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DB

PRIME MINISTER

PROGRESS WITH FINANCIAL MANAGEMENT IN NORTHERN IRELAND DEPARTMENTS

PT 13
Last September I published a Report on the Financial Management Initiative in Northern Ireland Departments simultaneously with the White Paper on the FMI in Great Britain. You saw a draft of the Report before publication. I now intend to publish a further Report on the FMI in Northern Ireland Departments, in parallel with this year's White Paper. In view of your close interest in the Financial Management Initiative, I am sending you a draft before publication.

The FMI in Northern Ireland takes account of particular Northern Ireland factors, but is conducted consistently with the FMI in Great Britain. There is the same emphasis on securing increasing value for money and improving the quality of financial management. The Report reflects the considerable progress made since the September 1983 publication, as well as the continued emphasis on planning and developmental work. I will continue to give the FMI a high priority so that its momentum can be sustained.

I should be grateful if you confirm that you are content that I should publish the Report. I would hope to publish it at the same time as the Great Britain Report.

I am copying this minute and the Report to the Chief Secretary and Grey Gowrie.

J. P.

18 June 1984

ER

18 JUN 1984





10 DOWNING STREET

From the Private Secretary

25 June 1984

Financial Management in Northern Ireland Departments

The Prime Minister was grateful for your Secretary of State's minute of 18 June with which he enclosed a draft report on progress with financial management in the Northern Ireland Departments.

The Prime Minister was encouraged by the extent to which management systems are clearly taking root in Northern Ireland Departments. She wonders, however, whether the report could not be made more accessible to the ordinary reader, by the removal of unnecessary jargon, and by the inclusion of additional material on the results. It would, for example, be interesting to know what savings have been achieved by switching the emphasis from new build to home improvement and modernisation. Where reference is made to a policy review having been completed, (eg the Review of the drainage capital programme), the Prime Minister feels it would be helpful if the report could set out the review's conclusions.

Subject to these points, and to any comments from colleagues, the Prime Minister is content for the draft report to be published.

I am sending copies of this letter to John Gieve (HM Treasury) and to Mary Brown (MPO).

David Barclay

Graham Sandiford, Esq.,
Northern Ireland Office



10 DOWNING STREET

Prime Minister ⁽¹⁾

Agree publication, subject
to the points made by
the Blyth Hunt, and to
a reservation about the
language?

Yes no

DWB

22/6



10 DOWNING STREET

PM grateful for receipt of draft
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MR BARCLAY

22 June 1984

PROGRESS WITH FINANCIAL MANAGEMENT IN NORTHERN IRELAND
DEPARTMENTS

Mr Prior's draft paper indicates that in terms of resources and procedures, at least, the FMI is taking root in his administration. Northern Ireland Departments spend about 3% of total UK public expenditure; they account for over 10% of the total expenditure by Government Departments on this initiative (£2.7 million in 1983-84). The report is an elegant display of management language, with "indepth policy appraisals", "ongoing financial monitoring systems" and the rest. However, the publication of these reports should provide useful levers. Once Departments have taken credit for these systems they will find it that much more difficult to avoid explaining what they have achieved with their expenditure.

Like the Great Britain version, the Northern Ireland paper is short on concrete illustrations of the benefits achieved. Style is important in presenting this work to the public. The paper ought to explain not only what we are doing, but why it matters. The draft could be improved in this respect. For example, the paper mentions a target of 3,000 new public sector houses a year, as a contribution to reducing "unfitness levels" in the housing stock by 1% a year. But expenditure plans for Northern Ireland reveal that this target has been revised downwards from 4,500 a year, in an effort to switch the emphasis towards improvement and modernisation. If this represents a more cost-effective approach to achieving the target, why not say so in the paper, and mention the savings achieved?

The public might also like to know what the "indepth policy appraisal" of the drainage capital programme, which was completed last year, actually concluded. And why data on schools' costs, curriculum range, teacher qualifications, examination performance, are to be made available on a confidential basis to administrators and inspectors, and not to parents.

My recommendation is that in reply, the Prime Minister might say that:

- (i) She is encouraged by the extent to which management systems are taking root in Northern Ireland Departments;
- (ii) She wonders whether the report could not be more forthcoming about the early results of this work. For

DAUAAX

example, what savings have been achieved by switching the emphasis from new build to house improvement and modernisation? Has the review of drainage grants led to a more cost-effective system of support?

Nicholas Owen
NICHOLAS OWEN

Agreed

CONFIDENTIAL

CC No

nbpm
DUB
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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon James Prior MP
Secretary of State for Northern Ireland
Northern Ireland Office
Whitehall
LONDON
SW1P 3AJ

29 June 1984

James Prior

FINANCIAL MANAGEMENT IN NORTHERN IRELAND DEPARTMENTS

Thank you for copying to me your minute of 18 June to the Prime Minister.

I am content with your proposals for publication of a report on the financial management initiative in Northern Ireland. Subject to any change to take account of the Prime Minister's comments, it would be helpful if this were published at the same time as the White Paper, but my officials are keeping in touch with yours about possible dates.

I am glad you will continue to give the FMI a high priority. As you know, I think the lead we give to our officials will be crucial to the success of the changes over the next year or two.

I am copying this letter to the Prime Minister and Grey Gowrie.

Peter Rees

PETER REES

CIV SEM longterm



PROGRESS IN FINANCIAL MANAGEMENT IN NORTHERN IRELAND DEPARTMENTS

1. Introduction

- 1.1 In September 1983 the Department of Finance and Personnel published the document "Financial Management Initiative Within the Northern Ireland Departments". That document described the objectives of the Financial Management Initiative within Northern Ireland Departments, recorded the progress made, identified areas for improvement and set out a programme for further work. The purpose of this Report is to describe the developments since then and to set out in particular the progress that Departments are making in implementing their plans. The first part of this Report will look at main themes of the Initiative and give a general view of progress within Northern Ireland Departments: in the annexes individual Departments describe what they have achieved and what they are planning.

2. Background

- 2.1 The objectives of the Financial Management Initiative (FMI) were set out originally in the White Paper "Efficiency and Effectiveness in the Civil Service" (Cmnd. 8616). Specifically they were to provide in each Department an organisation and system in which managers at all levels have:
- (a) a clear view of their objectives and a means to assess and, wherever possible, measure outputs or performance in relation to those objectives;
 - (b) well-defined responsibility for making the best use of their resources, including a critical scrutiny of output and value for money; and
 - (c) the information (particularly about costs), the training and the access

to expert advice which they need to exercise their responsibilities effectively.

- 2.2 The Financial Management Initiative in Northern Ireland Departments is coordinated by the Central FMI Unit in the Department of Finance and Personnel. It is a separate exercise to that being conducted in Government Departments in Whitehall. However the exercises are parallel and in developing the Financial Management Initiative in Northern Ireland the Central FMI Unit has kept in close contact with the Whitehall Financial Management Unit and has benefitted considerably from advice and information which that Unit has supplied. Similarly the Central Unit has maintained close links with the Scottish Office and Welsh Office - UK Departments which are the Northern Ireland Departments' closest analogues. In addition individual Northern Ireland Departments have, where appropriate, drawn on the experience of their Whitehall counterparts in taking action on the Initiative.
- 2.3 Nevertheless the Northern Ireland Initiative remains separate and it takes special account - and advantage - of the distinctive features of the Northern Ireland administrative system. These were set out in the September 1983 publication and include the smaller scale of Northern Ireland Departments, the shorter lines of communication, and the greater potential for setting priorities and managing public expenditure as a regional resource.
- 2.4 The Northern Ireland Initiative has also had the advantage of constructive scrutiny from the Northern Ireland Assembly. The September 1983 publication was referred to the Assembly, which reported on it in December 1983. The Assembly's recommendation that each of the Committees which mirror the Northern Ireland Departments should monitor closely the Initiative within their respective Departments was welcomed by Government, which saw the interest of the Committees as a very helpful development. Already Committees are scrutinising, and thereby exposing to the public view, aspects of Departments' financial management plans.
- 2.5 The Northern Ireland Initiative has, therefore, developed its own unique features and its own priorities and programme. Nevertheless the thrust of

the Initiative is at one with that in ^{the} United Kingdom as a whole where the central aim is to improve the efficiency and effectiveness of Government with a view to providing the public with services that are better value for money. Within the Northern Ireland Departments, the prime objective is the more effective application of resources so that the funds made available to Northern Ireland are directed increasingly towards programmes which meet priority needs and are spent on both priority and non-priority programmes in a way which secures value for money. Because of the way in which public expenditure resources are allocated to Northern Ireland by means of a block system and the way in which manpower limits are set, savings resulting from increased effectiveness and efficiency can be channelled directly into the provision of enhanced programmes and services for the public. The achievement of these aims will require strict adherence to the objectives of the Financial Management Initiative at all levels in the administrative system and at all stages in the planning, forecasting and monitoring processes.

