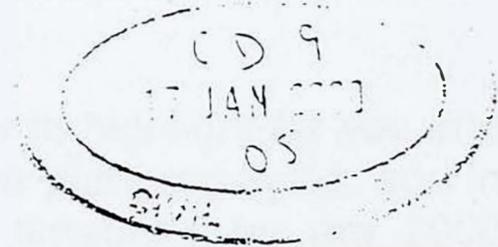


## DEPARTMENT OF FINANCE AND PERSONNEL

*from the Minister*Rathgael House  
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FROM: MARK DURKAN

DATE: 14 JANUARY 2000

TO: FIRST MINISTER  
DEPUTY FIRST MINISTERPROGRAMME OF GOVERNMENT

1. Thank you for your minute of 22 December 1999.
2. I very much share concern to make rapid progress on the production of a Programme of Government. It is essential that we have a coherent statement of our strategic priorities over the life of the Assembly and indeed arguably beyond, both as a reference point for decision-making at all levels across Departments and in support of bids for resources locally and with Treasury.

Proposals

3. The vast bulk of DFP's work, whether in the finance, personnel, procurement or construction areas, is in support of Northern Ireland Departments or in some instances the wider public sector, and it is cross-cutting by nature. The broad area of resources in particular draws in a number of critical cross-cutting topics and themes which need to be addressed collectively rather than separately; but there are several other areas within my Departmental responsibilities which are similarly cross-cutting and which I believe merit inclusion in the Programme of Government.
4. I therefore attach two papers:
  - (a) at Annex A a summary of some of the resource issues which will have relevance for the Programme of Government (some of these would be important for consideration in respect of

Departmental programmes and might form part of a strategic overview in the Programme from the Office of the First Minister and Deputy First Minister and the Department of Finance and Personnel);

- (b) at Annex B a note on some individual Departmental issues which I believe should be considered for inclusion in the Programme of Government.

### Resource Planning Timetable

5. I also thought I should take the opportunity to highlight for you and colleagues the implications of the resource planning cycle, and in particular its interaction with Treasury's timetable for the 2000 Spending Review, for our work on the Programme of Government. A note is attached at Annex C.
6. The 2000 Spending Review will set public spending ceilings for the period to 2003/04. As I explained at the Executive Committee meeting, it is important that, if we wish to make any sort of case for resources over and above the Barnett formula for the period 2001/02 to 2003/04, we need a coherent strategic rationale as a basis for any bid. Emerging conclusions on our Programme of Government would clearly be the best possible basis for such an approach. The Treasury's timetable involves the main phase of negotiation in the period March to May for Whitehall Departments: the Barnett consequentials will be known in July.
7. We should not underestimate the difficulties of overcoming the Treasury's very strong conviction and policy that the Barnett formula should be the main determinant of resources for the devolved administrations. This is compounded by the reality that many MPs from English regions (notably North East England), as well as some senior members of the Cabinet, feel strongly that spending levels in Northern Ireland are generous and that a "Barnett minus" approach is the appropriate solution. EPU and DFP will need to work very closely together in evolving the strategic approach here. There is no guarantee that we will be successful. But it will be even harder later because they will be able to point to the fixed ceilings set for the three year period in 2000 SR: after July 2000, Treasury will have strong grounds for resisting any ad hoc requests for additional resources.

The other key point arising from the Treasury's timetable is that it will only be in July that we will know the total resources available for the period ahead. Thus, while we can draw up our programme by the end of June, it will only be after July that we will be able to address substantively the resource allocations within our Departmental Expenditure Limit that would be then determined. We should not underestimate the extent of uncertainty that is likely to prevail up until the very last minute in the 2000 Spending Review: I understand that in the Comprehensive Spending Review no reliable figures for the change to the Block were available even a matter of weeks and days before the final decisions. Given the extent to which our public expenditure programmes comprise ongoing recurrent commitments, relatively small percentages of the Budget are highly significant in defining what is and is not possible in relation to new programmes and activities. We will need to consider carefully at what stage to take the Programme of Government from the level of aspiration and intent to specific targets and commitments.

