



Northern Ireland  
Assembly

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**COMMITTEE FOR  
FINANCE AND PERSONNEL**

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**OFFICIAL REPORT  
(Hansard)**

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**Second Report on Budget Scrutiny  
Inquiry: Consideration of DFP Budget  
Process Action Plan**

15 September 2010

**NORTHERN IRELAND ASSEMBLY**

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**Second Report on Budget Scrutiny Inquiry: Consideration  
of DFP Budget Process Action Plan**

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**Members present for all or part of the proceedings:**

Ms Jennifer McCann (Chairperson)  
Mr David McNarry (Deputy Chairperson)  
Dr Stephen Farry  
Mr Paul Frew  
Mr Paul Girvan  
Mr Simon Hamilton  
Mr Daithí McKay  
Mr Mitchel McLaughlin  
Mr Adrian McQuillan  
Mr Declan O'Loan  
Ms Dawn Purvis

**Witnesses:**

Mr Michael Brennan ) Department of Finance and Personnel

**The Chairperson (Ms J McCann):**

This session deals with the review of the 2008-2011 Budget process action plan and the Department of Finance and Personnel's (DFP) response to the conclusions and recommendations in the Committee's second Budget scrutiny inquiry report. There is also a paper, and the executive summary and key conclusions and recommendations from the Committee's report, in member's papers. Michael, please make a few opening remarks, after which I will open the meeting for members' questions.

**Mr Michael Brennan (Department of Finance and Personnel):**

As the Committee knows, the 14 recommendations in the paper went from our Minister to the

Executive and were endorsed at the Executive meeting at the end of July. The general observation was that the Finance Minister warmly welcomed the recommendations. He is particularly exercised about the key question of consultation on the Budget process and will be keen to labour that point during next week's take-note debate. The Minister is particularly anxious that Assembly Committees have an opportunity to engage fully with Ministers and their Departments on the evolution of the Budget for the new spending review period.

**The Chairperson:**

A very clear point was made about the clear lack of support from the Assembly Committees for some of the recommendations, particularly recommendation 12. Was any consideration given to postponing the issuing of the Minister's paper in order to update it to take account of the co-ordinated response on behalf of the Assembly's Statutory Committees, given that a date was not mentioned? I know that your report says that you did not receive that response until 2 July, at which point it was too late to include in the Executive meeting on 5 July. Was any consideration given to postponing the paper to allow the very detailed report to be factored in? Furthermore, is any provision in place to enable Ministers to table amendments to their papers when they come to the Executive table? Was that opportunity available on this occasion?

**Mr Brennan:**

Our Minister's papers were issued before we received the Committee's report, and we also noted that it was embargoed to DFP. Therefore, in that position, the Minister had written to the Executive, and he held to that position. I know that our Minister wants to address that issue next week because we think that there is possibly a misunderstanding about the wording of recommendation 12, and we wonder whether it is possible that there were cross-purposes at work here.

The recommendation talks about having a lead role in the consultation process going forward, yet the concern of the Committee seems to be about not having the authority to act. There could be a view that acting as a conduit for the views of all the other Committees, and presenting that view on the Budget, is not, in any way, saying that the Committee needs some sort of statutory authority to do that.

**The Chairperson:**

As Committees, we cannot do anything about the Budget. Therefore, what is the purpose of being involved in it?

**Mr Brennan:**

If, for example, there was frustration in all the other Committees and they could not relay their views, those views could be relayed to the Finance Committee and then be presented to the Finance Minister, who could take them forward.

**The Chairperson:**

The view of most Committees is that they could not act on the results of the consultation. It is very clear that there was a lack of support for that particular recommendation. I want to make that point; however, I will not labour it. If there is a process whereby a Minister's paper can be amended before it is brought to the Executive, then that may have been the option that should have been used on this occasion.

