Northern Ireland
Assembly

COMMITTEE FOR
FINANCE AND PERSONNEL

OFFICIAL REPORT
(Hansard)

Draft Budget 2011-15: Strategic Issues

2 February 2011

NORTHERN IRELAND ASSEMBLY

COMMITTEE FOR FINANCE AND PERSONNEL

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Members present for all or part of the proceedings:
Mr Daithí McKay (Chairperson)
Dr Stephen Farry
Mr Paul Frew
Mr Paul Girvan
Mr Mitchel McLaughlin
Mr Declan O'Loan
Ms Dawn Purvis

Witnesses:

Mr Michael Brennan	)	Department of Finance and Personnel
Mr Jeff McGuinness	)	

The Chairperson (Mr McKay):
I welcome Michael Brennan, who is head of the central expenditure division of the Department's central finance group; and Jeff McGuinness, also from central expenditure division. We will move straight into questions.

Ms Purvis:
I want to ask you about the Executive's Budget review group, which is looking at revenue-raising proposals that can be deliverable. Some discrepancy emerged during the debate the other day on whether the additional revenue is realisable. To what extent are such measures being examined

by the review group? In other words, does the group have all the relevant information available to it? When will it be able to report on the revenue-raising powers?

Mr Michael Brennan (Department of Finance and Personnel):
The draft Budget published by the Executive had £842 million in additional revenue-raising policies built into that position, ranging from increases in rates, to a plastic bag tax, to reducing housing association grants. That £842 million was deemed robust enough to be factored into allocations to Departments. On top of that, there was £750 million of other revenue-raising options that some Ministers thought were robust enough to be put into the draft Budget position. However, the Finance Minister thought that further work was needed.

Over the next few weeks, the ministerial Budget review group has been tasked with exploring whether it is feasible to bring any or all of that £750 million into the final Budget position. Therefore, as we progress towards the final Budget presentation to the Assembly in March, the ministerial subgroup has been meeting and will continue to meet over the next few weeks to explore options such as the feasibility of introducing a tax or levy on mobile phone masts in Northern Ireland. There are incredibly complex issues, and Departments are taking legal advice. Papers are being submitted to Ministers on the Budget review group to try to decide whether those issues are deliverable in the tight time frame of three to four weeks.

Ms Purvis:
When will that report be available for this Committee and other Committees to scrutinise prior to the Budget debate?

Mr Brennan:
The timescale is very tight. There are three or four weeks left for the Executive to decide what measures can be brought into the preparation of a final Budget position. Once the Executive have that, it will be for the Finance Minister to present the details of the final Budget position to the Assembly for consideration and approval.

Ms Purvis:
Is there no timescale on that yet?

Mr Brennan:

No.

Ms Purvis:

In times of recession, the demand for public services tends to increase. We will see that in respect of the Department of Health, and probably the Department of Justice. When you were considering departmental budget allocations, did you have access to forecasts and to how demand is likely to change over the next four years?

Mr Brennan:

The bids that the Department submitted were ranked in terms of priority, so, for example, a number of Departments had what were deemed inescapable pressures. Those bids had to be factored in and met for legal and statutory reasons. After that, Departments submitted a range of prioritisation bids. They were ranked, and resources were allocated accordingly. Therefore, for example, health bids reflected statements made by the Health Minister and the Department of Health, Social Services and Public Safety that there are pressing needs in respect of issues such as demographics and an ageing population. Those issues would have been to the forefront as Departments formulated the bids that came into the draft Budget position.

Ms Purvis:

Is that information published? Can those forecasts be provided to the Committee for scrutiny?

Mr Brennan:

There is a difficulty with the quality of information that Departments have provided in publishing their spending and savings-delivery plans. There is a wide range of quality and transparency in the information that Departments have made available on their websites and have published. You can see where some Departments' priorities lie in respect of drivers and meeting bids. The information provided by other Departments provides virtually no insight into the demand pressures that forced them to construct the bids that went to the Executive.

Ms Purvis:

Do you have sight of those when making your allocations? Are they available?

Mr Brennan:

All that we have is information that is keyed into what is known as the DFP database by Departments. That information is available to us.

Ms Purvis:

We mentioned inflation before when the figures were first publicised in the draft Budget. Inflation changes; it has changed since the draft Budget was published. What mechanism have you put in place to ensure that Departments can work collectively to moderate the pressure of core inflation over the next four years?