- 9. I hope these thoughts are helpful as background to our thinking on the Programme of Government. I look forward to further discussions with you and Executive Committee colleagues.

pp *Mark Durkan*  
 MARK DURKAN, MLA,  
 Minister of Finance and Personnel

*(Approved by the Minister and signed in his absence)*

ANNEX A

Copy Distribution

- Ministers and Junior Ministers
- PS/Mr Semple
- Permanent Secretaries
- Dr McCormick
- Mrs Moore
- Mr Ferguson
- Mr McCusker
- Mr Haire
- Mr Larkin
- Mr May
- Mr Lavery
- Mr Campbell
- Dr Gudgin

PROGRAMME OF GOVERNMENT  
DIMENSION

Introduction

This document sets out some of the main policy issues which will affect the Government. The prospects for the economy are summarised as 'radical' because we can see enough through the 'dark clouds' to see successful additions over the next few years. Spending at the level of England. There are good reasons therefore to explore some radical policy options. Those covered below include some which will be the responsibility of CFMDFM and/or DFP but they are included here to provide an overview.

2. The main policy issues are:

- (a) the approach to involvement of the private sector in relation to public services - issues concerning the Private Finance Initiative/Public Private Partnerships, contracting out and competitive tendering;
- (b) the relationship between the equality agenda and resource planning;
- (c) revenue policy - possible levels of rate increases; approach to rate relief; and, possibly a more fundamental review of the rating system;
- (d) the scope of charging for public services - charges are already a key element of many public services and the absence of revenue raising powers does not need to consider the scope for expanding charges levied;
- (e) EU policy and funding issues.

## ANNEX A

PROGRAMME OF GOVERNMENT - RESOURCE PLANNING  
DIMENSIONIntroduction

1. This note draws out some aspects of the resource planning policies which will affect the work to develop the Programme of Government. The prospects for future public spending levels can be summarised as indicating that we face a squeeze on resources, because we cannot reasonably expect to receive enough through the Barnett formula, or even some limited successful additions over and above that to sustain health and education's spending at the current relative levels compared to England. There are good reasons therefore to explore some quite radical policy options. Those covered below include some which will be the responsibility of OFMDFM and/or DFP but they are included here to provide an overview.
2. The main policy issues are:
  - (a) the approach to involvement of the private sector in relation to public services: issues concerning the Private Finance Initiative/Public Private Partnerships; contracting out and competitive tendering;
  - (b) the relationship between the equality agenda and resource planning;
  - (c) revenue policy - possible levels of rate increase; approach to rate reliefs; and, possibly a more fundamental review of the rating system;
  - (d) the scope of charging for public services - charges are already a key element of many public services: in the absence of revenue raising powers, do we need to consider the scope for extending charges levied?
  - (e) EU policy and funding issues;

- (f) administrative structures and costs.

### Private sector involvement in public services

3. The main reasons for considering carefully the issue of private sector involvement and the need to take a strategic approach to this issue arises because of the tension between on the one hand the consideration that partnership with the private sector in various forms may yield major resource benefits as against the considerations from an industrial relations point of view. EU and UK law on procurement also has a material impact here.
4. DFP's view is that the approach should be fundamentally pragmatic within the context of procurement legislation, that is to pursue and strive for private sector involvement where the resource benefits are tangible and realistic. It would also be vital to ensure equity of treatment so that projects unable to benefit from any advantages from PPP were not disadvantaged. There is some evidence to suggest that public private partnerships might offer valuable outcomes in some sectors (possibly schools, FE and, on evidence from outside the region, in roads and hospitals) but appear unsuitable for some sectors including water capital projects.
5. Competitive tendering is a generally well established practice, and subject to important safeguards could be pursued further, learning the lessons of evolving policy work elsewhere. More novel or radical forms of private public partnerships could also be relevant to considerations especially in the transport field. Frequently these issues need to be looked at sector by sector or case by case, but the Programme of Government might give an appropriate general signal as to the Executive Committee's strategic view of the issue.