**Mr McNarry:**

I want to look at recommendations 6 and 7. I understand that the Department's original recommendation proposed that it would be the Department that would take the lead role from the strategic investment board (SIB) in developing capital investment allocations in the Budget process. It now appears that that has been changed; and, on page 5 of the action plan, it states that that has been agreed by the Executive. We now find that DFP and the strategic investment board will work collaboratively in developing capital investment allocations in the Budget process. Will you tell me why that has happened and whether the recommendation has been amended?

**Mr Brennan:**

In the past, there was some concern on the part of Departments that there was a disjoint between DFP's role in setting and monitoring capital budgets and the SIB's role in giving strategic direction to the allocation of capital. That is why the original recommendation had DFP taking the lead. However, operating practice over the past four or five months has changed significantly, in that DFP and SIB are working closer together than they ever did in the past on setting and monitoring the capital position and in taking positions on the allocation of capital. For example, last week, there was almost daily contact between the DFP team and the SIB team on the capital position for Budget 2010. It is much more of a close and collaborative effort than that which we had envisaged in the past.

**Mr McNarry:**

Are we to take from that that although the Department indicated that it wished to take a lead role, the SIB, having previously not worked so closely with the Department, decided that it is better to work together with the Department, and that, purely on the basis of five months'

operating practice, there has been a turnaround and you have rolled over?

**Mr Brennan:**

What has triggered the change in operating practice is that we are heading into an environment in which capital will be much scarcer. The availability of capital is going to be significantly constrained over the next four-year period. Therefore, there needs to be a much more focused, strategic decision on how we allocate that capital. For example, DFP could not strike the capital budget on its own without having some significant input from SIB on what the strategic priorities for the allocation of capital should be.

**Mr McNarry:**

That would have been the case anyhow. I am saying that, having rolled over completely, you have dramatically changed the recommendation that you would take the lead role and are now saying that you will not take the lead role. I am trying to get at why you have changed that recommendation and why you are not going to take the lead role. Is it because the Department is not competent on its own?

**Mr Brennan:**

I do not think that having to take the lead role is an issue now.

**Mr McNarry:**

You made it an issue.

**Mr Brennan:**

That was at a time when we were worried about various Departments having the perception that there was a disjoint between the roles of DFP and SIB.

**Mr McNarry:**

We do not work on perceptions: we work on facts. You came to the conclusion that DFP would take the lead role. I am trying to get at what changed your mind. Is it that you have better relationships with SIB? Was pressure put on the Department by SIB?

**Mr Brennan:**

I think that the working relationship between SIB and DFP is much better than it has ever been.

**Mr McNarry:**

Do we have to now hope that that is going to be the case for ever and a day?

**Mr Brennan:**

Certainly, that is the working assumption that we have made.

**Mr McNarry:**

On recommendation 7, we, as a Committee, had recommended that linkages on PSA targets should be extended to the reporting stage, whereby end-year delivery reports would enable performance to be tracked at departmental levels with respect to inputs, outputs and outcomes. You responded to that by saying that it could:

“perhaps be considered in the wider review of the financial process proposed by DFP.”

Are you in a position to go beyond the word “perhaps”? Will you give the Committee a firm commitment that that will be examined as part of the review of the financial process? Will you be able to give us a commitment that we will be provided with an opportunity to consider the proposed terms of reference in advance of the commencement of the review? Will you bring clarification to the table as to when that work is likely to commence? What is the timescale for completion? It is fair that we ask for that commitment, rather than work with you on the basis of the word “perhaps”, which could mean anything.

**Mr Brennan:**

As you know, on many occasions in the past, we have kept the Committee up to date on what we would like to have done with regard to bringing about the review of the financial process to make it a more transparent and aligned system. Our Minister has written to his Executive colleagues with the terms of reference for taking forward the review. Once the Executive have signed off on that, we will come back to the Committee as quickly as possible, not only on the terms of reference, but on how we will see those terms of reference being operationalised.