Mr Brennan:

Last summer, Departments were asked to produce efficiency savings plans that would generate a 5% efficiency saving per annum; that was the cut imposed. Inflation has gone up, and we constructed a draft Budget position. For example, the inflation factor for 2011-12 was 1·9%, but it has now gone up to 2·5% — quite a significant rise. As we understand it, the inflation assumptions for the latter three years of the Budget period are reduced.

The inflation assumption will have a number of effects, both positive and negative. For example, applying the higher inflation uplift to the regional rates figure would bring in higher regional rate receipts, but if, for example, the Executive hold a position that the health element of the DHSSPS budget is protected in real terms, the inflation uplift to Health would be higher. The health element of the draft Budget decision got 1·9% inflation plus 0·2%, but the Executive might decide that, because inflation has increased, they would have to put through 2·5% plus 0·2%. Inflation exerts pressures to the benefit of the Executive as well as to their detriment.

Mr McLaughlin:

Departments have a role in strategic budget co-ordination. What action is taken to ensure that cuts made by one Department do not significantly increase the demand for services from another? I am thinking about fairly obvious interfaces between the Departments of Employment and Learning (DEL) and Enterprise, Trade and Investment (DETI) and other policy areas; the Department for Social Development (DSD), DHSSPS and Education. Have you considered the collateral impact of cuts in one Department on Departments that have to work closely together in provision of services?

Mr Brennan:

Departments have two avenues to raise concerns. If the Department of Employment and Learning is concerned that a policy of the Department of Enterprise, Trade and Investment impacts on it in a negative way, it has two avenues through which to express or register concern: either make an additional bid, or ask for the DETI position to be revised.

One avenue is through the finance director meetings, which are chaired by DFP on a regular basis. At those meetings, finance directors from all Departments come together to discuss the emerging budgetary position. That is when, for example, the Department of Employment and Learning finance director would register concerns about the impact of a policy flowing from DETI or any other Department. The second avenue is through the ministerial budget review group, where many of the issues discussed tend to be cross-cutting and are not looked at in terms of departmental silos. The wider implications are considered there as well.

Mr McLaughlin:

Is that process time-bound by the publication of the draft Budget document or the publication of the final Budget decision? Is it ongoing as we speak?

Mr Brennan:

Yes, it is. The ministerial budget review group has met since the draft Budget publication, and there are meetings next week at a ministerial level on a range of these specific issues that cross departmental boundaries. As I said, the finance director meetings are regular occurrences; they are added to diaries every two or three weeks.

Mr McLaughlin:

Presumably, that is serviced by the publication of the departmental spending priorities.

Mr Brennan:

Yes; also individual ones. For example, permanent secretaries and Ministers make representations about their concerns.

Mr Frew:

The Committee gets correspondence from all other Committees on their concerns, worries and, indeed, support for their respective Departments' budgets. As regards cross-cutting measures that affect other Departments and society as a whole, it would be useful to know a Committee's views on another Department's budget. Is there any mechanism by which that could be achieved? How does the Department of Finance and Personnel envisage that that might happen in an instance whereby, for example, the Committee for Health is concerned about an aspect of the DSD budget that might impinge on its respective Department? Is there a mechanism for that? How does the Department gauge or get a feel for that?

Mr Brennan:
The ideal mechanism would be that all information that is published by individual Departments is completely transparent and detailed enough to give the various Committees sufficient insight in respect of what is going on in order for them to register concerns. The fact that so many Committee Chairpersons expressed concern in the take-note debate on Monday 31 January 2011 signals that that ideal mechanism is not working and that there is no transparency, as I mentioned earlier.

The fallback position, which I mentioned a short while ago, is that we have to use the finance-director network and ministerial Budget review group sessions to try to embrace any cross-cutting concerns. For example, the green new deal is a high-profile key issue in the draft Budget position that embraces five or six Departments. The ideal scenario would be that five or six Committees formulated a collective view and represented that back through the Committee for Finance and Personnel. At present, however, we have to take comfort from the fact that DSD chairs a working group of officials which brings their views back through the finance director network to us. We are also able to relay views directly to Ministers on the Budget review group.

Mr McLaughlin:
In recent days, it has been mentioned in the press that £3.3 billion is being held by NAMA. The deputy First Minister also referred to that in the Assembly. How robust are assurances that there will not be a fire sale of those assets, especially considering the election scenario?