### Equality Agenda

6. There has been considerable scepticism as to the impact of the Equality/TSN agenda in the resource planning process. The DFP Action Plan indicates that further progress can and will be made in embedding the process of consideration of TSN issues in all aspects of resource planning. Equality/TSN must be more

effectively front-loaded into PE decision-making if we are to have more than an 'it's the thought that counts' approach. We need more precise definitions of how PE programmes affect New TSN objectives, and better procedures to evaluate outcomes. DFP's view remains that it would be more effective to act vigorously to ensure that TSN, PAFT and equality principles are embedded fully in the planning approach taken by all programmes in all Departments, as a fundamental part of the planning stage, rather than to have a separate budget line.

### Rating

7. The Regional Rate is the only revenue raising power of the Assembly. Options for further work would include radical appraisal of the system (it could be argued that the existing system is inconsistent with TSN principles in practice mainly because of the effects of the domestic valuation list). There is limited scope to raise additional revenue through higher increases than have already been built into the inherited spending plans. The reliefs available at present are extensive and indiscriminating in their benefit on various sectors including manufacturing industry and transport.

### Charging

8. One of the few options that could be taken which would generate additional resources for spending programmes would be additional charging. Clearly this represents a cost to consumers, but there may be scope to influence behaviour through carefully considered charging policies. This is clearly relevant and important in several major sectors (transport - car parking/congestion charges/tolls), health (prescription charges etc, but could more radical or targeted measures be considered?), education (some voluntary schools can charge limited fees whilst still receiving full funding from DE).

### EU Issues

9. Within the next few years, the importance of EU funding will diminish rapidly as the second Peace Programme reaches its peak, and the Transitional Objective 1 Programme declines steadily towards its conclusion in 2005. Consideration needs to be given

to the relationship between the programmes for Structural Funds support (which need to be finalised early in the spring) and the Programme of Government. We also need to consider how wider dimensions of European policy and practice can be seen as relevant to a wide range of economic and social issues in the region. The inclusion in the new Peace Programme of a proposal for promotion of outward and forward looking regional attitudes and activities is relevant here.

10. There could be scope to extend the bidding process that has been used in some EU programmes into more mainstream areas as a means of prioritising better use of resources. Some budget lines could operate in this way on a time bounded basis, instead of being renewed periodically even if their impact or value has diminished.

#### Administrative Structures and Costs

11. Following devolution, we need to look carefully at the administrative arrangements as have been strongly emphasised by many members of both the Executive Committee and the Finance and Personnel Committee. We need to consider developing appropriate criteria and guiding principles in respect of administrative structures and arrangements that provide appropriate input for the Assembly Members, District Councillors, representatives of the private, voluntary and community sectors and others who can contribute as chairs and members of boards of various administrative bodies. The solutions will need to be tailored to each case, and examined from the point of view of geographical distribution, and on how best to bundle groups of functions. There is a need to develop clear guiding principles that will balance the considerations of accountability and democracy against the crucial issues of affordability and efficiency in the delivery of public services. The development of the possible approach mentioned in paragraph 10 above could be relevant in this context as well.

#### Resource Accounting and Budgeting

12. The introduction of resource accounting and budgeting provides opportunities for us to clarify the relationship between spending levels and the outputs and outcomes we secure. We should

ensure that all departments take the opportunity to ensure that their plans are well founded on this new basis to serve aims and objectives set in the Programme of Government.

Introduction

This note summarises 4 individual Departmental issues which might be included in a Programme of Government.

Public Sector Procurement

1. In Northern Ireland some £300 million was spent on public sector procurement, including construction, in 1998-1999 and a further £340 million by health organisations. Even modest percentage savings have therefore the capability to release a significant amount of money for expenditure on Departmental programmes.