**Mr McNarry:**

Will you help the Committee in any way? We are clear in what we are asking for. You have responded with the word “perhaps”. It might be unfair to ask you to give a commitment, Michael, but could you take back to the Minister that the Committee would find it more satisfactory if the commitments that I had asked for on behalf of the Committee were to be judged by him as being reasonable, and ask that he, in fact, could commit to the commitments

that I am asking for on behalf of the Committee. In light of when you say that that could be resolved, when might we get a response from you or the Minister?

**Mr Brennan:**

The Minister is getting comments back from his Executive colleagues, and those received to date are supportive of his proposals. There is no reason why you will not get that the minute that it is signed off.

**Mr McNarry:**

When you say that they are supportive of his proposal, does that mean that they are supportive of the “perhaps” scenario?

**Mr Brennan:**

No, they are supportive of taking forward a process to review and simplify the financial process and make it more transparent, and align budgets, estimates and departmental accounts.

**Mr McNarry:**

Can you see that what we are asking for is fairly reasonable and that an opportunity to consider the terms of reference in advance would be helpful to the process?

**Mr Brennan:**

I can see where you are coming from. I understand where you are coming from, and I will relay that to the Minister.

**Mr McNarry:**

May I ask that you give an opinion to us at the table today that you share our view and that it is a reasonable request?

**Mr Brennan:**

Yes.

**Mr McNarry:**

Thank you: that is helpful.

**Ms Purvis:**

Our reading of recommendation 12, and why it has been rejected by this Committee and the

other Committees, is that you wanted this Committee to take the lead role in the Executive's consultation. Part of the Executive's consultation is consulting with other and wider organisations. Is that a misunderstanding of the recommendation in that what we currently use in gathering the views of Assembly Committees, co-ordinating those views and sending them on is what you are really talking about?

**Mr Brennan:**

There is no intention to try to circumvent the formal public consultation process. The Minister would like to be sure that he is getting the views of all Assembly Committees and that the Finance Committee could act as a conduit for relaying the views of all Committees to him. That was the intention.

**Ms Purvis:**

That is something we do already. That leads me on to recommendation 13. One of the criticisms that constantly comes from Assembly Committees is the lack of *[Inaudible.]* and information — enough information to do their job — that they get from Departments prior to review. For example, *[Inaudible.]* understands well in advance so that they have an opportunity to scrutinise how it can review its budget and the subsequent spending plans. It seems to me that recommendation 13 is asking of the Finance and Personnel Committee something that is way beyond its scope, remit and powers, bearing in mind the inadequate information that comes from Departments to Committees and the powers and ability of this Committee to adjudicate on spending programmes.

**Mr Brennan:**

The key concern is that Committees do not have access to all the budgetary information that they should have, not just on the bid information that Departments submit to DFP but on their savings delivery plans and how they intend to take forward their budget consultation process. The key issue under this recommendation is to ensure that the Committee sees everything in relation to the construction of that departmental budget development: for example, where there is a particular concern or a lack of understanding, then there is an issue about how that particular Committee engages with the Finance Committee and relays that to DFP. An information breakdown is the fundamental concern.

**Ms Purvis:**

It seems to me that there is an information breakdown in the Executive in that the Minister of Finance and Personnel is not getting the information or co-operation from his Executive colleagues and, therefore, what is coming out of this is to place that responsibility on the

Committees, because the Committees have already complained that they are not getting the information from their Departments and their Ministers to enable them to scrutinise the Departments' budgets and the wider Budget. It seems a bit like passing the buck to Committees, when the Executive and the Minister of Finance and Personnel should be looking more closely at Executive colleagues. I accept that Assembly Committees, including the Committee for Finance and Personnel, have a crucial role in scrutiny. However, I cannot see why we and other Committees should be expected to do the role of the Finance Minister.

**Mr Brennan:**

I do not think that the intention was in any way to pass the buck or to circumvent the Executive. In previous Budgets, many Committees complained that they had been asked to take a view on the Budget but did not have all the information necessary to form that view. When DFP was issuing its Budget guidance to Departments, it made it clear that it was in those Departments' interests to make available to the Committees all financial information on the bid side and on the savings side, so that the Committees could form a view. That was the only intention in putting that into the Budget guidance. It was not about trying to obtain information on other Executive Ministers' behaviour by the back door.