3. Top Management Systems

- 3.1 The September 1983 publication identified management information systems as a prerequisite of any effective financial management system. Since then all Northern Ireland Departments have put in place Top Management Systems corresponding to their own particular organisation and needs.
- 3.2 Some Top Management Systems have been in use for several years now and Departments have taken the opportunity based on experience of the systems to modify and improve them. For example the Department of Health and Social Services whose Management Information System for Ministers (MINIS) was first introduced in September 1982 has decided to produce its MINIS report on an annual basis related to the Public Expenditure Survey cycle, and to slim down the top level reports to focus on key objectives, with a lower tier of Divisional objectives. Objectives have been related to main functions within each division, with staff costs and complements being attributed to these functions. The Department's new computerised accounting system will enable better costing information to be included in the MINIS reports.

3.3 It is recognised that the Top Management Systems in most Departments are at an early stage in their evolution. The FMI Central Unit has therefore been encouraging their development. In this task the report on Top Management Systems produced by the Cabinet Office (Management & Personnel Office)/Treasury Financial Management Unit has been particularly helpful, and following its publication a special seminar on Top Management Systems was recently held for Principal Finance Officers of Departments. Generally, Departments have been made aware of the need to set objectives for programmes as well as for administrative tasks, to develop measures of performance and to link Top Management Systems more closely to other planning and management systems within Departments.

4. Budgetary Control Systems

4.1 The need for managers at all levels to have information about costs is a key element of the Financial Management Initiative and the need for improved systems based on available computer technology to record and analyse budgets and expenditure has been recognised by all Northern Ireland Departments. For example the Department of Finance and Personnel has put in place its Integrated Financial Management Information System, the first stages of which went live as planned in April 1984. Similarly the Department of Health and Social Services has implemented a computerised accounting system.

4.2 All Departments intend to introduce similar budgetary systems. The main constraints are the detailed work required in Departments to specify their requirements and the availability of computer expertise, with the result that Departments have had to stagger the implementation of their financial systems over the next two years. The full implementation of many aspects of budgetary control must await the introduction of the basic computerised systems.

4.3 Those systems which have been implemented have enabled further development to take place. The Department of Health and Social Services intends to use its computerised accounting system to introduce a new approach to the budgetary control of administrative expenditure. From 1985 onwards administrative and staff costs which are currently carried by central

divisions will be charged to identified cost centres. This will be particularly useful in a Department with a large local office network.

4.4 Although some individual Departments have practised a measure of budgetary delegation, so far no Northern Ireland Department has committed itself to the delegation of budget control and authority within a comprehensive Budgetary Control system but this, logically, is the next step. However such delegation will not be without problems and a number have already been identified by pioneering Departments in Great Britain. The FMI Central Unit will be keeping in close touch with development in Great Britain to ensure that Northern Ireland Departments can benefit from experience. The Central Unit will shortly be mounting a seminar for Departments on budgetary control, where future plans will be examined and information resulting from progress to date will be shared. It is the intention during the summer of 1984 to review progress and plans of Departments on budgetary control and to identify a number of pilot projects for early implementation.

5. The Management of Programme Expenditure

5.1 The annexes to this Report illustrate the steps which all Departments are taking to develop the information on which Public Expenditure decisions are taken. In each Department there are now a range of reviews aimed at improving the efficiency and effectiveness of programme expenditure.

5.2 An important aspect of the systematic management of programme expenditure is the availability of the means whereby performance against targets can be measured or assessed. The development of performance measures and performance indicators is therefore critically important, a fact that has been emphasised by the Northern Ireland Economic Council in its overall review of Public Expenditure priorities.* Despite the considerable difficulties involved in arriving at suitable measures and indicators, considerable progress has been made in Northern Ireland Departments. In the field of performance measures the Public Expenditure White Paper now sets out for certain Northern Ireland programmes precise targets against which performance can be gauged, for example in housing, where the planned programme including 3000 new house starts each year equates with the objective of reducing unfitness levels in the total housing stock by at least one percent per annum.

* "Public Expenditure Priorities: Overall Review" Northern Ireland Economic Council Report 42 March 1984

5.3 Of course not all objectives are capable of straightforward measurement and in a number of cases intermediate measures must be used - with full account taken of their indicative nature. An example is the performance indicators recently introduced for the health and personal social services by the Department of Health and Social Services which formed part of the database for the accountability reviews chaired by the Minister and held for the first time this year with each Health and Social Services Board.

5.4 There remains a need for Departments to bring systems for the planning and control of expenditure fully within the scope of their top management systems. Of course the exact way in which this is accomplished will vary from Department to Department and will depend on the nature of the expenditure it controls but Departments are already aware of the need to advance in this direction. One example is the Department of Economic Development which has developed a MINIS system which involves Assistant Secretaries setting down the effect on their division's work of both increases and decreases in the levels of financial and manpower resources. Another is the Department of Agriculture which has introduced a formal system for monitoring expenditure through its Top Management Group.

6. Training and Staff

6.1 The training of staff so that they are able to accept their new financial management responsibilities is a key element of the Financial Management Initiative and Northern Ireland Departments have made full use of the training opportunities made available. For example, over 60 officers in the grades Principal and above have attended the wide range of Financial Management Initiative and related courses offered by the Civil Service College at Sunningdale. In addition 90 Principal Officers, representing 35 percent of staff at that level have attended residential FMI Awareness Courses and 450 staff have attended half-day awareness seminars. In addition staff have taken advantage of other, more specialised courses that are available such as the Investment Appraisal courses run by the Ulster Polytechnic on behalf of the Civil Service Training Centre attended by 160 officials from Northern Ireland Departments, the Northern Ireland Office and Boards. The Northern Ireland Civil Service Training Centre which is taking

over responsibility for the central FMI training programme is preparing a series of FMI related courses.

- 6.2 The greater delegation of financial management responsibilities places new requirements on the professionalism and expertise of central divisions. A major reorganisation of Department of Finance and Personnel's Efficiency Services has been carried out and two new Divisions created: the Management and Manpower Review Division (MMRD) which will handle efficiency scrutinies, management structure and organisational exercises, and staff inspection; and the Central Information Systems Division (CISD) which will be responsible for information technology planning, advice, standards and training and for managing the central computer bureau and telecommunications.
- 6.3 The development of better personnel management is a further important aspect of the Financial Management Initiative, especially as staff are the most significant resource of many Civil Service managers. Generally speaking, developments in the Northern Ireland Civil Service keep broadly in step with those in the United Kingdom Civil Service. Where there are differences these stem mainly from the smaller size of the Northern Ireland Civil Service and the advantage of centralising certain functions such as recruitment which elsewhere in the United Kingdom would be delegated to Departments. A number of initiatives aimed at streamlining existing procedures and reducing costs have been started or are currently being examined.

7. Improving the Organisation

- 7.1 Intrinsic to the Financial Management Initiative is the development of suitable administrative structures with clear lines of accountability for services, budgets and so on and which allow effective delegation to take place. In addition structures must be flexible, and reviewed regularly, to ensure that they can and do respond to changing policies, needs and resources.
- 7.2 The need to improve the organisation and provide the right conditions for good financial management has been a focus of attention within the Northern Ireland Departments. The Department of Finance and Personnel plans to

conduct a thorough review of the top structure of all Northern Ireland Departments by 1986. A review of the Department of the Environment (NI) is currently being undertaken with the help of private sector consultants. The first part dealing with the three executive services - Roads, Water and Office and General Accommodation (Works Service) - has been completed in respect of the Works Service and consultations are taking place with the Trade Union side. The second part has dealt with the structure of the Planning and Urban Affairs Division, and the third and final part, which is being carried out with the help of private sector consultants, is examining the relationship between Divisions and Headquarters in the Roads and Water Services.

- 7.3 Private sector consultants have also been involved in the review, now completed, of the top management structure of the social security side of the Department of Health and Social Services. The top structure for its health and personal social services side is now being considered, having regard to the conclusions of the Griffiths enquiry into the management of the National Health Service.
- 7.4 Following initial work by consultants, significant progress is being made by Departments in planning their information technology requirements and in taking forward those issues (like telecommunications and common Information Technology systems) that need to be planned on a Northern Ireland Department-wide basis. As Departments develop information systems, ie, MINIS-type systems and Budgetary Control Systems, they are examining their organisational structures to ensure that at all times clear lines of responsibility exist and that the delegation process can be taken forward.

8. Non-Departmental Public Bodies

- 8.1 Considerable public resources are devoted to Non-Departmental Public Bodies in Northern Ireland and it is essential that they too develop sound financial management. Departments with responsibility for such bodies are ensuring that the principles of good financial management are being applied. Attention is being paid both to the programme expenditure incurred by these bodies and also to their effectiveness and the cost of their administration. For example, the Department of Economic Development is reviewing the generation activities of the Northern Ireland Electricity Service (NIES) with a

view to identifying a strategy which would lead to an economical^{and} / soundly based generation system for the future. Northern Ireland is 80% dependent on expensive oil-generated electricity and Government helps to keep tariffs at a level which is on a par with the highest in England and Wales. In 1984/85 tariff support will cost some £80 m. The review is taking into account the economics of introducing more coal-fired plant and an assessment of the potential for using locally mined lignite resources as a primary fuel. The review is to be completed in the Autumn 1984. An efficiency audit of the NIES by private consultants was completed last year. The results of this audit are now being acted upon by NIES and DED will be seeking to agree formally with the Service action to be taken against which progress can be monitored.