2. Efficient, effective and compliant procurement by the public sector is central to ensuring that maximum value is obtained from expenditure incurred by Departments on the basis of fair and open competition. The potential to obtain public expenditure savings through effective procurement was recognised in the last Comprehensive Spending Review and led to reviews of public sector procurement in GB and Northern Ireland. These reviews have identified scope for considerable improvement in procurement management and opportunities for further significant savings.

3. These opportunities should be explored to the full through a Programme of Government objective which would give Ministers authority behind a consistent and concerted approach to securing best value for public sector procurement in Northern Ireland. The objective would be to seek to obtain maximum value from all public procurement in Northern Ireland through fair and open competition, consistent with EC regulations and a sound purchasing policy.

The Civil Service

4. Modernising public administration - cross-cutting policy-making, focusing on customers by providing quality services and using the most up to date information and communications technologies in

## ANNEX B

## PROGRAMME OF GOVERNMENT: DFP PROPOSALS

Introduction

1. This note summarises 4 individual Departmental issues which might be included in a Programme of Government.

Public Sector Procurement

2. In Northern Ireland some £600 million was spent on public sector procurement, including construction, in 1998-1999 and a further £340 million by health organisations. Even modest percentage savings have, therefore, the capability to release a significant amount of money for expenditure on Departmental programmes.
3. Efficient, effective and compliant procurement by the public sector is central to ensuring that maximum value is obtained from expenditure procurement by Departments on the basis of fair and open competition. The potential to obtain public expenditure savings through effective procurement was recognised in the last Comprehensive Spending Review and led to reviews of public sector procurement in GB and Northern Ireland. These reviews have identified scope for considerable improvement in procurement management and opportunities for further significant savings.
4. These opportunities should be exploited to the full through a Programme of Government objective which would place Ministerial authority behind a consistent and concerted approach to securing best value for public sector procurement in Northern Ireland. The objective would be to seek to obtain maximum value from all public procurement in Northern Ireland through fair and open competition, consistent with EC regulations and a sound purchasing policy.

The Civil Service

5. Modernising public administration - cross-cutting policy-making, focusing on customers by providing quality services and using the most up to date information and communications technologies in

support of "joined-up" Government - should be a mainstay of the Programme, and the First Minister and Deputy First Ministers will no doubt by sponsoring relevant proposals arising from their central responsibilities for public service matters. Any such proposals will have profound implications for the Civil Service - its culture and way of working, the leadership, managerial and other skills that it will need, and its ability to adapt and respond positively to change.

6. DFP has a clearly prescribed role in relation to the general management and control of the Northern Ireland Civil Service formulated in the concept of consistency/corporacy across the Service. An important related commitment for the Programme of Government, therefore, should be the production of a high level human resource framework for the Northern Ireland Civil Service covering issues such as a review of SCS appointment procedures, the approach to nationality requirements, internal promotion procedures, relations with Trade Union Side, dispersal policy, and provision of personnel and training services. Its primary aim should be to equip the Service for the challenges that lie ahead.

#### Accommodation Policy and the Government Estate

7. In the short term since devolution the main focus of effort will be on completing the refurbishment and building work needed to facilitate the reorganisation of Departments and to accommodate the various institutions set up under the Good Friday Agreement. In the medium to longer term, there will be major expenditure implications arising from the need to refurbish or replace existing facilities, to meet maintenance and year on year increases in routine running costs, to respond to changing demands for accommodation and to cope with legislative requirements.
8. Expenditure on Government accommodation and the location of Civil Service jobs are important contributors to the local economy. In deciding on particular projects, however, cost considerations and issues of efficiency and effectiveness on pure financial grounds need to be measured against wider policy imperatives, including New TSN, the regional planning strategy and equality of opportunity. An important cross-cutting priority, therefore, should be a review of current and anticipated future need and the development of a comprehensive accommodation strategy and

plan for the Government estate linked to these wider policy imperatives and supported by a policy on job dispersal.