Mr Brennan:
I am aware that Brian Lenihan has given an assurance to the Minister of Finance that there will not be a fire sale of those toxic assets. In many ways, one can understand the logic behind that. It is in no one's interest to have a fire sale. It is not in the interests of the Dublin exchequer, the property market here or the Executive.

Mr McLaughlin:

I applauded the Minister of Finance for moving quickly with the establishment of NAMA to secure an arrangement whereby the Assembly could register its concerns and views. As of today, what is the likely timescale for realisation of those assets? What do you believe are the implications for the local economy?

Mr Brennan:

I will have to get back to you on that. I am not close enough to the detail of NAMA with regard to the timescale for disposal of assets. I will contact the relevant official and relay that information back to the Committee.

Mr McLaughlin:

Given the mechanism that was agreed between the two finance Ministers, can we get an up-to-date position on the extent to which they are consulted before action is taken or whether they receive a report after the event?

Mr Brennan:

I am aware that there are Northern Ireland representatives on the roll-out of NAMA. I can certainly ask them to provide an update on where they see the NAMA wind-down going in Northern Ireland.

Mr Jeff McGuinness (Department of Finance and Personnel):

On 13 January 2011, the Minister of Finance met Brian Lenihan to discuss NAMA, among other issues. He raised concerns of a similar vein.

The Chairperson:

Assembly research showed us that, in real terms, capital allocations will rise for only four Departments and that, in the remaining eight, capital budgets could be cut by up to 96·2%, which is quite significant. Can you explain the rationale for underpinning those capital allocations across the Departments and how they were assessed for the highest social and economic value?

Last week, we raised with officials the proposed capital allocation for DFP. There is a proposal to increase that by 69·1%. What is the rationale for skewing the majority of that towards year 4 of the Budget? Given the pressure on the construction sector, can that be reviewed so that it is brought forward?

Mr Brennan:

The biggest driver in determining the capital allocations to Departments was the review of Departments' contractual commitments over the next four years. We did not start with a zero base, with all the Departments having no capital allocations. The difficulty was that, in all Departments, there are a number of contractual commitments that have to be rolled out. For example, over the next three or four years, road schemes are being rolled out, the contracts for which had been signed before the draft Budget position was constructed. Those contractual commitments have to be honoured, and they are built into the capital allocations to Departments. That was the single biggest driver.

The Chairperson:

What percentage of the capital allocation does that account for?

Mr Brennan:

It is roughly 50% in year 1, decreasing to around 10% or 15% by year 4. That was the biggest constraint in allocating capital. Effectively, it meant that, in the first year, for example, there was very little left in the envelope to allocate to the Executive's priorities in the capital process.

The difficulty with moving resources across years is that the constraint over moving capital from one year to another is set by the Treasury, and we cannot break that. However, the Executive have reclassified some £252 million of current spend into capital spend over the four-year period to increase the capacity on the capital side. The difficulty that we now have is that some individual Ministers are looking to move resources back from capital to current to ease some of their immediate, upfront resource pressures. That will change as we get to final Budget stage.

That a lot of capital seems to be end-loaded to year 4 is, primarily, because of the point that I made about the capital commitments being so heavily biased in year 1, and tapering away in years 2, 3 and 4. There are very few contractual commitments in year 4, so a significant amount of bids will be able to be met then. Virtually all of the Departments' capital bids were considered, and a lot of them were met, so that is why there is a heavy emphasis on new bids in year 4.

Consideration will be given to bringing forward bids into years 2 and 3 only when we realise the extent to which individual Ministers want to move from capital back into current. For example, the Education Minister is seeking to move just over £40 million from capital to current in year 1. The total amount of resources that the Executive put from current into capital at block level was only £38·5 million. You can see that one Minister from one Department seeking to move more capital into current would break the totality of what the Executive moved across for all Departments. Only after we address those individual ministerial concerns will we able to look at the issue of skewing and bringing forward projects.

Dr Farry:

I understand the point about the switch from capital to current and that, under Treasury rules, we are allowed to do that in the confines of the overall block allocation. Personally, I think that that it is bad practice; it is almost like extending your mortgage to cover your running costs, and that sits uneasily with me. Is that, ultimately, a decision for DFP to take, or will the full Executive have to decide whether individual Ministers can make those types of reallocations?