- 8.2 A major review of the physical housing strategy was undertaken by the Northern Ireland Housing Executive (NIHE) and by its sponsoring Department, the Department of the Environment (NI). The new strategy will be kept under review by the NIHE and DOE(NI) with a view to ensuring that the resources made available are maximised in terms of delivering the objectives established within the strategy and value for money. This continuing work will clearly involve measurement of performance in relation to targets in specific areas like renovation grants (ie, improvement, intermediate and repair grants). The development of a strategic framework for and performance analysis of housing expenditure which has been initiated is an important step forward and will be further developed over the next few years in the light of experience and with Department of Finance and Personnel involvement as required. As part of the development of systems a review of arrangements for accountability within the NIHE was carried out by consultants jointly commissioned by the NIHE and the DOE (NI). The recommendations of the Report are being followed up and will lead to further development of financial and information systems within the NIHE and between the NIHE and DOE(NI). A review of the NIHE top management structure has also been carried out with the aid of consultants and again the recommendations are being pursued as a basis for further development of efficiency and effectiveness.

8.3 Apart from specific reviews as mentioned above, sponsoring departments are also taking steps to improve the accountability and management systems of public bodies, particularly by making use of the Management and Manpower Review Division of the Department of Finance and Personnel.

9. Presentation of Expenditure Plans

9.1 As mentioned above (paragraph 5.2) the Northern Ireland chapter in the "Government's Expenditure Plans 1984-85 to 1986-87"* demonstrates clearly the progress that is being made in setting down objectives both qualitatively and quantitatively. This development flows from the work that has been going on for a number of years aimed at developing the Public Expenditure Survey and the identification of physical or other targets against which progress can be measured. The Department of Finance and Personnel is considering what further steps can be taken to improve the presentation of public expenditure plans and of the objectives they are designed to achieve.

10. Delegation

10.1 It is a basic tenet of the Financial Management Initiative philosophy that managers should, as far as possible, be given responsibilities for managing the staff and the budget allocated to them. It follows that, once the appropriate parameters have been determined, individual spending Departments should be given authority to conduct their business without frequent reference to the Department of Finance and Personnel. Accordingly Departments were asked to suggest instances of work where delegation of authority is appropriate. Proposals for increased delegated authority have now been received, and the Department of Finance and Personnel is compiling a report which will encompass Departmental suggestions in concrete proposals for action.

11. Costs

11.1 As the principles of good financial management become more deeply imbedded in departmental structures it becomes more difficult to distinguish

* Cmnd 9143-II February 1984

the resources devoted specifically to the Financial Management Initiative. However for 1983/84 it is estimated that the total cost of the Initiative in Northern Ireland Departments was £2.7 million which included £950,000 for capital expenditure (mainly computers), £800,000 for consultants and £60,000 for training. A summary of costs together with estimates for 1984/85 are set out in Table I.

TABLE I Summary of Costs of Resources Employed on the FMI (£000s)

Description	1983-84 Actual	1984-85 Estimate
1. <u>MANPOWER</u>		
(a) <u>Developing</u> new arrangements	451.2	766.0
(b) <u>Operating</u> new arrangements	242.0	426.4
(c) Developing, providing and receiving <u>Training</u>	51.7	94.5
Sub-Total - Manpower	<u>744.9</u>	<u>1,286.9</u>
2. <u>NON-MANPOWER</u>		
(a) Use of Consultants	796.7	479.0

(b) Capital Expenditure	954.0	1,570.5
(c) Training fees	8.0	27.0
(d) Other costs	160.0	316.0
	<u> </u>	<u> </u>
Sub-Total - Non Manpower	1,918.7	2,392.5
	<u> </u>	<u> </u>
TOTAL COST	2,663.6	3,679.4
	<u> </u>	<u> </u>

12. Conclusion

- 12.1 Both the main body of this Report and the Annexes illustrate the very substantial progress that has been made in Northern Ireland Departments towards the objectives of good financial management. They illustrate also the way in which, as the Financial Management Initiative has continued, the key elements of sound financial management are becoming part of the normal structure and systems of Departments.
- 12.2 The development of top management systems in Northern Ireland Departments and the initial development of computerised accounting systems has formed a solid foundation for future progress. The opportunity is there for these systems to be expanded and improved to meet the needs of individual Departments. Better training in financial management techniques and increased awareness of staff at all levels of the importance of financial management have also improved the ability of Departments to take advantage of the benefits offered by the Financial Management Initiative.
- 12.3 Of course not all the elements of the Initiative have yet become intrinsic parts of administrative systems. Clearly certain elements of the Initiative such as the development of output measures are inherently difficult and it is to be expected that progress in these areas will take time. Similarly other elements depend on necessary groundwork being completed - for example, budgetary control systems which are dependent on adequate accounting systems - and these inevitably require longer programmes of development. Therefore the need to sustain the momentum of improvement remains. The

aim to bring greater managerial awareness to the conduct of Government business will require continued effort to ensure that the fundamental attitudes of cost-consciousness and value for money are to be found in all Departments at all levels. The structures of improved financial management and the disciplines they comprise are however already throwing up ideas and proposals for further development and improvement and it is on this basis that the Financial Management Initiative will continue to progress in Northern Ireland Departments.

FMI IN THE DEPARTMENT OF FINANCE AND PERSONNEL

Introduction

1. The Department of Finance & Personnel is concerned primarily with the central control of both money and manpower resources within the Northern Ireland Civil Service (NICS) and with the provision of services to help achieve better management of those resources including, eg, the co-ordination of personnel, training, recruitment and industrial relations matters for the NICS. Its role of resource allocation and control is seen in the annual Public Expenditure Survey, in relation to annual estimates and in its responsibility for approving certain expenditure.
2. Its efficiency functions are now discharged through its Management and Manpower Review Division. In addition, the Department provides a large measure of Government computer services through the Central Information Systems Division, administers the Valuation ^{and Lands} Office of Northern Ireland, the Ulster Savings organisation and the Central Pay Branch. The Department, unlike most Northern Ireland Departments, does not have major spending programmes. The bulk of its expenditure is on the cost of the staff it employs and their related administrative cost. The Department's expenditure, therefore, reflects in large measure the systems needs of Government organisation as a whole in Northern Ireland.
3. The Department recognises and accepts the duty which it shares with all Departments to keep costs to a minimum and to see that its functions are efficiently discharged. The Financial Management Initiative can be seen as the framework through which the Department is seeking to improve management at all levels by clarifying responsibility and objectives, extending the concept of accountability and promoting more effective and efficient use of resources.

The Approach to the Financial Management Initiative

4. The main objectives of the Financial Management Initiative within Northern Ireland Departments were contained in a report published in September 1983. Annex 1 of the report dealt with initiatives within the Department of Finance & Personnel and identified the following 2 main developments.

(1) Key Areas Tally System

5. This is a management information system which compiles information for each Under Secretary command and sets out objectives, the key areas of activity contributing to those objectives in the ensuing 6 month period and the resource requirements of those activities. The system is based on the premise that every good manager possesses (either in his head or on paper) an "agenda" of areas to which he intends to devote special attention, priority goals which he wishes to achieve and weaknesses which he seeks to remedy. The agenda, in its evolving form, constitutes the critical path for his operations.
6. The system was implemented in June 1983 and has subsequently been modified to reflect refinements identified as being desirable. The modified arrangements were introduced with effect from 1 May 1984 and involve:-
 - (a) collated returns from each Under Secretary covering the forthcoming 6 month period are submitted to the Permanent Secretary before the commencement of the reporting period;
 - (b) discussion of the content of the returns takes place at a subsequent Permanent Secretary/Under Secretary meeting. The discussion examines performance in the previous 6 months measured against target and the way ahead for the next 6 months is considered. The returns are confirmed or amended as necessary;
 - (c) the final document then goes to the Minister to be considered at a

Departmental business meeting so that queries which the Minister might have can be dealt with and the document amended as necessary;

(d) Under Secretaries are then responsible for ensuring, before the period to which the relevant return relates, that the component units of their commands are aware of the tasks relevant to them and that progress is properly monitored. This is in line with the Financial Management Initiative philosophy of securing a hierarchy of objective setting and performance appraisal throughout a Department's management system;

(e) throughout the 6-months period of the returns the document is reviewed at the fortnightly Permanent Secretary/Under Secretary meetings so that any significant developments reflecting on its implementation can be identified.

7. The costs of developing the Key Areas Tally System have been negligible. Staff time devoted to the preparation, collation and consideration of the 6-monthly returns is estimated to be less than £10,000 per annum.

(2) Integrated Financial Management Information System

8. In designing this Financial Management Information System the Department was conscious that it should clearly meet the cardinal objective of the Financial Management Initiative which is that the line manager in charge of a unit must be aware of, and accountable for, all of his activities, performance and results, including the identifiable administrative resources he controls and consumes.

