DEPARTMENT OF FINANCE AND PERSONNEL

DEPARTMENTAL FINANCIAL PLANNING – REVIEW OF 2010-11 SPENDING PLANS

Introduction

1. On 17th December 2009 the Executive agreed draft revised spending plans for NI departments for 2010-11. The Minister of Finance and Personnel subsequently made a statement to the Assembly on 12 January 2010 setting out the Executive's proposals, and thus initiating the process of consultation with Assembly Committees. The purpose of this paper is to outline DFP's 2010-11 spending plans position in light of the 'Review of 2010-11 Spending Plans for NI Departments'.

Central Reductions

2. The level of savings to be implemented by the department in response to the Executive's review of 2010-11 spending plans are **£4.1m** (2.4%) current expenditure and **£2.1m** (12.3%) capital investment. The department proposes to find these savings as follows:

Table 1: Current Expenditure Reductions

1	Central Finance Group (CFG): part saving from closing Rating Policy Division.	£0.20m
2	Corporate HR (CHR): Restructuring Corporate HR following full implementation of HR Connect, reduce corporate recruitment budget, general staff and grant reductions.	£0.85m
3	Central Procurement Directorate (CPD): Realisation of income and staffing review.	£0.40m
4	Delivery and Innovation Division (DID) / NI Direct: Efficiencies in Central Print Unit, reduce grant for MSc in innovation, increased income for Business Consultancy (reflects reduction in use of external consultants), general staff reductions.	£0.69m
5	Departmental Solicitors Office (DSO): Staff reductions plus charges for employment litigation and commercial and property work.	£0.39m
6	Property Division: reduction of property maintenance to health and safety levels.	£1.20m

7	NI Statistics and Research Agency (NISRA): reduction in HR survey work, general reduction in staff and admin overheads on outposted staff and reduction in census publicity budget.	£0.30m
8	Miscellaneous	£0.07m
Total		**£4.10m**

Table 2: Capital Investment Reductions

1	Reduce Central Energy Efficiency Fund by offering 50% grant instead of 100%	£1.0m
2	Reduce spending on improvement of NICS office estate	£0.3m
3	Reduce replacement of IT equipment	£0.3m
4	Reduce spending on data systems in Land and Property Services (LPS)	£0.3m
5	Reduce spending on data systems in NISRA	£0.1m
6	Reduce spending on capital equipment in CPD	£0.1m
Total		**£2.1m**

3. In taking forward the saving options set out in Tables 1 and 2 above the department has taken cognisance of the need to minimise the impact on the achievement of the targets set out in the Programme for Government as well as the delivery of public services more generally and in particular front line services. The current expenditure reductions set out above do not impact on the front line services delivered by the General Records Office (GRO) or LPS, whilst the capital reduction put forward for LPS of **£0.3m** is modest, the impact of which will be kept under review as part of the 2010-11 in-year monitoring process.

<u>Internal Departmental Pressures (Current Expenditure)</u>

4. However, in addition to meeting the above central reductions, DFP will have to manage a number of other pressures if it to live within its revised 2010-11 resource allocation.

5. Two significant DFP pressures have been mitigated by the Executive's draft revised spending plans for NI departments, which:

i. provide funding for the NICS Shared Services programme in 2010-11, including Account NI, IT Assist/Network NI and NI Direct, allocating

£6.5m current expenditure, in addition to the **£4.8m** held centrally for this purpose; and

ii noted that the 2011 Census **£4.0m** current expenditure requirement, which represents an inescapable cost, should be afforded priority as part of the 2010-11 in-year monitoring process.

The measures set out at i. and ii. above will greatly assist the department.

6. This leaves 3 further areas of pressure to be managed, as outlined below:

i. Funding for essential property maintenance – up to **£5m.** This pressure is held by DFP on behalf of all NICS departments and funding options are being discussed with the Public Spending Directorate;

ii. Funding for Land and Property Services (LPS) **- £5m**. The current LPS baseline is largely reflective of the agency's pre-Budget 2008-11 operational requirements and does not allow for current service requirements, particularly the additional workload arising from the number of rating reforms (including rating reliefs) introduced post Budget 2008-11. The agency has had to rely on in-year monitoring to secure additional funding of some **£5m** in each of the last 2 years. A key issue is therefore the establishment of a firm funding basis for LPS in future years and the department is in discussion with the Public Spending Directorate on how this can best be achieved.

Whilst additional funding of **£5m** would greatly assist in managing the pressures in the agency this would address less than 50% of the total pressure of **£11.2m** identified. Therefore the agency has plans in place to realise current expenditure savings of up to **£6.2m.** The realisation of savings of this magnitude represents a significant challenge for the agency, requiring the realisation of additional income, and a reduction in staffing levels and general expenditure. However, in identifying the scope for these savings the agency has sought to protect frontline service delivery as far as possible; and

iii. Further miscellaneous pressures across the Department - **£2.6m**. Detailed plans have been prepared and endorsed by the Departmental Board at its meeting in December 2009, and business areas across the department have been asked to take forward the necessary steps to implement these plans in order to meet internal pressures and live within baseline.

Staffing Implications

7. A further exercise is currently ongoing to fully assess the staff implications of both the Executive spending reductions (paragraph 2) and the reductions necessary to meet internal pressures (paragraph 6). Whilst numbers are still to be finalised it is expected that around 90 staff may have to be redeployed. Business areas have already commenced the redeployment exercise and are engaged with the TUS.

Capital

8. During 2009-10 HR Connect will have identified capital slippage of some **£2.8m** due to delays on the part of the contractor in the completion of outstanding deliverables which are associated with specific milestone payments. This funding will be required in 2010-11 to meet contractual commitments and the department will seek to address this as part of the in-year monitoring process.

Further Considerations

9. During 2008/09 and 2009/10 it has been necessary for the department to seek the reclassification of funding from other resource to admin resource. This largely reflects the need to realign budgets following the designation of LPS as a frontline activity and the transfer of funds from departments to support shared services. It is expected that this requirement will continue during 2010/11.

CONTACT

If you have any queries regarding the plans please contact:

Adrian Doherty

Room G2.10
Rathgael House,
Balloo Road
BANGOR BT19 7NA

Tel No: 028 91 858033
Fax No: 028 91 858137
email: Adrian.doherty@dfpni.gov.uk