**Ms Purvis:**

What has changed? How is it going to work?

**Mr Brennan:**

For example, if Committees ask of their various Ministers to see the information, the information is there in Departments. If the Committees cannot obtain that information, they know where the fault lies with regard to the failure to provide.

**Ms Purvis:**

It is really a benign action point. If Committees have already asked for information from the Departments and the Departments have not been forthcoming, they cannot fulfil the role that is required of them. Is this not really a benign point? It is really apportioning blame as opposed to saying that this is how Committees can fulfil an active role in the process.

**Mr Brennan:**

I do not think that it is a benign recommendation. It is a recommendation that should encourage greater transparency in the engagement between Ministers and Committees.

**Ms Purvis:**

It has not worked to date.

**Mr Brennan:**

Hopefully, it will work over the coming months.

**Mr O'Loan:**

I have a number of points, all of which are to do with the overview position. I do not think that that is a good *[Inaudible.]* budgetary process. That leads to a lot of friction. We are in a difficult environment, which brings its own issues *[Inaudible.]*.

*[Inaudible.]* point that Dawn made about recommendation 13 and the demand that, if a Committee is going to make any comment at all and to seek that anything else be done, it must come up with the funding arrangement for that. Our Committees, as constructed at the moment, *[Inaudible.]*. However, we are not there yet. The Department needs to be aware that just making that blunt statement *[Inaudible.]*.

My next point of concern is around the desire that you talked about to make the Budget more clearly linked to the Programme for Government and the PSAs. In many cases, Departments share that view. I have many concerns about how we do that. The Department has responded by talking about the maze of interaction that is involved in that and what a difficult process it actually is. The first attempt of the Department to do that has been to map all the money in its spending lines to particular PSAs. The first editions have not agreed at all, and we end up adjusting that to make it consistent. Therefore, how valid it is remains in doubt. If we were to add to that with a plethora of information coming before Committees and Assembly Members, that would be so daunting that we would not be able to make anything of it. *[Inaudible.]*

Do you feel confident that all our Departments can produce a meaningful four-year Budget *[Inaudible.]* and will use that four-year period to get us to a different place at the end of it? I am not confident that we can do that. *[Inaudible.]* I think that even writing a four-year Budget is a questionable project. I would be far more content with producing a one-year Budget that gets us somewhere and then using that longer period to have meaningful engagement and strategic thinking about what *[Inaudible.]*.

**Mr Brennan:**

I take entirely your point about the unique difficulties that having a spending review

announcement in October brings. Normally, Treasury spending review announcements are in July, so the fact that we have one coming on 20 October means that we have a much more compressed time period in which to construct, deliver and get approval for the Budget. Over the next couple of months, the timescale for taking forward consultation and engagement with the Executive and the Assembly is horrendous.

Our difficulty with the timescale is that, in effect, Departments need to have Budget allocations by January next year so that they can give sufficient notice to the various boards, trusts and arm's-length bodies to enable them to start planning. That is particularly important this time around because we are heading into a period in which resources are going to be so much more constrained than they were in previous years. It is not just a question, like it was seven, eight or nine years ago, of allocating a Budget and *[Inaudible.]* money in-year. This time around, we are heading into the opposite world, so we need Departments to have certainty about their Budget allocations early in the new year.

The new UK Government is setting a four-year Budget. Normally, spending reviews cover only three years, but this one is set at four years. I think that they want to reinforce the message that this spending review is copper fastened and will not be reopened and that they are committed to addressing the fiscal reduction plan that the Exchequer has in place. They want to reinforce the perception that the funding net will not be reopened for a long time.

Resources are so tight that it is difficult to make every Minister happy, so one of the benefits of being able to strike a four-year Budget is that you can start to make trade-offs; you can ask Minister A to take a little bit of pain in year A, but Minister B will get a bit of easement in year C. Therefore, over a four-year period, you can start to smooth out departmental allocations. The only thing that you have to give Ministers then is the confidence that you will not reopen that Budget. For example, if Minister A gets all the money in years 1 and 2 and is supposed to take pain in years 3 and 4, and you reopen the Budget in year 2, you will have howls of protest about breaches in faith in delivering the Budget. That is one positive aspect of adhering to a four-year Budget.