9. The Department implemented the first 2 stages of the computerised information system on 1 April 1984. These elements are:-

(a) Accounts Payable

Invoices are input to the computer system with expense codes and due dates for payments; the system prints payable orders to suppliers and

personnel (in the case of travel/expense claims) against the approved invoices.

(b) Core Accounting

All accounting entries are recorded to a general (nominal) ledger. Entries include payments, receipts, cash, journal vouchers. The discipline of double entry balancing of accounting transactions protects the integrity of data. Using the general ledger, budgets are recorded and matched to actual expenditure and accounting and statutory reports are produced.

10. In addition the system will ultimately provide at least a further 5 sub-systems within the next 6 months. For example, the following 3 modules are expected to be implemented by the end of July 1984.

(a) Budget Profiling

At the beginning of the year budget holders will return opening profiles based on the allocated budgets for which they are responsible. These profiles will show the anticipated expenditure each month during the incoming year. The profiles will be revised monthly by the budget holder in the light of reports of expenditure coming from the computer. These profiles will assist in the early identification of shortfall and longfall.

(b) Main Estimates and Budget Preparation

Around November each year budget holders submit Main Estimates budget bids for the next year based on the current year's allocations and expenditure to date. The bids are scrutinised by the Accountant who assembles the data into a submission to the Supply Officers at summary level. On approval the Main Estimates are distributed to budget level and become the budget allocations for the new year. The computerised system will assist in the preparation of this work and permit the

Accountant to analyse more speedily savings identified and additional bids made by budget holders during the year.

(c) Monitoring Returns and Supplementary Estimates

The new system will permit the ready preparation of monitoring returns throughout the year summarising the latest public expenditure and cash limited position by vote. These returns are built up from the latest information from budget holders. Two or three times per year the Accountant has the opportunity to request additional money to relieve pressure points or to surrender money if it is not going to be spent. This is done at the Supplementary Estimates time and the relevant information is constructed in a similar fashion to the detailed monitoring returns.

11. Other elements of the fully integrated system should be operational by October 1984 and include: the preparation of management reports for budget holders and cost centre managers on a regular basis to report actual expenditure against budget; the retention of Public Expenditure Survey data; and the preparation of the annual Scrutiny of Running Costs. Systems design and related program writing is continuing in order to meet the deadline set for the implementation of these sub-systems.
12. The main benefits which are likely to accrue from the Integrated Financial Management Information System will be the provision of comprehensive and immediate financial information to aid decision making and the facility to meet ad hoc demands for information. The corner stone of the new system is its data base concept in which data is held at the lowest level of disaggregation. The system has the flexibility to bring together these small blocks of data into any permutation required.
13. The total cost of developing and implementing the system in the 1983/84 financial year was £129,000 of which capital costs on computer and related equipment were £59,000, with consultancy costs of £30,000.

Other Initiatives

14. The other initiatives which are being progressed within the FMI framework are:-

(a) Valuation and Lands Office

- (i) The integration of the specialist staff within the former Lands Service of the Department of the Environment (NI) with the Valuation Office took place on 1 February 1984. The purpose of this reorganisation was to bring together the professional expertise in valuation and land management into a single coherent group with an enlarged remit. It is anticipated that this merger will lead to greater efficiency in this area of work while ensuring that the specialisms involved are concentrated in a purposeful way.
- (ii) A further initiative within the Valuation and Lands Office concerns the extension of computerisation. Since the original Financial Management Initiative report in September 1983 the Department's then Management Services Division has reported on the organisation and procedures of the Valuation and Lands Office with particular reference to the scope for the increased use of computers. The main recommendation on computerisation was that a pilot exercise, using a micro-computer, should be instituted in a District Office of the Valuation and Lands Office in order to assess the feasibility of extended computerisation and the associated cost benefits. In the light of the Management Services Division recommendations, a feasibility study is planned, which would examine the benefits of introducing computerisation throughout the Valuation and Lands Office. It is anticipated that, in the event of the study recommending that computerisation be proceeded with, a scheme could not be implemented before mid-1986 at the earliest.

(b) Ulster Savings

The Ulster Savings Branch is located at Coleraine and is concerned exclusively

with work arising from the administration of Ulster Savings Certificates. The work lends itself to computerisation and a decision was taken, following the preparation of an operational requirement, to implement a system based on linking the Branch with the Department's mainframe computer sited in the Central Information Systems Division in Belfast. The system specification has been prepared and consultants have been engaged to produce the software. Delivery of the computer terminals and associated equipment commenced in January 1984 and programme testing was completed in April 1984.

The computerised Ulster Savings system should be operational on 1 July 1984 and staff savings should begin to be realised shortly thereafter. However, because of the substantial amount of historical data to be computerised, full potential staff savings estimated at approximately £100,000 per year will not be realised until 1986/87.

Total cost of developing the system in 1983/84 was £122,000, of which hardware costs accounted for £28,000 and consultancy costs, including the provision of software, were £60,000. The rest of the expenditure was mainly on development and data preparation. Estimated costs to be met in 1984/85 are approximately £71,000, of which £17,000 will be for further hardware.

(c) Word Processing and Text Transmission

In order to speed up communications between Private Offices, and obviate the need for a considerable amount of retyping of drafts and papers, an initiative was taken to ~~introduce~~ communicating word processors by which text could be transmitted and received between various locations. A pilot project networking 9 word processors is under way. Three of these word processors are in the Department of Finance & Personnel at Parliament Buildings, Rosepark House and Stormont Castle and the scheme's potential will be evaluated in the coming year. During this period trials will also be conducted to test the ability to network with other equipment, eg, electronic typewriters and word processors from different manufacturers.

In parallel with this the Department has been upgrading its general typing service through the introduction of free standing word processors which, subject to the success of the above pilot exercise, could in the future be linked with the communicating network. To date 6 word processors have been introduced at a cost of £35,000, a large proportion of which is offset by reduced expenditure in other areas.

(d) Performance Indicators

Every organisation, including Government departments, must have what would be called in the business world a research and development function. This function can be seen as part of the ^{ordinary} remit of managers, who should devote some time and effort to quite deliberately breaking new ground—asking new questions, improving methods of doing things, improving information flow and generally maintaining a critical attitude to what is being done. The Financial Management Initiative detailed above should be seen as the natural extension of such a policy. The Department considers that the measurement of performance within its various areas of activity is an essential element of resource control. To this end the Department intends to explore ways in which performance indicators could be developed and used to measure success in achieving objectives. It is the Department's view that there is a need to provide managers with indicators of their performance and the information which will be produced as a by-product of the Integrated Financial Management Information System when it becomes fully operational will go a long way towards achieving this goal.

The work to be carried out on output and performance measures may, because of the emphasis being on administrative rather than programme expenditure within the Department, show much common ground with work undertaken in other Departments. This is particularly so where comparisons with similar activities elsewhere can provide targets and benchmarks. There are activities, however, where quality of output is less easily defined and where more work will be necessary, ie, training and areas of work involving policy formulation. The Department will use its economists and management services staff in this exercise.

FMI IN THE DEPARTMENT OF THE ENVIRONMENT (NI)

General

1. The decision to establish a new Information Systems Unit with specific responsibility for Information Technology and efficiency-related matters should enable the remaining resources in the Department's Central Management Branch to concentrate more fully on the development of the Financial Management Initiative within the Department. Apart from the careful monitoring of the various FMI projects, Central Management Branch has been giving priority to implementing a programme of awareness seminars for all senior and middle management staff.
2. In its efforts to press ahead on the FMI front the Department cannot easily disregard a number of important constraints under which it must operate. Many of the FMI projects are computer-based and in some of these the Department is totally dependent upon progress made by other agencies (eg, the proposed new comprehensive industrial payroll system including the facility for the calculation of productivity bonus payments being developed by Central Information Systems Division). Furthermore, there are established Trade Union side consultative procedures to be followed before the implementation of new systems can be achieved.

Training

3. In January 1984 an awareness seminar attended by the Permanent Secretary and led by the Under Secretary in the Department of Finance and Personnel (DFP) responsible for FMI was held for staff at Under Secretary and Assistant Secretary level. A second such seminar for the senior professional staff of the Department has also been held.
4. Staff at all levels down to Staff Officer are being invited to attend a series of awareness seminars currently being organised throughout the Department.

This is a major undertaking in view of the size and geographical spread of the Department.

5. Staff at Principal Officer level are continuing to benefit from the FMI residential courses organised by DFP. Six officers attended two such courses held last year and a further seven have participated in one held at the beginning of this year. The Department has asked for additional places to be reserved on future courses.

Information Technology (IT)

6. Since it was established late last year the Information Systems Unit has carried out a detailed review of the Department's Information Technology needs. The review has resulted in the production of an up-dated Information Technology strategy document which includes a programme of some 45 projects due to be undertaken or commenced during 1984/85.
7. With the continuing help of a local Information Technology consultant, the Information Systems Unit has been endeavouring to advance Information Technology projects already started and to plan for the implementation of the recommendations made as a result of the major review of the overall Northern Ireland Civil Service computing needs.