Mr Brennan:

The Executive have agreed that individual Ministers will have discretion. The draft Budget paper gives individual Ministers the discretion to reclassify current expenditure as capital expenditure. The Executive also agreed that, in certain circumstances, Ministers can approach the Finance Minister, and then the Executive, when seeking permission to move money the other way. Obviously, it has to be policed at an aggregate level to make sure that we do not breach the Treasury control totals for current and capital switching. Nevertheless, there is a mechanism in the Executive’s draft Budget position. The Health Minister has already put a marker down that she wants to move from capital to current, and I am sure that other Ministers will be in the same position.

Dr Farry:

Do you mean the Education Minister?

Mr Brennan:

Sorry, yes; the Education Minister. Other Ministers will certainly be in the same position.

Dr Farry:

To return to the departmental spending plans, the issue is really about their ultimate presentation, because, if memory serves me right, the 2007 position, going into 2008-11, was that, from a high-level perspective, the departmental spending plans were attached to the draft Budget document. Concerns have been articulated here today and elsewhere about the variations in the quality and detail in those. I appreciate that we are up against time, but is it the intention to integrate those plans into the final Budget statement that goes to the Assembly, or will the Assembly be asked to vote on a document with a level of detail similar to that in the draft Budget statement, with each Department producing its spending plan almost in isolation and based on headline figures?

Mr Brennan:

DFP's working assumption is that the final Budget document that is brought to the Assembly will include that disaggregated, detailed information under spending area and unit of business. I mentioned the fact that the Departments are populating the DFP database with details of where they think they will spend money. We will be able to construct and publish the tables that you are talking about for the final Budget document. Our worry is that some Departments might be less forthcoming than others when providing that information. If that is the case, DFP will publish what it has on the database for each Department at that particular time.

Dr Farry:

That will be your as opposed to their interpretation of what they are doing.

Mr Brennan:

It is the only way in which we can provide any sort of transparency. We cannot have a Budget document coming out in March that has detailed spending area and unit of business allocations for 10 Departments and, for example, one line for a Department containing a single figure of, say, £3 billion going into area A. That would undermine the analysis of, and the debate on, the Budget position.

Dr Farry:

The document on which the Assembly will vote will have legal effect under the Northern Ireland Act 1998, as opposed to anything that the Department might wish to argue to the contrary. Nevertheless, a massive amount of work has to be done to reconcile all that.

Mr Brennan:
Yes.

Dr Farry:
Perhaps we should let you get away as quickly as we can to allow you to get on with that.

We received a fairly detailed submission on preventative spending from the Assembly's Research and Library Service. Preventative spending has come up in this and other Committees and on the Floor of the Assembly. I appreciate that you will probably tell me that it is not an issue for the Executive to address, because it is for individual Departments to do that. However, is there scope for the Executive's central, final document to endorse, at a very high level, preventative and early-intervention spending and for the Executive to collectively urge individual Ministers to address the matter in their four-year plans? Presumably, there are other things that you can bring in, such as North/South co-operation. Is active consideration being given to getting such high level strategic steering into the final document?

Mr Brennan:
In many ways, preventative spending is already a critical issue in the draft Budget position, because what you would term "preventative spending" I would call "the invest-to-save allocations of £400 million". For example, in the Department of Agriculture and Rural Development, for the sake of an investment of £18 million in the land parcel and identification scheme now, there is the potential to save many tens of millions of pounds in EU fines. That is preventative spending. The draft Budget position is allocated £75 million in each of those four years, so £25 million a year is still unallocated in that area across the four years.

Dr Farry:
I take your point, Michael. However, we would be thinking of a much broader concept than preventative spending. The invest-to-save fund is worthy, but there are concerns about the amount of money actually allocated to it. Also, there does not seem to be any evidence of cross-cutting preventative spending. In fact, there is still a silo mentality.

Individual Departments need to tackle cross-cutting issues such as early-years intervention and education and the need to reduce offending. A lot of people will think of preventative spending when they talk about those issues. However, we are obviously not yet at the policy level where we can address a lot of them. Nevertheless, there needs to be a very clear steer from the top, whether it is through the Programme for Government, which is another issue entirely, or the Budget statement, to give Assembly Members and Departments the opportunity to push ahead with this over the next number of years, because things will have to shift. I will take your nod as a sign that you agree with my point.