I can see the other point that you are making, because we are asking the Executive and the Assembly to take some fundamentally difficult decisions about Northern Ireland plc going forward, and there is a certain logic to saying that we should strike a one-year Budget and bring a much more orderly thought process to how resources are allocated through years 2, 3 and 4.

**Mr O’Loan:**

*[Inaudible.]* I notice that a legal challenge to the British Budget has been made on equality grounds. Given that we need a very fast process, which may not allow adequate time for all that equality screening, are you concerned about that?

**Mr Brennan:**

The legal challenge to Whitehall Departments is to do with the impact of the Budget on gender imbalance. Our equality screening procedures are significantly more advanced than those in Whitehall. For example, we publish high level equality impact assessments on a departmental basis. *[Inaudible.]* is quite unique, and we put a lot of resources into delivering that.

**Mr O’Loan:**

Even in this very compressed period *[Inaudible.]*.

**Mr Brennan:**

Yes, our Budget guidance to Departments makes it mandatory to publish that.

**The Chairperson:**

In recommendation 10, the Committee added that Departments should publish the results of the equality screening undertaken in respect of each spending proposal. In your response, you merely noted the recommendation. How will you oversee its implementation?

**Mr Brennan:**

All we can do is to tell Departments to make sure that they undertake the work. We will not accept bids from Departments unless they say that they have undertaken high quality equality impact assessments. So, their bids will not get anywhere unless they have undertaken that work. The difficulty is that the responsibility for publishing the information resides with individual Ministers. DFP cannot force Departments to publish that information; the responsibility lies with Ministers. All we can ask them to do, as a matter of best practice, is to make their best endeavours.

**Mr Hamilton:**

I have a point about recommendation 13. In echoing what colleagues have said already, I question the risks associated with it. The indication is that, for example, if this Committee backs a recommendation that Land and Property Services (LPS) gets x million more pounds to help recoup the rates arrear, we say that that *[Inaudible.]* should be taken from the central

expenditure division, rather than saying that the bid that we are backing is strategically important for *[Inaudible.]* PSA targets and the Programme for Government (PFG) and that that money should not necessarily be found from DFP's internal budget. Is it not a fundamental point that we should be encouraging Committees to look not in silos but more widely? However, that creates another risk, which is that Committees could get silly. We could say that we want £5 million for LPS and that it should come from the Department of Health, Social Services and Public Safety, which should stop x, y or z because we do not think that those are important.

**Mr Brennan:**

To be honest, I do not think that Committees could win at that game because they would be second-guessing Departments in terms of the resources that are available and *[Inaudible.]* prioritisation. However, the first part of the issue is correct: Committees could outline what they think should be done. The difficulty is going to the next step and identifying where to take money from. There is an information breakdown between Departments and various Committees. The more information that is put in the public domain, *[Inaudible.]* debate on prioritisation is going to be.

**Mr Hamilton:**

I do not disagree with the principles behind that. In fact, I am very supportive of them. However, I worry that Departments may not give the information and that Committees then just give very basic statements *[Inaudible.]*. I do not think that it is strategically good to limit where savings can be made to internally within one Department.

**Mr Brennan:**

The Programme for Government should give some over-arching strategic sense of where the priorities should lie. *[Inaudible.]* to identify individual Department's contributions to that Programme for Government. That is a critical issue. Some people argue that that is a flaw in the existing Programme for Government. Basically, every Department in the Executive could say that they are the number one priority in the existing Programme for Government. They could see what they feed into the over-arching aims of the current Programme for Government. There may be greater transparency in that regard in seeing the linkages through the PSAs.

**The Chairperson:**

Michael, thank you very much for coming along. We will forward any remaining issues for a written response.