### Equality and Social Justice Legislation

9. The Office of Law Reform, for which DFP has responsibility, has in the pipeline a significant review programme covering a range of legislation in the broad equality and social justice field. The areas to be covered include:
  - Family law reform: divorce, paternity and parental responsibility; rights of cohabitants, marriage property;
  - Reform of the law relating to mental incapacity and decision-making for adults;
  - Reforms to property law;
  - Reforms to trusts law.
  
10. The programme of reform would merit treatment in its own right in the Programme of Government or it could be included as part of any broader package of proposals under the equality and social justice heading sponsored by the OFM/DFM.

### Timing of the 2001/02 Budget

8. To facilitate orderly budget planning, it is helpful if Public Expenditure plans are finalised by around early December of each year. This would suggest that ideally the consideration of the Budget by the Assembly should take place in November which would suggest completion of the work on both the Public Expenditure plans and the Programme of Government by September/October.

## ANNEX C

**PROGRAMME OF GOVERNMENT: INTERACTION WITH PUBLIC EXPENDITURE PROCESSES**

1. This note summarises some implications of and for the Programme of Government in relation to the processes and timetables for Public Expenditure planning.
2. The Good Friday Agreement (Strand I paragraph 20) envisages annual consideration of a Programme of Government incorporating Public Expenditure plans. This is reflected in Section 64 of the Act.

**Spending Review**

3. We need to consider first what approach to take to the forthcoming Treasury spending review. The 2000SR will be the only opportunity to influence in any material way the total resources that may be available to devolved services for the period to 2003/04.
4. Ideally our tactics would be based on emerging thinking on the Programme of Government. While this cannot be finalised until resource levels are fully confirmed after the Spending Review, any effective and coherent case to the Treasury for resourcing levels over and above those which might emerge as a result of the Barnett formula would be much more effectively deployed, if it could be based on a coherent and convincing strategic approach: this will depend on early progress with the Programme of Government. This suggests considerable urgency, as the Treasury is seeking information from Departments on their proposals for new public service agreements and output analyses by 18 February 2000 (though in practice this will slip). We would need to be into dialogue with Treasury officials during March/April if our points are to be taken into consideration by Ministers at national level in the path to decisions in June/July.
5. This strongly suggests that there is a need for early top down overview of our public expenditure needs and opportunities as a key component of the Programme of Government. One option

would be to undertake an urgent appraisal of the strategic position of each Northern Ireland Public Expenditure programme from the points of view of:

- relative funding levels between programmes compared to an assessment of **need**; and
- by comparison with the other main regions.

We need a hard nosed and realistic assessment of the position because there will be demands from all Departments, and the Executive Committee and the Assembly will wish to consider both the **strategic** considerations (mainly what they regard as the key priorities in terms of what the new institutions are trying to achieve, and what areas are less critically important) and then the **tactics** on how to secure the best deal from London

6. It is wholly unrealistic to expect a sympathetic consideration for a very broadly based expenditure bid. For presentation to Treasury it may be necessary to combine justification of areas where spend is relatively high while playing up the needs where expenditure is relatively low. But it also needs to be recognised that there will be strong opposition in principle from Treasury and other Ministers to any treatment more favourable than the Barnett formula, and indeed some might argue for a more rapid convergence of per capita spending that is to squeeze per capita spending in Northern Ireland more closely into line with that for England. This would obviously be extremely difficult from the devolved administration's point of view.

### Total PE Provision

7. The Public Expenditure plans for the period 2001/02 to 2003/04 cannot be settled until the total provision for Northern Ireland is known. This is likely to emerge in July when the Chancellor of the Exchequer takes decisions on the 2000 Spending Review. This would suggest that work in the period between now and July on spending plans and the Programme of Government will be **contingent** on what emerges from the Treasury's spending review.