Internal Audit

8. Following the appointment of a new Chief Internal Auditor, the old style regularity audits have been phased out and Internal Audit are now committed fully to systems audit techniques. After a period of intensive staff training in these techniques and the production, with the help of a firm of consultants, of a blue print audit for guidance purposes, a number of further audits have been completed by Internal Audit staff.
9. Precise terms of reference which define among other things the role, function and scope of Internal Audit have been drawn up and circulated widely within the Department. One of the stated objectives assigned to Internal Audit is "to ensure the efficient, effective and economic use of Departmental resources."

Information Systems

10. The management objectives system, the computerised financial and accounting system and the Central Management Branch remain the three essential elements in the Department's information systems. The Department is continually exploring how these elements might be improved and refined. The inclusion of manpower and financial resources is one possible way in which the management objective systems might be enhanced. In addition objectives will be monitored more closely, more frequently and quantifiable targets established and subjected to rigorous examination.
11. One area in which a significant improvement in management information is expected is in the development of a management accounting system. This work will amount to a major overhaul of the existing computerised accounting system. While the Department will benefit from the experiences of the Departments of Finance and Personnel and Health and Social Services where new systems are presently being developed, the number and variety of functions administered by this Department suggest that development of an appropriate system will be a complex task. The Department is therefore setting-up a small team with the initial task of producing an operational requirement for the proposed new system.

Performance Indicators

12. The Department is considering the work undertaken in the field of performance indicators by the Chartered Institute of Public Finance and Accountancy in relation to certain Great Britain local authority functions. Furthermore, proposals relating to housing, water, roads and transport have been sent to DFP where the guidance and assistance of that Department's Policy, Planning and Research Unit have been sought.

Detailed Work Programme

13. The present position regarding each of the fourteen items listed in the FMI report published in September 1983 is set out below:-

13.1 Management Objectives for 1983/84

These objectives were produced and considered by the Departmental Board. Individual Branches have formulated objectives for 1984/85 and as part of that exercise have compiled reports on the progress made towards meeting the previous year's objectives.

13.2 Budgets and Profiles of Expenditure for 1983/84

This annual exercise was completed on time.

13.3 Works Service - Computerised Accountancy System

The receipts and payments relating to the Department's Works Service were computerised with effect from 1 April 1983.

13.4 Rate Collection

The rate collection system was also fully computerised with effect from April 1983 with a consequential reduction in the number of offices from 26 to 13. Further enhancements of the system, including the introduction of provision for dealing with housing benefits, were implemented ahead of the target date of December 1983.

13.5 Stores (Computerisation)

The development of a computerised stores information system had been proceeding on schedule but was subsequently suspended until decisions were taken with regard to the Rayner Team's recommendations on stores. The matter was further affected by the later outcome of a consultancy study of the Department's purchasing arrangements. With the drawing up of an action plan for the implementation of the Rayner Report and with the production of an additional report recommending the organisational and procedural modifications needed to maximise the benefits of both the Rayner study and the consultants' purchasing

assignment, work has recommenced on the computerisation project. The revised implementation date is presently April 1985. In the circumstances outlined it has obviously not been possible to make any progress with possible extensions of the system but a revised provisional target date for such an extension is April 1988.

13.6 Vehicle and Plant Maintenance Review

Management Services Division completed its review of and published its report on the Department's arrangements for vehicle and plant maintenance. Detailed discussions on the report's recommendations were subsequently held with the management of the services mainly involved (ie, Roads, Water and Works) and with the assignment officers. Agreement was reached on most points. The comments of Trade Union side are still awaited. The findings of the studies mentioned at 13.7 and 13.8 below may have a significant bearing on some aspects of this particular review (eg, the organisation and number of stores and depots). The target date for implementation is April 1985.

13.7 Stores Review

See also 13.5 above.

13.8 Purchasing Arrangements

The stores review was carried out by the Rayner Team which produced its findings in the summer of 1983. About the same time a firm of consultants commenced a major review of the Department's purchasing arrangements. Because of the inter-relationship between the two exercises the consultants were given a copy of the Rayner Team's report on stores. Following the publication of their report on the initial assignment on purchasing arrangements, the consultants were asked to undertake a further study and to produce a report on the integration of stores and purchasing.

The stage has now been reached where an action plan has been drawn up for implementation of the agreed Rayner recommendations and the

consultants have produced their second report. The Department is aiming to complete implementation by April 1985.

13.9 Productivity Bonus Calculations - Roads Service

13.10 Productivity Bonus Calculations - Water Service

13.11 Comprehensive Industrial Payroll System

These 3 projects which concern the industrial employees of the Department are very much inter-related. The new comprehensive or unified payroll is being developed by Central Information Systems Division and was recently introduced in the Department of Agriculture. This Department is next in line for the system but it is estimated that it will now be April 1985 before implementation can be achieved.

The new payroll system will incorporate provision for productivity bonus calculations. However an interim bonus calculation system is being developed for the Department's Roads Service. Pilot running of a computerised productivity bonus calculation system is due to commence shortly on a site and it is expected that the system will be fully introduced into the Roads Service this year subject to satisfactory consultations with the Trade Union side.

13.12 Computerisation of Development Control Systems

Consultants have completed their examination of the scope for the computerisation of the development control procedures. Specific recommendations were received in December and these are now being considered by the Department. Consultations with the Trade Union side are continuing and it is hoped to initiate a full pilot project using the development control records of one Divisional Office.

13.13 Review of Water Service's Programme

An appraisal study of the expenditure by the Water Service was undertaken as part of the 1983 Public Expenditure Survey discussions

between the Departments of Finance and Personnel and Environment (NI).

13.14 (i) Computerisation of Capital Works Programme

The capital works programme of the Roads Service has already been computerised using the equipment acquired sometime ago for technical applications. The Water Service has access to these machines and has used them to develop a limited system for the control of its capital works programme.

(ii) Management Accounting System

This was previously mentioned at Paragraph 11. The Department's present computerised accounting system has been operating since 1973 when the Department became directly responsible for a number of executive functions previously exercised by local authorities. Apart from the obvious need for improved financial management information which a more modern and sophisticated system could undoubtedly provide, the existing system will need to be replaced relatively soon, 1986 or possibly earlier. Accordingly, of the 45 Departmental Information Technology projects listed for commencement in 1984/85, the development of a new computerised management accounting system is regarded as being top priority in the Financial Management Initiative field. The Department has set up a team to work exclusively on identifying the specific requirements of a new accounting system and, subsequently, on its development and early introduction. The revised target date for the introduction of the new system is April 1986.

FMI IN THE DEPARTMENT OF ECONOMIC DEVELOPMENT

Introduction

1. In the published document titled "Financial Management Initiative Within The Northern Ireland Departments" the Department of Economic Development set down a five point Financial Management Initiative development programme. In this report progress on the implementation of that programme is reported and also the Department has taken the opportunity to set down longer term plans which in the main have derived from the use of the Management Planning System which was described in the original plan. This also demonstrates a growing momentum within the Department towards the achievement of the objectives that were set for the Financial Management Initiative. However it is important to note that the work being undertaken and planned is being done on a sound base and in the knowledge that the "value for money" criterion is and has been considered in relation to the activities of the Department.
2. The three main areas of expenditure by the Department are Industrial Development Support, Employment and Training and Energy programmes. Together these areas will account for £397m during 1984/85. The plans that have been laid take into account the requirements of these different areas of activity and are intended to meet the special needs of the Department.

Progress To Date

Management Planning System

MINIS

3. The six-month review of performance against management plans as at the end of September 1983 was completed in November. Key Financial Management Initiative themes have been identified and these will form part of the 1984/85 Management Plans. These themes are described in some detail in the 2 and 5 year FMI Development plans beneath.

Financial Monitoring

4. The monthly expenditure monitoring arrangements introduced in May 1983 have been the subject of continuing review and development and their effectiveness has been reviewed. However to advance this concept it will be necessary to introduce computerised accounting systems, and planning for this will continue over the next year. A target date for the implementation of a computerised financial accounting system is given in the 2 year development programme.

Control of Non-Departmental Public Bodies

5. New financial control guidelines were issued to non-departmental public bodies in November/December 1983 and their operation was reviewed recently. It is the Department's intention to pursue the introduction of Financial Management Initiative techniques with these bodies.

Staff Training

6. FMI familiarisation training for virtually all staff down to and including Staff Officer level has been completed.

FMI DEVELOPMENT PROGRAMME

7. The Department has compiled a comprehensive and wide-ranging development programme over two year and five year periods covering all aspects of the Department's work. The work that is already underway and on which progress has been reported will continue as those projects are developed and refined. The plan, attached to this Annex, is described in the following paragraphs.