Finally, a lot of us accept the need for a four-year Budget for advanced planning. However — I think that Declan made this point — we do not see this as set in stone for four years because the economic circumstances and the property market will eventually change. The Department needs to think beyond the traditional monitoring process of adjusting to changing circumstances and to build something in that allows the Executive to drill down slightly deeper as the situation changes, while accepting that we have to go for four years.

Mr Brennan:

Setting a Budget for four years is a unique experience. The fact that the UK coalition Government have time-bounded the spending review for four years shows their intention and commitment to try to force the Whitehall Departments into living within that envelope. If a three-year envelope were sent, people may not take that as seriously as a four-year constrained envelope and may not, therefore, necessarily drive forward efficiencies and savings. Therefore, constructing a Budget is a unique experience. The extent to which the Northern Ireland Budget will really open depends on where the UK Government go and on what additional resources will come from Barnett over the next four years.

The obvious avenue of discretion available to the Executive to enable them to move resources around over the next four years is the monitoring round process. However, the number of resources moved around in the four monitoring rounds over recent years has diminished quite significantly. As the financial regime tightens, the amount of resources that are free to move around also tightens considerably. EYF is getting progressively smaller year on year, as is the amount of resources being moved around and reallocated. Given that the overall Budget settlement for the block grant over four years is so tight, I would question the scope for monitoring rounds to be able to make a material difference to the direction of the Budget, and the Programme for Government, when that emerges.

Dr Farry:

That does not reassure me terribly. I will leave it there. However, I will return to it.

Mr O'Loan:

I want to come back to a couple of points that have already been raised, and I will start with the one that Stephen has just opened up.

You already indicated that ongoing work is taking place between creating the draft Budget and the creation of the final Budget to gain further resources. I asked you whether that work would continue even after the final Budget has been created, and you indicated that it would. When I asked the First Minister about that, he was extremely enthusiastic about it. Speaking at the launch of the jobs plan issued by the eight big business bodies yesterday, the Finance Minister was also very open to the idea of having — I believe that he used this term — a living document for the Budget. I take all of that as very positive. However, in response to the research paper that we sent, all that we got back from you was a line and half stating that reviews of Budget allocations are routinely done as part of the in-year monitoring process. You said that again just now, and even went on to emphasise that less and less happens in the monitoring rounds. It is a much more negative approach.

I note that the point in the research paper that we asked you to respond to referred to annual reviews. That seems like a statement that, no, there will not be any annual reviews of the Budget. I understand the need to achieve stability. Departments need to be able to plan ahead, and that is the point of a four-year Budget, but there is a fundamental political point: are we going to try to be imaginative; do we just batten down the hatches and try to get through these four years; or are we trying to achieve something? There is a world of difference in the messages coming from the Department. Is the Budget is a living document, which a very creative way of describing it, or is it locked down? Will monitoring rounds be the most we will have, through which not much will happen? Do you have a clear departmental position on that?

Mr Brennan:

I do not think that there is a problem at all. The Budget document sets out the allocations at a point in time. A range of revenue-raising options are being considered, some of which may materialise in time to be factored into the final Budget. Others may not, but they will still be pursued. If they are pursued and they come to fruition by way of generating receipts, they can be brought into the system and allocated to Departments. The Budget process is a living one that constantly changes.

Assumptions are built into the Budget position about receipts to be generated; there is an additional £100 million above what Departments have factored in. If a Department decides to sell off an asset in June or September, after the Budget has been published, which would generate a significant receipt for the Executive, then that would be reallocated as part of the monitoring process. There is a regular process to allocate receipts that come in after the Budget is agreed by the Assembly. The Budget is a living process and the monitoring rounds are the mechanism to get the resources out, including significant resources.

However, it also works the other way. In the 2010-11 financial year, it became apparent that the financial allocations at the start of the year were not sustainable, which is why the Executive had to publish a revised spending plan for 2010-11. A Budget process is constantly changing; that is always ongoing. That is the rationale for having monitoring rounds; that is the mechanism whereby we can make the adjustments and reallocate the resources.

Mr O'Loan:
Do you see any potential gains or new resources as being entirely on the capital side?

