

I want to ask about some of the specifics of table 5. You are facing £18.7 million of pressures, and the table sets out how you plan to cover those. By the time the Budget is agreed, we will be at the end of Q1 2024-25. I am wondering about the timeline and specific actions for realising these savings. The increased income: when and how? You say there will be £1 million outside the Northern Ireland block. When can we expect to see that money come in?

Mr Barnes: That particular one has been dated, if you like. It is based on when the DWP staff come in. For the majority of the other amounts, income has already started to come in. We have already put the prices up for other Departments, and that is already coming in. You are right about the other stuff. We have just come from a board meeting where we made sure that business areas are aware that, even though the Minister still has to agree the actual savings, it should be assumed that savings put forward will be taken, so business areas should not start spending those. If there is any change in that, they will be informed.

Ms Forsythe: OK. You do not expect a quarter less of that income to come through.

Mr Barnes: No.

Ms Forsythe: What about "Reducing service/stopping projects"? Specifically, which ones are they? The £4.6 million is quite a lot.

Mr Barnes: It is, but they tend to be a lot of very small projects. As I mentioned, the biggest one is £1.2 million, which is basically stopping provision of IT equipment for people working from home, because we have bottomed that out, to a certain extent. A larger project is going on to modernise the Departmental Solicitor's Office (DSO): that is another half a million. Those are the key ones. Another is the development of a labour market survey. Other ones are coming in at £50 million and £41 million — there is a raft of smaller projects. The bigger ones that were in there initially —

The Chairperson (Mr O'Toole): Do you mean, "£50,000"? You said, "£50 million".

Mr Barnes: I meant "£50,000", sorry; if only. The bigger ones were Nova and Integr8, which we had in there initially but have now removed.

Ms Forsythe: What about the £1.2 million of IT equipment being halted? Is there any risk that the IT equipment will not be up to the standard required to conduct some Civil Service processes?

Mr Barnes: No, because most of it is docking stations, monitors and things. Updating of the actual computers will go on in the normal cycle, which is, I think, a four-to-five-year cycle. People will still have computers updated to make sure that the security aspects and everything are covered.

Ms Forsythe: That is good. The "Consistent application of accounting treatment" will presumably be a one-off. Is that basically tidying up your accounts?

Mr Barnes: Yes. It will be a one-off in the sense that there are some projects that, looking at the accounting, we consider should be treated as capital as opposed to resource, because they form some sort of asset.

Ms Forsythe: Thank you. What is the timeline for estate rationalisation, and what are the steps to realise that £2 million?

Mr Barnes: That process is ongoing, and they are still content that that will be the case.

Ms Forsythe: The HR team in the Department spoke to us about vacancy management. Some quite concerning things were brought up about vacancies in key roles, which you also touched on. You highlight vacancy management as a potential saving, but there is such significant risk with that. Are there any specific areas of the Department where you have huge vacancies and there is actually a risk?

Mr Barnes: A large percentage of the 361 vacancies are professional grades in DOF because of the nature of the services that we advertise. Filling those is a problem because of the salary difference between us and some private-sector companies. There is a natural problem in filling those because of that gap. That does not help us in any way, but there is a pay strategy to address those vacancies. Some of it will drop out naturally, in the sense that we just cannot get the people. For other areas, we, as a DOF board, will have to make sure that we still make money available to fill key posts.

Ms Forsythe: I have a final one. Despite having vacancies in key professional roles in, for example, procurement, which is a particular area that has been flagged to me, you will still have to deliver your function, so I am concerned that you could end up spending a lot of extra money on having to buy in other services to deliver that.

Mr Barnes: The point that I would make about procurement and some other services is that they are self-financing, if you like, so they would not fall into the savings category. If you bring somebody in to deliver a service, they would charge that service out to the other Departments, so that should not have an impact.

Ms Forsythe: Thank you. It is good to see the anticipated overspend and a breakdown of the targets set out in that way. Thanks very much for pulling that together. I know that a lot of Committees have not been afforded the same, so thank you very much.