Performance Measurement

8. The need to measure, where possible, whether or not policy objectives are being met and to evaluate the efficient use of resources is being tackled in the plan. Comprehensive coverage of the major areas of expenditure is intended over the next few years and the advice and help of the professionals in DED's policy division will be augmented by staff from the Policy, Planning and

Research Unit of the Department of Finance and Personnel. This is the immediate task for the Department and apart from the expertise that has been mentioned already consideration is being given to the findings in this area of the Northern Ireland Economic Council ("Public Expenditure Priorities: Overall Review" Northern Ireland Economic Council, Report 42: March 1984) and of the GB counterpart departments.

Budgetary Control/Cost Centres

9. To achieve this key element of the Financial Management Initiative, whereby accountability is clearly passed to management units, it is necessary to make use of modern technology. Therefore the Department has already embarked on the computerisation of the financial accounting system and in due course a management accounting system will be integrated with the new system. A target date of 1 April 1985 for implementation of a computerised financial accounting system has been put forward, and to achieve that date a dedicated team drawn from DED and the Central Information Systems Division has already begun work on evaluating the computerised systems of the Departments of Finance and Personnel, and Health and Social Services with a view to deciding which system would best suit the needs of DED. Having identified an appropriate cost centre structure, the next step will be to examine the delegation of authority to line managers and all that that entails.

Information Technology Developments

10. In common with other Northern Ireland Departments, DED had set up an Information Systems Unit which will be closely involved in the Department's use of technology over the coming years. Given the wide-ranging and heterogeneous nature of the Department's businesses, it is essential to employ modern technology if Management Information Systems are to provide information efficiently and effectively. Accordingly the Department has drawn up a list of applications and target dates for Information Technology development.

Structure of the Organisation

11. As part of the overall Northern Ireland Civil Service plan to review the top

management structure of each department, a review will be carried out in 1986 by the Management and Manpower Review Division of the Department of Finance and Personnel.

Reviews

12. A need to review areas of the Department's work from time to time is an essential part of good management and this type of exercise is important to shape Public Expenditure Survey decisions. Therefore the Department has decided to conduct the following reviews:-
- (a) Government Training Centres and the Attachment Training Scheme - consultants have been engaged to review and make recommendations on the vocational/skill training provision by DED in Government Training Centres and under the Attachment Training Scheme.
 - (b) Standard Capital Grants - a review group has been set up to review the existing operation of the Standard Capital Grants Scheme, assess its effectiveness in achieving Government's objectives and to make recommendations on how the scheme might contribute more effectively to those objectives.
 - (c) Service Sector Assistance - the objective of this review is to ensure that the service sector contribution to the creation of viable and lasting employment in Northern Ireland is maximised.
 - (d) Industrial Co-operatives - the objective is to launch an initiative in Northern Ireland designed to reinforce job creation through the co-operative concept.
 - (e) Public Purchasing Policy - the objective is to increase the level of local servicing of public contracts and thus contribute to job creation.

Non-Departmental Public Bodies


13. As stated in paragraph 5, it is the Department's intention to include these bodies in its Financial Management Initiative plans. Already a new

Directive and Letter of Interpretation have been issued to the Local Enterprise Development Unit (LEDU) and these have been formulated to achieve consistency of industrial development policy between the Industrial Development Board and LEDU while giving LEDU greater commercial freedom.

14. The improvement of accountability and management systems within the Northern Ireland Tourist Board is being sought and to assist this work a senior official from DED has been seconded to the Board.
15. Management and Manpower Review Division of Department of Finance and Personnel will be reviewing Enterprise Ulster in the context of a need for a decision as to whether statutory provision should be made for its continuance after March 1986.
16. The administrative arrangements within the Labour Relations Agency and the Fair Employment Agency, funded through DED, will be reviewed, again by Management and Manpower Review Division, with a view to identifying any area in which a worthwhile improvement in efficiency and cost effectiveness could be achieved.
17. A review is currently underway of the generation activities of the Northern Ireland Electricity Service (NIES) to identify a strategy which would lead to the establishing of an economical and soundly based generation system for the future. The Department is also monitoring the implementation of the recommendations of the Efficiency Audit of NIES carried out last year by private consultants.

Industrial Development Board

18. The Board is currently reviewing its top management information systems and is also developing a longer term strategy. It has undertaken an experiment in vertical integration with the establishment of a Food Sector Division which will handle all Industrial Development Board contact and involvement with that sector of Northern Ireland industry.



Conclusion

19. The work plan that is intended is comprehensive and includes all the key elements of the Financial Management Initiative. Since the last progress report in September 1983, a Principal Officer has been appointed full time to co-ordinate the Department's response to the Financial Management Initiative and the Departmental Management Committee will monitor progress against plans, thus demonstrating a high level commitment in the Department to the changes that will be brought about as a result of the implementation of the plans.

DEPARTMENT OF ECONOMIC DEVELOPMENT

FMI DEVELOPMENT PLANS

2 YEAR PLAN

OBJECTIVE

TARGET DATE
FOR
ACHIEVEMENT

1. The introduction of performance indicators for the major areas of expenditure; the development of such indicators may necessitate liaison with DFP's Policy Planning and Research Unit. For further details see Appendix 1. See Appendix 1
2. The identification of an appropriate cost centre system for the Department, bearing in mind the coverage of existing information systems. March 1985
3. Information Technology Developments.
The identification of IT needs and the introduction of suitable applications throughout both 2 and 5 year periods. Main details are set out in Appendix 2. See Appendix 2
4. A review of the top management structure of the Department as part of the series of post-Wardale reviews to be carried out by DFP's Management and Manpower Review Division. 1986
5. The introduction of revised delegation arrangements with DFP in relation to the Department's training activities. May 1984
6. The introduction, following consultation with DFP, of certain further delegation arrangements. October 1984

- | | | |
|-----|--|--|
| 7. | A post-Rayner, broadly-based, inspection of Employment Service Division to determine proper staffing levels; such inspection to be carried out jointly by DFP and the Department's Staff Inspectors. | December 1984 |
| 8. | A review of Government Training Centres and the Attachment Training Scheme by consultants to examine all aspects of training, cost effectiveness, etc. | April 1984 |
| 9. | The improvement of accountability and management systems within the Northern Ireland Tourist Board. | March 1986 |
| 10. | The completion of a programme of Management and Manpower Review Division assignments during 1984/85 in relation to -
(a) word-processing (ongoing throughout 1984/85)
(b) Enterprise Ulster (commenced April 1984)
(c) Fair Employment Agency (commencing early 1985)
(d) Labour Relations Agency (commencing Autumn 1984) | By March 1985 |
| 11. | Policy Reviews and Formulation -
(a) the completion of a policy review of the Capital Grants Scheme
(b) the completion of a review of arrangements for service sector assistance
(c) the formulation of a policy framework for the development of industrial co-operatives
(d) the development of an effective public purchasing policy
(e) the formulation of an electricity generation strategy | September 1984
September 1984
December 1984
September 1984
Autumn 1984 |
| 12. | The completion of a longer-term strategy for the Industrial Development Board. | December 1984 |
| 13. | A review of top management information systems in the Industrial Development Board. | June 1984 |

14. Establishment, on an experimental basis, of Food Sector Division in Industrial Development Board to handle all Industrial Development Board's contact and involvement with this sector of Northern Ireland industry.

January 1985
(Review of
arrangement)

5 YEAR PLAN

OBJECTIVE

TARGET DATE FOR ACHIEVEMENT

1. The introduction of performance indicators for other areas of expenditure (see objective 1 of 2 year plan) Phased introduction up to 1988
2. Continued consideration and, where appropriate, introduction of further Information Technology applications and refinements of existing systems including the incorporation of output/performance indicators into the computerised finance/accounts management system. Ongoing throughout the period
3. Assuming a positive decision to adopt the cost centre concept (see objective 2 in the 2 year plan), the application of such concept to all areas of the Department. Ongoing throughout the period
4. The application of FMI programmes to non-Departmental Public Bodies. By March 1988

APPENDIX 1

TARGET DATES FOR THE INTRODUCTION OF PERFORMANCE INDICATORS FOR MAJOR AREAS OF EXPENDITURE (2 YEAR PLAN)

EXPENDITURE	TARGET DATE
Financial assistance to Harland & Wolff Ltd	1 May 1984
Capital Investment Grants	1 May 1984
Youth Training Programme	1 May 1984
Action for Community Employment	1 May 1984
Government Training Centres - salaries etc of staff	1 January 1985
Functioning of the Labour Market - salaries of staff	1 April 1984
Enterprise Ulster	1 June 1984
Local Enterprise Development Unit - capital expenditure	1 December 1984
Financial assistance to Short Brothers Ltd	1 May 1984
Industrial Development Grants	1 October 1984
Factory Building	1 October 1984
Loans to industrial undertakings	1 October 1984
Interest grants on borrowing for industrial modernisation and re-organisation	1 October 1984
Northern Ireland Tourist Board	1 December 1984
Grants to the catering industry	1 December 1984
Grants to local authorities (tourist amenities)	1 December 1984