Mr Brennan:
I cannot foretell what will happen in the UK Budget process. The coalition Government have an annual Budget whereby it moves allocations around Whitehall Departments. We receive Barnett consequentials as a result of that, so a significant decision could be taken in Westminster that has consequences for us on the capital or resource side. We cannot foretell that.

Mr O'Loan:
Fundamentally, it comes back to attitudes and how aggressive we are or how keen we are to achieve change around matters that we are in control of; not just what comes from the Treasury. I still think that we are getting mixed messages and that we do not know where we are on that point.

On the issue of efficiencies, the performance and efficiency delivery unit (PEDU) is not specifically referred to in the draft Budget. One would have thought that, given the severe pressure on all Departments and the desire to maintain our level of service, there would be a more enhanced view of how we do things better and make Departments operate more efficiently. That point was made by the business leaders at the 'Jobs Plan' launch yesterday. I think I am right in saying that there is a decision not to have administrative savings targets, and I do not see a positive, coherent and overarching approach to achieving efficiency and ensuring that our public sector is operating far more efficiently. I find it startling that that is not there.

Mr Brennan:
Although PEDU was not specifically referred to in the draft Budget document, its work goes to the core of the efficiency agenda in our two biggest Departments, Health and Education. The Health Minister and the Education Minister have agreed to work with PEDU on an efficiency assessment agenda.

Two conditions were imposed as part of the June monitoring round this year. For example, a £20 billion efficiency target was imposed on the NHS in England as part of the NHS settlement there. No efficiency target was imposed on DHSSPS here, but PEDU is working with it on an efficiency assessment exercise. A recent paper from the Assembly's Research and Library Services compared health funding in Northern Ireland to that in England. It quoted two leading health economists who said that, although no allocation had been made for efficiency improvements in the Health Service here, a figure of between 5% and 8% should be able to be found. Any efficiency savings that are driven out of DHSSPS are for the betterment for the health services in Northern Ireland. Work is ongoing by PEDU and DHSSPS to drive forward efficiencies in that Department, although that is not explicitly referred to in the draft Budget document.

The decision was taken to do away with the policing of the admin cost regime. That regime was a control mechanism that was imposed at a time when the public expenditure system was awash with money, and there was a concern that Departments would go on a spending splurge and recruit staff right, left and centre, without any mind to the long-term consequences. However, we are now in a materially different world in which the resource budgets in Departments have decreased dramatically and departmental expenditure limit resource budgets effectively take on the role of admin cost control.

Mr O'Loan:

I cannot help thinking that the challenges and the opportunities of creating efficiencies and the little unit that is PEDU, which has no specific expertise, do not quite match up. One cannot see that little unit coming to grips with the Department of Health, Social Services and Public Safety, which spends £4 billion a year, employs thousands of people and is organised and structured in different ways. I am sure it will find something good, but we are not getting to grips with the scale of the challenges and the opportunities for efficiencies. A cultural change is needed as much in the political community as the administrative community, and if there were a will to do that, we would at least have embarked on it. It is not happening as it should, but I will leave that as a comment, rather than demand a response.

Mr Girvan:

You referred to the health expert from the Republic of Ireland who commented that 5% to 8% savings could be made in the Health Service here, year on year. To back up what Stephen said, there are opportunities for efficiencies. Are Departments engaged to work outside their silos? The overarching Department is the Department of Finance and Personnel, and although collaboration could effect change, I do not think that Departments are willing to give up their wee empires. PEDU is an area that could develop the expertise to make those changes throughout the Civil Service. Is that engagement taking place?

Mr Brennan:

As I said, PEDU is currently working with the two largest Departments. In the early days of the ministerial Budget review group, a wide range of work was commissioned by Departments, not just on creating additional revenue sources, but on activities such as cutting back on discretionary spends, rationalising arm's-length bodies or merging existing functions to drive our efficiency savings. We saw those papers, and a great deal of genuine and valuable work could be explored. However, the time constraints in constructing the Budget unfortunately mean that we will be unable to deliver those results, and the Executive will not be able to factor those into the final Budget position. I expect that Ministers will want to pursue all of those options when the Assembly and Executive come back after the election. There is a great deal of good material. It should not sit on the shelf and gather dust.

Mr Girvan:

You referred to arm's-length bodies. A number of us believe that there needs to be more focus on that issue. It was mentioned in the December ministerial statement. I know that work has been under way. Perhaps other members will want to come in on that issue. What work has been undertaken to rationalise those arm's-length bodies? How is it progressing?