Miss Brogan: Stewart and Gillian, thank you both. Since the Executive were re-formed and the start of the whole Budget process, we were all aware that this Budget was going to be really challenging for all Departments. The Finance Minister has shown real leadership, given the fact that she has made cuts to her Department, reallocated funds and prioritised certain departmental projects, as other Ministers will have to do. Do you agree with that? What impact will that have on your Department?

Mr Barnes: It is a challenging budget, which comes on the back of cuts to the Department in previous years. DOF tends, probably not incorrectly, to show a leadership role in the sense that it normally takes a bigger cut than others. It is assumed that, just because we provide support services, we are not as important as others, but it has to be noted that the other Departments could not operate if it were not for the services that DOF provides. We — I do not mean this in a bad way — are an easier target in the sense that we are not as public-facing as some of the other Departments.

Miss Brogan: People just are not as aware of it, I suppose.

Mr Barnes: Yes.

Miss Brogan: I have one final question. In paragraph 7, you talk about money being allocated to work on the fiscal framework and the sustainability plan to resource teams there. How important is that? What effect will having those teams properly resourced have?

Mr Barnes: There is quite a tight timeline for delivery. The Minister was in London yesterday to sign the framework agreement. It is vital that the work gets done if we are to stay within the agreement and get the money into Northern Ireland, from which all Departments will benefit. It is essential that both those teams, both in the short term and the longer term, are staffed.

Miss Brogan: Thank you, Stewart.

Mr Tennyson: I want to return to table 5. Stewart, I know that you went through that with the Chair and Diane, so apologies if I missed this, but can you elaborate on the £200,000 against sustainability? What does that refer to?

Mr Barnes: On sustainability, there are a lot of legacy systems in DOF, including Integr8 and some of the Nova systems. We are having to pay a lot of money to keep those systems up to date. We are paying literally millions a year to do that. That is just a small saving against the programme that means that we might be able to slow down part of the sustainability.

Mr Tennyson: My next question is similar to the one that Nicola asked. On resourcing the work on the fiscal framework, I know that, in the Minister's statement this week, she alluded to the fact that the Government are open to reviewing the funding formula if independent bodies suggest that it is more appropriate to set that at a different level. Is there sufficient scope in the budget should there be a need to set up an independent commission or provide funding to an independent organisation to provide those kinds of views and that kind of research?

Mr Barnes: It has not been allowed for at the moment. It would be up to the Minister to decide whether she wanted to make sure that something like that was set up. If she did, we would have to find the resources from somewhere to do that.

Mr Tennyson: OK. That is helpful.

Dr Aiken: Thanks very much indeed, Stewart, for your evidence so far.

I have two questions. The first one has been touched on already. On the fiscal framework and budget sustainability team, you said that you would not need anywhere near 13 people. Obviously, you have done some scoping on that, so can you give us an idea of the size of the team? Will you recruit externally for that team, or will it be done internally in the Civil Service?

The second question is more of a technical one. You said that you are expecting £1.6 million of Windsor framework money. Can you outline where that is coming from and under what auspices?

Mr Barnes: On the first point, I do not have the detail of those teams. I was giving the example that Wales had a team of up to 13 people. They were just looking at those. I am not sure that Northern Ireland will be anywhere near that. That was for one team. I was just trying to give an example of what is happening in other areas. I do not have the full detail. Perhaps Joanne might be able to elaborate on the budget sustainability team when she comes in after this session. Most of that staffing will probably be done internally. I am not saying that you cannot get it from outside, but, to a certain extent, a lot of the knowledge, particularly on the budget side, sits within the Civil Service.

Your second point was on the Windsor framework. Last year, we got in and around £700,000 for the Windsor framework money. That has not arrived in yet. It came in late last year, and it will be expected in late. We anticipate that we will get at least as much as we got last year from that. I am not sure whether you are aware, but there is a transformation pot of money totalling £47 million each year, and part of that will be run through at the same time as June monitoring. We are hopeful that we may get some money out of that pot as well.

Dr Aiken: OK. Thanks.

The Chairperson (Mr O'Toole): Assuming that no other members wish to come in, that draws the evidence session to a conclusion. Thank you very much, Stewart and Gillian, for coming to see us. Obviously, we hope to be kept abreast of any changes to the position in-year, whether that is vis-à-vis monitoring rounds or anything else. Thank you for coming to see us today. That was most useful.