IT DEVELOPMENTS: APPLICATIONS AND TARGET DATES FOR INTRODUCTION

APPLICATION	TARGET DATE
1. The completion of a micro-based computer system in Corporate Finance Division, Industrial Development Board, to assist with financial modelling.	April 1984
2. The introduction of a small computer system in Companies Registry to record fees and, by use of micro-film technology, to ease the present heavy administrative burden.	April 1984
3. The installation of a word processor at Netherleigh, following a positive recommendation from Management and Manpower Review Division, Department of Finance and Personnel.	September 1984
4. The introduction of micro-computers in each of the following 3 areas of Industrial Development Board - Industrial Estates, Inward Investment and Internal Marketing.	During 1984/85
5. In addition the following main applications have been identified, although they are not as advanced as items 1 to 4 above -	
(a) Financial Accounting/Management Accounting	April 1985 onwards
(b) Employment and Training	
(i) completion of consultant's feasibility study	October 1984
(ii) dependent on (i), phased implementation	From late 1984 onwards

- (c) Company Database August 1984
Departmental consideration of extent and nature of
such database

- (d) Industrial Science Division
 - (i) completion of consultant's September 1984
feasibility study

 - (ii) dependent on (i), phased implementation From mid-1985
onwards

FMI IN THE DEPARTMENT OF AGRICULTURE

Introduction

1. In the period under review Department of Agriculture Northern Ireland has made several advances in accordance both with the overall objectives of the Financial Management Initiative and the developments envisaged in the original action programme. In addition to specifically planned development steps, particular efforts have been made by Senior Management to spread awareness and acceptance of the need to change and address the question of value for money. This report embraces both general developments and progress on the action programme.

Top Management System

2. A Top Management Group sitting under the Chairmanship of the Permanent Secretary and comprising the 2 Under Secretaries, Chief Scientific Officer, Chief Agricultural Officer, Chief Veterinary Officer together with the Principal Finance and Establishment Officers was constituted formally in December 1983. The Group is responsible for the introduction and on-going implementation of the Department's senior management system - DANIM. Following identification of appropriate organisational/responsibility levels the system requires each Assistant Secretary (or equivalent), to agree with the relevant Under Secretary (or equivalent) the general aims of the management units for which he is responsible together with specific objectives/targets and the financial and manpower resources allocated for the in-coming planning period. Top Management Group reviews, discusses and amends objectives as necessary and seeks to determine and indicate overall priorities for the Department in light of Ministerial guidance. The Group is concerned in the determination and allocation of financial and manpower resources and the on-going budget monitoring systems.

In-Depth Policy Appraisals

3. Henceforth it is envisaged that the Top Management Group will determine the departmental programme of in-depth policy appraisals and will receive the reports. An appraisal of the drainage capital programme, with particular reference to likely forward expenditure requirements, was carried out in the Autumn. A major internal policy review of agricultural education and training is presently being conducted through a Working Group.

Internal Audit

4. The Top Management Group acts also as an Audit Management Group determining the Departmental internal audit strategy, approving the annual programme and receiving appropriate reports. Efforts have been made to raise the profile of the internal audit service in the Department and to develop the systems based audit approach in order to provide a more valuable service to management. Following an audit workshop conducted by private sector accountants, audit documentation has been revised and planning and control procedures strengthened. A significant proportion of available internal audit staff time continues to be devoted to formal training, from which longer-term benefits will derive.

Management Information and Financial Accounting Systems

5. There have been various important steps in the broad area of development of systems that inform top management and are capable of identifying the true and total cost of specific parts of the overall business. Private sector consultants have been employed to seek to establish information technology priorities throughout the Department. The demand for a co-ordinated approach to technology and information systems is being faced within the Department through certain organisational changes designed to concentrate responsibility for efficiency services. An initial major computerisation project covering the administration of Animal Health is at an advanced stage of planning.

6. In the narrower context of financial information systems, work last year was concentrated on the introduction of a formal internal financial monitoring system with quarterly reports identifying expenditure against profile at least at the level of sub-programmes. These reports are submitted for scrutiny to the Top Management Group. The system is now in full operation and has proved highly satisfactory both in meeting the needs of DANI management for short-term cash information and providing the requisite base for reports to Central Departments.
7. Work has continued in developing a computerised book-keeping and payments records system designed better and more efficiently to inform and record expenditure. The base record system has been designed in such a way as to not merely produce required Vote and Public Expenditure Survey accounting data but also to analyse at finer levels of detail and in respect of cost centres. Consideration is presently being given to the extent this system can now usefully be linked to the ongoing financial monitoring system.
8. As an important underpinning of much future Financial Management Initiative work, the former 6 Votes for which DANI were accountable have been subject to amalgamation to 3 Votes in 1984/85, and to some early rationalisation within this revised structure. This amalgamation and ongoing rationalisation has the specific aim of allowing greater attribution, identification and control of expenditure at sub-programme and cost centre levels. Within the DANI internal budgetary control systems, the identification of those further expenditures which may be subject to delegation to cost centres is continuing.

FMI IN THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Introduction

1. The Department conducts two main "businesses" - health and personal social services and social security. In respect of the former, the Department is responsible for policy, planning, resource allocation and monitoring, and for certain executive functions such as capital works and management services, while local planning and management of the services is delegated to four agent Health and Social Services Boards and associated central bodies. The Social Security programme is administered directly by the Department.
2. The Department employs approximately 5,800 staff, mainly in social security, and has a budget of over £1,800 million in 1984-85, of which £600 million will be spent on health and personal social services, £1,133 million on social security and £68 million on administration. The administration of the Department is organised under the Permanent Secretary in four Under Secretary commands - two covering the health and personal social services field, one providing central support services and one covering social security. Each of these commands comprises Divisions headed by Assistant Secretaries. Administration is advised and supported by a number of professional groups relating principally to the Health and Personal Social Services Divisions. Under Secretaries and chief professional officers form the Top of the Office Group which meets regularly under the chairmanship of the Permanent Secretary to deal with the planning and allocation of resources and to monitor progress.

Progress - General

3. Solid progress on the programme of work which was published last September can be demonstrated, though the Department is fully aware of the need to develop the systems which it is putting into place. The major task internally has been the computerisation of the accounting system which has been tackled

with rigour and commitment by a special team working closely with the then Computer Services Division of the Department of Finance and Personnel.

Progress - Against Plan

Departmental Systems

MINIS

4. September 1982 saw the introduction of a Management Information System for Ministers (MINIS) into the Department. The system was designed to combine information on three main areas of managerial concern - expenditure, manpower and objectives, to assist the Minister and senior management in assessing the effectiveness of the Department's activities and in the ordering of future business. The MINIS 2 report published in March 1983 developed the system further, and MINIS 3 was issued in October 1983 covering the six months to 31 March 1984. MINIS is being prepared on an annual basis from April 1984, as a top management system, with a lower tier of detailed objectives within Divisions. Objectives have been related to functions within each Division, with staff costs and complements attributed to these functions. The new computerised accounting system will enable attribution of total administrative costs to cost centres within Divisions.

Accounting System

5. The computerisation of the accounts payable and the general ledger sections of the system was implemented on 1 April 1984. The use of the PROMPT methodology to plan and monitor progress has been most beneficial to the joint team handling this task. The system will be further developed during 1984.

Budgetary Control of Administrative Costs

6. The Department is introducing a new approach to the budgetary control of its administrative expenditure similar to that being developed in Department of Health and Social Security (Great Britain). Administrative costs will be charged out to identified cost centres, for control by the cost centre manager.

This will not only make managers conscious for the first time of the full costs of running their operations, and so facilitate better management, but also give better costing information to senior management and the Minister through MINIS reports. Now that the Department's accounting system is computerised, the budgetting of administrative costs by cost centres can begin in April 1985.

The Health and Personal Social Services

Budgetary Control and Accounting Systems in Boards

7. Work is well advanced on the development of the computerised regional budgetary control system intended to replace the various systems presently used by the Health and Social Services Boards. The first module (budget building) is now available and being put into operation by the Boards. The second module (for salaries and wages) is currently being tested and will be available from July 1984. Work is progressing satisfactorily on the other modules and a training programme for the relevant Board staff is under way.
8. Private sector management consultants were engaged to examine financial systems in the North and West Belfast District of the Eastern Health and Social Services Board, and recommend improvements to secure more effective financial control and management information. Their report has been considered and it has been decided that a comprehensive overhaul of financial systems should be undertaken as part of the current reorganisation which will divide the District into three Units of Management.

Payroll

9. A Data Model has been prepared for the re-design of the present payroll system which handles the salaries and wages of some 66,000 staff employed by the Boards and other agent bodies. A liaison group, which includes a Board officer who is to be seconded to the project full-time, has been set up with the target of implementing the new system with effect from April 1986.

Audit Systems

10. A review has been carried out of the roles of the Department's Audit Branch

and Board internal audit in the light of a review of National Health Service audit in England (Salmon Report) to secure a proper balance between the traditional and necessary audit for financial regularity and that aimed at securing efficiency and value for money. The systems audit training of the Boards' internal audit and the Departmental audit staff has now been followed up by a pilot implementation exercise for salaries and wages expenditure in a large District. Assistance in this exercise was provided by private sector consultants. The methodology and the documentation is now to be implemented across all Boards.