Mr Brennan:

Work is under way in the Office of the First Minister and deputy First Minister to bring a paper to the Executive on rationalisation. The difficulty is that it takes considerable time to rationalise and close bodies. That is why, a short while ago, I made the point that, although it is not deliverable in time for the final Budget stage, that work will have to be progressed as a matter of urgency, I would have thought, post May.

Mr Girvan:

Will the final Budget include an indicative figure of savings that could be achieved and how they will be allocated?

Mr Brennan:

I have not seen the final paper from OFMDFM. Therefore, I cannot comment.

Mr Frew:

I have been sympathetic to the decision to move revenue to capital. However, economists have told us that there is no such thing as a free lunch. I believe that that was the precise phrase that they used. Now we see Departments and Ministers trying to claw capital back to revenue. We were told to be careful with regard to job losses. Are we confident that what has been moved from revenue to capital will not impact directly on job losses?

Mr Brennan:

Trying to judge what its net effect will be on employment is an incredibly complex area. If you look at capital spend, for example, by the time we get to the end of the Budget period in 2014, it will be around £1·5 billion. That is above the long-term trend for Northern Ireland's capital spend. Therefore, although the capital position takes a dip for a couple of years, it gets back to above the long-term trend. The issue is whether, for example, the local construction industry should plan on a long-term basis for delivering projects, employment trends, and so on.

The worry when you start to look at what the employment impact will be is that, yes, the Executive took a position to transfer £252 million from current to capital. Because that will benefit capital projects, there will be short-term construction employment benefits. However, if, as a consequence of that, significant pressures are created on the current side — I mentioned that the Minister of Education wanted to move £40 million from capital to current, which may be used to pay teachers or classroom assistants — you have a trade-off. Therefore, cutting current spend could actually lead to a reduction in employment on the current side. That gets you into a debate as to whether it is better to safeguard teaching or classroom assistant jobs than jobs in the construction industry. To say that money should be put into capital because it increases employment is not a clear-cut argument. The matter is not as simple or logical as that.

Mr Frew:
I suppose that the Department of Education is a bad example in that regard because of its large front line element. However, in a general, strategic sense, I said in the take-note debate that the Budget's strategy must be to protect the most vulnerable people while also to enhance the economy, which is the Government's priority. When you look at individual comments and submissions from Committees, you see that the Committee for Enterprise, Trade and Investment is very concerned with Invest NI's slice of the Budget. It talks about wanting to provide end-year flexibility for Invest NI. The Committee for Employment and Learning is concerned about how the economy can be controlled and enhanced. The Committee for Regional Development is concerned about the level of investment in road schemes, which will have an impact on the economy. Is the Department sure that the Budget goes hand in hand with the Government's priorities and economic strategy? Is the Department confident that it can do that, or does the Programme for Government see the economy going one way with the draft Budget effectively sending it the other way? Are you confident that those can work hand in hand to achieve the common goal?

Mr Brennan:
The construction of the draft Budget was an incredibly complex challenge for the Executive in matching competing tensions. For example, the Executive's protection for the health budget effectively ring-fenced 50% of the block automatically. There was an acknowledgement that the only long-term way to address the wealth and vibrancy of the Northern Ireland economy is to

boost employment and invest in the future. That is why the DETI settlement, for example, looks quite good when you look at the headline numbers. I know that Invest Northern Ireland has some concern about its budget and that it is looking for additional resources and increased discretion and flexibility around EYF carry-over.

Those are issues with which Ministers will have to grapple over the four or five weeks, but the bottom line is that, if you decide to allocate more resources to the economy, either through DEL or DETI, you will have to take resources away from other areas. There has to be losers, so it is an incredibly difficult balancing act for the Executive to get right.

Mr Frew:
As I remarked in the debate, we do not want to find that we have bound and gagged the tools and instruments of the economy and left it as a hostage tied up in a room as the world economy passes us by. This is the time to plan how to get the economy out of recession. It is important that all Members and Departments remember that.

The Chairperson:
That brings this session to an end. Michael and Jeff, thank you very much.

Mr J McGuinness:
Chairman, I would just like to clarify something that was said earlier in response to Dr Farry. The revised Budget is published at unit-of-service level, not unit-of-business level. That is to reassure all of the finance people who are listening.

The Chairperson:
Thank you.