Structure and Management

11. The current review of structure and management is designed to secure delegation of day-to-day management decisions to officials at the operational level; to free Boards and their Chief Officers to concentrate on strategic issues; and to secure the involvement of clinicians in management. New management structures will be in place throughout the four Health and Social Services Boards by 1 October 1984.

Planning System

12. The Department's Regional Strategic Plan for Health and Personal Social Services 1983-88 was published in December 1983. The final chapter of the Plan refers to a number of important initiatives designed to contribute to the further development of the planning system by enhancing its analytical capacity so that it becomes the key to the effective use of resources. To this end it is, for example, intended to link statistical data on activity and manpower to financial information, while the reports of the Steering Group on Health Service Information in the National Health Service in England are being taken as the basis of a local review of Health and Personal Social Services information systems, which is now under way.

Personal Indicators

13. The first cycle of annual Accountability Reviews with Health and Social Services Boards has been completed through meetings between the Minister and the Chairman, Vice-Chairman and Chief Officers of each Board to discuss

performance and strategic issues. To assist in this monitoring exercise a set of performance indicators has been developed based on indicators used in the National Health Service in England but extended to include the personal social services.

Economy and Efficiency

14. In recent years the Department initiated a number of major exercises not only to secure greater efficiency but also to promote better cost-effectiveness. In parallel with these initiatives Health and Social Services Boards are also pursuing action programmes designed to realise annually a minimum level of efficiency savings of 0.5% of revenue expenditure. These programmes cover such areas as supportive services, including catering, laundry, domestic, supplies and transport services; energy conservation; levels of overtime, sickness and absenteeism; rationalisation of acute general hospital services, including the development of day surgery; computerisation; postal costs; and telephone installations.
15. The Department will monitor the progress of Boards in these areas through the Accountability Review process in the course of which the Minister meets annually the Chairman, Vice-Chairman and Chief Officers of each Board to discuss the Board's progress in meeting various strategic objectives and its performance generally over the course of the previous year.

The Social Security Programme

Strategy for Social Security Operations

16. The main thrust of the strategy, which is designed to improve operational efficiency and flexibility, reduce administrative costs and improve both the quality of service to the public and the work of the staff, is towards the computerisation of social security benefit systems. Project teams set up jointly with the then Computer Services Division of DFP have completed feasibility studies. The next step, following consultation with the Trade Union side, is a full study of a unified computer system covering unemployment, supplementary, widows and child benefits and retirement pensions. The

expected completion date is Autumn 1985, with a target for implementation of the first stage in the strategy of 1988/89.

17. A pilot study on micro applications in Social Security Offices is expected to be completed in 1984-85 and full implementation in 1985-86. The examination of other miscellaneous micro applications in benefit operations is ongoing.

FMI IN THE DEPARTMENT OF EDUCATION

Introduction

1. The Department of Education's work programme was designed to place very considerable emphasis on systems to provide reliable and useful management information on a formalised basis. The individual aspects of the plan are being developed by or in close conjunction with the managers who will utilise them for the better function of their responsibilities and much progress has been made in some areas since the last progress report in September 1983, whilst in other areas the planning process is still continuing.

PROGRESS

Senior Management Information System

2. The basic Department of Education (DENI) MINIS-type system was envisaged as containing - apart from a summary paper on finance and details of staffing of the Department (and fringe bodies) - descriptions of Divisional functions (set against staff costs and numbers) and identified tasks for Divisions for a 6-month period. The shape of the exercise was approved by the Minister in November 1983.
3. In approving the basic concept the Minister also agreed that it should be enhanced by the identification of overall Departmental objectives for a longer time scale, ie, the next 4 or 5 years. All the Divisional functions and tasks are relevant to and consistent with this Statement, which was developed by the senior managers working together for approval by the Minister and will form the introduction to the DENI MINIS.
4. The DENI MINIS became operational for the 6-month period January - June 1984. It has also been decided to introduce a 3-monthly position report which will enable identification of those tasks presenting difficulties or falling behind schedule.

Computerisation of Expenditure Monitoring System

5. In-house computerisation of the detailed manual monitoring system introduced within the Department in 1981 has been undertaken by DENI staff using the Departmental micro-computer and a standard software package amended as necessary. This system is now operational, but in the absence of computerised accounts information it only covers expenditure from Divisional level upwards and this has limited capacity for analysis. It has, however, proved particularly useful in terms of "hands on" computer experience and in terms of development work in financial planning and modelling. The Department has concluded that the necessary enhancement of this system can only be based on the information presently compiled manually in the Department's Votes Ledgers and that the computerisation of this work is an essential pre-requisite for the development of sophisticated budgetary control systems. It is intended therefore to evaluate the computerised accounting systems in use by Department of Finance and Personnel and Department of Health and Social Services with a view to implementation within DENI as soon as possible. Target dates will be determined by the specific system selected, but full implementation should be achieved by 1 April 1986.

Programme Expenditure - A Management Accounting System for Schools

6. (a) Teaching Costs - Salaries and Administration

The decision to redesign the teachers' payroll will have a considerable bearing on the Department's work programme. The new system, based on the computerised pay package proposed for the Northern Ireland Civil Service, will have the facility to provide information on teaching costs which have been unavailable hitherto and it will have a dramatic effect on the administration of teachers' salaries. There will also be advantages for pension and accounting procedures. While a final timetable is not yet available the aim is to have the new system operational within about 2 years and it has a top priority with both the Central Information Systems Division of DFP and the Department.

Two components of the Department's original plan - the administration of teacher' salaries and teaching costs -are so much tied to the new project that progress in both areas will be determined and dictated largely by progress on the payroll. Since the new payroll will not be fully operational for at least 2 years, target dates for these components are therefore being revised.

As a first step in its Financial Management Initiative review of administration expenditure associated with teachers' salaries, the Department has amalgamated with effect from the beginning of this year Teachers Administration Branch, Computer Control Unit and the Teachers Negotiating Machinery Branch under one Principal Officer. A major assignment by the then Management Services Division on Teachers Administration Branch/Computer Control Unit has been completed and is currently being considered by the Department in the light of the proposals on the redesign of the teachers' payroll. Further discussions will shortly take place with Management and Manpower Review Division on the recommendations.

On teaching costs a preliminary examination and assessment of statistical and accounting information for improved estimating and monitoring of teachers' salaries has been carried out, but further progress in this field will be dependent on development of the new payroll.

(b) Other School Costs

In consultation with Education and Library Boards and corresponding branches within the Department, information sources relating to all aspects of the education service contributing to the unit cost (excluding teaching costs) of educating a child in the classroom have been identified and the various record systems examined in detail. On completion of discussions within the Department on the type of information collected, uses to which it is put, analyses carried out, frequency of updating, etc, a detailed discussion paper will be produced. The complexity of existing systems has, however, meant that original target dates were somewhat

optimistic and this discussion paper is unlikely to be finalised until early-summer.

(c) Output Performance Measures

As part of the Department's management accounting system for the schools programme the feasibility of developing measures of performance relating to those school outcomes which may be susceptible to such objective analysis is being investigated. A pilot study has been carried out on 5 schools in the Belfast Education and Library Board area and the exercise is now at the stage of applying selected indicators to all schools in Belfast.

Although it may be premature to anticipate the Group's findings, it is likely that the following points will be made:-

- (i) an exercise of this nature can deal only with outcomes which are susceptible to objective measurement. This considerably limits its scope;
- (ii) there are significant and surprising differences in the unit costs of schools located in comparable catchment areas and attended by pupils of the same age group and similar social background;
- (iii) such differences in costs, in spite of similarities in enrolment and social environment, should be useful in prompting follow-up professional investigations to determine if the additional costs are justified, wholly or partly, by a higher quality of education or by special circumstances (eg a rapidly declining enrolment);
- (iv) there is an urgent need to establish a central schools data bank so that information about costs, curriculum range, teacher qualifications and experience and examination performance of pupils can be made available quickly and on a confidential basis to administrators and inspectors. There would also be

merit in giving each school a profile of its own costs, resources, curriculum provision and examination performance.

Planning and Co-ordination Arrangements for Higher Education

7. The new arrangements for the planning and co-ordination of higher education are now fully operational. The University Grants Committee's Northern Ireland Working Party has met on a number of occasions in Northern Ireland, and has established good working relations with the institutions. The Queens University and designated officers of the proposed University of Ulster have agreed the present submissions to the Working Party setting out their views on the role which each institution will play in the development of a co-ordinated and cost-effective higher education system.
8. To assist in the future planning of higher education the Department is preparing a paper on demographic trends and the future demand for higher education in Northern Ireland.

CONCLUSION

9. An important element in ensuring the completion of the tasks above is that the best use be made of the technology available. To that end the Department has established an Information Systems Unit headed by a full time Principal to co-ordinate and implement overall computerisation strategy in the Department.
10. Although a lot of the work that is on-going does impinge upon Education and Library Boards and other bodies, the department is considering further the development of the Financial Management Initiative by these groups.

Carl Smed

ATL

Long Term Management